

# QUARTERLY REPORT

**MARCH 2011**



## **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 projects are located close to the existing network of rail and port infrastructure in the Bowen Basin.

The Company ultimately seeks to be a coal miner in its own right, or to value add these projects for joint venture or divestment.

The Cooroora Project has an inferred resource of 107 million tonnes of potential metallurgical coal. It is well located between Macarthur's Stanwell project and Jellinbah Mine. The Mt Hillalong project shows scope to prove a similar scaled coal resource.

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

## **New targets identified Near-term drilling program planned**

### **KEY POINTS**

#### **Coal exploration**

- Mineral Development Licence Application 453 submitted over Cooroora Project
- Grant of Mt Hillalong and Kanga Ck EPCs
- Shallow coking coal drill targets identified for Cooroora and German Creek West
- Resource drilling program defined for Mt Hillalong

#### **Other projects**

- Scoping study review for Grafton Range sodium bicarbonate

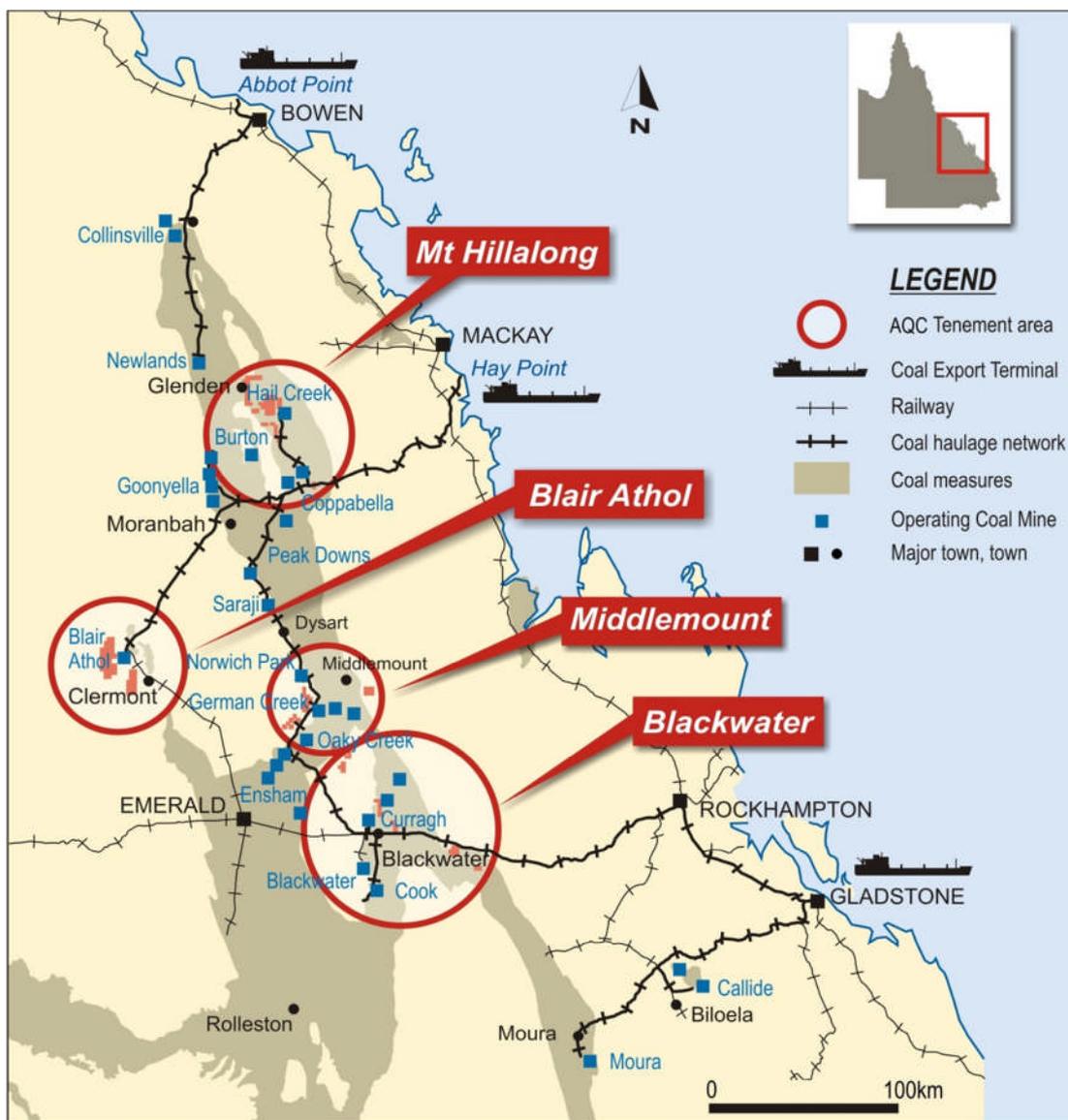
#### **Corporate**

- Lincoln Crowne & Company appointed in relation to merger and acquisition activity and to provide strategic advice
- Paul Ingram joins Board

## Coal Exploration

AQC owns 16 coal exploration permits (EPCs) and 17 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 whereby AQC retains a 10% free carried interest through to feasibility study, the remainder are owned 100% by the Company.

