

QUARTERLY REPORT

APRIL to JUNE 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 Company is currently focusing exploration activities on its Cooroora and Middlemount projects.

On 30 June 2011 the Company announced a non-binding Letter of Intent with Rio Tinto Exploration Pty Ltd in respect of the potential acquisition and joint venture of the Company's Mt Hillalong project.

Paul Byrne
Chief Executive Officer
pbyrne@aqcltd.com

Quarterly Activities Report

KEY POINTS

Coal exploration

- 2011 drilling program underway – Cooroora NE shallow open-cut area and German Creek projects.
- JV Partner, Blackwood Resources Pty Ltd completed 15 hole drilling program at East Wandoan project

Other projects

- JV Partner, Blackwood Resources Pty Ltd completed 15 hole drilling program at East Wandoan project

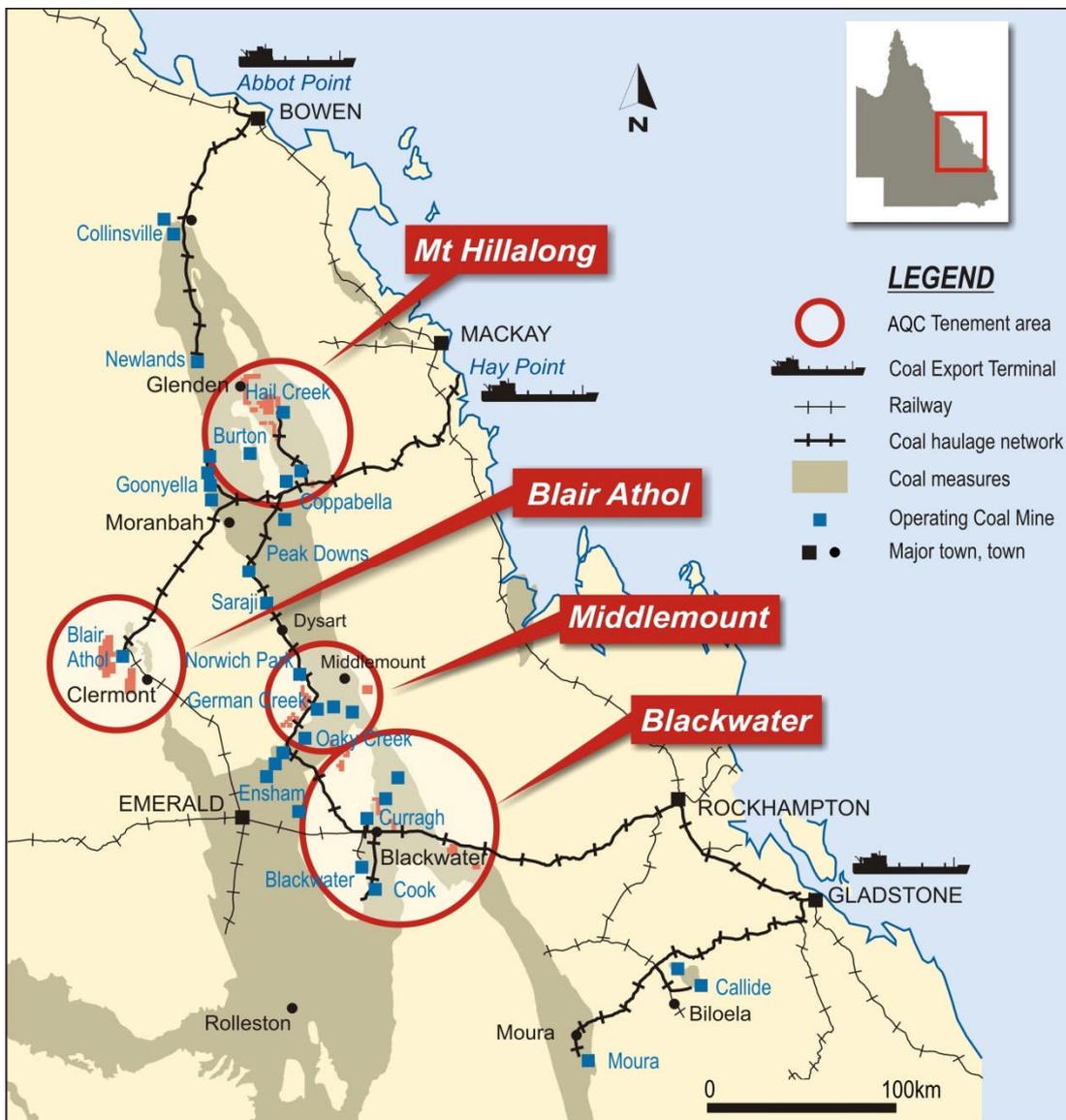
Corporate

- Agreement under non-binding Letter of Intent with Rio Tinto Exploration Pty Ltd for the potential acquisition or joint venture of the Mt Hillalong projects.

