

# QUARTERLY REPORT

DECEMBER 2010



## 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 Cooroorah 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.au](mailto:pbyrne@aqcltd.com.au)

## 107 million tonne coal resource defined

### KEY POINTS

#### Coal Exploration

- 107 Mt coal inferred resource
- significant coal assets (14 permits)
- open cut and underground targets
- active 2011 exploration program

#### Other Projects

- scoping study review for Grafton Range sodium bicarbonate

#### Company

- renamed Australian Pacific Coal Limited
- moved onto ASX mining board (code AQC)
- placement \$1M to fund exploration
- cash at bank \$1.434M
- experienced mining engineer joins Board

## Coal Exploration

AQC announced in November an inaugural JORC-compliant inferred resource for the Cooroorah Project (EPC 1827) of 107 million tonnes of potential metallurgical coal. This success has led to the preparation of an exciting exploration program for 2011 to add further tonnes to the Company's resource base.

AQC now owns 14 coal exploration permits (EPC) and 19 EPC applications in the Bowen and Surat Basins of Queensland. The EPC's cover areas the Company believes are prospective for both metallurgical and thermal coal and exploitable by both open cut and underground mining. Brisbane based geological consultants Global Ore Discovery (Global) has been engaged to provide a comprehensive range of geological services for initial project review, target identification, field work management and resource calculations.

At the presentation at the AGM in November 2010, the Company outlined its exploration program and strategy for the next 12 months. Shallow coal (ie less than 150 metre depth) targets have the potential to be mined by open cut techniques and require a minimum size criteria of 5 million tonnes. Deeper coal targets, suitable for potential underground mining, require a minimum size of 50 million tonnes and a minimum coal seam thickness of 2 metres.

Further exploration success, and with the proving of a shallow resource with open cut mining potential, may lead to AQC delivering on its mid-term objective to become a junior coal producer.

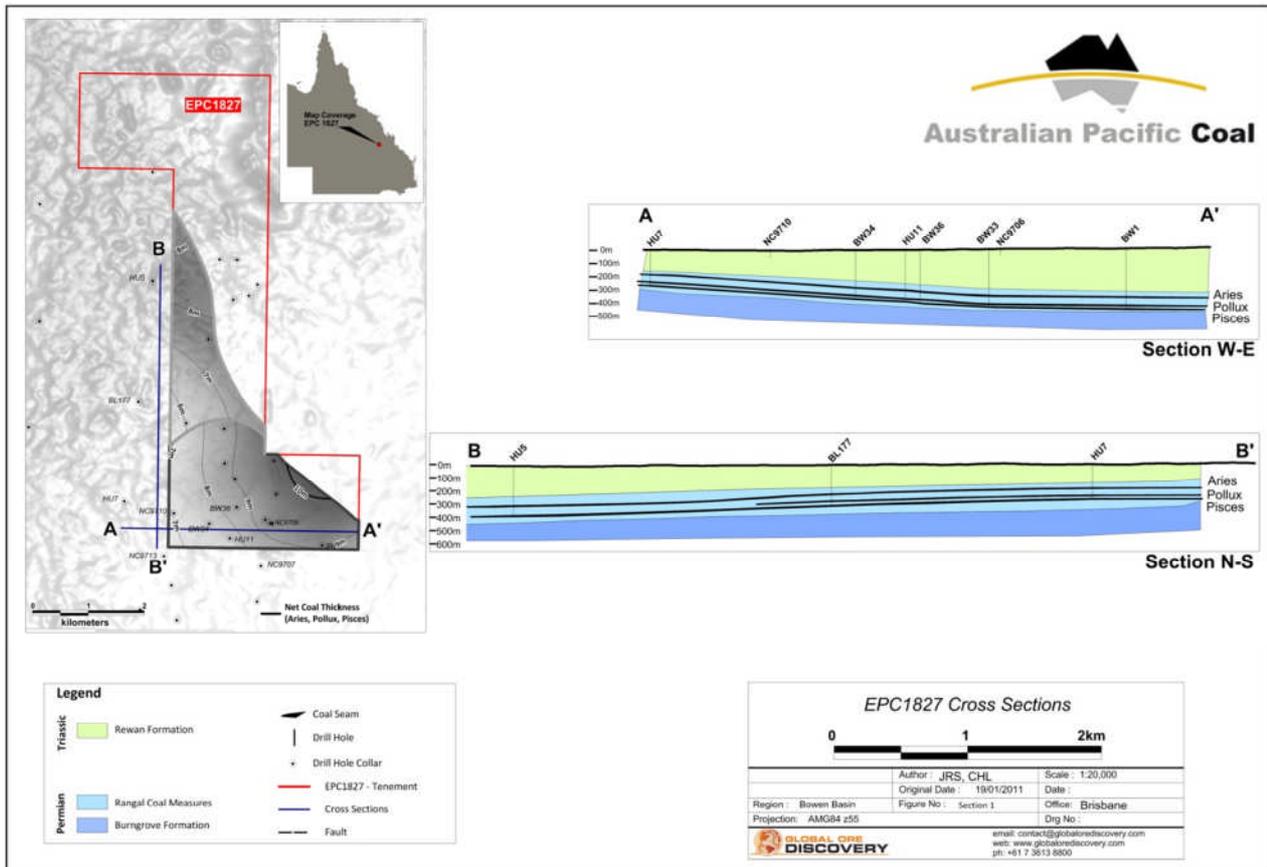
Details of the Company's principal projects planned for review and further exploration in 2011 follow. With the recent flooding in Queensland, it is unlikely that field work will commence on the projects until the June Quarter.