The projects have been segregated into four broad project areas to reflect geographic location and coal targets.



Total area covered by exploration permits and applications now totals over 2,000 km<sup>2</sup> and represents highly prospective coking, PCI and thermal coal targets.

Recent wet weather over central Queensland has precluded any field exploration on the tenements. Work during the Quarter has focused on desktop project evaluation, target definition, exploration planning and budgeting. A resultant exploration program for 2011 has been defined:

- Elevate the resource on EPC 1827 'Cooroorah' from inferred to indicated,
- Drill four new holes in the upthrust NE section to provide coal samples,
- Drill the open cut resource target on EPC 1854 'West German Creek', and
- Drill the resource target on EPC 1824 'Mt Hillalong'.

Weather permitting, field work will commence this Quarter.

The Company's exploration strategy is to preferably seek shallow coking coal targets from which it can develop into a small to mid-sized coal producer. With the deeper (underground) targets, AQC will value-add by drilling and other exploration to prove resources, and thence evaluate development options.

## **Cooroorah - EPC 1827**

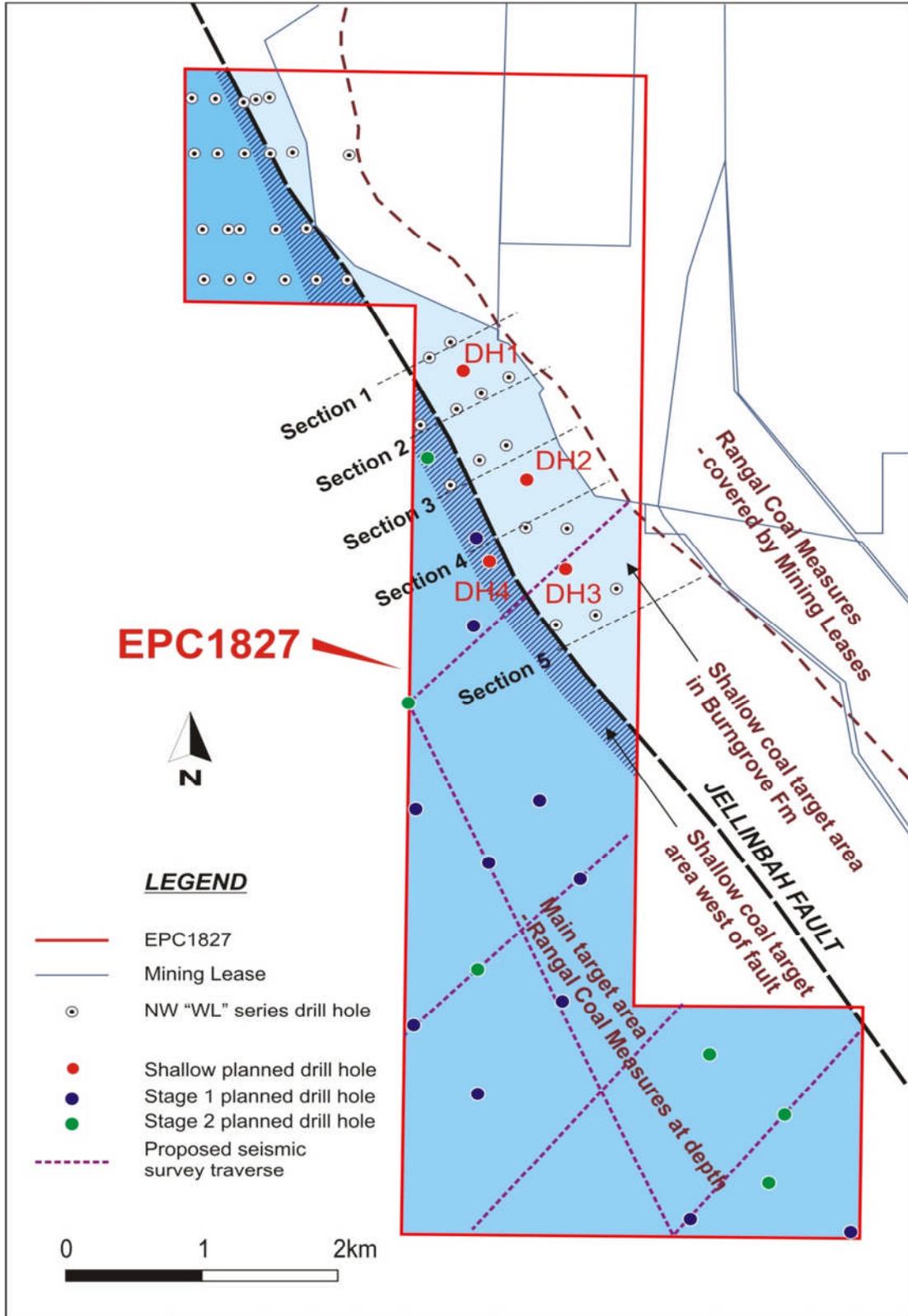
In the last Quarter, the Company announced an inaugural JORC-compliant inferred resource over EPC 1827 'Cooroorah' of potential metallurgical quality coal. Subsequently during this quarter, a Mineral Development Licence Application (MDLA) No 453 was applied for over the tenement area to facilitate further near term exploration and project feasibility studies.

