

# QUARTERLY REPORT

October to December 2014



## Australian Pacific Coal ASX: AQC

Australian Pacific Coal (AQC) is an emerging ASX coal explorer focused on the Bowen Basin, Queensland.

Through a series of acquisitions, AQC has positioned itself with both metallurgical and thermal coal projects potentially suited for underground and open cut mining.

The focus of AQC's operations is to value add the coal projects through evaluation of resource potential of the projects followed up with drilling as required to prove up the resource. Early stage drilling has commenced on selected projects.

Following on from the value add process, AQC's exploitation opportunities for individual coal projects include development of the project in its own right, farm-in, joint venture exploration, joint venture development or outright sale.

AQC's long term strategic focus is based on seeking out and identifying potentially lucrative resource investment opportunities.

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**Paul Byrne**  
Chief Executive Officer  
[pbyrne@aqcltd.com](mailto:pbyrne@aqcltd.com)

## Quarterly Activities Report

### KEY POINTS

#### Coal exploration

- Field exploration activities have been deferred until 2015 funding has been finalised.
- Rio Tinto Exploration is actively engaged in development planning for the expansion of their Hail Creek mine in areas that include our Mt Hillalong JV tenements.

#### Corporate

- Additional \$188,415 proceeds from Share Purchase Plan Received in October further secures the cash position of the company.
- Shareholders approved a one for five share consolidation at the Company's Annual General Meeting held on 24 November 2014.

## Chief Executive Officer's Comment

This quarterly report gives me the opportunity to remind our investors that over the past years we have collected within our company a pool of valuable projects. A brief summary of our key projects is provided in this report. These are the projects that we have identified as high quality projects with good development potential.

This has been a difficult period in which to secure funding for exploration. We continue to attract interest in our projects and there is clear recognition by potential investors that our company holds valuable projects. However, within the current risk averse economic environment potential investors are generally only negotiating to secure their place in the future development of our resources. Our negotiations with these potential investors are always conducted to ensure that the financial returns from development of our resource assets will benefit our shareholders.

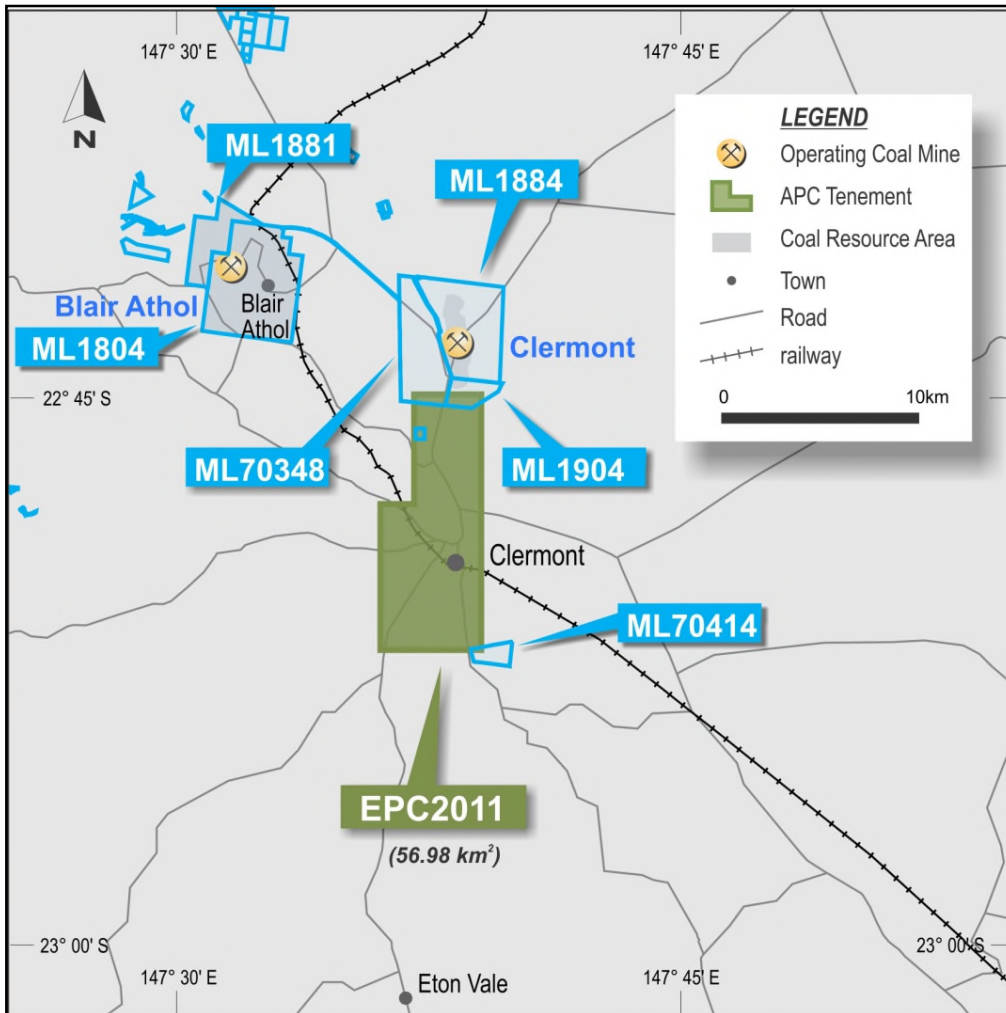
As a final comment on this quarter, I am often asked about the progress of our agreement with Rio Tinto Exploration. I can confirm that our agreement with them remains very much alive and we are now awaiting the option exercise date being 23 August 2015. Rio have taken initial steps towards the expansion of their Hail Creek mine. This development planning includes areas that are covered by our Mt Hillalong JV tenements.

