

QUARTERLY REPORT

January to March 2014



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

- Drilling programs commenced on EPC1859 "Dingo" and EPC1995 "Carlo Creek"
- EPC 1566 granted on 21 Jan 2014
- EPC 2011 "Clermont" proceeding to grant
- EPC 1896 proceeding to grant
- EPM 19716 proceeding to grant
- Rio Tinto Exploration are continuing their exploration on EPC1824 throughout 2014

Corporate

- Additional \$225,000 proceeds from the issue of shares further secures the cash position of the company.
- Evaluation of MDL162 adjacent to our MDL453 "Cooroorah" tenement has identified potential for expansion of our "Cooroorah" project.

Chief Executive Officer's Comment

Through the first quarter of 2014 we have been able to make good progress on new opportunities that have opened up for the company. I note particularly the Linchpin Heads of Agreement covering EPC 2011 announced to the ASX on 25 February 2014. This is now unconditional and is proceeding through preparation of long form documentation and funding.

Our EPC 2011 "Clermont" tenement, which neighbours the 12mtpa Glencore operated Clermont mine, cleared native title processes without objection in early April. The tenement is proceeding towards grant. EPC 2011 provides coal exploration ground that has the potential to extend the life of the Clermont mine.

EPC 1827/MDL 453 "Cooroorah" is also proving to be a valuable resource for the company. Early this year Wesfarmers announced their acquisition of the neighbouring MDL 162, filling the gap between their Curragh North and Curragh South open cut mines. We have previously identified a potential opportunity for the expansion of our Cooroorah underground project into neighbouring MDL 162. The acquisition of MDL 162 by Wesfarmers may enable a mutually beneficial agreement to be reached in due course.

Our own exploration over the coming year is focusing on our Clermont, Bluff, Dingo and Carlo Creek projects. Drilling on Dingo and Carlo Creek commenced at the beginning of April. Early results have been encouraging. Given the difficulties in securing cash for exploration activities in today's market environment, we have entered into an exploration agreement that will enable our drilling partner to earn an equity interest in these projects.

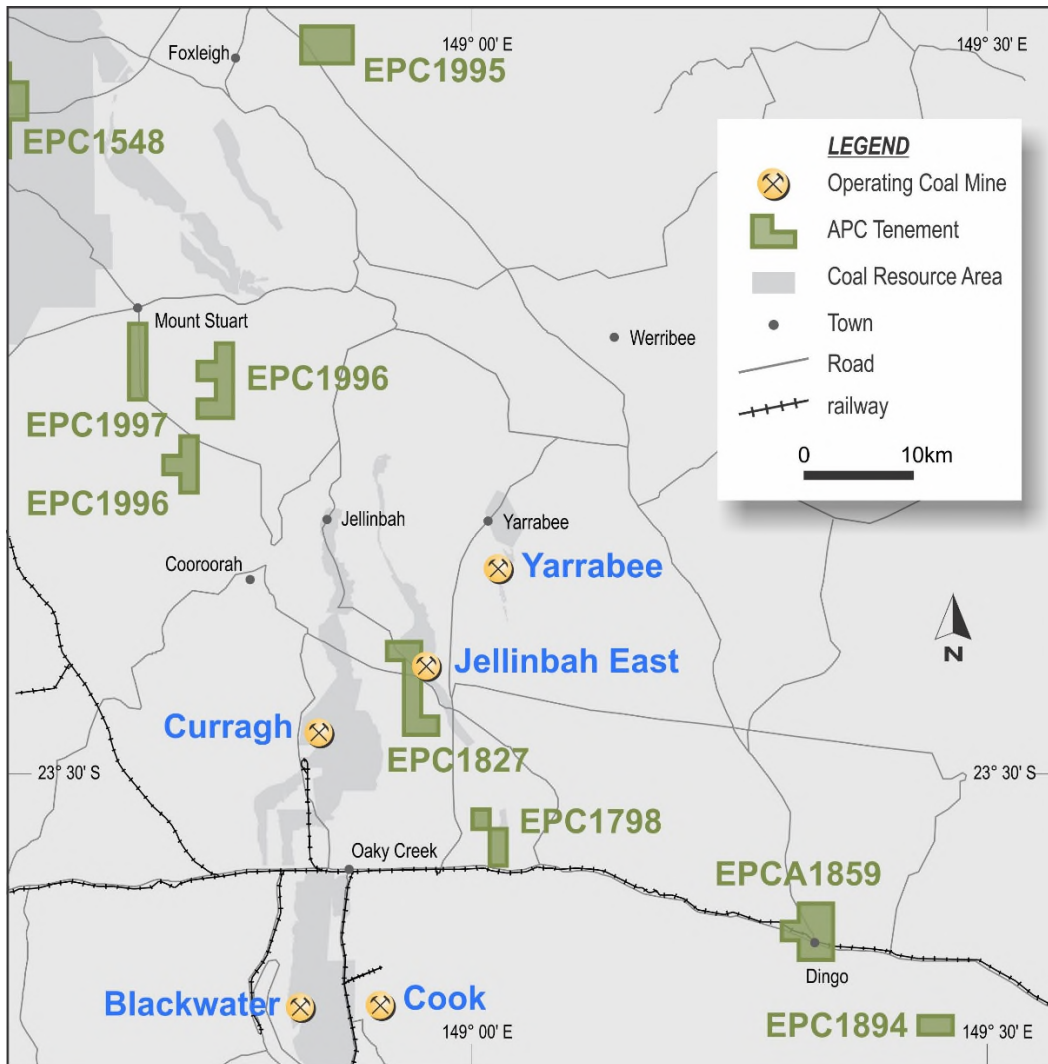
Rio Tinto are continuing their exploration of our Mt Hillalong tenement through 2014. Our tenement falls within a larger regional exploration program for Rio. Their program provides a very positive outlook for the progress of our agreement with Rio.