The next phase of planned exploration comprises a twelve-hole drilling program and six kilometres of seismic lines. This will provide data for the elevation of the resource status from inferred to indicated and measured, with 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.

A review of historical work has revealed a shallow secondary target of up to 15 million tonnes of possible hard coking coal within the Burngrove Formation in the north-eastern section of EPC 1827. This has open cut mining potential. The target was drilled in 2001 with a 35-hole program showing up to 8 metres of coal down to 60 metres depth. Coal washplant recovery from similar coal seams tested within the EPC (at a greater depth) indicated a hard coking fraction could be produced with an indicative 40% washplant recovery. Four cored holes are planned to be drilled to provide samples for washplant testwork.

The budget for this program is \$92,000 and is planned to start as soon as rig access to drill sites is possible.



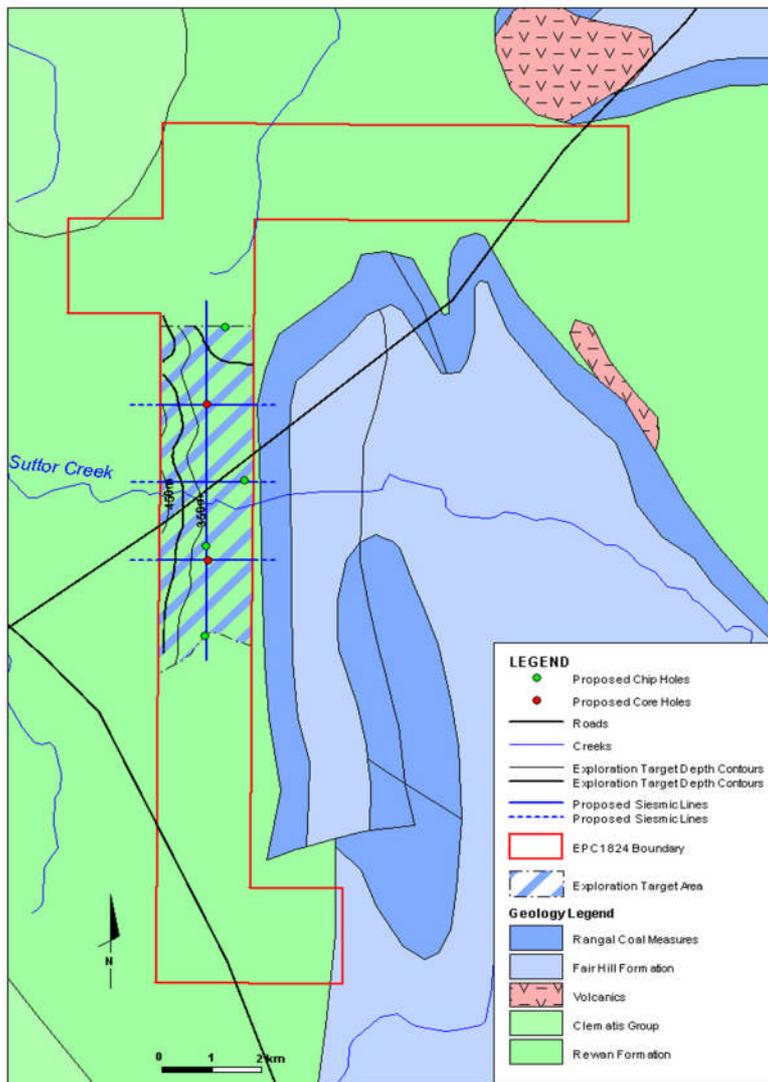
