

QUARTERLY REPORT

JANUARY to MARCH 2012



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.

Paul Byrne
Chief Executive Officer
pbyrne@aqcltd.com

Quarterly Activities Report

KEY POINTS

Coal exploration

- Drilling program schedule finalised at 100% owned Blackwater project
- 2012 drilling program commenced post March quarter
- Drilling campaign to continue through to end December 2012 quarter with potential to extend program
- EPC1957 granted on 8 Feb 2012

Corporate

- Post 31 March 2012, successfully raised \$700,000 via a Placement to institutional and sophisticated investors
- Post 31 March 2012, payment of the \$100,000 balance due for EPC1957 received from Cuesta Coal in accordance with East Wandoan JV Agreement.
- Various funding options remain available to fund further exploration campaigns

Chief Executive Officer's Comment

During the March quarter we focused our efforts on conserving capital while planning for the drilling program at our 100 per cent owned assets at Blackwater. Our planned schedule includes exploration drilling at EPC 1996 'Churchyard Creek', EPC 1827 'Cooroorah' and EPC 1859 'Dingo'. These prospective assets are located in the coal hub of Queensland, the Bowen Basin that supplies some of the world's highest quality metallurgical and thermal coal for global markets.

Post 31 March 2012, we commenced this drilling campaign, starting at Churchyard Creek which consists of first pass drilling at the tenement. It should be noted that the scheduled work, as part of the 2012 drilling campaign at the three Blackwater tenements, is fully funded.

The joint ventures we have at our other projects, with Rio Tinto Exploration at Mt Hillalong and Cuesta Coal at East Wandoan, allow us to focus on our exploration campaign at the Blackwater project.

In our joint ventured projects, we are encouraged by the progress of Cuesta Coal's IPO which closed with strong support post 31 March 2012. We monitor with interest the progress at the projects held with our joint venture partners.

Post the end of the March quarter, we announced a relatively small Placement to institutional and sophisticated investors to further advance our drilling program for this year as well as data collection and evaluation, and working capital.