## Cooroorah - EPC 1827 – AQC 100%

In November 2010, the Company announced an inaugural inferred resource for the project of 107Mt. Based on limited coal quality sampling and information from adjacent operating mines and exploration prospects, it is expected the coal will largely be of metallurgical quality.

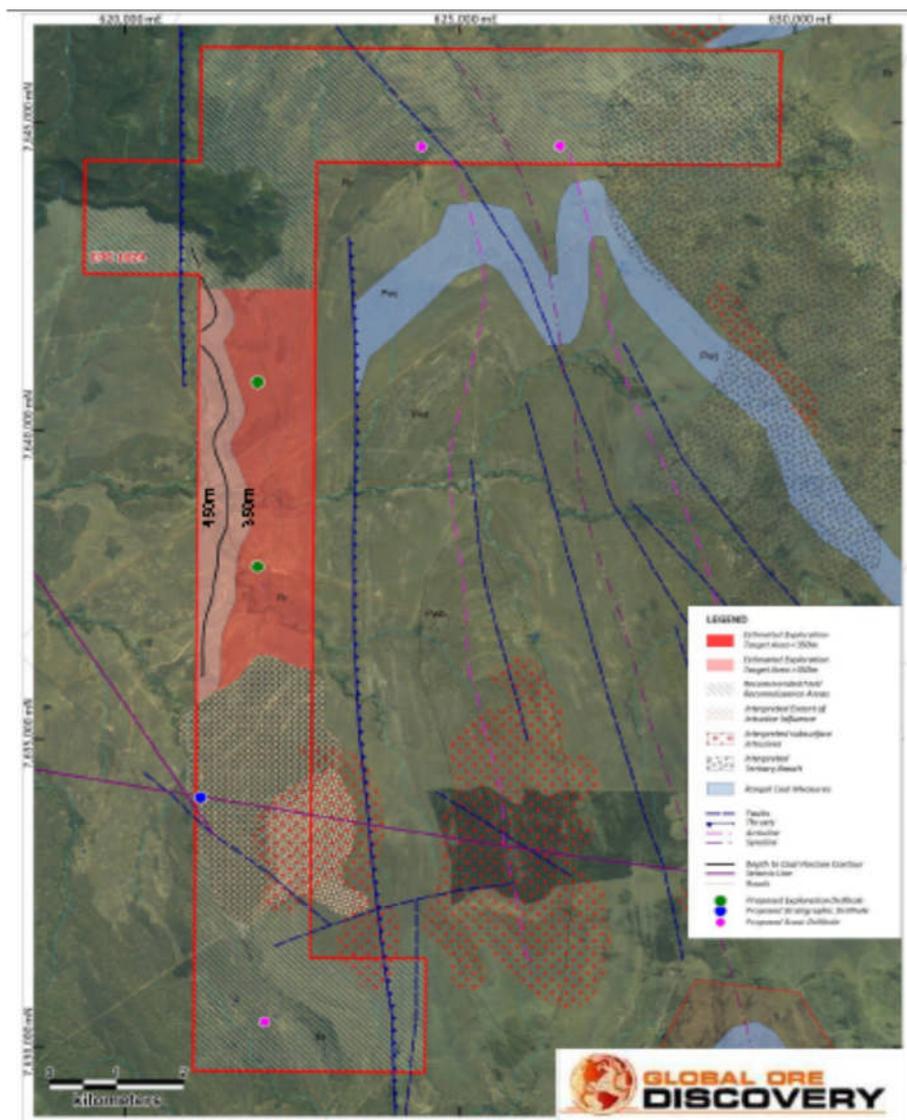
Cooroorah is located 17 kilometres north of Blackwater and abuts and is down-dip from Macarthur Coal's Stanwell project. The Company believes there is potential for additional resources down dip and for shallow coal in the north.

