

QUARTERLY REPORT

July to September 2014



Australian Pacific Coal

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

- EPC1859 "Dingo" coal quality results announced Ultra Low Volatile PCI potential identified
- EPC 2011 "South Clermont" drilling program scheduled for the first half of 2015
- Rio Tinto Exploration are continuing their exploration on EPC1824 throughout 2014
- EPC 1645 "Mount Hess" proceeding to grant

Corporate

- Additional \$175,000 proceeds received from Share Issues.
- Additional \$188,415 proceeds from Share Purchase Plan Received in October further secures the cash position of the company.

Chief Executive Officer's Comment

The first quarter of the 2015 financial year has been a period of consolidation for the company after the preceding quarter's drilling program.

Following on from our Dingo drilling campaign completed in May 2014 we have announced initial coal quality reports indicating potential for high yielding low volatile PCI coal.

Planning for EPC 2011 "South Clermont" first stage exploration and drilling phase is now complete with initial drilling scheduled for the first half of 2015. Linchpin Capital are making progress with their capital raising processes.

I am pleased to report that EPC 1645 is now proceeding to grant. The tenement forms part of our agreement with Rio Tinto Exploration. The grant of this tenement will further strengthen our Exploration, Option and JV Agreement with Rio.

Rio Tinto are continuing their exploration of our Mt Hillalong tenement and their adjoining tenements through the current season. Our tenement falls within a larger regional exploration program for Rio. Their program provides a very positive outlook for the progress of our agreement with them.

I repeat our strongly held view that payback from our strategy of identifying good quality metallurgical coal prospects, close to established infrastructure, will create value for our shareholders.

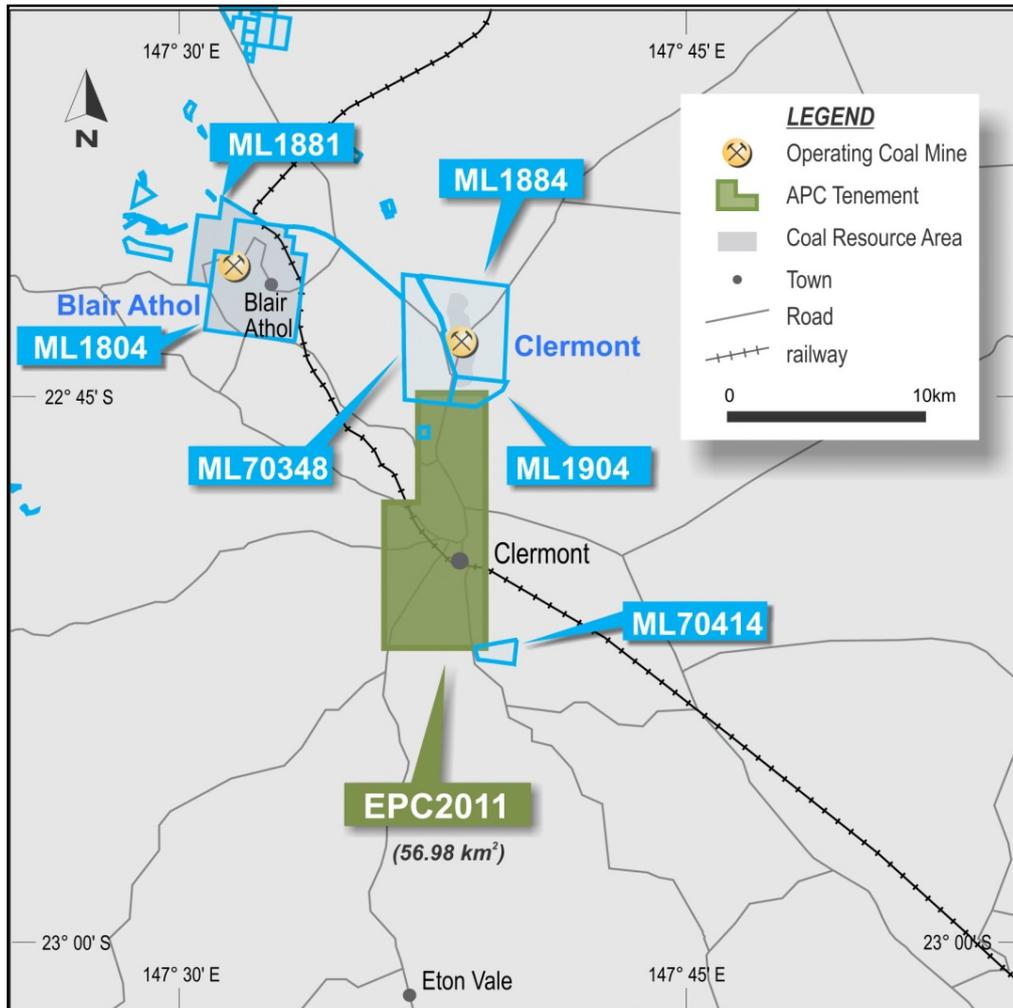
Finally and perhaps most importantly. I would like to thank all shareholders who took the opportunity to participate in our Share Purchase Plan.