Paul Byrne
Chief Executive Officer

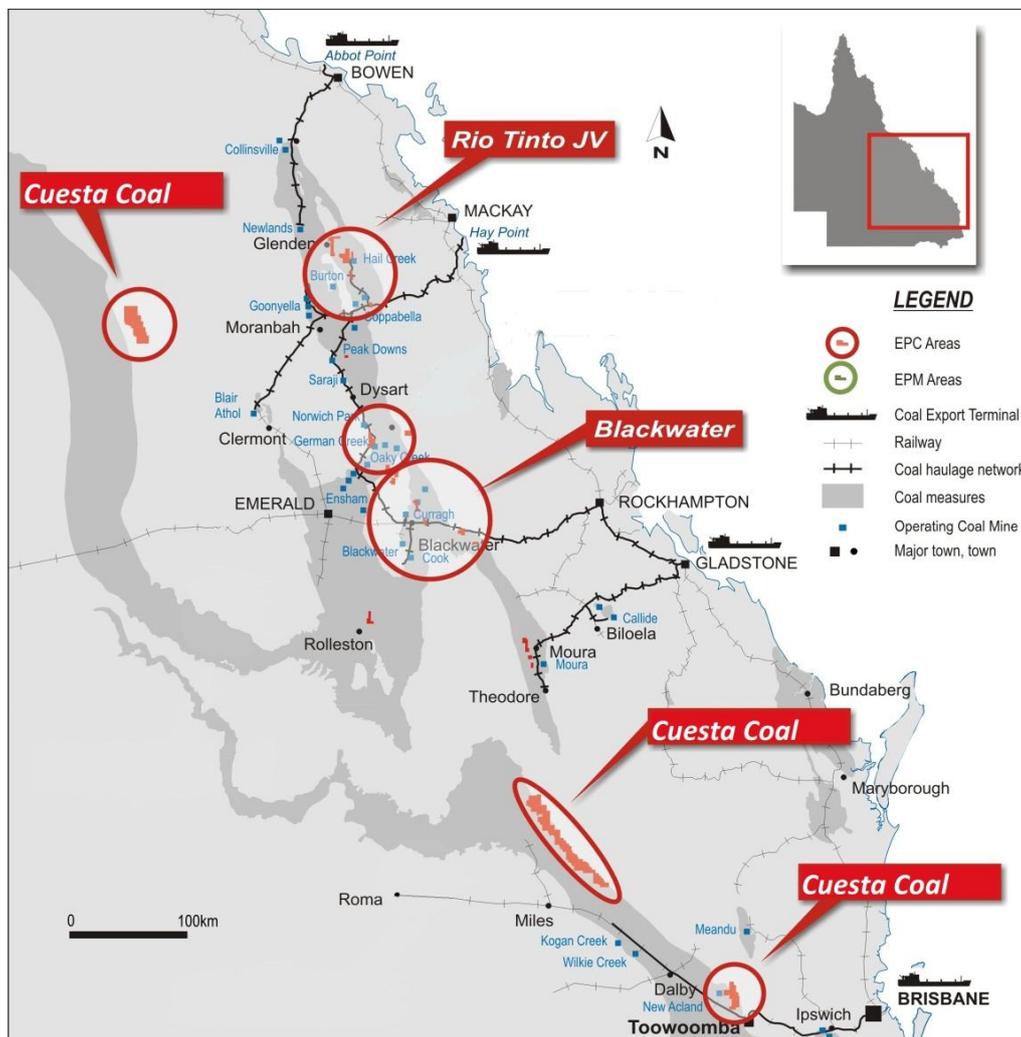
Coal Exploration

AQC owns 17 coal exploration permits (EPCs) and 15 EPC applications in the Bowen and Surat Basins of Queensland. The EPCs cover areas the Company believes are prospective for both metallurgical and thermal coal and exploitable by both open cut and underground mining.

Four of the EPCs have been farmed out to Cuesta Coal subsidiary, Blackwood Resources Pty Ltd, whereby AQC retains a 10% free carried interest through to feasibility study.

The Mt Hillalong projects have been incorporated into an Exploration, Option and Joint Venture Agreement with Rio Tinto Exploration Pty Ltd. The remainder are owned 100 per cent by the Company.

The projects have been segregated into three broad project areas to reflect ownership, control and operatorship.



The combined area covered by the exploration permits and applications totals over 2,000 km² and represents highly prospective coking, pulverised coal injection (PCI) and thermal coal targets.

Work during the Quarter has focused the finalisation of the preparation for the 2012 exploration program which includes:

- Completion of land access agreements
- Completion of Native Title and Cultural Heritage Management processes
- Completion of Environmental Management processes
- Engagement of contractors and finalising budgets

AQC's exploration strategy is focused on seeking out shallow coking coal targets from which it can develop into a small to mid-sized coal producer. The Company will value-add deeper (underground) targets by drilling them and undertaking other exploration activities to prove up resources, and then seek to evaluate development options.

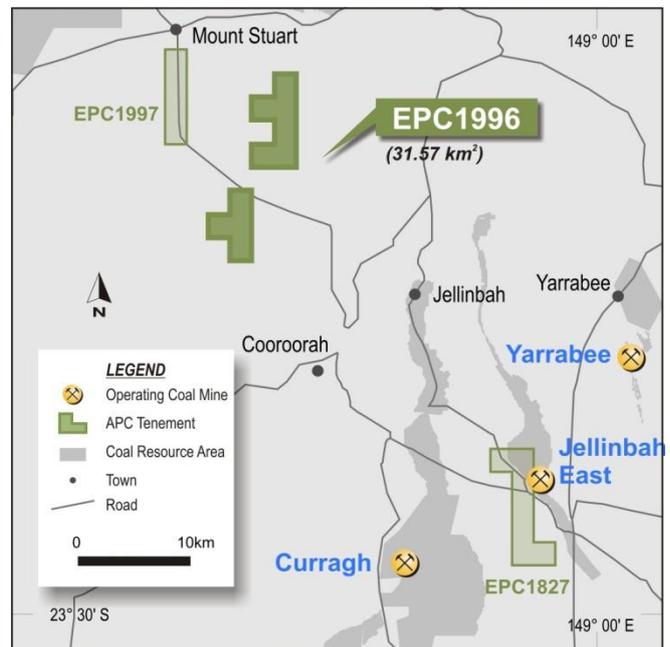
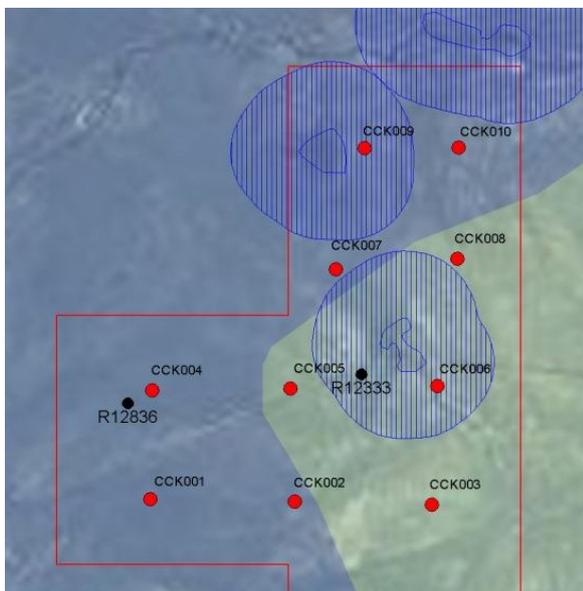
Drilling schedule	2012			
	Q1	Q2	Q3	Q4
Churchyard Creek (EPC 1996)				
Cooroorah (EPC 1827)				
Dingo (EPC 1859)				