**EPC 1827 – Exploration targets and location of planned drill holes**

## EPC 1824 - Mt Hillalong

Mt Hillalong is an advanced exploration target located 22 kilometres west of Rio Tinto's Hail Creek mine in the northern Bowen Basin, which produces about six million tonnes per annum of primarily coking coal. An initial review undertaken by the Company has indicated the project area is underlain by the Rangal Coal Measures at depths from between 350 to 500 metres. An exploration target has been identified within the central portion of the EPC. Nearby mines that extract coal from the Rangal Coal Measures produce a mix of metallurgical and thermal coal products.

A 6-hole program to further evaluate the project has been planned for FY2012 to drill four chip holes, two core holes and cover the target zone with 3D seismic.

The budgeted cost of this program is \$960,000 and is timed for completion over the next 12 months.



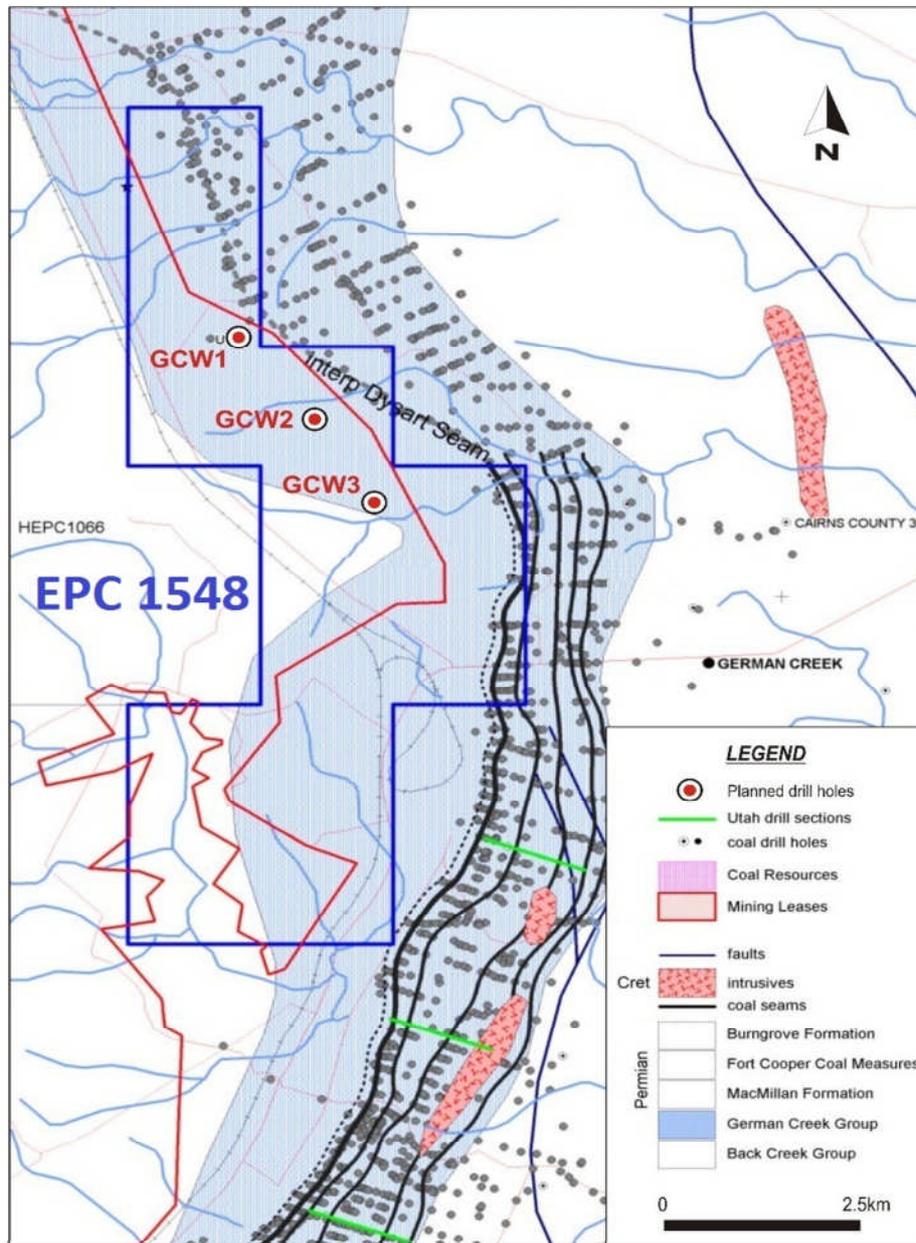
**EPC 1824 – Exploration target and location of planned drill holes**

