

QUARTERLY REPORT

OCTOBER to DECEMBER 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 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

- High priority targets identified: EPC 1996 "Churchyard Creek", EPC 1827 Cooroora and EPC 1859 "Dingo".
- 2012 Drilling program to commence in the second quarter.
- Blackwater area – exploration drilling focus in 2012.
- Drilling EPC 1548 "West German Creek" completed.

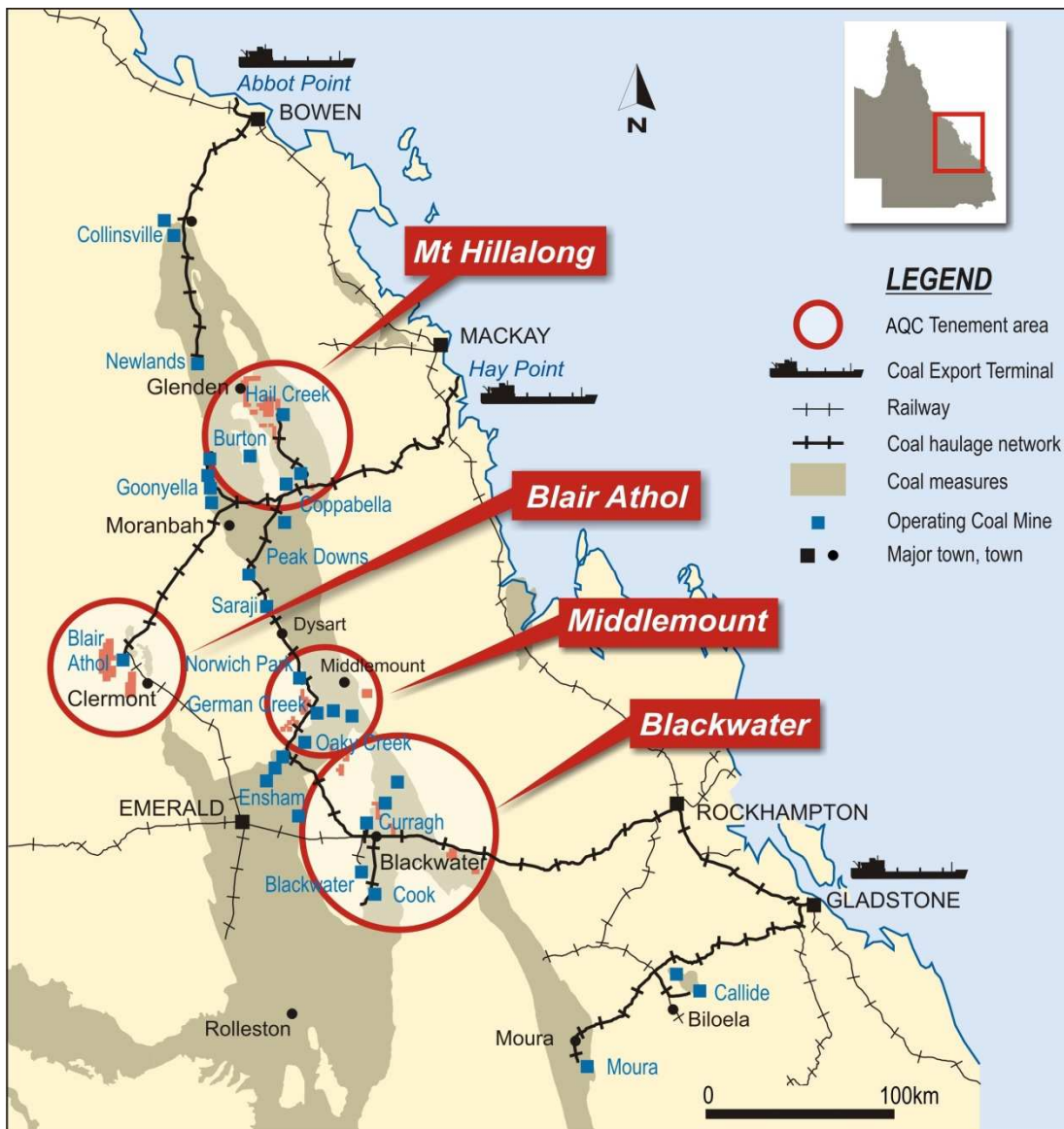
Corporate

- Annual General Meeting held on 30 November 2011.
- Funding and capital raising options that have been presented to the Company are being evaluated.