Churchyard Creek – EPC 1996

EPC 1996 'Churchyard Creek' is located in the Blackwater region of Central Queensland. The tenement is surrounded by several mining majors with existing JORC Resources including Aquilla Resources, Stanmore Coal and Acacia Coal.

June quarter 2012 drilling at Churchyard Creek is to include coring of shallow coal seams of the Fairhill Formation. This will be in addition to prior proposed drilling of the deeper German Creek Formation.

There is well documented geology at Churchyard Creek. Up to 30m of coal seams have been identified in the shallow (<100m) interval of the Fort Cooper Coal Measures in the northernmost sub-blocks of EPC1996.



These include seams being actively investigated by other explorers in the area including Acacia Coal's EPC 1230 Comet Ridge project and Aquilla Resources "Washpool Hard Coking Coal Project" located adjacent to the southern boundary of EPC 1996.

Fort Cooper Coal Measure Seams are generally low yielding with the potential to produce a hard coking coal product.

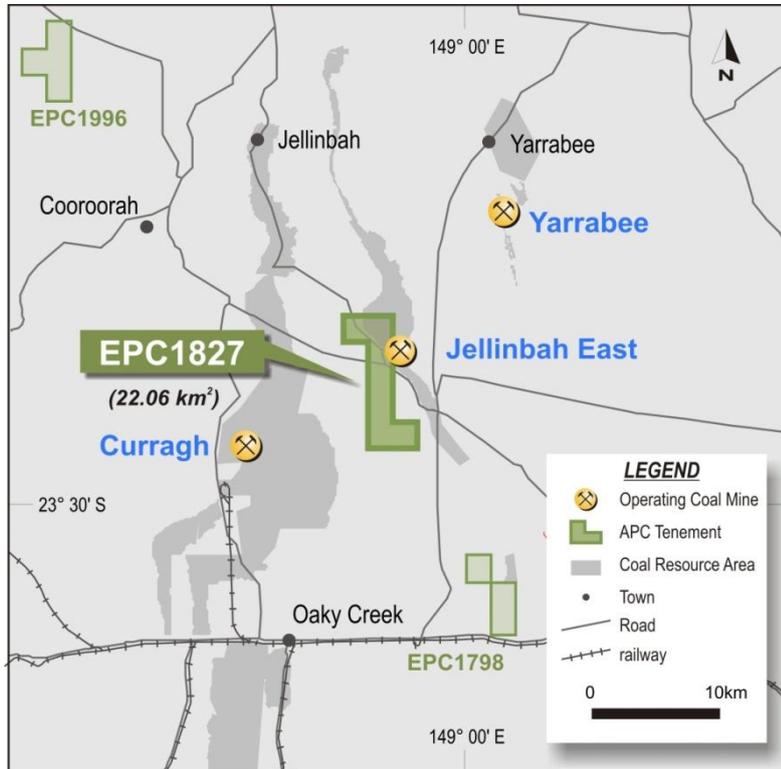
The initial work program includes:

- Six to eight partly cored holes in the northern part of EPC 1996, including 160-300m of HQ/HMLC core.
- Core drilling targeting up to four shallow seams within the Fairhill Formation.
- Below Fairhill target seams, two sites will be open drilled to below the German Creek Seam (predicted to be 350-380m in depth)

The drilling program is expected to take up to five weeks to complete.