Thank you,

Paul Byrne  
Chief Executive Officer

## Coal Exploration

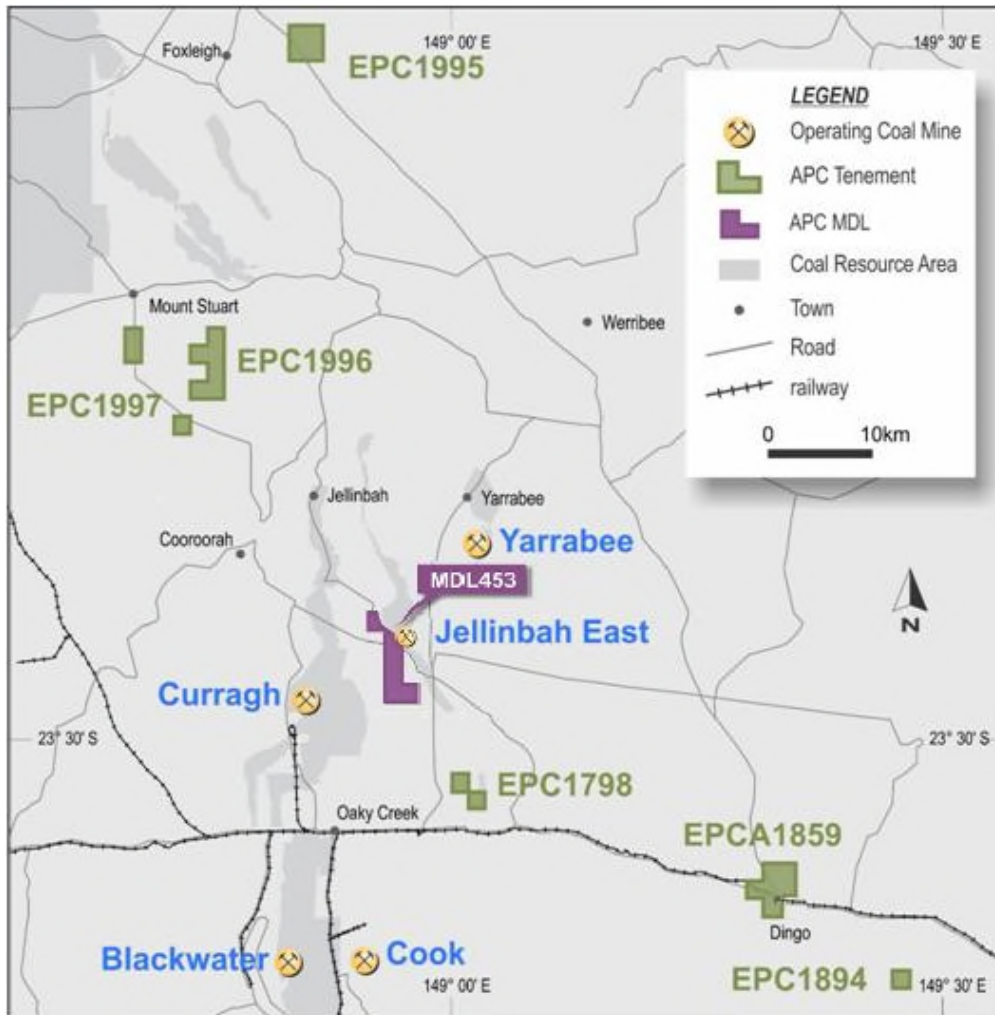
### South Clermont Project (EPC 2011 - AQC 100% owned)