AQC is currently reviewing its opportunities with this project, either to further expand the resource or to divest it.



## Mt Hillalong – EPCA 1824 – AQC 100%

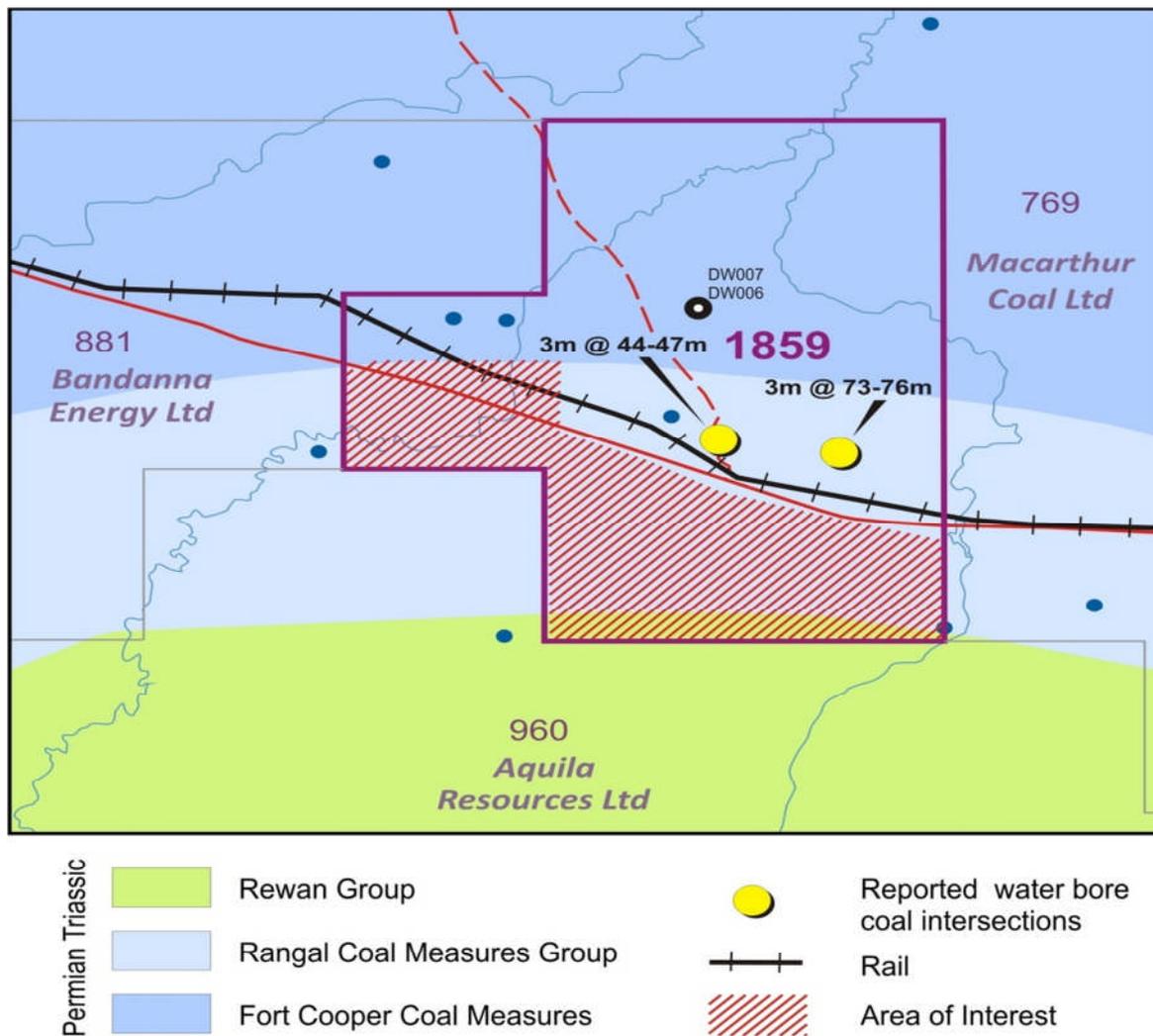
Mt Hillalong is an advanced exploration target located 22 kilometres west of Rio Tinto's Hail Creek mine in the northern Bowen Basin. An initial review undertaken by Global, comprising an assessment of nearby drill holes and a seismic survey across the EPC, has indicated the Rangal coal measures exist at a depth between 350 to 500 metres. Global has planned a drilling program to evaluate a coal target of 90 million tonnes within the central portion of the EPC. Mines that operate in the Rangal coal measures produce a mix of metallurgical and thermal coal products.