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% 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 completion of the 2011 exploration program and preparation of the 2012 drilling program which includes:

- Site access, planning and preparation for drilling of open cut resource targets on EPC 1996 "Churchyard Creek,
- Site access, planning and preparation for infill drilling of EPC 1827 "Cooroorah to increase the size and JORC status of the resource.
- 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.

AQC Drilling Schedule 2012	2012			
	Q1	Q2	Q3	Q4
First Pass Drilling EPC's 1996				
Infill Drilling EPC1827				
Infill Drilling EPC1859, 1894				

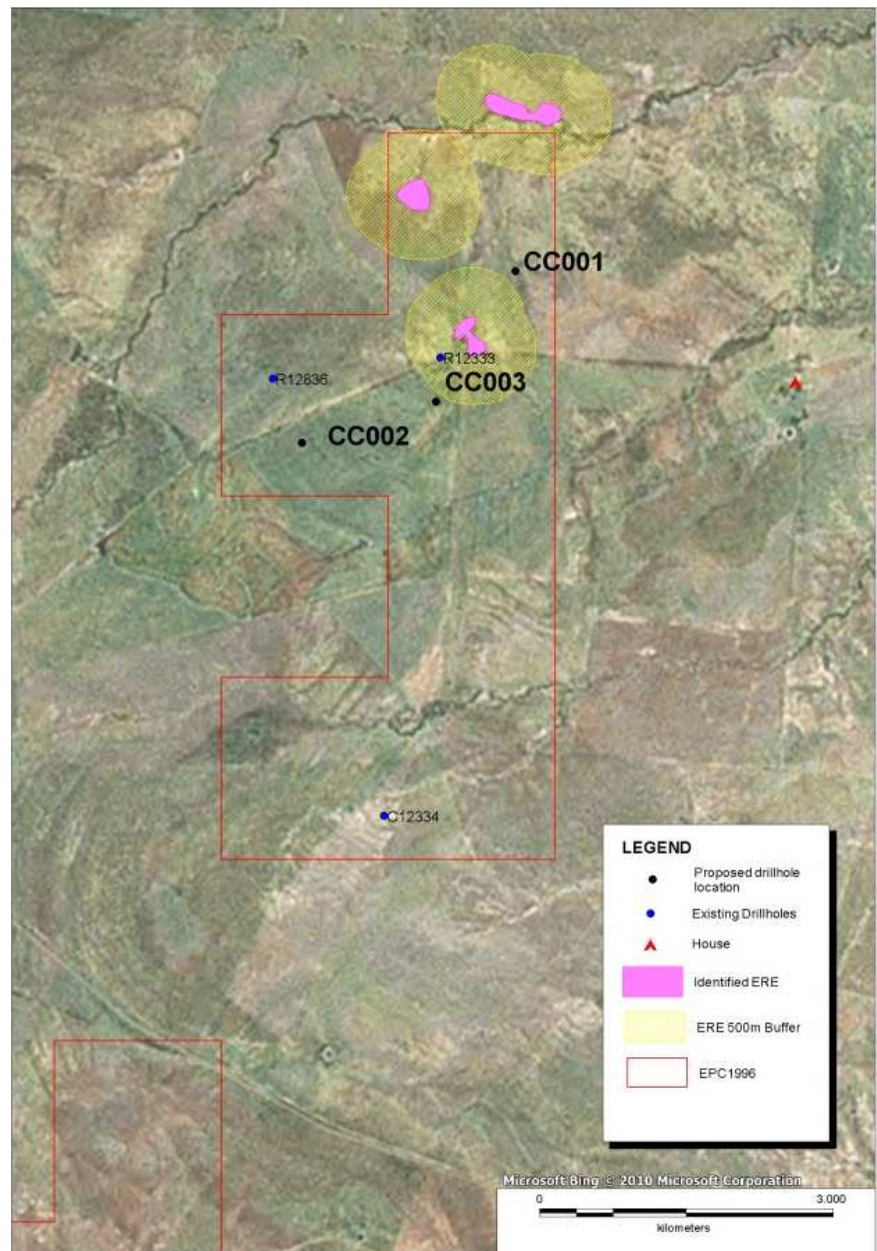
Churchyard Creek - EPC 1996

EPC 1996 "Churchyard Creek" located in the Blackwater region of Central Queensland.

Proposed Q2 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.

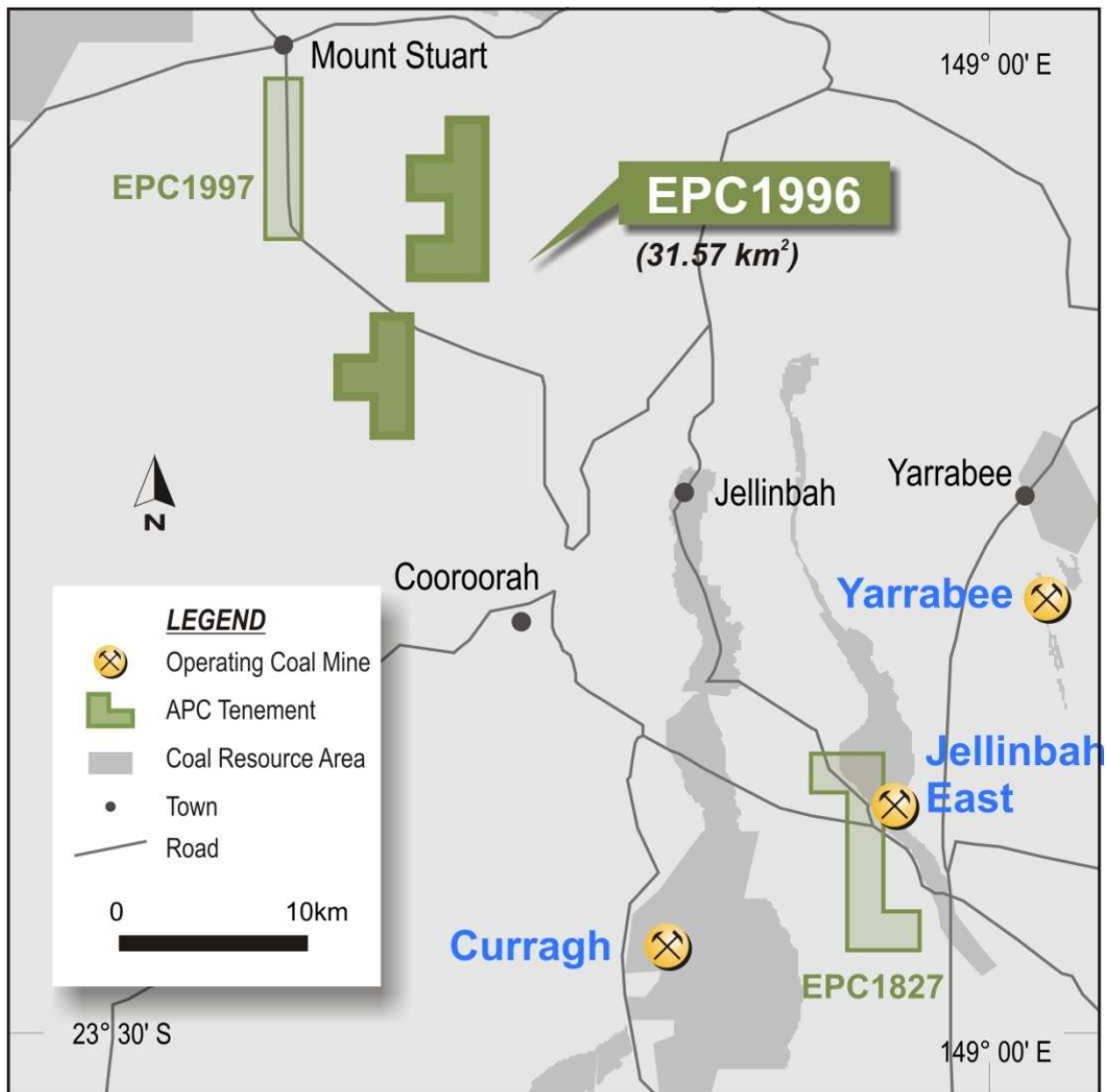
Up to 30m of coal seams have been identified in the shallow (<100m) interval of the Fort Cooper Coal Measures in the northernmost sub-blocks of EPC1996. These include seams being actively investigated by other explorers in the area including Acacia Coal's EPC 1230 Comet Ridge project and Aquilla Resources "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.