- Abuts Glencore's (formerly Rio Tinto's) Clermont Coal Mine purchased for \$1bn (50.1% share) - reserves of 172Mt in 2012 – producing at 10Mt + pa. Drilling program required to elevate project to Measured JORC Resource
- Target – Clermont Basin with potential for thick open cut mineable coal seams
- Average thickness of main seams in neighbouring mines:
  - Blair Athol – 29m
  - Clermont – 38m
- Gravity low target identified for drilling
- Located near two rail networks providing access to major coal ports at Mackay and Gladstone

The company has a non-binding Heads of Agreement with Linchpin Capital Group Limited to jointly develop the tenement. While their negotiations are continuing and their agreement with us may still proceed, Linchpin have not been able to settle their third party funding agreements at this stage.

## Blackwater Projects (AQC 100% owned)



### Cooroorah (MDL453)

- 124.9Mt (69.6Mt Indicated & 55.3Mt Inferred) in accordance with JORC Code 2012
- Infill drilling program to elevate project to Measured JORC Resource
- Targeting PCI and semi-soft coking coal
- Located near rail network and developed infrastructure

### Dingo (EPC 1859)

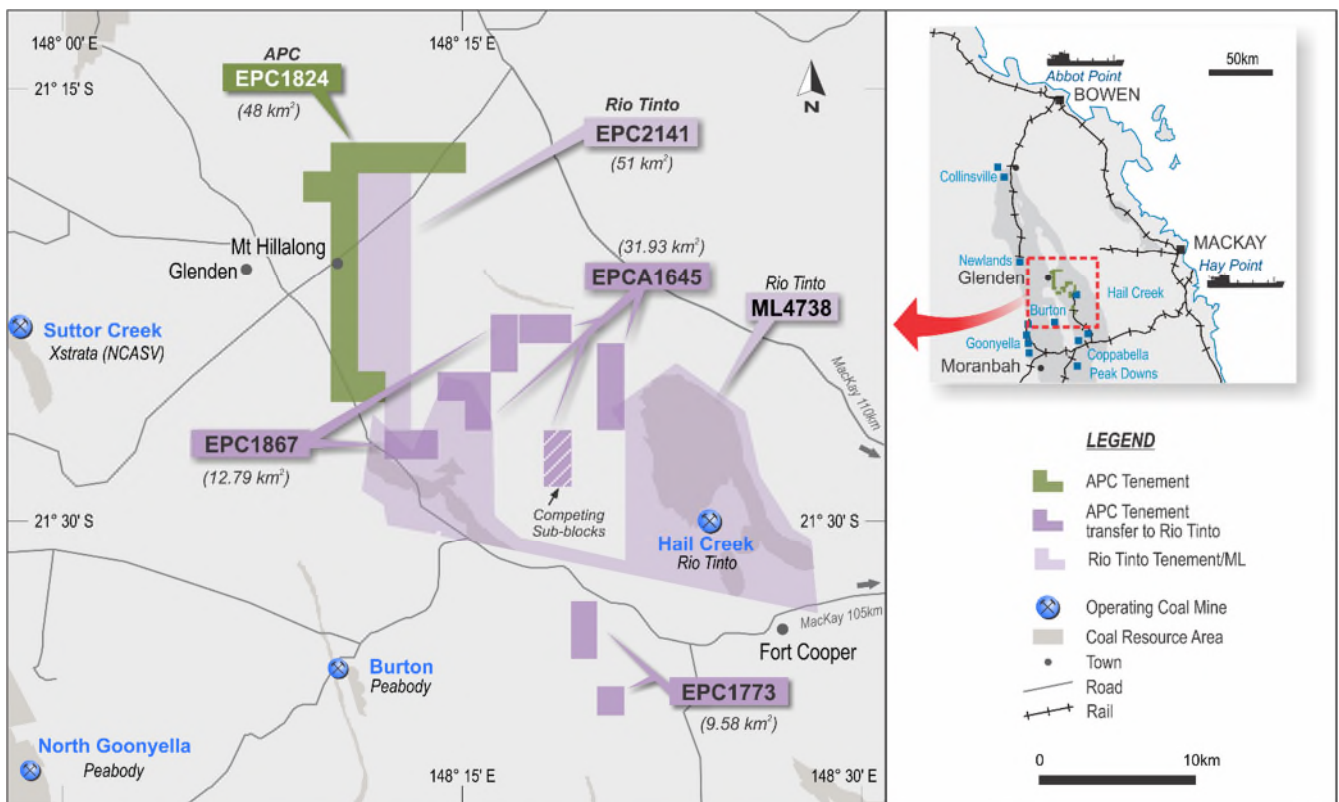
- 30 km east of operating Blackwater and Curragh mines, targeting Rangal Coal Measures
- Initial coal quality results indicate potential for high yielding low volatile PCI coal
- Modelling and coal quality assessment is ongoing
- Located on rail network

### Carlo Creek (EPC 1995)

- Lower priority project. Drilling has indicated prospectivity for shallow German Creek and Fort Cooper seams. Further drilling required.