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 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 km² and represents highly prospective coking, PCI and thermal coal targets.

Work during the Quarter has focused on the 2011 exploration program which includes:

- Drill four new holes in the upthrust NE section of EPC 1827 to provide coal samples,
- Drill the open cut resource target on EPC 1854 'West German Creek',

The Company's exploration strategy is to seek 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 thence evaluate development options.

Cooroorah - EPC 1827

In the December Quarter of 2010, 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.

Main target area – Rangal coal measures at depth

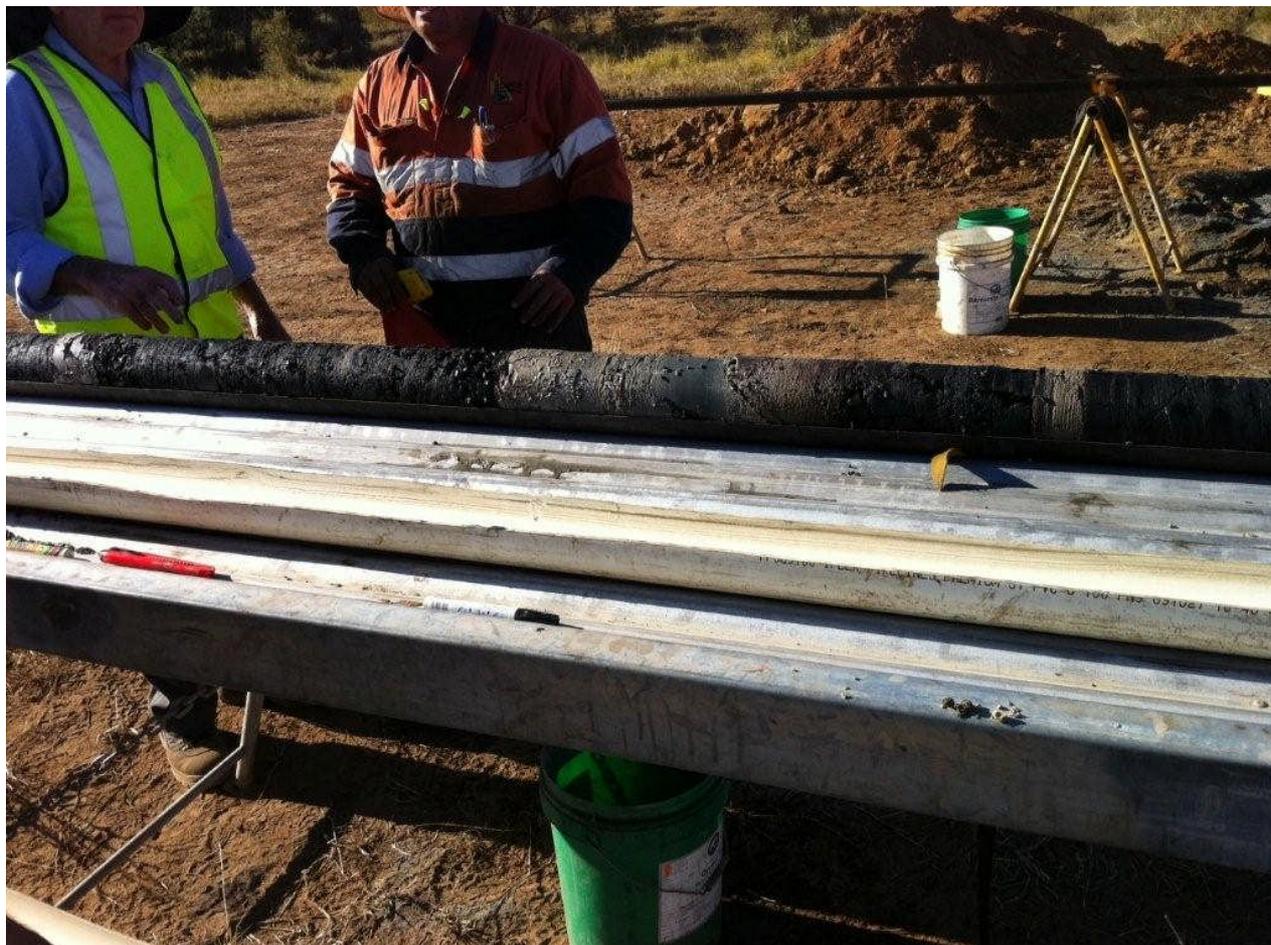
The next phase of planned exploration for EPC 1827 comprises a twelve-hole drilling program and six kilometres of seismic lines. This should provide data for the elevation of the resource status from the inferred to at least the indicated category. This exploration program has the potential to increase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