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. Progress is being made in adding value by exploring our tenements. Opportunities to realise value from the company's assets are also surfacing. We are strategically placed to develop our resources moving forward.

Paul Byrne
Chief Executive Officer

Coal Exploration

Blackwater Projects (AQC 100% owned)



Cooroorah (EPC 1827/MDL453)

- 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)

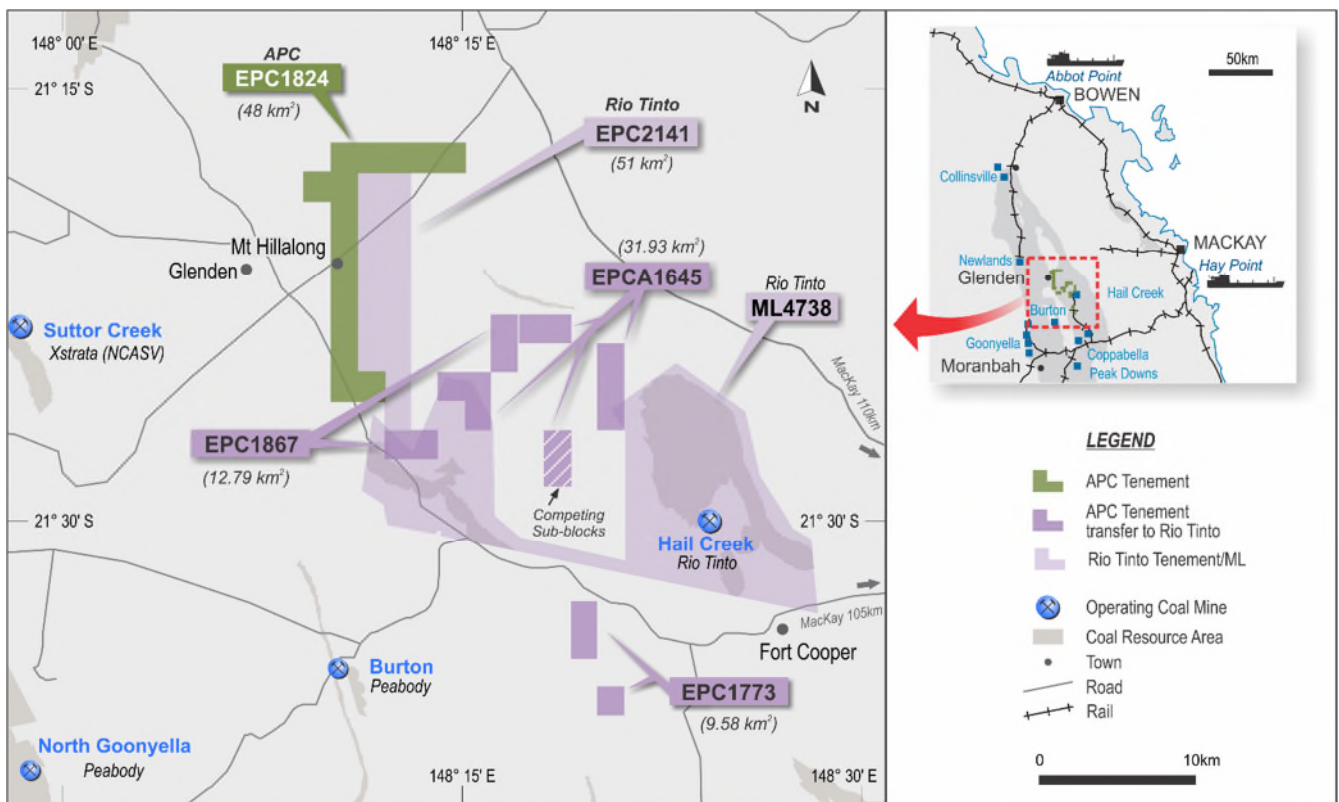
- 30 km east of operating Blackwater and Curragh mines, targeting Rangal Coal Measures
- Infill drilling program proposed to elevate project to a JORC Resource
- Located on rail network

Carlo Creek (EPC 1995)

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

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

Reconciled to the Queensland Department of Natural Resources and Mines records as at 29 January 2014

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 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		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		
EPC 2011	North Copperfield	Area Coal Pty Ltd		
EPC 2014	Blair Athol	Area Coal Pty Ltd		
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

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.

Corporate

Cash Position and Financing Forecast

Cash balance at the end of the quarter was \$638 thousand. The operating cash requirements of the company are being met by the ongoing funding available from the agreement with The Australian Special Opportunity Fund, LP.

The company is continuing its tight control over expenditure.

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 exploration from April 2014 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 31 March 2014	\$637,595
Exploration and evaluation payments for the quarter:	(\$44,361)
Other net operating cash flows for the quarter:	(\$340,194)
Net investing cash flows for the quarter:	(\$2,104)
Net financing cash flows for the quarter:	\$221,535
Net decrease in cash held during the quarter:	(\$165,123)

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: 859,316,116 as at 31 March 2014
Options: Nil

Market Capitalisation

\$5.2 million at 31 March 2014

Quarterly Share Price Activity

2014	High	Low	Last
March	\$0.009	\$0.005	\$0.006
2013	High	Low	Last
December	\$0.014	\$0.006	\$0.007
September	\$0.016	\$0.008	\$0.015
June	\$0.020	\$0.010	\$0.010

Substantial Shareholders

Mr Paul Byrne 8.73%

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Registered Office

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Share Registry

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Geological Consultants

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Global Ore Discovery Ltd
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