## Mt Hillalong Project - JV with Rio Tinto Exploration

- Rio Tinto to solely fund and manage exploration program on EPC 1824 to exercise right to earn a 75% working interest.
- 2 year commitment period for exercise of the option commenced on 23 August 2013.
- Exploration drilling has been undertaken with results being assessed.
- In close proximity to Rio Tinto's Hail Creek Mine, producing 8Mtpa of hard coking coal, and part of Rio Tinto's main coal hub





## TENEMENT HOLDINGS

TENEMENT	TENEMENT NAME	Holder	Exploration/JV Agreement with	DATE GRANTED
EPC 1773	Kemmis Creek	Rio Tinto Exploration Pty Ltd	Rio Tinto Exploration Pty Ltd	29/10/2010
EPC 1965	Kanga Creek	Area Coal Pty Ltd		28/03/2011
EPC 1824	Mount Hillalong	Area Coal Pty Ltd	Rio Tinto Exploration Pty Ltd	31/03/2011
EPC 1859	Dingo	Area Coal Pty Ltd		31/05/2011
EPC 1867	Mount Hess West	Rio Tinto Exploration Pty Ltd	Rio Tinto Exploration Pty Ltd	15/05/2012
EPC 1920	Comet River	Area Coal Pty Ltd		18/02/2010
EPC 1894	Rocky Creek	Area Coal Pty Ltd		29/03/2010
EPC 1895	Dawson River	Area Coal Pty Ltd		29/03/2010
EPC 1566	Bee Creek	Area Coal Pty Ltd		20/01/2014
EPC 1638	Spear Creek	Area Coal Pty Ltd		
EPC 1645	Mount Hess	Area Coal Pty Ltd	Rio Tinto Exploration Pty Ltd	
EPC 1896	Bottle Tree Creek	Area Coal Pty Ltd		27/06/2014
EPC 2011	South Clermont	Area Coal Pty Ltd		01/05/2014
MDL 453	Cooroorah	Area Coal Pty Ltd		22/01/2014
EPC 1979	Kingsthorpe	Blackwood Resources Pty Ltd	Blackwood Resources Pty Ltd	12/10/2010
EPC 2035	Bee Creek	Mining Investments One Pty Ltd		12/10/2010
EPC 2036	Ripstone Creek	Mining Investments One Pty Ltd		12/10/2010
EPC 2122	Blackwater	Demycoal Pty Ltd		16/12/2011
EPC 1957	Laguna Creek	Blackwood Resources Pty Ltd	Blackwood Resources Pty Ltd	8/02/2012
EPC 1989	Castlevale	Mining Investments One Pty Ltd		26/07/2012
EPC 1987	Quondong	Blackwood Resources Pty Ltd	Blackwood Resources Pty Ltd	28/09/2012
EPC 2037	Almoola	Mining Investments One Pty Ltd		22/10/2012
EPC 1996	Churchyard Creek	Mining Investments One Pty Ltd		24/05/2010
EPC 1997	Mt Stuart	Mining Investments One Pty Ltd		24/05/2010
EPC 1995	Carlo Creek	Mining Investments One Pty Ltd		25/05/2010
EPC 1955	Bungaban Creek	Blackwood Resources Pty Ltd	Blackwood Resources Pty Ltd	30/03/2010
EPC 2016	Drummond	Mining Investments One Pty Ltd		

TENEMENT	TENEMENT NAME	Holder	Exploration/JV Agreement with	DATE GRANTED
ML 70360	Mantuan Downs No. 1	Ipoh Pacific Resources Pty Ltd		13/03/2008
EPM 19039	Grafton Range	Mining Investments Four Pty Ltd		27/06/2011
ML 50207	Grafton Range	Kokstad Mining Pty Limited		30/07/2009

*Notes:*

1. Australian Pacific Coal Limited retains a 10% interest in the Blackwood Resources Pty Ltd (subsidiary of Cuesta Coal Limited) joint venture tenements.
2. EPC 1824 is 100% owned by Area Coal Pty Ltd (subsidiary of Australian Pacific Coal Limited). Rio Tinto Exploration Pty Ltd holds an option to acquire a 75% interest in EPC 1824. Rio Tinto Exploration Pty Ltd holds a 100% beneficial interest in EPCs 1773, 1867 and 1645. That interest will revert back to Area Coal Pty Ltd should Rio Tinto Exploration Pty Ltd not exercise their EPC 1824 option.
3. Mining Investments One Pty Ltd holds a 100% beneficial interest in EPC 2122
4. All other tenements are 100% owned by Australian Pacific Coal Limited's 100 % owned subsidiaries.

