

2012 Notice of Annual General Meeting

This document is important and requires your immediate attention. Please read it straight away. If you have any doubts about the action you should take, contact your stockbroker, solicitor, accountant or other professional adviser immediately.

Dear Shareholder,

We are pleased to invite you to Australian Pacific Coal Limited's annual general meeting which will be held at 1:30pm (Brisbane time) on Thursday, 29 November 2012 in The Stanley Room, Stamford Plaza Brisbane, Corner Edward and Margaret Streets, Brisbane, Queensland.

This Notice of Meeting describes the business that will be proposed and sets out the procedures for your participation and voting.

Your Directors are unanimously of the opinion that all the resolutions to be proposed are in the best interests of shareholders and of Australian Pacific Coal as a whole. Accordingly, they recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

The Board and I look forward to your participation at the annual general meeting and thank you for your continued support.

Yours faithfully



John Bovard
Chairman
24 October 2012

Notice of Annual General Meeting and Explanatory Memorandum

Australian Pacific Coal Limited ACN 089 206 986

Date of Meeting: 29 November 2012

Time of Meeting: 1:30pm (Brisbane time)

Place of Meeting: The Stanley Room

Stamford Plaza Brisbane

Corner Edward and Margaret Streets

Brisbane Queensland 4000

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Shareholders of **Australian Pacific Coal Limited ACN 089 206 986 (Company)** will be held at The Stanley Room, Stamford Plaza Brisbane, Corner Edward and Margaret Streets, Brisbane Queensland 4000, on 29 November 2012 at 1:30pm (Brisbane time).

Agenda

Ordinary business

Financial Reports

To receive and consider the Company's Annual Financial Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2012.

1. Resolution One - Remuneration report

To consider and, if thought fit, pass the following Advisory Resolution:

"That, the Remuneration Report for the year ended 30 June 2012 (as set out in the Directors' Report) is adopted."

The vote on this Resolution is advisory only and does not bind the Directors of the Company.
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Special business

2. Resolution Two – Ratification of the issue of Placement Shares

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution with or without amendment:

*"That in accordance with the provisions of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the previous issue of 21,875,000 fully paid ordinary shares in the Company on 27 April 2012 at an issue price of \$0.032 per Share to raise a total of \$700,000 (**Placement Shares**), to sophisticated or professional investors that fall within one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001 (Cth) (**Placement Recipients**)."*

Notes:

- The rights attaching to the Placement Shares are identical in all respects to the existing ordinary shares on issue in the Company.
- Further details of the Placement Shares and the use of funds raised from the issue of the Placement Shares are contained within the Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- the Placement Recipients; and
- any associate of any of the Placement Recipients.

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However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

3. Resolution Three - Ratification of the issue of Shares to the Australian Special Opportunity Fund, L.P.

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

“That in accordance with the provisions of Listing Rule 7.4 of the Official Listing Rules of the ASX Limited, and for all other purposes, the Shareholders ratify the previous issue of 17,569,378 Shares in the Company (on the terms set out in the Explanatory Memorandum) to The Australian Special Opportunity Fund, L.P. or its nominee.”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- The Australian Special Opportunity Fund L.P.; and
- any associate of The Australian Special Opportunity Fund LP.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

4. Resolution Four - Ratification of Convertible Security

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

“That in accordance with the provisions of Listing Rule 7.4 of the Official Listing Rules of the ASX Limited, and for all other purposes, the Shareholders ratify the allotment and issue of the Convertible Security (on the terms set out in the Explanatory Memorandum) in the Company to The Australian Special Opportunity Fund, L.P. or its nominee.”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- The Australian Special Opportunity Fund L.P.;and
- any associate of The Australian Special Opportunity Fund L.P.

