

# QUARTERLY REPORT

APRIL TO JUNE 2013



**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.

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**Paul Byrne**  
**Chief Executive Officer**  
**pbyrne@aqcltd.com**

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## **Quarterly Activities Report**

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### **KEY POINTS**

#### **Coal exploration**

- Commissioned Desktop Concept Study of EPC1827/MDL453 "Cooroorah"
- MDL453 "Cooroorah" grant offer received and accepted. Granted on 22 July 2013.

#### **Corporate**

- Divestment of non-core assets:  
  
Sale of EPC1548. 100% interest sold for \$150,000  
  
Sale of EPC2157. 100% interest sold for \$125,000  
  
Minority investment in unlisted companies sold for \$110,000.
- \$450,000 proceeds from the issue of shares.
- Share Purchase Plan (closed in July 2013) raising further \$575,250

## Chief Executive Officer's Comment

Completion of the drilling on our 100% owned Blackwater project EPC1827 "Cooroorah" in the March quarter has shifted the June quarter focus onto evaluation of the drilling results and consolidation of the Company's cash position.

I am pleased to advise the application for a Mineral Development License over our EPC 1827 "Cooroorah" tenement proceeded grant during the quarter with the grant of MDL 453 on 22 July 2013. I also refer you to our resource upgrade announcement released on 11 February 2013. These are significant milestones for this project, increasing the value of one of our key assets. During the quarter we commissioned a Desktop Concept Study as the first step in anticipation of the grant of the MDL and progressing towards a pre-feasibility study.

While our exploration activities are focused on our core Blackwater projects, the Company also holds a number of non-core tenements. This quarter settlement of the sale of two of these non-core tenements has provided the Company with a cash injection of \$275,000. A further \$110,000 has been realised from the sale of our minority equity investment holdings, fully recovering the cost of the original investment. We will continue to seek opportunities to realise value from our non-core assets.

Further exploration will require additional funding. We remain focused on ensuring that funding for the projects is available as required and that shareholder dilution is minimised.

We are confident that Rio Tinto Exploration will commence drilling on our JV tenement in the very near future and that Rio are committed to the exploration program. We are aware that our shareholders see that step as significant milestone in the progress of the JV and we look forward to the day we announce their commencement of drilling.

We also retain a healthy interest in the four Cuesta Coal projects. While directing our activities to our 100% owned projects, we are always looking at the best way to commercialise our assets.

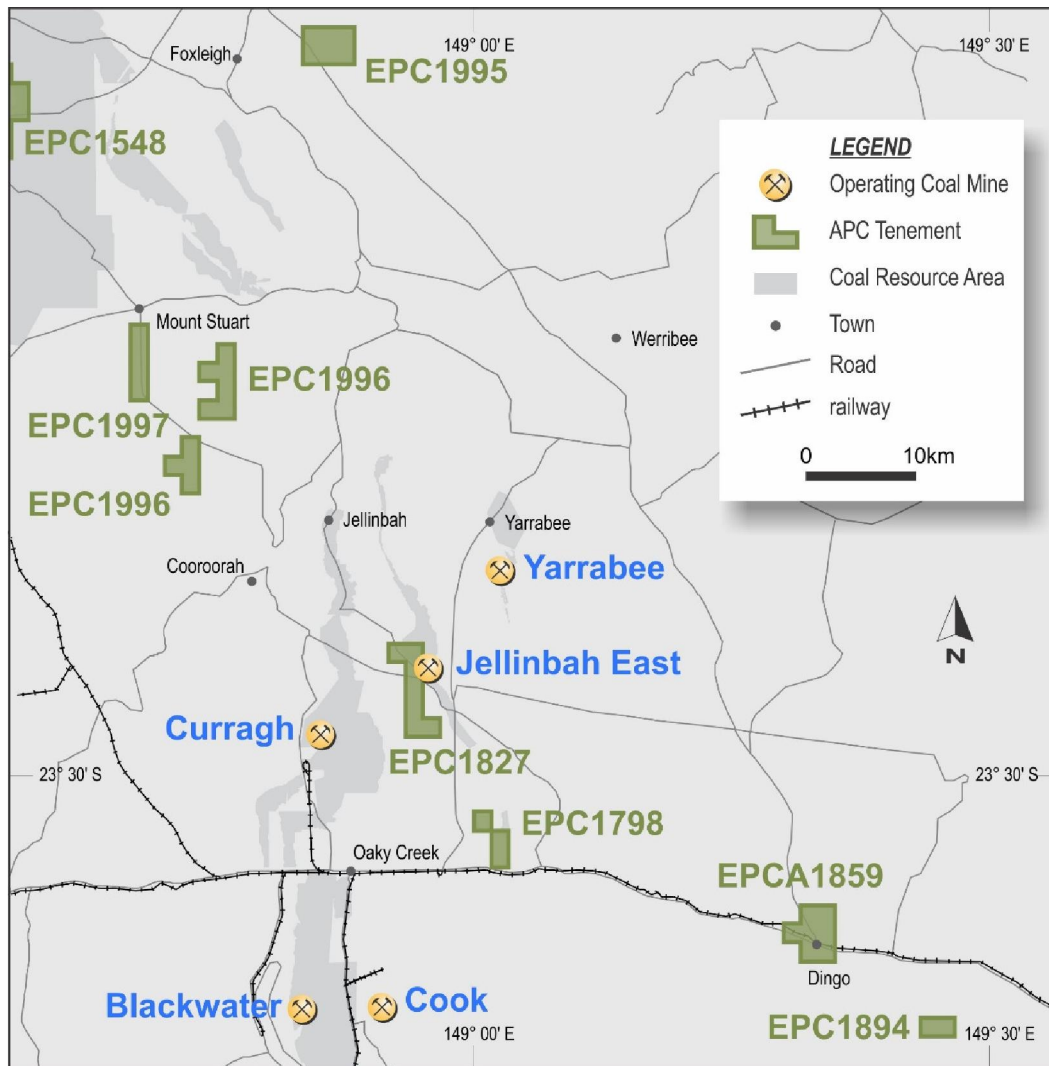
The Company's key objective over the coming year is continues to be the commercialisation of our 100% owned Blackwater projects.