The potential quantity and grade of the coal target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource across the target area, and it is uncertain if further exploration will result in the determination of a Mineral Resource.

## Dingo – EPCA 1859 – AQC 100%

The Dingo project has the potential for mineable coal at shallow depth and is a priority target for further exploration. Coal intersections in water bore drilling demonstrate the validity of the concept, with further drilling now needed to define a resource. Immediately to the west, Bandanna Energy has commenced a scoping study for a large open cut mine on the same coal measures.



## West German Creek – EPC 1548 – AQC 100%

West German Creek is situated to the south of Norwich Park Mine and west of the German Creek Mine in the central Bowen Basin. AQC's target is metallurgical coal at shallow depth along strike from known resources. Discovery drill holes are required to test for coal occurrences. Planning for an exploration drilling program commenced during the Quarter.

## Other Projects

### **Clarence Moreton Joint Venture – AQC 10%**

AQC has a 10% free carried interest to feasibility study with Blackwood Resources Ltd to explore the East Ackland and other projects in the Surat Basin west of Toowoomba, Queensland. Blackwood has recently raised \$6M and has commenced an aggressive exploration program to prove up open cut coal resources over the project area.

### **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 by concentrating and crystallizing the mineral from artesian waters. Recent market indications are for a strong and stable price for this commodity.

### **Manturan 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 Persons Statements**

With respect to the Mt Hillalong Project, the Exploration Result Statement has been reviewed by Mr David John Arnott who holds the position of Divisional Manager – Applied Geoscience with Snowden Mining Industry Consultants Pty Ltd ("Snowden"). He is a qualified geologist with over 20 years experience in coal geology and resource evaluation. He is a member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and certified by that organisation as a Chartered Professional. Mr Arnott 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.

With respect to the Cooroora Project, the resource statement has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves "The JORC Code" (2004) by Mr Ken O'Reilly of the Minserve Group Pty Ltd who consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears. Ken O'Reilly, a member of the AusIMM, is a coal geologist with 29 years' experience in the estimation of coal resources for projects in Australia, principally in the Bowen Basin of Queensland, but also in the Sydney and Gunnedah Basins of NSW. This experience is relevant to the style of mineralisation and type of deposit under consideration, and is more than adequate to qualify him as a Competent Person as defined in the JORC Code.