Cooroorah – EPC 1827



Located adjacent to a haul road network, railways and developed infrastructure, EPC 1827 'Cooroorah' is linked to Gladstone and major coal ports and has the potential to host high quality metallurgical coal.

The Cooroorah tenement consists of two target areas including a main target containing a significant inferred resource (please refer to the Company's Inaugural Resource Statement of 29 November 2010), and a shallow target drilled previously by the Company.

The Shallow Target is located in the north of EPC 1827 between the Jellinbah Fault, to the south-west, and the Jellinbah ML boundaries to the north-east.

Historical shallow drilling intersected coal in this area, and from assessment of geophysical logs, it was considered to be of sufficient potential quality to warrant drill testing. Historical geophysical logs indicated low density coal plies with the potential for low to moderate yielding, hard coking coal similar to Aquila's Washpool Coal Project 20km west of the EPC. This exploration program was drilled to test for a similar scenario.

In the Main Target area, the following work was undertaken during the Year 2 period:

- Conceptual Design for the Australian Pacific Coal's (APC) Proposed Mine for EPC 1827
- Historical coal core viewed and photographed at the Exploration Data Centre
- Data compiled for modelling purposes, including major stratigraphic boundaries, target coal seam intersections and coal quality
- Cross-sections generated and geological interpretation.
- Planning for the 2012 drilling program was also commenced and was finalised by the end of 2011.

Proposed Year 3 activities aim to achieve Indicated to Measured resource status of approximately 50 per cent of the main target as a requirement for Mineral Development Licence Application MDLA 453.

Proposed drilling and coal quality work aims to increase the Inferred Resource in the east of the EPC and elevate Resource estimates in the remainder of the area to Indicated and Measured status.

The proposed work program will include:

- Drilling of up to 15 partly cored holes to a maximum depth of 450m
- Detailed lithology and structure logging
- Sampling of coal seams for coal quality analysis
- Sampling of roof and floor material for geotechnical analysis
- Geophysical wireline logging of all holes (including minimum of - gamma, density, resistivity, sonic, deviation)
- Coal quality analysis of target seams in each hole
- Remodelling and review of JORC status
- Planning of follow up drilling to raise JORC status of remaining areas to indicated/measured.

Drilling of the initial program is planned for Q3 in 2012 and is expected to run for a minimum period of 6 to 8 weeks. Coal quality analysis will take up to 3 months for receipt of full results.

No drilling is proposed over the Shallow Target area, although drilling to further delineate the location of the Jellinbah Fault may be required in the west of the area.

Main target area – Rangal coal measures at depth

The next phase of planned exploration for EPC 1827 comprises a twelve-hole drilling program and six kilometres of seismic lines. This should provide data for the elevation of the resource status from the Inferred to at least the Indicated category. This exploration program has the potential to increase the resource tonnes and provide structural geological information as a precursor to mine design.

The budget to complete this work is estimated at \$1.4M and the work is timed for completion over the next 12 months.

Secondary target – Burngrove formation in upthrust NE section

The Company identified potential for near term development of the shallow secondary target in the north-east section of EPC1827.

Four holes were drilled in early July with core samples taken from two holes for analysis and wash plant test work. Results from this drill program were announced on 11 October 2011.