Proposed Work Program:

- Two chip holes and two core holes
- Targeting hard coking coal - Fort Cooper coal measures (up to 30m of coal seams at depths of less than 100m)
- Targeting coking coal - Tieri Seam (~2m thick at 250m – 350m depth with potential for shallower upthrust fault blocks)
- Lithology and structure logging
- Sampling / Analysis of coal
- Geophysical wireline logging
- Remodelling resource assessment



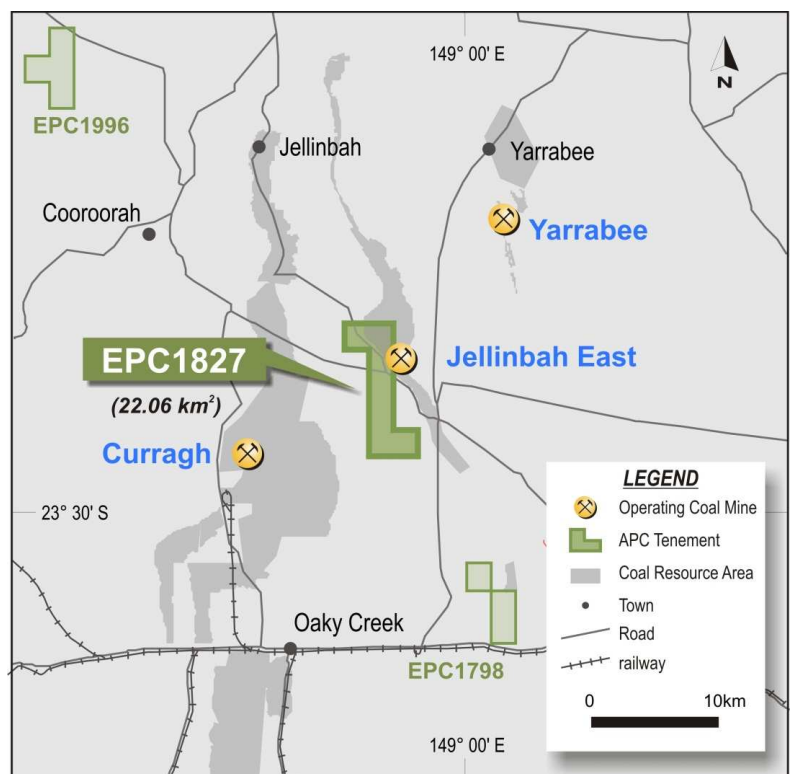
Cooroorah - EPC 1827

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 a Mineral Development Licence Application MDLA 453 was applied for over the tenement area to facilitate further near term exploration and project feasibility studies.