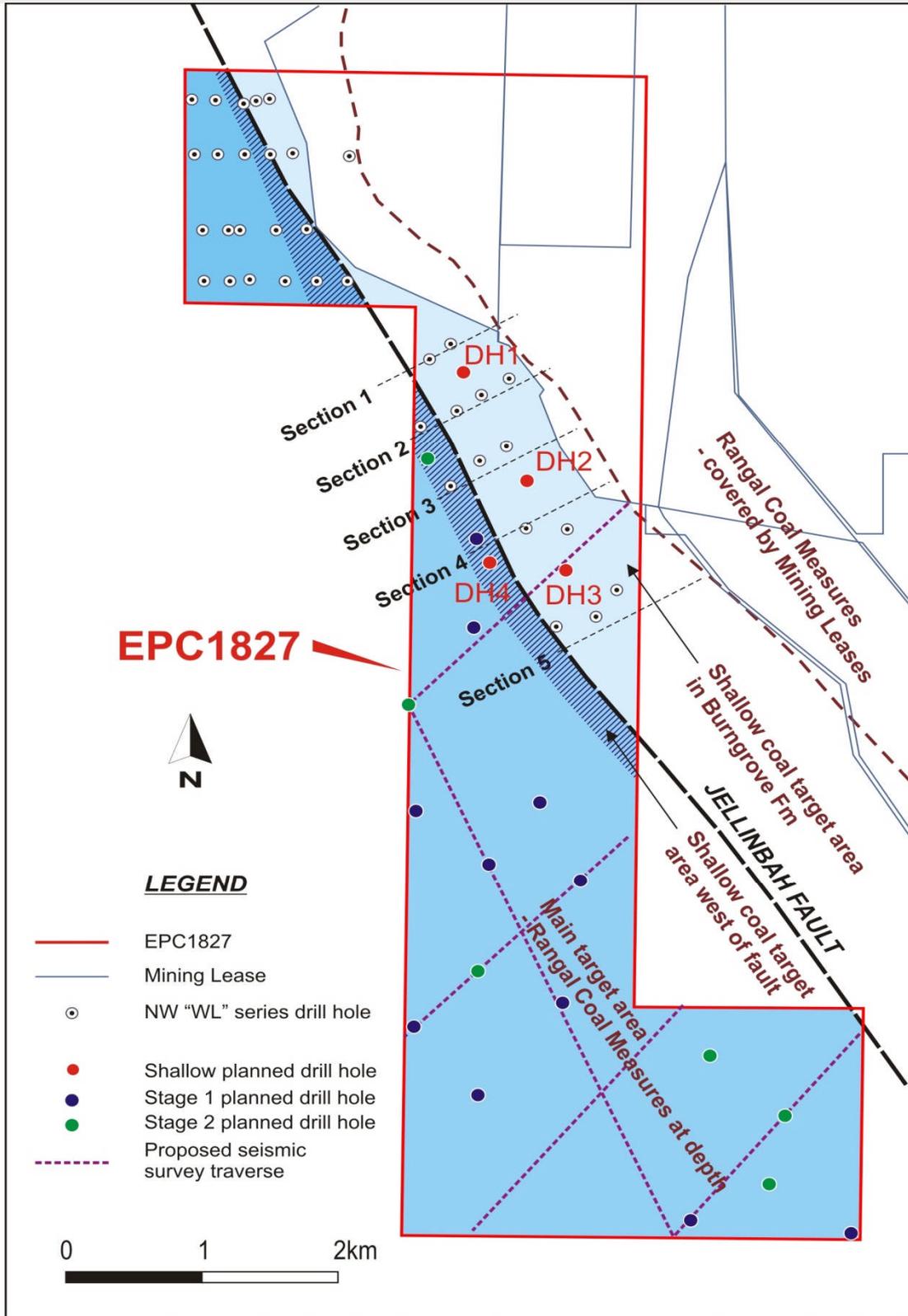
The budget to complete this work is estimated at \$1.4M and the work is timed for completion over the next 12 months.