Thank you,

Paul Byrne
Chief Executive Officer

Coal Exploration

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

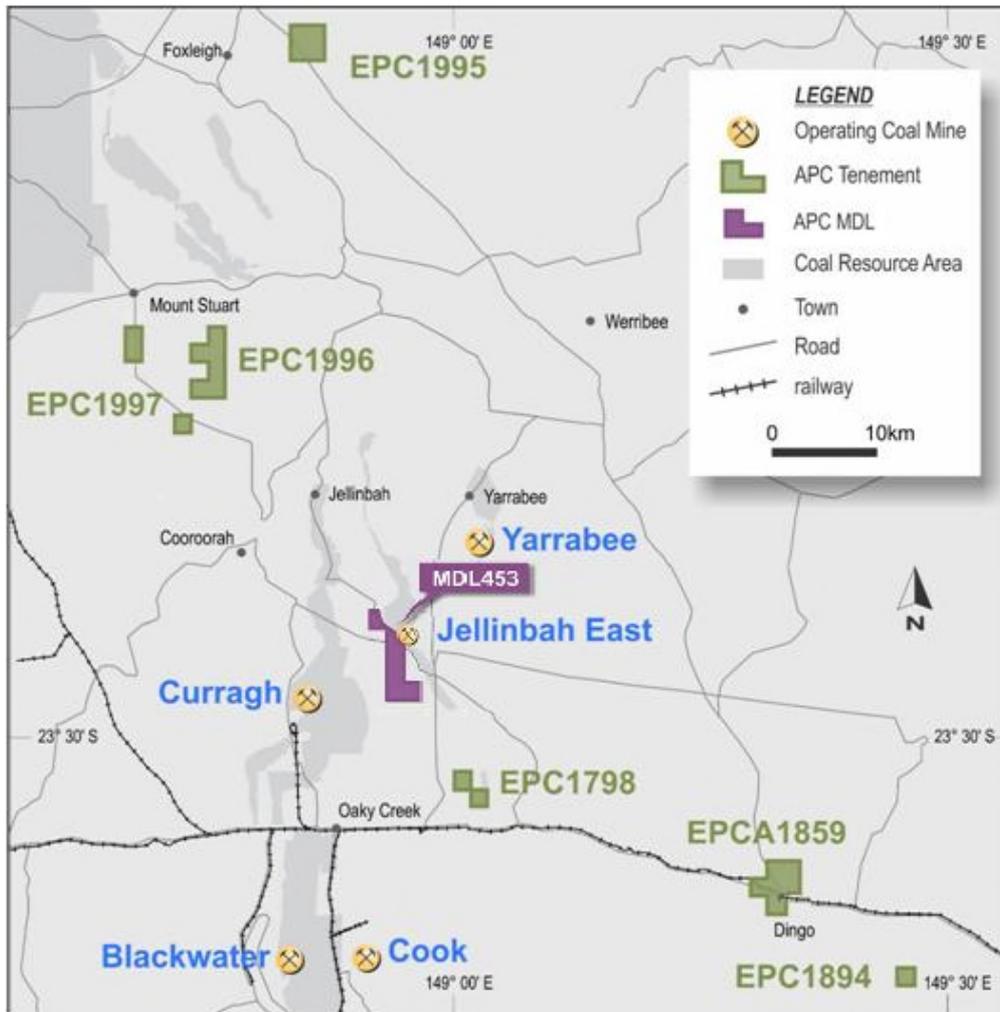


- Abuts Glencore's (formerly Rio Tinto's) Clermont Coal Mine purchased for \$1bn (50.1% share) - reserves of 172Mt in 2012 – producing at 10Mt + painfill drilling program to elevate project to Measured JORC Resource
- Target – Clermont Basin with potential for thick open cut mineable coal seams
- Average 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.

The first stage of the drilling program is scheduled to commence in the first half of 2015.