The Cooroorah tenement consists of two target areas including a Main Target of an inferred resource of 107Mt, estimated in accordance with the JORC Code, and a Shallow Target drilled during the Year-2 reporting period. The Shallow Target is located in the north of EPC1827 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 JORC-compliant status of approximately 50% 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 JORC compliant 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 tentatively planned for Q2 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 washplant testwork. 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 1827 – Core samples from earlier secondary target drilling program

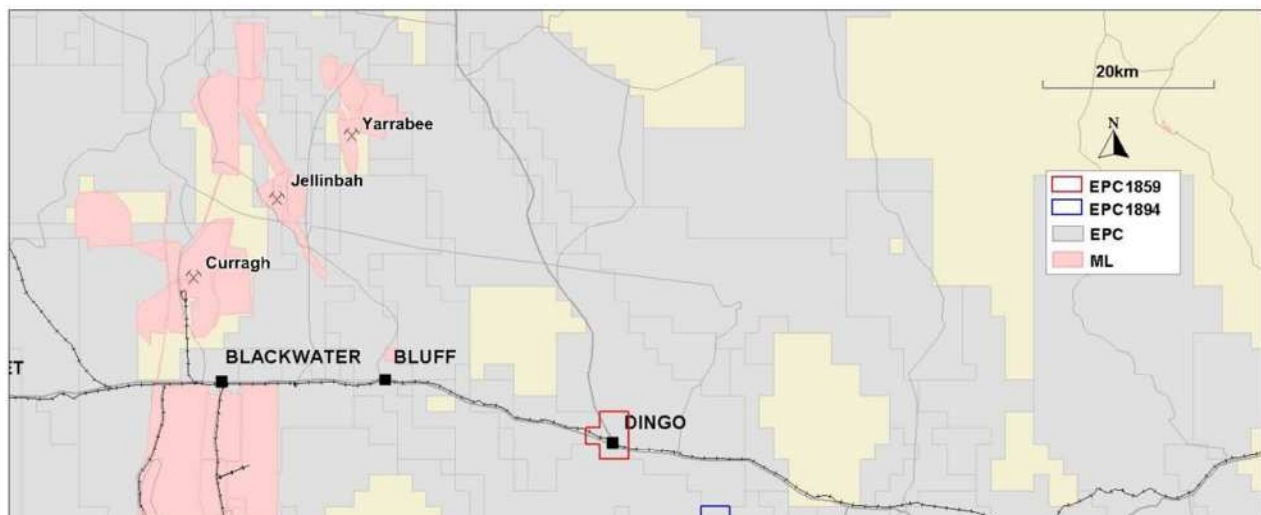
EPC 1859 – Dingo

Exploration Permit for Coal No.1859 – Dingo (EPC1859) was granted to Australian Pacific Coal Limited subsidiary, Area Coal Pty Ltd, on 31 May 2011 for a period of 5 years, and comprises seven sub-blocks. The tenement is located about 30km east of the operating Blackwater and Curragh coal mines and adjacent to Bandanna Energy's Dingo West EPC 881 project. 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 should 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 Q2-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.



West German Creek - EPC 1548

EPC 1548 "West German Creek" is within the Middlemount project area.

A total of 851m was drilled in 6 holes (Figure 1) including 844.42m of open chip hole and 6.58m of core (Table 1).

Three seams were identified as persistent across the area, but these are not interpreted to be the German Creek seams targeted. Seams are likely to be of the lower German Creek Formation and underlying Freitag Formation (possibly the Liskeard seam). The two thickest coal seams, totalling 1.28m average thickness, were sampled in one core hole and one chip hole for indicative coal quality analysis. Further work on the project has been deferred.