Secondary target – Burngrove formation in upthrust NE section

There is potential for near term development of the shallow secondary target in the north-east section of EPC1827.

A review of historical work has revealed a shallow secondary target 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 holes were subsequently drilled in early July with core samples taken from two holes for analysis and washplant testwork. Results from this drill program are expected to be announced in August/September 2011.



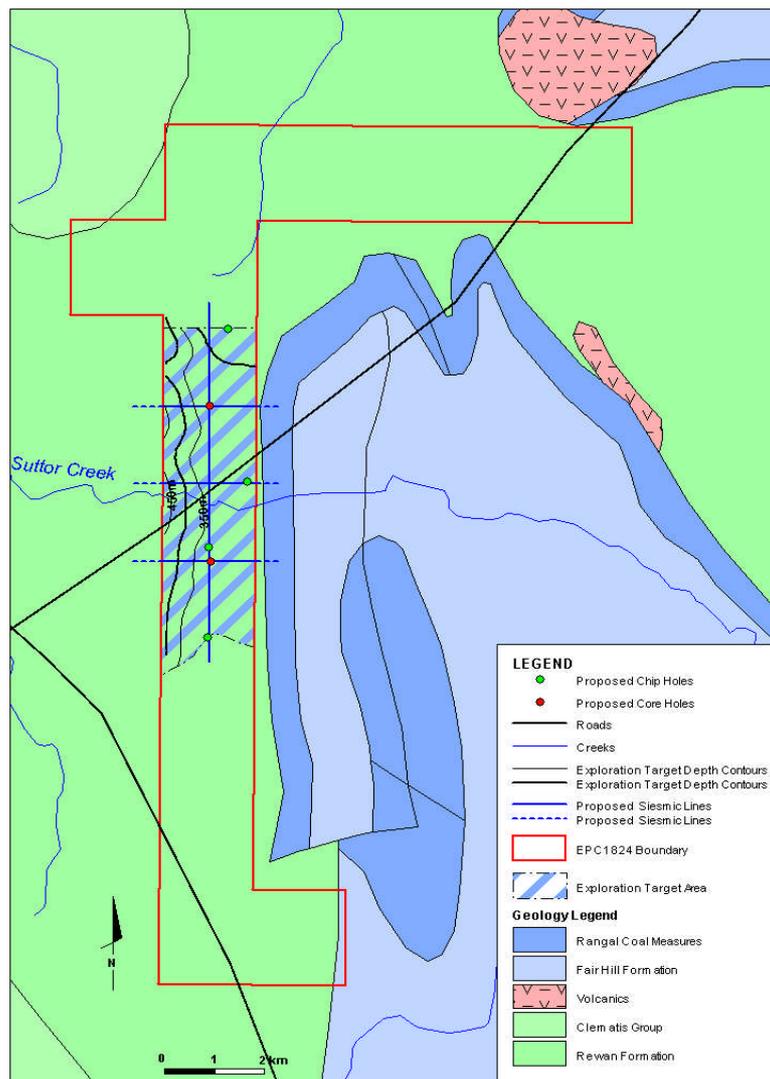


EPC 1827 – Exploration targets and location of planned drill holes

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.