**Compliance Statement**

*Cooroorah (EPC1827/MDL453) Resource Estimate*

The information is extracted from the report entitled - EPC1827 "Cooroorah" Resource Estimate Update - created on 20 November 2013 and is available to view on [www.aqcltd.com/irm/content/asx-announcements.aspx](http://www.aqcltd.com/irm/content/asx-announcements.aspx).

*Dingo (EPC1859) Coal Quality*

The information is extracted from the report entitled - EPC 1859 Dingo Exploration Update - created on 20 August 2014 and is available to view on [www.aqcltd.com/irm/content/asx-announcements.aspx](http://www.aqcltd.com/irm/content/asx-announcements.aspx).

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## Corporate

### Cash Position and Financing Forecast

Cash balance at the end of the quarter was \$337 thousand. The operating cash requirements of the company have been met by the ongoing funding available from the agreement with The Australian Special Opportunity Fund, LP.

During the quarter the company offered shareholders the opportunity to participate in a Share Purchase Plan. An additional \$188 thousand before costs was raised under the SPP which closed shortly after the beginning of the quarter.

### Capital requirements

**Lind Funding Agreement:** On 1 October 2012 the Company announced that it had secured a funding agreement ("the Agreement") from The Australian Special Opportunity Fund, LP, a New York-based institutional investor, managed by The Lind Partners, LLC (together, "Lind"). Under the Agreement, Lind will further invest from AU\$75,000 to AU\$225,000 in monthly share subscriptions, over two years. Key terms of the Agreement are detailed in the Company's announcement released to the market on 1 October 2012.

Directors recognise that equity placements as a source of funding in the current equities market is heavily dilutive. To that end, alternative capital raising options are always being considered and evaluated to enable continuation of the Company's drilling program and the achievement of the Company's objectives.

The majority of company's planned exploration is being carried out by contractors who will earn an interest in the drilled exploration projects. This enables the company to continue its exploration of its tenements without the need to consume additional cash reserves.

### Financial

Cash at bank as at 31 December 2014	\$336,969
Exploration and evaluation payments for the quarter:	(\$72,548)
Other net operating cash flows for the quarter:	(\$197,271)
Net investing cash flows for the quarter:	(\$4,289)
Net financing cash flows for the quarter:	\$213,548
Net decrease in cash held during the quarter:	(\$51,983)



## Corporate Directory

### Directors

**Peter Ziegler**  
Non-executive Chairman  
**Paul Byrne**  
Chief Executive Officer  
**Paul Ingram**  
Non-executive Director  
**Paul Ryan**  
Non-executive Director

### Company Secretary and Chief Financial Officer

Kevin Mischewski

### Listing

Australian Securities Exchange (ASX: AQC)

### Share on Issue

Shares: 236,929,639 as at 31 December 2014  
Options: Nil

### Market Capitalisation

\$1.659 million at 31 December 2014

### Quarterly Share Price Activity

2014	High	Low	Last
December	\$0.020	\$0.005	\$0.007
September	\$0.030	\$0.015	\$0.015
June	\$0.030	\$0.020	\$0.020
March	\$0.045	\$0.025	\$0.030

Historical share prices for periods prior to 26 November 2014 have been adjusted to reflect pricing calculated on a post consolidation basis.

### Substantial Shareholders

Mr Paul Byrne 10.06%

### Principal Office

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10 Felix Street  
Brisbane QLD 4000

### Registered Office

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10 Felix Street  
Brisbane QLD 4000

### Postal Address

PO Box 16330  
City East QLD 4002

### Share Registry

Link Market Services Limited  
Level 15  
324 Queen Street  
Brisbane QLD 4000

### Auditor

Sothertons Chartered Accountants  
L6, 468 St Kilda Road  
Melbourne VIC 3004

### Solicitors

Hopgood Ganim  
L8 Waterfront Place  
1 Eagle St, Brisbane QLD 4000

### Geological Consultants

SW Hayes and Associates  
18 Sussex St, Toowong QLD 4066  
Geological Solutions  
Unit10, 13 Garnett St, Cooroy QLD 4563  
Geological Data Design  
41 Abbey Street, Forrestdale QLD 4118  
Ausmec Pty Ltd  
L4, 190 Edward St, Brisbane, QLD 4000