However, the Company need not disregard a vote if:

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- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

5. Resolution Five - Approval of the issue of Shares

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

“That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX Limited, and for all other purposes, the Shareholders approve the allotment and issue of 60 million Shares at \$0.020 per share (on the terms set out in the Explanatory Memorandum) in the Company to investors who fall within one or more of the classes of exemptions specified in section 708 of the Corporations Act (Placees).”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by a person and any associates of that person who:

- may participate in the issue; and
- might obtain a benefit if this Resolution is passed, except a benefit solely in their capacity as a holder of Shares if the resolution is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

6. Resolution Six – Approval to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A

To consider and, if thought fit, pass the following resolution with or without amendment, as a Special Resolution:

“That, pursuant to and in accordance with ASX Listing Rule 7.1A, and for all other purposes, the Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, over a 12 month period from the date of the Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and otherwise on the terms and conditions in the Explanatory Memorandum (Placement Securities).”

Voting exclusion statement

The Company will disregard any votes cast on this Special Resolution by a person and any associates of that person who:

- may participate in the issue of the Placement Securities; and

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- might obtain a benefit if this Special Resolution is passed, except a benefit solely in their capacity as a holder of Shares if the resolution is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Important Note:

The proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the board



Kevin Mischewski
Company Secretary
24 October 2012

Explanatory Statement

1. Introduction

This Explanatory Memorandum is provided to shareholders of **Australian Pacific Coal Limited ACN 089 206 986 (Company)** to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at The Stanley Room, Stamford Plaza Brisbane, Corner Edward and Margaret Streets, Brisbane Queensland 4000 on 29 November 2012 commencing at 1:30pm (Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 11.

2. Consider the company's annual financial report

The Company's Annual Financial Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2012 were despatched to Shareholders and released to the ASX on 1 October 2012. The Company's Annual Financial Report is placed before Shareholders for discussion. No voting is required for this item.

3. Retirement of Directors by Rotation

John Bovard retires in accordance with clause 18 of the Constitution of the Company. Mr Bovard has notified the Company that he intends to retire as a Non-Executive Director of the Company as of the close of the Meeting and as a result, does not intend to stand for re-election.

4. Resolution One – Remuneration Report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Financial Report. The report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this resolution is advisory only and does not bind the Directors of the Company.

Explanatory Statement

5. Resolution Two – Ratification of Issue of Placement Shares

6.1 Background

On 19 April 2012 the Company announced that it would undertake a placement of a total of 21,875,000 Shares at an issue price of \$0.032 per Share to raise \$700,000 (**Placement Shares**) to sophisticated or professional investors that fall within one or more of the classes of exemptions specified in section 708 of the Corporations Act (**Placement Recipients**). The Placement Shares were issued on 27 April 2012.

6.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with ASX Listing Rule 7.4, Shareholder approval is sought to ratify the issue of the Placement, being issues of Shares made by the Company for which Shareholder approval has not already been obtained.

If this Resolution 2 is approved it will have the effect of refreshing the Company's ability to issue up to a further 15% of its capital during the next 12 months without the need to obtain further Shareholder approval. If Resolution 2 is not passed, the Placement Shares will count toward the 15% limit pursuant to Listing Rule 7.1 for a period of 12 months from the date of issue.

For the purposes of Listing Rule 7.5 the Company advises as follows:

- (a) The number of Placement Shares issued to the Placement Recipients was 21,875,000 fully paid ordinary shares.
- (b) The Placement Shares were issued at \$0.032 per Placement Share raising a total of \$700,000.
- (c) The date of issue of the Placement Shares was 27 April 2012.
- (d) The Placement Shares issued to the Placement Recipients rank *pari passu* with the existing ordinary shares on issue in the Company.
- (e) The funds raised from the issue of the Placement Shares will be used to:
 - (1) further advance the Company's 2012 drilling program;
 - (2) further advance the Company's data collection and evaluation; and
 - (3) provide additional working capital.

The Directors recommend that you vote in favour of this Ordinary Resolution.

Explanatory Statement

7. Resolution Three – Ratification of the issue of Shares to The Australian Special Opportunity Fund, L.P. (ASOF)

7.1 Background

As announced to the market on 1 October 2012 the Company entered into a Share Purchase and Convertible Security Agreement (**Facility**) with the Australian Special Opportunity Fund, L.P. (**ASOF**). Pursuant to the Facility, the Company had secured funding of up to \$5,575,000. Under the terms of the Facility Agreement the Company will receive a total of \$5,525,000 (**Facility Amount**) which will be made available to the Company over a 24 month period. The Facility Amount will provide the Company by way of multiple tranches (each one a **Tranche**) in the range of a minimum Tranche amount of \$75,000 to a maximum Tranche amount of \$225,000 through no more than 24 separate Tranches.