While a 6-hole program to further evaluate the project had been planned for FY2012 to drill four chip holes, two core holes and cover the target zone with 3D seismic no further work was carried out in the quarter. On 30 June 2011 the Company announced that it had entered into a non-binding Letter of Intent with Rio Tinto Exploration Pty Ltd for the potential acquisition or joint venture of the Mt Hillalong projects.



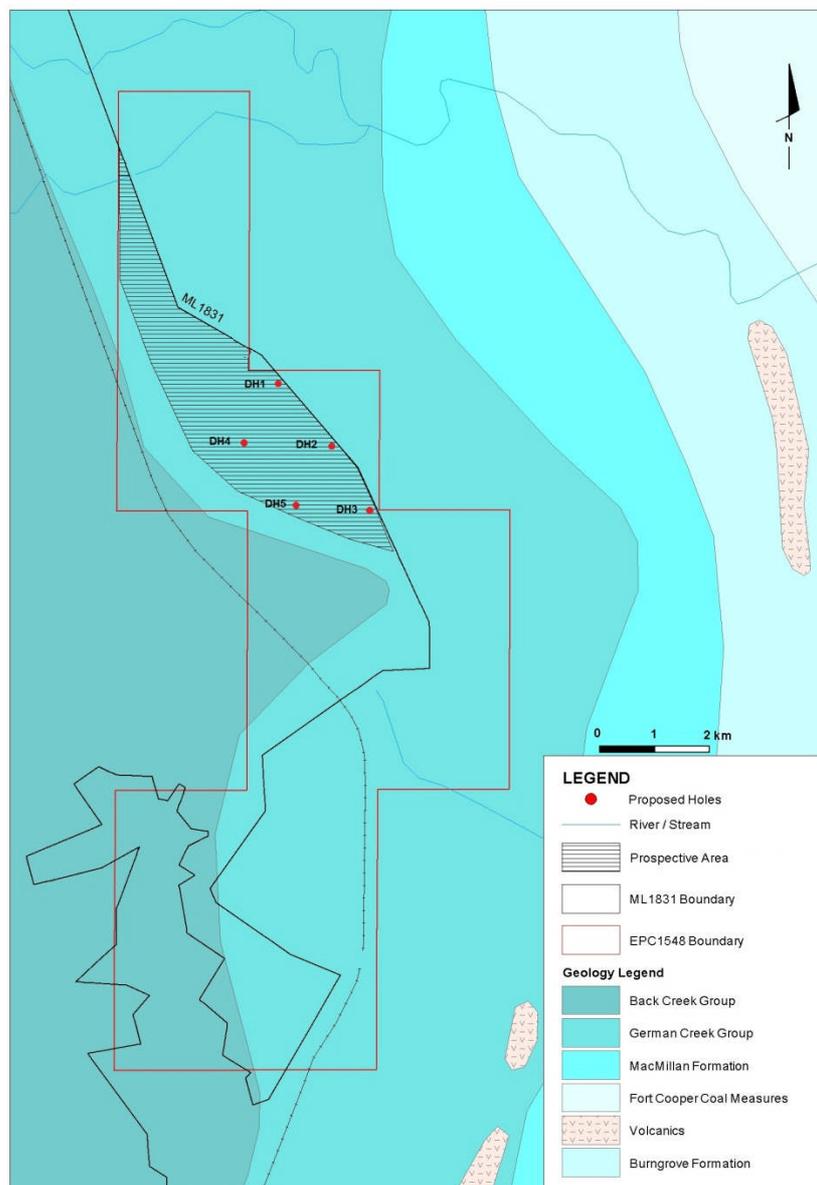
EPC 1824 – Exploration target and location of planned drill holes

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 planning and field work has commenced for the drilling of five '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 \$80,000.