## EPC 1548 - German Creek West

A conceptual target planned to intersect German Creek formation coal across the northern half of the EPC has been defined. Target definition has comprised a desktop review of existing drill-hole data from the adjacent German Creek Mine. This indicates that the German Creek Seam and potentially other seams within the German Creek formation are present within EPC 1548.

Exploration is planned to commence with three 'discovery' drill holes near the German Creek lease boundary in the east, and based on results, additional holes will be drilled to define a resource.

The budgeted expenditure for this initial program is \$70,000.

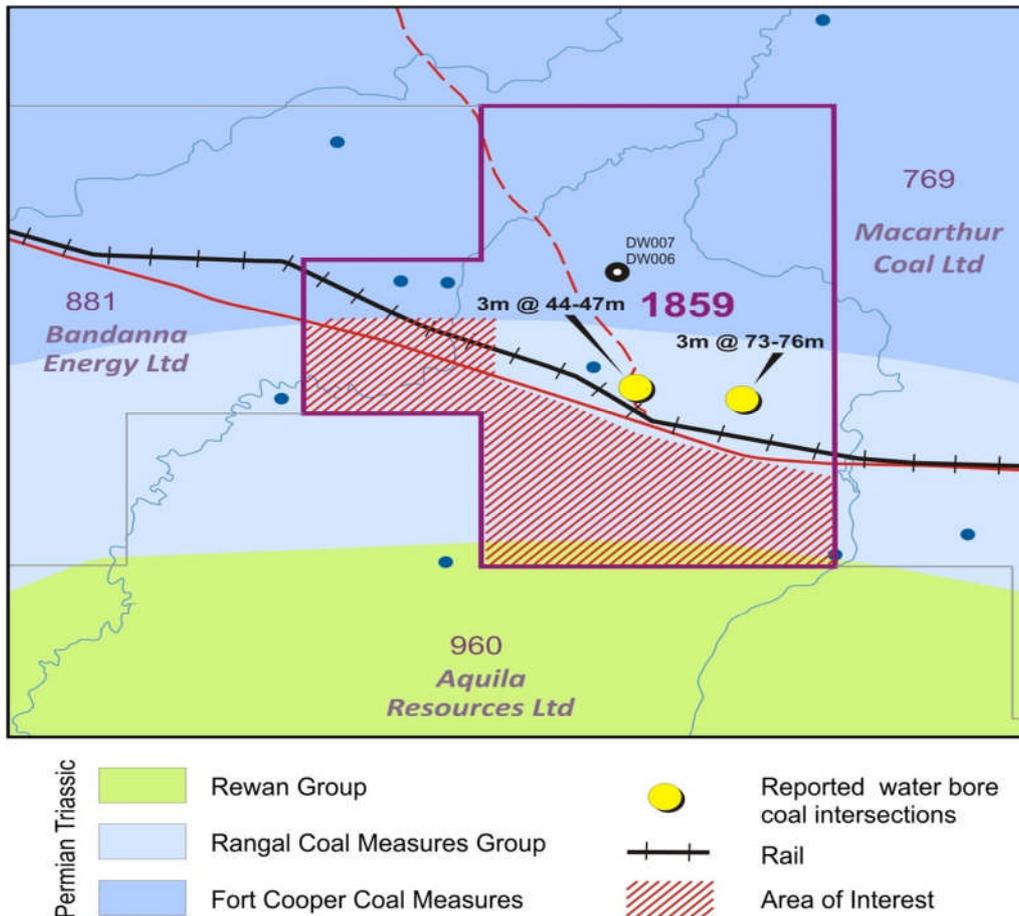


**EPC 1548 – Exploration target and location of planned drill holes**

## EPCA 1859 - Dingo

Work on EPCA 1859 Dingo has comprised a desktop review of historical exploration and scoping up of a future exploration program to supplement existing knowledge. Previous drilling has indicated shallow coal at depths less than 100 metres within the tenement from both the Rangal and Burngrove formations.

Detailed planning of the exploration program will commence following grant of the tenement.