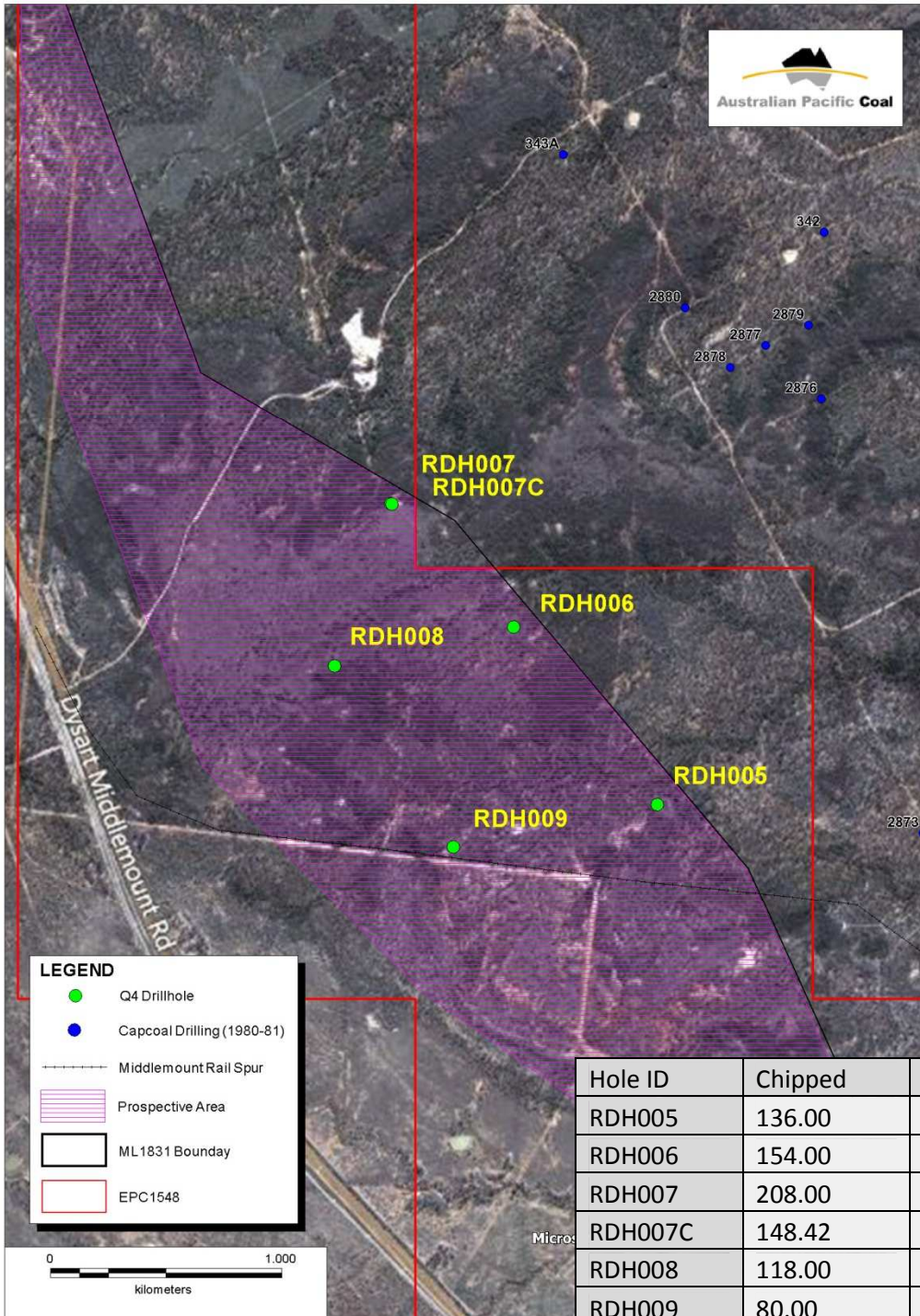
South-west of the West German Creek EPC, about 9 km south of Tieri, the Liskeard seam is part of a Measured Resource of 5.6 Mt of potentially open cut coking coal, estimated by BHPB in 2007. Most of the resource is reported to be within the flat-lying, 1.5m thick Liskeard Seam, near the top of the Freitag Formation.