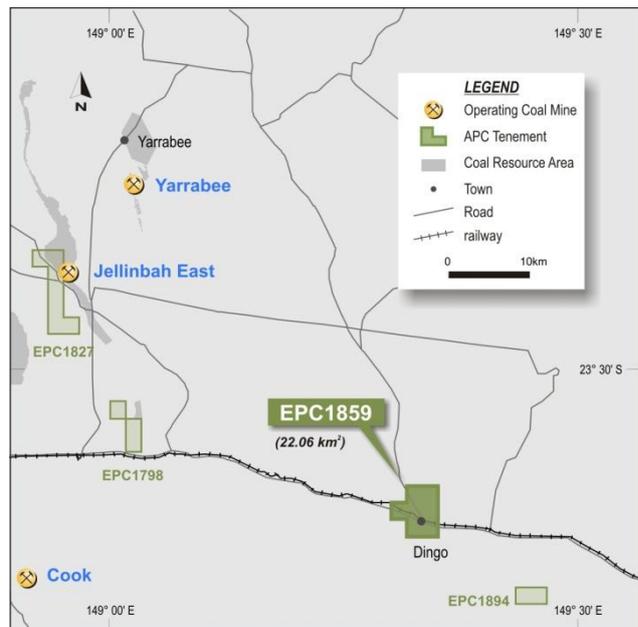
Results indicate that there are high inherent ash levels in the coal. The shallow targets of the Leo and Aquarius seams are low yielding and do not possess desirable coking coal properties to justify further investigation.

EPC 1859 – Dingo

Exploration Permit for Coal No.1859 (EPC1859) 'Dingo' was granted to AQC subsidiary, Area Coal Pty Ltd on 31 May 2011 for a period of five years, and comprises seven sub-blocks.

The tenement is located about 30km east of the operating Blackwater and Curragh coal mines. Surrounded by majors such as Bandanna Energy, Peabody Energy (Macarthur Coal) and Aquila Resources, the Dingo tenement is located on the rail network.

Exploration within EPC1859 is aimed at defining geometry and quality of the Rangal Coal Measures and Burngrove Formation seams (or equivalents). Several coal seams of the Rangal Coal Measures are mined in the surrounding area for export thermal and metallurgical coal markets.



The proposed work program for 2012 will begin with drilling in the third quarter of 2012.

The proposed work program is planned to include:

- Drilling program of chip/core holes to maximum depth 250m
- Detailed lithology and structure logging
- Sampling of coal seams for coal quality analysis
- Sampling of roof and floor material for geotechnical analysis
- Geophysical wireline logging of all holes (including minimum of - gamma, density, resistivity, sonic, deviation)
- Coal quality analysis of target seams in each hole

- Remodelling and review for JORC compliant resource assessment
- Planning of follow-up drilling to elevate status of remaining areas

Drilling of the initial program is tentatively planned for Q3 in 2012. ERE area assessment may cause delays of up to 6 months, restricting or prohibiting drilling in and around these areas. At the completion of drilling, coal quality analysis may take up to 3 months for receipt of full results.