Upon execution of the Facility ASOF provided a total of \$400,000 with \$325,000 being provided in exchange for the issue of a convertible security and \$75,000 being advanced as an initial Tranche amount.

Under the terms of the Facility and in consideration of ASOF entering into the Facility the Company issued a total of 17,569,378 Shares to ASOF on 2 October 2012 on the following basis:

- (a) 9,569,378 Shares as a commencement fee (**Commencement Fee Shares**); and
- (b) 8,000,000 Shares as collateral security (**Collateral Security Shares**).

Provided that the Company has not breached certain warranties and representations set out in the Facility, and subject to the receipt of necessary approvals, each Tranche is to be repaid by the issue of Shares, 28 days after the advance of the Tranche. The number of Shares to be issued to ASOF for each Tranche is calculated by reference to a purchase price (**Purchase Price**) based upon either (at the election of ASOF) (i) 90% of the average three (3) daily VWAP per share over twenty (20) consecutive Trading Days, or (ii) 130% of the average of the daily VWAP per share over twenty (20) consecutive Trading Days but subject to a maximum floor price of \$0.014 (**Floor Price**) and a minimum Base Price of A\$0.006.

Under the terms of the Facility the Company could elect to repay a Tranche in immediately available funds, at 105% of the face value of the Tranche being repaid if the Purchase Price is less than the Floor Price.

By passing Resolution 3, the issue of the 17,569,378 Shares to ASOF will have the subsequent ratification of Shareholders which will mean that these 17,569,378 Shares will no longer count towards the 15% limit in Listing Rule 7.1.

7.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with ASX Listing Rule 7.4, Shareholder approval is sought to ratify the issue of 17,569,378 Shares in the Company to ASOF, being issues of shares made by the Company for which Shareholder approval has not already been obtained.

Explanatory Statement

If this Resolution 3 is approved it will have the effect of refreshing the Company's ability to issue up to a further 15% of its capital during the next 12 months without the need to obtain further Shareholder approval.

For the purposes of ASX Listing Rule 7.5, the Company advises:

	Commencement Fee Shares 2 October 2012	Collateral Security Shares 2 October 2012
Total number of Shares	9,569,378	8,000,000
Issue Price (A\$)	\$0.0209*	Nil cash consideration
Terms of Shares	Pari Passu to all existing Shares on issue	Pari Passu to all existing Shares on issue
Name of Allottee	ASOF	ASOF
Use of Funds	No funds were raised directly from the issue of the Shares. However, the funds raised under the ASOF Facility will be used to fund the Company's exploration program and to provide additional working capital.	No funds were raised directly from the issue of the Shares. However, the funds raised under the ASOF Facility will be used for to fund the Company's exploration program and to provide additional working capital

*Commencement Fee Shares were issued with a deemed issue price which was determined in accordance with the terms of the Facility using the 5 day VWAP of the Company's Shares immediately prior to execution of the Facility.

The Directors recommend that you vote in favour of this Ordinary Resolution.

8. Resolution Four - Ratification of Convertible Security

8.1 Background

As noted above in section 7.1 upon execution of the Facility ASOF provided the Company with a total funding in the amount of \$400,000 with \$325,000 provided in exchange for the issue of a convertible security (**Convertible Security**).

Conversion Price

The Convertible Security may be converted at any time from the date of the Facility. ASOF may elect to convert the Convertible Security at any time during the term of the Facility but must convert a minimum of \$50,000 at any one time (**Conversion Amount**). The Convertible Security may be converted through:

- (a) The issue of Shares (**Conversion Shares**); or
- (b) By offsetting the Conversion Amount against the Collateral Shares,

(Conversion)

The conversion price of the Conversion Shares shall be determined by 90% of the average of 3 daily VWAP per Share over twenty (20) consecutive Trading Days immediately prior to the relevant date of the Conversion notice (**Conversion Price**). The number of Conversion Shares issued will be determined by dividing the Conversion Amount by the Conversion Price.