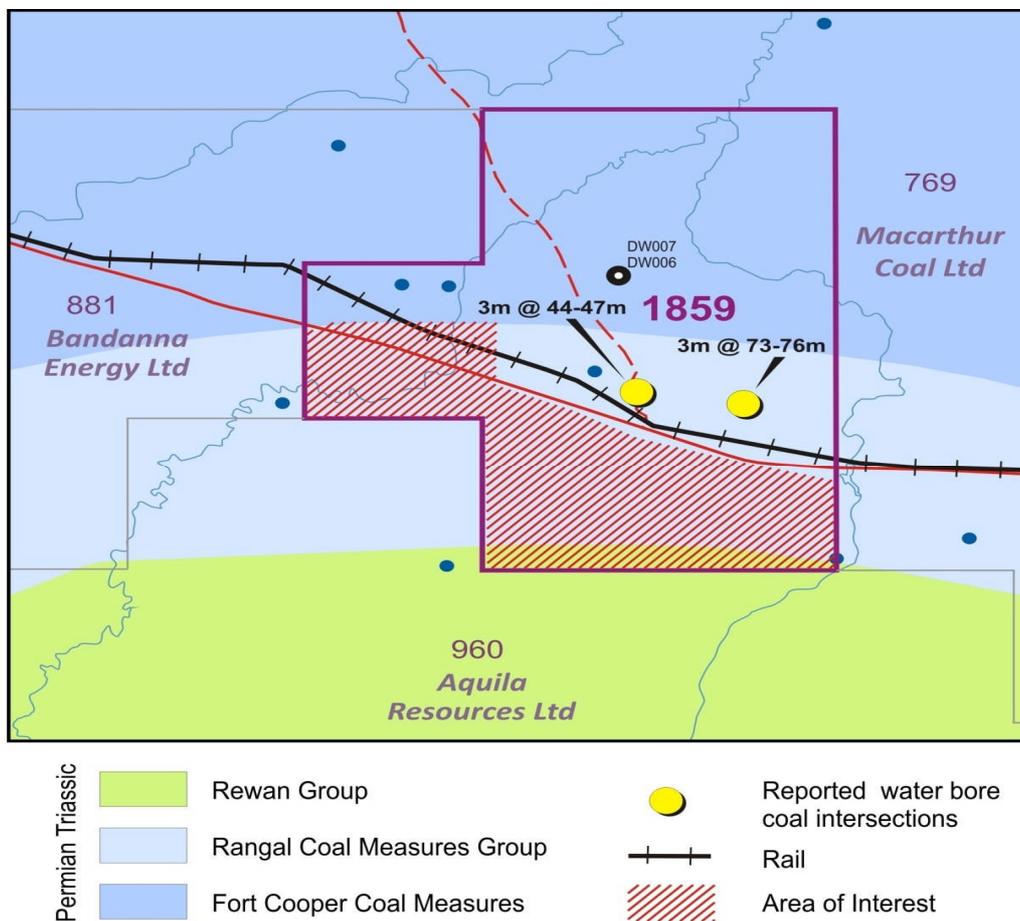


EPC 1548 – Location of planned drill holes

EPCA 1859 - Dingo

Work on EPC 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 including further analysis of the historical data and digital conversion has commenced.



EPCA 1859 – Exploration area of interest

EPC 1773 Kemmis Creek

Work on EPC 1773 Kemmis Creek has comprised a desktop review of historical exploration data. 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.