## Corporate

### **Name change**

Pacific Enviromin Limited changed its name to Australian Pacific Coal Limited to better reflect the Company's focus on its Queensland coal projects.

### **Move to mining board**

The Company's operations have been focused on its mining and exploration activities. The ASX has reclassified the Company as a Mining/Oil Exploration entity requiring a move to the Mining Board from the Industrial Board.

The significance of the change for ASX reporting is that the Company will no longer be required to provide the information contained in the quarterly Appendix 4C. Instead, it is required to provide the enhanced quarterly activities report and Appendix 5B for mining and exploration entities in accordance with listing rules 5.2 and 5.3.

### **Board changes**

The Company has appointed an experienced mining engineer, Mr Tim Prowse, to augment the Company's skills at board level. Mr Prowse's appointment will greatly assist the Company in carrying out its coal exploration activities enabling substantial value to be extracted from the Company assets.

At the same time, Mr John Laurie resigned from the Board after many years of service. The Company would like to record its appreciation for Mr Laurie's efforts in the past 12 years and wishes him well in his future endeavours.

### **Capital raising**

On 24 December, Australian Pacific Coal completed a placement of 34 million ordinary shares raising \$1,020,000 to be used for data collection and evaluation of the Company's Queensland coal licences. The shares were placed with sophisticated and professional investors in accordance with the approval obtained by the Company at its recent Annual General Meeting.

## Corporate Directory

### Directors

John Bovard

*Non-executive Chairman*

Peter Ziegler

*Non-executive Deputy Chairman*

Paul Byrne

*Chief Executive Officer*

Tim Prowse

*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 Dec 2010

Options: 34,000,000

### Market Capitalisation

\$22,390,995 million as at 31 Dec 2010

### Share Price Activity

2010	High	Low	Last
December	\$0.042	\$0.016	\$0.042
September	\$0.027	\$0.015	\$0.020
June	\$0.031	\$0.015	\$0.016
March	\$0.035	\$0.010	\$0.011

### 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

# 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 December 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (six months) \$A
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(111,660) - - (538,275)	(153,684) - - (852,404)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5,710	12,407
1.5 Interest and other costs of finance paid	-	(134)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(644,225)</b>	<b>(993,815)</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 - -
1.10 Loans to other entities	(420,998)	(517,498)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(420,998)</b>	<b>(429,998)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,065,222)</b>	<b>(1,423,812)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(1,065,222)	(1,423,812)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,950,998	2,047,498
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	73,293	91,403
1.17	Repayment of borrowings	(21,951)	(47,206)
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	(58,475)	(58,475)
	<b>Net financing cash flows</b>	<b>1,943,864</b>	<b>2,033,220</b>
	<b>Net increase (decrease) in cash held</b>	<b>878,642</b>	<b>609,408</b>
1.20	Cash at beginning of quarter/year to date	555,390	824,625
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>1,434,032</b>	<b>1,434,032</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	160,302
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	221,757	208,725
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	50,000
4.2 Development	-
4.3 Production	-
4.4 Administration	280,000
<b>Total</b>	<b>330,000</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	42,520	220,931
5.2 Deposits at call	1,377,762	200,789
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>1,434,032</b>	<b>555,390</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	N/A			

+ 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	30,000,000 17,325,000 34,000,000	30,000,000 17,325,000 34,000,000	1.70 2.43 3.00	1.70 2.43 3.00
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 8/4/2012
7.8 Issued during quarter	15,000,000 15,000,000	Nil Nil	6.0 cents 6.0 cents	8/4/2012 7/5/2012
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:  ..... Date: 27 January 2011  
(Director/Company secretary)

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.

**ENTITY:** AUSTRALIAN PACIFIC COAL LIMITED

**ABN:** 49 089 206 986

**ADDITIONAL INFORMATION**

27 January 2011

On 10 January 2011 the ASX advised that the Company's industry classification for reporting purposes has been amended to Mining/Oil Exploration entity, effective from 31 December 2010. As a result of the reclassification the Company will no longer be providing the information contained in Appendix 4C.