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Takeover Prohibition

Under the terms of the Facility, ASOF and its associates cannot acquire a relevant interest which causes ASOF (or its associates) to increase their voting power to 19.99% or more of the total voting power of the Company.

Conversion Example

The Conversion Price is a fluctuating price calculated on the VWAP during the period prior to a conversion notice. As noted above, the Conversion Price shall be determined by 90% of the average of 3 daily VWAPS per Share over twenty (20) consecutive Trading Days immediately prior to the relevant date of the Conversion notice. The formula below provides an overview of how the Conversion Price will be calculated:

The following examples are provided as to the number of Shares that may be issued upon conversion of the Convertible Security. In each example, it has been assumed the Conversion Amount is \$325,000 (being the maximum amount that may be converted).

$$\frac{\text{Conversion Amount}}{90\% \text{ of average 3 daily VWAP}} = \text{Number of shares}$$

Example A

$$\frac{\$325,000}{\$0.018^*} = 18,055,556 \text{ Shares}$$

*Assumes and average 3 day VWAP of \$0.020

Example B

$$\frac{\$325,000}{\$0.022^*} = 14,444,444 \text{ Shares}$$

*Assumes and average 3 day VWAP of \$0.025

Example C

$$\frac{\$325,000}{\$0.031^*} = 10,833,333 \text{ Shares}$$

* Assumes an average 3 day VWAP of \$0.035

The example calculations provided above are by way of example only and Shareholders should note that the Conversion Price will fluctuate in line with the market price for the Shares.

Convertible Securities

The Convertible Securities are uncertificated and constitute direct, general, subordinated unsecured and unconditional obligations of the Company which rank pari passu among themselves and with other unsecured subordinated obligations of the Company.

Interest

No interest is payable on the Convertible Security.

Voting/Dividend Rights

The Convertible Securities do not confer on ASOF any entitlement to receive dividends or vote at a general meeting of Shareholders of the Company.

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The Facility contains other commercial terms that are common to a transaction of this nature including but not limited to warranties and indemnities.

8.2 ASX Listing Rule 7.4

As set out above, ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with ASX Listing Rule 7.4, Shareholder approval is sought to ratify the issue of the Convertible Security in the Company to ASOF, being an issue made by the Company during the previous 12 months for which shareholder approval has not already been obtained.

If this Resolution 4 is approved it will have the effect of refreshing the Company's ability to issue up to a further 15% of its capital during the next 12 months without the need to obtain further Shareholder approval.

For the purposes of ASX Listing Rule 7.5, the Company advises:

- (a) In consideration for ASOF providing \$325,000 to the Company (**Total Funds Provided**).
- (b) The Convertible Security was issued with a face value of for \$325,000.
- (c) The Convertible Security can be converted into Shares in the Company. The Convertible Security is convertible, unsecured and unlisted. It is not subject to a coupon and does not have any associated fees. Upon receiving the conversion notice from ASOF, the dollar amount to be converted will be divided by the Conversion Price which is calculated as 90% of the average 3 daily VWAP over the twenty (20) consecutive Trading Days leading up to the date of the Conversion Notice. The Convertible Security was issued to the Australian Special Opportunity Fund, LP.
- (d) The Total Funds Provided will be used to:
 - (1) progress the Company's exploration program; and
 - (2) provide further working capital.

The Directors of the Company recommend that Shareholders approve Resolution 4.

9. Resolution Five – Approval of the issue of Shares

9.1 Background

In accordance with Listing Rule 7.1 the Company is seeking Shareholder approval to issue up to 60 million Shares at an issue price of \$0.020 per share (**Placement Shares**). Further details on ASX Listing Rule 7.1 are set out below.