Paul Byrne  
Chief Executive Officer

## Coal Exploration

### Blackwater Projects (AQC 100% owned)



#### Cooroorah (EPC 1827)

- Resource upgrade announced 11 February 2013
- 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
- Infill drilling program proposed to elevate project to a JORC Resource
- Located on rail network

#### Carlo Creek (EPC 1995)

- Historical drill holes and seismic sections identified two potential coal target sequences

## EPC1827 “Cooroorah” – Nov 2012 to March 2013 drilling program

The Cooroorah project is 100% owned by Australian Pacific Coal. The tenement lies astride the Jellibah fault. The primary resource target is west of the fault. A secondary shallow open cut target lies east of the fault. Located in the Blackwater coal hub of Queensland's Bowen Basin, surrounded by producing coal mines owned and operated by major mining companies. The region has well developed infrastructure with links to major rail and port facilities.

The Company's current drilling programme on EPC1827 “Cooroorah” recommenced on the 14<sup>th</sup> January 2013 and although hampered by monsoon rainfall throughout the Central Queensland Capricornia district, has now been completed. The drilling programme has been undertaken to support the requirements for the grant of MDL453 application, obtain additional coal quality data and to enable the preparation of the pre-feasibility study for the project.

Drilling of the four proposed sites at Cooroorah has been completed for a combined total of 2,028.63m including 530.56m of HQ core. The final hole suffered significant coal core loss and an additional 540.1m including 162m of HQ core, has been redrilled to obtain coal samples for quality testing. Geophysical logging and site rehabilitation are to be completed.

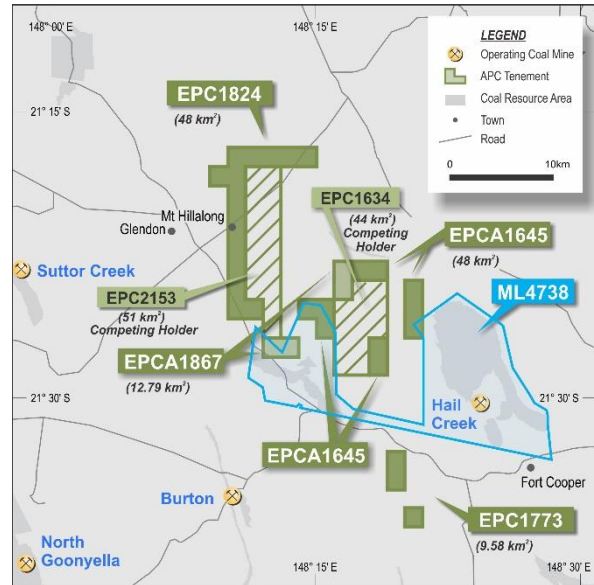
Drilling successfully intersected all target seams at each of the proposed sites. Main seams including the Castor, Pollux and Pisces averaged 3.40m, 2.38 and 2.72m thickness respectively between the four holes (Table 1).

Early stage coal quality data supports previous interpretations of PCI coal product with potential for significant coking coal fraction in the upper and middle seams where coal swell numbers are commonly in the 3 – 9 range. Coal quality analysis is ongoing and expected to be completed by the end of the June 2013 quarter.