**EPCA 1859 – Exploration target area**

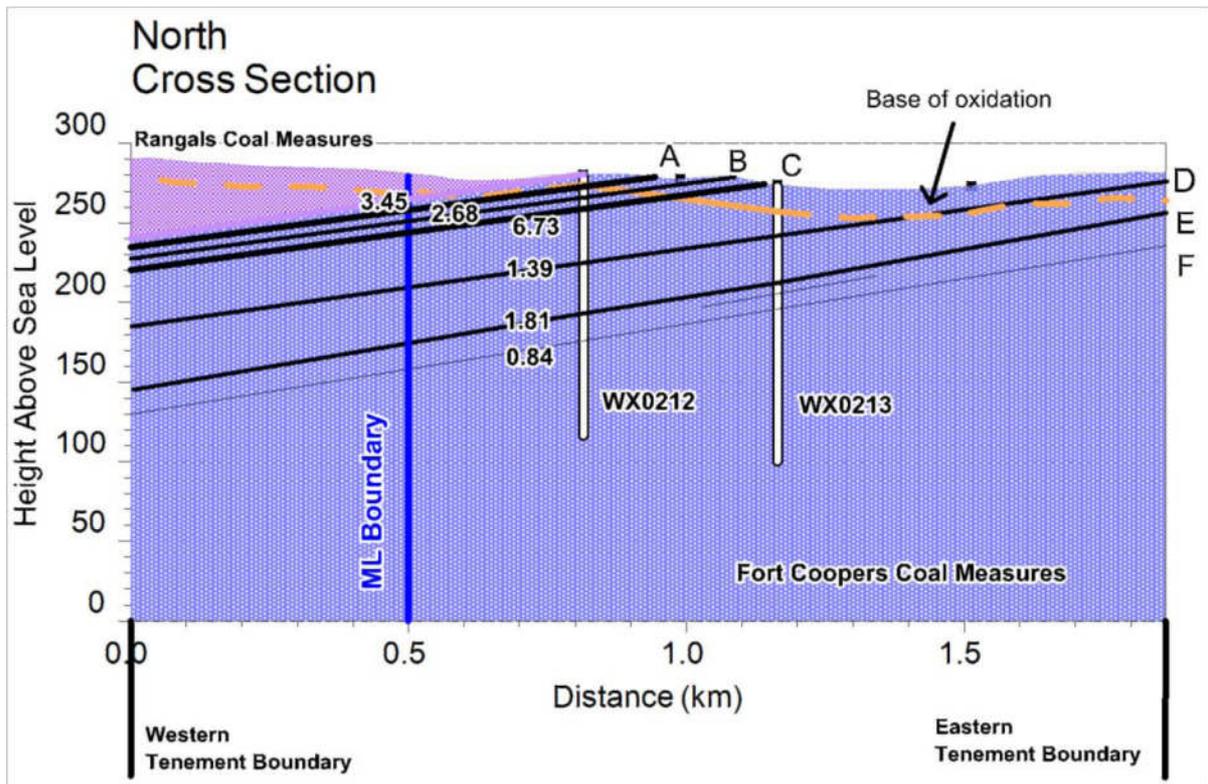
## EPC 1773 Kemmis Creek

EPC 1773 covers shallow, coal bearing units of the Fort Cooper Coal Measures (FCCM). Cumulative coal thickness varies between 5m and 15m to a depth of 100m based on 6 to 8 seams intersected in 4 historic drill holes used as control points, offering potential for open cut mining.

Geological descriptions of coal-bearing intersections within the four historic drill holes contain frequent references to tuffaceous banding and stony material, indicating high ash content - as is known for FCCM throughout the Bowen Basin. A Washpool style

project – targeting production of hard coking coal with lower washplant recoveries from the Upper Burngrove formation is predicted.

In the north the overall dips were determined to be in the order of approximately 3 degrees west. In the south, the dip increased to around 7-8 degrees.



**EPC 1773 – Cross section of exploration target**

Further review of the project is planned Q4 FY2011 with the aim to define future drilling targets.

## Other Projects

### Clarence Moreton Joint Venture – AQC 10%

The desktop compilation study has been completed on three out of the four EPC's. A field trip by the BWC's Exploration Manager has been completed along with initial discussions with land holders.

The immediate area of interest is a 9km<sup>2</sup> exploration target in the East Wandoan Project between EPC 1955 and EPCA 1987. Past drilling undertaken by Shell in the late 1980's has indicated coal occurrences in this area. A 9 to 15 drill campaign will be conducted in this area this calendar year as soon as weather permits. This will enable the verification of the potential for the delineation of a open pitable coal resource between 40 and 110 m depth from surface. The exploration will be conducted on EPC1955.

There will not be any intrusive exploration activities on EPC 1979 in CY2011 due to land access issues. A desktop study on EPCa1957 has commenced.

### **Grafton Range Sodium Bicarbonate Project – AQC 100%**

AQC is updating a scoping study to assess the viability of the project which was discovered from earlier petroleum drilling. The project can produce sodium bicarbonate and soda ash by concentrating and crystallizing the minerals from artesian waters. Recent market indications are for a strong and stable price for both sodium bicarbonate and soda ash.