EPC 1773 is included in the Mt Hillalong projects the subject of the Company's 30 June 2011 announcement that it had entered into a non-binding Letter of Intent with Rio Tinto Exploration Pty Ltd for the potential acquisition or joint venture of the Mt Hillalong projects.

Other Projects

Clarence Moreton Joint Venture – AQC 10%, Blackwood Resources Pty Ltd 90%

The Company holds a 10% free carry interest up to feasibility stage in 4 EPCs within the Clarence-Moreton, Surat and Galilee basins.

On 12 July 2011, Blackwood Coal announced it had completed a 15 hole drilling program at its 90% held East Wandoan project in Queensland. The East Wandoan is a joint venture between Blackwood and Australia Pacific Coal Ltd.

Drill holes intersected multiple plies of coal at shallow depths. Each of the holes has been geophysically logged to determine cumulative coal thicknesses. Blackwood expects to drill a further six to eight holes in the area to generate sufficient data for a coal resource to be calculated to JORC standards. It is anticipated that the drilling will determine whether adjacent areas to the current target area can be targeted for exploration in the 2012 drilling season.

Blackwood is intending to conduct a six hole scout drilling program at its Galilee Project, which is immediately north of EPCA1957 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.

Grafton Range Sodium Bicarbonate Project – AQC 100%

The Company completed 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.

The Company is reviewing its future options for this project.

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 for this project.

Strategic Cropping Land Protected Area's

The Queensland Government intends to implement its Strategic Cropping Land (SCL) policy with legislation expected to be introduced in late 2011. There are two Strategic Cropping Protection Areas – one in Central Queensland and one in Southern Queensland.

The Company has completed a review of its holdings in relation to the proposed Strategic Cropping Land Protection Area (Central). EPC 1920 and EPCA 1685 lie within the boundary of the proposed Protection Area. EPC 1920 lies outside of the areas where strategic cropping land may exist and EPCA 1685 is partially affected by areas where strategic cropping land may exist.

The effect of the proposed legislation is to provide that developments (including mining) on land that meet the Strategic Cropping Land criteria will need to be assessed to ensure that they avoid development on the SCL to the maximum extent possible and to minimise their impacts on the land.

Competent Person Statement of Compliance

This report has been prepared in accordance with the Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves "The JORC Code" (2004). With respect to the exploration proposals, the proposals and statements have been reviewed by Mr Colin Laing of A.C.M. Laing and Associates, Consulting Geologists who consents to the inclusion in this announcement of the matters bas on his information in the form and context in which they appear.

Mr Laing is a qualified geologist with over 50 years' experience in geology and resource evaluation relevant to the style of mineralisation and type of deposit under consideration. 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 "The JORC Code" (2004).

Corporate

Rio Tinto - Mt Hillalong Exploration Agreement

On 30 June 2011 the Company's 100% owned subsidiary Area Coal Pty Ltd has signed a non-binding Letter of Intent with Rio Tinto Exploration Pty Ltd. The Letter of Intent sets out proposed non-binding terms in respect of the potential acquisition or joint venture of the Company's Mt Hillalong project.

Board changes

Mr Tim Prowse resigned as a Director of the Company on 29 June 2011.

Capital requirements

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

Financial

Cash at bank as at 30 June 2011:	\$585,454
Exploration and evaluation payments for the quarter:	(\$118,373)
Other net operating cash flows for the quarter:	(\$335,407)
Net investing cash flows for the quarter:	\$30,916
Net financing cash flows for the quarter:	(\$16,715)
Net decrease in cash held during the quarter:	(\$459,579)

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 30 June 2011
Options: 30,000,000

Market Capitalisation

\$21.3 million at 30 June 2011

Quarterly Share Price Activity

2011	High	Low	Last
June	\$0.095	\$0.035	\$0.040
March	\$0.081	\$0.043	\$0.057
2010			
December	\$0.042	\$0.016	\$0.042
September	\$0.027	\$0.015	\$0.020

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