On 11 February 2013 the Company announced an upgrade resource estimate for the tenement. Please refer to the company's “**EPC 1827 Cooroorah Resource Upgrade**” announcement released to the ASX on 11 February 2013 for full details.

## 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 75% working interest
- 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



On 11 April 2013 AQC announced that Rio Tinto Exploration Pty Ltd had commenced site survey, mapping and the first round of cultural heritage clearances on our Mt Hillalong joint venture tenement.

A program of 5 drill holes (including drill coring in-seam to conduct sampling for coal quality purposes), concurrent field mapping and ground magnetics is anticipated to commence in near future.

## TENEMENT HOLDINGS

Reconciled the Queensland Department of Natural Resources and Mines records as at 31 July 2013

TENEMENT	TENEMENT NAME	Holder	JV Agreement with	DATE GRANTED
EPC 1548	West German Creek	Area Coal Pty Ltd	<i>Tenement Sold</i>	29/03/2010
EPC 1773	Kemmis Creek	Rio Tinto Exploration Pty Limited	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	Area Coal 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 1827	Cooroorah	Area Coal Pty Ltd		25/11/2009
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		
EPC 1638	Spear Creek	Area Coal Pty Ltd		
EPC 1645	Mount Hess	Area Coal Pty Ltd	Rio Tinto Exploration Pty Ltd	
EPC 1866	Lake Elphinstone	Area Coal Pty Ltd		
EPC 1896	Bottle Tree Creek	Area Coal Pty Ltd		
EPC 2011	North Copperfield	Area Coal Pty Ltd		
EPC 2014	Blair Athol	Area Coal Pty Ltd		
EPC 2157		Area Coal Pty Ltd	<i>Tenement Sold</i>	21/05/2013
MDL 453	Cooroorah	Area Coal Pty Ltd		22/07/2013
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		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

TENEMENT	TENEMENT NAME	Holder	JV Agreement with	DATE GRANTED
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 2012	Clermont	Mining Investments One Pty Ltd		
EPC 2016	Drummond	Mining Investments One Pty Ltd		
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		Mining Investments Four Pty Ltd		27/06/2011
EPC 2826	Clermont	Mining Investments Six Pty Ltd		
EPC 2828	Clermont	Mining Investments Six Pty Ltd		
EPM 19716		Mining Investments Three Pty Ltd		
ML 50207	Grafton Range	Kokstad Mining Pty Limited		30/07/2009

*Note:*

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. EPCs 1548 and 2157 were sold during the June quarter.
5. All other tenements are 100% owned by Australian Pacific Coal Limited 100 % owned subsidiaries.

## Corporate

### Cash Position and Financing Forecast

Completion of the EPC 1827 "Cooroorah" drilling program and divestment of non-core assets over the June quarter has enabled the Company to improve its cash position. Cash balance at the end of the quarter was \$500k and with completion of the Share Purchase Plan in July 2013 current cash is now \$950k. The increase in cash is supplemented by the ongoing funding available from the agreement with The Australian Special Opportunity Fund, LP will enable the Company to continue its exploration program in the second half of 2013.

### Capital requirements

**Lind Funding Agreement:** On 1 October 2012 the Company announced that it has 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 being considered and evaluated to enable continuation of the Company's drilling program and the achievement of the Company's objectives.

### Financial

Cash at bank as at 30 June 2013	\$497,865
Exploration and evaluation payments for the quarter:	(\$391,710)
Other net operating cash flows for the quarter:	(\$83,452)
Net investing cash flows for the quarter:	\$402,500
Net financing cash flows for the quarter:	\$448,251
Net increase in cash held during the quarter:	\$375,590



## 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: 662,695,879 as at 30 June 2013  
Options: Nil

### Market Capitalisation

\$6.63 million at 30 June 2013

### Quarterly Share Price Activity

<b>2013</b>	<b>High</b>	<b>Low</b>	<b>Last</b>
June	\$0.020	\$0.010	\$0.010
March	\$0.020	\$0.011	\$0.012
<b>2012</b>			
December	\$0.027	\$0.017	\$0.020
September	\$0.027	\$0.013	\$0.018

### Substantial Shareholders

Mr Paul Byrne 10.62%  
Ms Elizabeth Byrne Henderson 4.42%

### Principal Office

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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 St, Brisbane QLD 4000

### Solicitors

Hopgood Ganim  
L8 Waterfront Place  
1 Eagle St, Brisbane QLD 4000

### Geological Consultants

SW Hayes and Associates  
18 Sussex St, Toowong QLD 4066  
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