The project is held by one mining lease and two exploration permits.

### **Mantuan Downs Bentonite Project – AQC 100%**

There has been no activity on the project during the Quarter and the Company is reviewing its future options.

### **Competent Person's Statement**

With respect to the exploration proposals, the proposals and statements has been reviewed by Mr Colin Laing of A.C.M. Laing and Associates, Consulting Geologists. He is a qualified geologist with over 50 years experience in geology and resource evaluation. He is a Fellow of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Mr Laing qualifies as a Competent Person as defined by the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004) and consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

## Corporate

### Board changes

Mr Tim Prowse has moved from a non-executive to executive director role in the Company, with responsibilities for technical development and advancement of coal projects. His contribution to enabling the company to progress towards the development of its resource assets has been invaluable.

The Company has appointed an experienced geologist, Mr Paul Ingram, to augment the Company's skills at board level as a non-executive director. Mr Ingram has over thirty five years' experience in mineral exploration and mine development. Paul has been involved in several start-up public companies, mostly focussed in the Asian region. He has extensive experience in corporate M&A, and has been involved with coal projects in Asia and Australia for the past eight years. Paul also brings to the Board an extensive network of professional contacts, which, combined with close ties to the Chinese resource industry, will be of significant benefit to AQC as an emerging coal company in Queensland.

### Corporate advisor

The Company has appointed Lincoln Crowne & Company ('LCC') as consultants to assist in the evaluation of the Company's options in relation to development of its key Queensland projects. LCC have specific expertise in both guiding strategic development of projects in addition to being a specialist Mergers & Acquisitions advisor.