COMPETENT PERSON STATEMENT OF COMPLIANCE

This report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves "The JORC Code" (2004) and reviewed by Mr S.W (Bill) Hayes of S.W Hayes and Associates who consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Mr Hayes, a member of the AusIMM, is a coal geologist with approximately 30 years' experience relevant to the style of mineralisation and type of deposit under consideration and qualifies as a Competent Person as defined by the Australian Code for Reporting of Exploration Results

Figure 1-
Drill hole locations



Hole ID	Chipped	Cored	Total
RDH005	136.00	0.00	136.00
RDH006	154.00	0.00	154.00
RDH007	208.00	0.00	208.00
RDH007C	148.42	6.58	155.00
RDH008	118.00	0.00	118.00
RDH009	80.00	0.00	80.00
Total	844.42	6.58	851.00

Table 1 – Drilling Totals

Drilling EPC 1548 “West German Creek”



Other Projects

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

Cuesta Coal Limited ("Cuesta Coal") has executed a legally binding conditional subscription agreement valued at \$20 million as detailed in the Company's announcement of 11 January 2012.

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.

AQC Group joint ventured four EPCs out to unlisted coal explorer Blackwood Coal Pty Ltd subsidiary, Blackwood Resources Pty Ltd, in April 2010. AQC Group retains a 10% free carried interest up to feasibility study stage. Under the terms of the JV, Blackwood 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). Blackwood can withdraw at any time and offer the project(s) back to AQC at no cost.

AQC Group retains its 10% free carry interest up to feasibility stage in the four East Wandoan joint ventured coal exploration tenements. 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".

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.

Mt Hillalong EOJV Agreement – Rio Tinto Exploration Pty Ltd

In August 2011 the Company'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 \$2.3million under the agreement has been received by the Company.

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

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%

On 10 October 2011 the Company's 100% owned subsidiary Ipoh Pacific Resources Pty Ltd executed an agreement with Fertoz Pty Ltd to market its CalBen (Calcium Bentonite) produced at its Mantuan Downs mining tenement.

Under the terms of the Agreement, Fertoz will have exclusive rights to sell the product for a minimum period of twelve months. IPR will retain ownership of the mining tenements and the assets at Mantuan Downs. Fertoz and IPR will share the profits from product sales equally. Fertoz will also have a first right of refusal to acquire the Mantuan Downs tenements and assets during the term of the Agreement.

Fertoz have commenced its marketing program for the Calben product.

Corporate

Fertoz Pty Limited - Bentonite Marketing Agreement

On 10 October 2011 the Company's 100% owned subsidiary Ipoh Pacific Resources Pty Ltd executed an agreement with Fertoz Pty Ltd to market its CalBen (Calcium Bentonite) produced at its Mantuan Downs mining tenement.

Capital requirements

The Company has completed an evaluation of its long term capital requirements in relation to the exploration and development of its primary projects. Potential funding and capital raising alternatives that have been presented to the Company are being evaluated. Further information will be provided to the market if and when terms are agreed.

Financial

Cash at bank as at 31 December 2011	\$1,391,814
Exploration and evaluation payments for the quarter:	(\$255,345)
Other net operating cash flows for the quarter:	(\$645,510)
Net investing cash flows for the quarter:	(\$335)
Net financing cash flows for the quarter:	(\$6,191)
Net decrease in cash held during the quarter:	(\$907,380)

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 December 2011
Options: 30,000,000

Market Capitalisation

\$17.1 million at 31 December 2011

Quarterly Share Price Activity

2011	High	Low	Last
December	\$0.044	\$0.028	\$0.032
September	\$0.063	\$0.034	\$0.035
June	\$0.095	\$0.035	\$0.040
March	\$0.081	\$0.043	\$0.057

Substantial Shareholders

Mr Paul Byrne 10.13%
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
1 Eagle St Brisbane QLD 4000

Geological Consultants

Global Ore Discovery Ltd
15a Tate St Albion QLD 4010
Geological Solutions
Unit10, 13 Garnett St, Cooroy QLD 4563
Minserve Pty Ltd
L1, 1 Swann St Taringa, QLD 4068
Ausmec Pty Ltd
L4, 190 Edward St Brisbane, QLD 4000