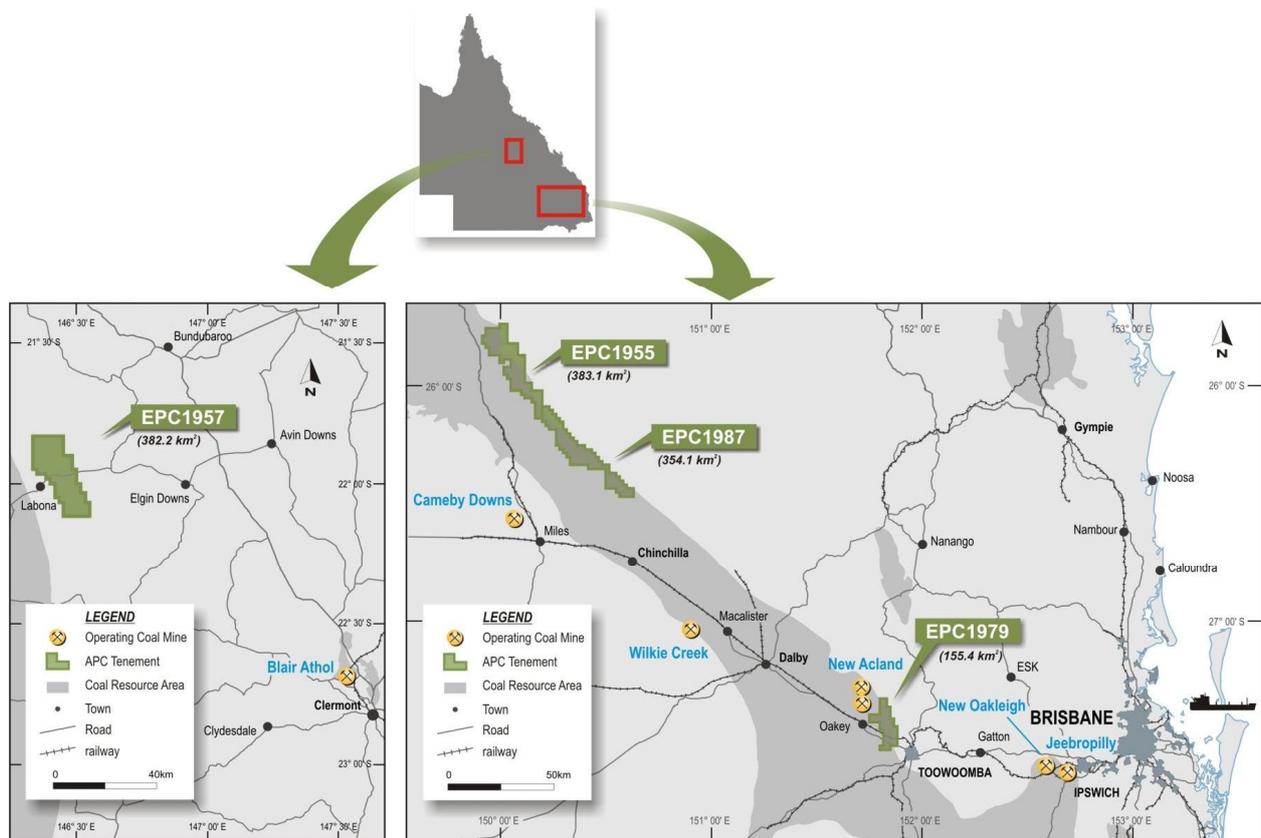
Joint Venture Projects

East Wandoan Joint Venture – AQC 10%, Blackwood Resources Pty Ltd 90% (acquired by Cuesta Coal Limited)

AQC joint ventured four EPCs out to unlisted coal explorer Blackwood Coal Pty Ltd subsidiary, Blackwood Resources Pty Ltd in April 2010. Under the joint venture agreement, AQC retains a 10% free carried interest up to feasibility study stage.

The four quality EPCs cover acreage in the Clarence-Morton, Surat and Galilee Basins, prospective for shallow thermal coal.

In January 2012, Cuesta Coal Limited ("Cuesta Coal") executed a legally binding conditional subscription agreement valued at \$20 million. Cuesta Coal was formed in September 2011 to acquire all of the securities on issue in Blackwood Coal Pty Limited in preparation for a public listing.



Under the terms of the joint venture, Cuesta Coal pays AQC \$125,000 upon grant of each EPC and is required to expend at least the minimum exploration commitment with the aim to prove up a coal resource and complete a feasibility study for the project(s). Cuesta Coal can withdraw at any time and offer the project(s) back to AQC at no cost.

EPC1957 was granted on 8 February 2012. In April 2012 the Company received Cuesta Coal's payment of the remaining \$100,000 due on grant of the tenement.

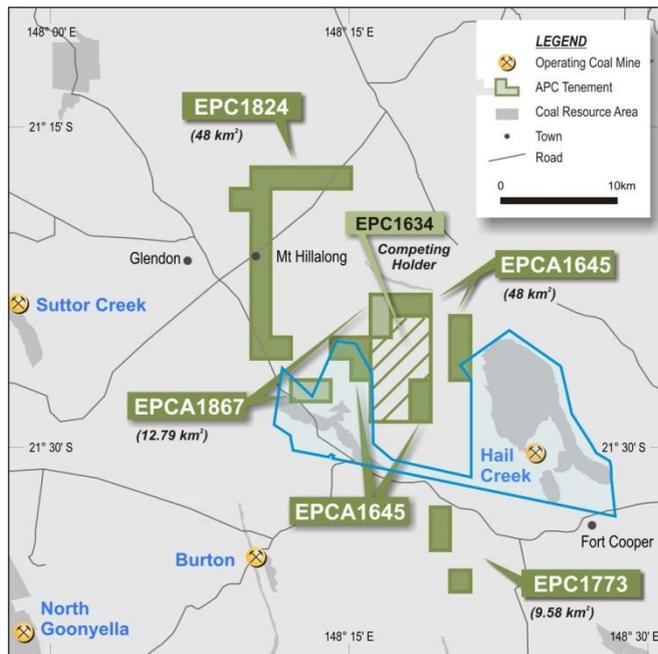
The Cuesta Coal subscription agreement “allows Cuesta Coal to continue as planned its 2012 exploration activities at the company's key project areas” and this “will enable Cuesta Coal to continue to increase the coal resources base quickly and sustainably over the coming 6 to 18 months”.