### Capital requirements

The Company is conducting an evaluation of its long term capital requirements in relation to the exploration and development of its primary projects. Potential capital raising alternatives will be considered as part of this process and further information will be provided to the market when known.

### Financial

Cash at bank as at 31 March 2011:	\$1,045,033
Exploration and evaluation payments for the quarter:	(\$168,299)
Other net operating cash flows for the quarter:	(\$293,166)
Net investing cash flows for the quarter:	\$97,150
Net financing cash flows for the quarter:	(\$24,685)
Net decrease in cash held during the quarter:	(\$389,000)

## Corporate Directory

### Directors

John Bovard

*Non-executive Chairman*

Peter Ziegler

*Non-executive Deputy Chairman*

Paul Byrne

*Chief Executive Officer*

Tim Prowse

*Executive Director*

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 Mar 2011

Options: 30,000,000

### Market Capitalisation

\$30.4 million as at 31 Mar 2011

### Share Price Activity

2011	High	Low	Last
March	\$0.081	\$0.043	\$0.057
<b>2010</b>			
December	\$0.042	\$0.016	\$0.042
September	\$0.027	\$0.015	\$0.020
June	\$0.031	\$0.015	\$0.016

### Substantial Shareholders

Mr Paul Byrne 9.46%

Ms Elizabeth Byrne Henderson 6.72%

### Principal Office

Level 7

10 Felix Street

Brisbane QLD 4000

### Registered Office

Level 7

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

10 Market Street

Brisbane QLD 4000

### Solicitors

Hopgood Ganim

L8 Waterfront Place

Eagle St Brisbane Qld 4000

### Geological Consultants

Global Ore Discovery Ltd

15a Tate St Albion Qld 4010

Minserve Pty Ltd

L1, 1 Swann St Taringa, Qld 4068

Ausmec Pty Ltd

L4, 190 Edward St Brisbane, Qld 4000

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Australian Pacific Coal Limited

ABN

49 089 206 986

Quarter ended ("current quarter")

31 March 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (nine months) \$A
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(168,299) - - (306,388)	(321,983) - - (1,158,793)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14,833	27,241
1.5 Interest and other costs of finance paid	(1,611)	(1,745)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(461,465)</b>	<b>(1,455,279)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	87,500 - -	175,000 - -
1.10 Loans to other entities	9,650	(507,848)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>97,150</b>	<b>(332,848)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(364,315)</b>	<b>(1,788,127)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(364,315)	(1,88,127)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	2,047,498
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	14,076	105,479
1.17	Repayment of borrowings	(38,961)	(85,967)
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	(58,475)
	<b>Net financing cash flows</b>	<b>(24,685)</b>	<b>2,008,535</b>
	<b>Net increase (decrease) in cash held</b>	<b>(389,000)</b>	<b>220,408</b>
1.20	Cash at beginning of quarter/year to date	1,434,032	824,625
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>1,045,033</b>	<b>1,045,033</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	88,833
1.24	Aggregate amount of loans to the parties included in item 1.10	420,998

1.25 Explanation necessary for an understanding of the transactions

1.23 Directors fees payable and paid in the quarter  
1.24 Allotment of shares to Directors in accordance with the terms of the company's Officers , Executive, Consultants and Employees Share Plan. Approved by shareholders at the company's AGM held on 30/11/2010

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	181,352	163,681
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	200,000
4.2 Development	-
4.3 Production	-
4.4 Administration	300,000
<b>Total</b>	<b>500,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	126,906	42,520
5.2 Deposits at call	904,377	1,377,762
5.3 Bank overdraft	-	-
5.4 Other (short term deposits)	13,750	13,750
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,045,033</b>	<b>1,434,032</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased	EPC1965 EPC1824	Application granted Application granted	100% 100%	100% 100%

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	Nil	Nil		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	533,118,926	533,118,926		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	Nil	Nil		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> - to acquire one ordinary share	15,000,000 15,000,000	Nil Nil	<i>Exercise price</i> 6.0 cents 6.0 cents	<i>Expiry date</i> 8/4/2012 7/5/2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:   
.....  
(Director/Company secretary)

Date: 15 April 2011

Print name: Kevin Mischewski

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.