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)

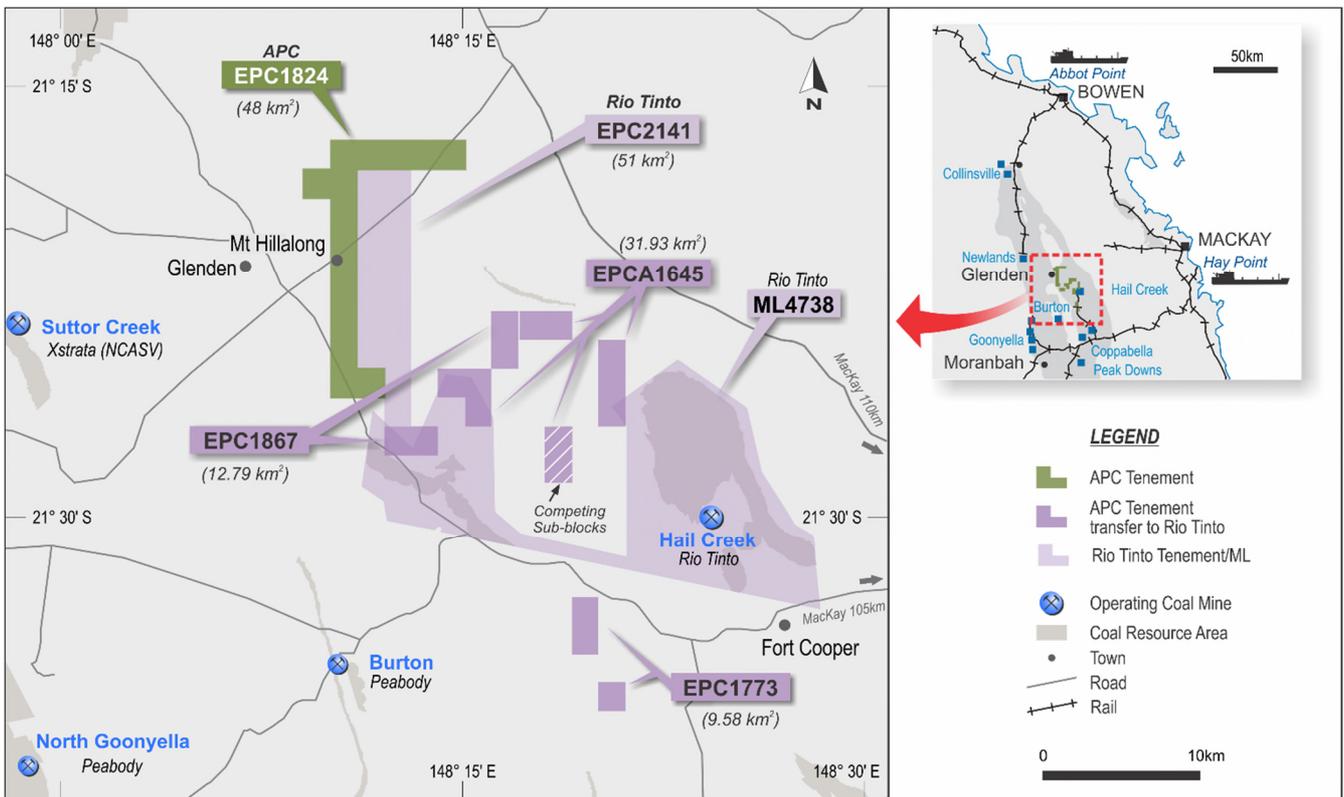
- 30 km east of operating Blackwater and Curragh mines, targeting Rangal Coal Measures
- Initial coal quality results indicate potential for high yielding low volatile PCI coal
- Modelling and coal quality assessment is ongoing
- Located on rail network

Carlo Creek (EPC 1995)

- Low 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 in 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 commenced with positive initial results. Further drilling expected in 2014.
- 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 1798	Bluff Creek	Area Coal Pty Ltd		19/02/2010
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	Mining Investments One Pty Ltd	Blackwood Resources Pty Ltd	8/02/2012
EPC 1989	Castlevale	Mining Investments One Pty Ltd		26/07/2012
EPC 1987	Quondong	Mining Investments One 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 17644	Fairview	Ipoh Pacific Resources Pty Ltd		25/10/2010
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 hold 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.

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.

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 \$389 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 end 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 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 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 30 September 2014	\$388,951
Exploration and evaluation payments for the quarter:	(\$61,131)
Other net operating cash flows for the quarter:	(\$167,497)
Net investing cash flows for the quarter:	(\$6,725)
Net financing cash flows for the quarter:	\$173,079
Net decrease in cash held during the quarter:	(\$62,274)

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: 981,112,033 as at 30 September 2014
Options: Nil

Market Capitalisation

\$2.943 million at 30 September 2014

Quarterly Share Price Activity

2014	High	Low	Last
September	\$0.006	\$0.003	\$0.003
June	\$0.006	\$0.004	\$0.004
March	\$0.009	\$0.005	\$0.006
2013	High	Low	Last
December	\$0.014	\$0.006	\$0.007

Substantial Shareholders

Mr Paul Byrne 10.06%

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