Cuesta Coal is intending to conduct a six hole scout drilling program at its Galilee Project, which is immediately north of EPC1957 (granted 8 February 2012) which is part of the Joint Venture between the two companies. It is anticipated, this drilling campaign will enable some geological interpretation on the joint venture asset. Once the exploration program is completed, Blackwood will compile the data and if appropriate commence desktop studies to target exploration programs for the 2012 drill campaign.

On 6 February 2012, Cuesta Coal announced a maiden JORC Inferred Resource within EPC 1955. Further, Cuesta Coal has indicated that it expects to announce further significant Resource estimate increases this year.

Cuesta Coal announced that they expected drilling to recommence in late March 2012, to expand their maiden JORC Inferred Resource.

Mt Hillalong EOJV Agreement – Rio Tinto Exploration Pty Ltd



In August 2011, AQC's 100% owned subsidiary Area Coal Pty Ltd completed an Exploration, Option and Joint Venture agreement (EOJV) with Rio Tinto Exploration Pty Ltd. The EOJV sets out terms in respect of the acquisition or joint venture of the Company's Mt Hillalong project. The initial payment of \$2.3 million under the agreement has been received by AQC.

The joint venture, over four prospective EPCs covering 100km² with a subsidiary of Rio Tinto, a global mining major, validates the quality of the acreage and highlights the significant potential of the EPCs.

The 24 month transaction timetable for exercise of the first option will commence from first entry onto AQC tenement EPC 1824.

During the quarter Rio Tinto Exploration Pty Ltd continued site access activities and initial off-site preparation for drilling. First entry to ECP 1824 and results of exploration activity carried out by Rio Tinto Exploration Pty Ltd will be reported in due course.

Under the joint venture, Rio Tinto Exploration has agreed to solely fund and manage a minimum expenditure of \$700,000 exploration program in EPC 1824 to exercise its right to earn a 75% working interest.

Corporate

\$700,000 Share Placement

Post the end of the March 2012 quarter, AQC successfully raised \$700,000 (before costs) via a Placement to institutional and sophisticated investors of 21,875,000 fully paid ordinary shares at 3.2 cents per share. As announced, the funds raised will be used to further advance the Company's 2012 drilling program, data collection and evaluation and to provide additional working capital.

\$100,000 from Cuesta Coal

Post the end of the March 2012 quarter, AQC received payment of \$100,000 from Cuesta Coal being the balance due following the grant of EPC1957.

Capital requirements

AQC continues to evaluate its long term capital requirements in relation to the exploration and development of its primary projects. Potential funding and capital raising alternatives are available to the Company and are actively under review. Further information will be provided to the market if and when terms are agreed.

Financial

Cash at bank as at 31 March 2012	\$1,018,434
Exploration and evaluation payments for the quarter:	(\$170,970)
Other net operating cash flows for the quarter:	(\$204,037)
Net investing cash flows for the quarter:	(\$2,500)
Net financing cash flows for the quarter:	\$4,127
Net decrease in cash held during the quarter:	(\$373,380)

Corporate Directory

Directors

John Bovard
Non-executive Chairman
Peter Ziegler
Non-executive Deputy Chairman
Paul Byrne
Chief Executive Officer
Paul Ingram
Non-executive Director

Company Secretary and Chief Financial Officer

Kevin Mischewski

Listing

Australian Securities Exchange (ASX: AQC)

Share on Issue

Shares: 533,118,926 as at 31 March 2011
Options: 30,000,000

Market Capitalisation

\$19.2 million at 31 March 2012

Quarterly Share Price Activity

2012	High	Low	Last
March	\$0.044	\$0.032	\$0.036
2011			
December	\$0.044	\$0.028	\$0.032
September	\$0.063	\$0.034	\$0.035
June	\$0.095	\$0.035	\$0.040

Substantial Shareholders

Mr Paul Byrne 10.13%
Ms Elizabeth Byrne Henderson 6.72%

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Solicitors

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