9.2 ASX Listing Rule 7.1

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

For the purposes of ASX Listing Rule 7.3, the Company advises:

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- The maximum number of Shares is 60 million (**Placement Shares**).
- The Placement Shares will be progressively issued and allotted within three months of the date of this Meeting.
- The Company will issue the Placement Shares to sophisticated and professional investors who fall within one or more of the classes of exemptions specified in section 708 of the Corporations Act.
- The issue price of the Placement Shares will be \$0.020 per Placement Share.
- The Placement Shares issued shall rank pari passu with all other existing Shares on issue in the Company.
- The total funds that will be raised from the issue of the Placement Shares will be used for tenement maintenance and exploration and general working capital.

The Directors unanimously recommend that you vote in favour of this Resolution.

10. Resolution Six – Approval to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A

10.1 Introduction

Pursuant to Resolution 6, the Company is seeking shareholder approval to issue an additional 10% of issued capital over a 12 month period pursuant to Listing Rule 7.1A. If passed, this resolution will allow the Company to allot and issue up to the number of new Equity Securities calculated in accordance with Listing Rule 7.1A.2 (**Placement Securities**) each at an issue price of at least 75% of the volume weighted average price (**VWAP**) for the Company's Equity Securities in that class (calculated over the last 15 days on which trades in the Equity Securities are recorded immediately before the date on which the price at which the Placement Securities are to be issued is agreed, or if the Placement Securities are not issued within five trading days of that date, the date on which the Placement Securities are issued) (**Issue Price**).

This approval is sought pursuant to Listing Rule 7.1A which recently came into effect. Under Listing Rule 7.1A small and mid cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary shareholders by special resolution at the annual general meeting, are permitted to issue an additional 10% of issued capital over a 12 month period from the date of the annual general meeting (**Additional 10% Placement**). The Additional 10% Placement under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the Placement Securities to raise funds for the Company and as non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and general working capital.

The Directors of the Company unanimously recommend that shareholders vote in favour of Resolution 6.

10.2 Listing Rule 7.1A

(a) **General**

(1) **Eligibility**

An entity is eligible to undertake an Additional 10% Placement if at the time of its annual general meeting it has a market capitalisation of \$300 million or less

Explanatory Statement

and it is not included in the S&P/ASX300 Index. For illustrative purposes only, on 16 October 2012 the Company's market capitalisation was \$11,651,266.08 based on the closing trading price on that date. The calculation of market capitalisation will be based on the closing price of the shares, on the last trading day on which trades in the shares were recorded before the date of the AGM, multiplied by the number of shares on issue (excluding restricted securities and securities quoted on a deferred settlement basis).

The Company is also not included in the S&P/ASX300 Index as at the time of this AGM, however, it should be noted that the S&P/ASX300 Index is rebalanced twice a year in March and September.

The Company is therefore an Eligible Entity and able to undertake an Additional 10% Placement under Listing Rule 7.1A.

In the event that the Company for any reason ceases to be an Eligible Entity after the Company has already obtained shareholders' approval pursuant to this Resolution 6, the approval obtained will not lapse and the Company will still be entitled to issue the Placement Securities.

(2) **Special Resolution**

Listing Rule 7.1A requires this Resolution 6 to be passed as a Special Resolution, which means that it must be passed by at least 75% of the votes cast by members entitled to vote on the resolution. Pursuant to Listing Rule 7.1A, no Placement Securities will be issued until and unless this Special Resolution is passed at the meeting.

(3) **Shareholder approval**

The ability to issue the Placement Securities is conditional upon the Company obtaining shareholder approval by way of a Special Resolution at the meeting.

(b) **10% Placement Period - Listing Rule 7.1A.1**

Assuming Resolution 6 is passed, shareholder approval of the Additional 10% Placement under Listing Rule 7.1A is valid from the date of the AGM and expires on the earlier to occur of:

- (1) the date that is 12 months after the date of the AGM; or
- (2) the date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX.

If approval is given for the issue of the Placement Securities then the approval will expire, on 29 November 2013 unless shareholder approval is granted pursuant to Listing Rules 11.1.2 or 11.2 prior to that date.

Explanatory Statement

(c) **Calculation for Additional 10% Placement - Listing Rule 7.1A.2**

Listing Rule 7.1A.2 provides that Eligible Entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of ordinary securities on issue 12 months before the date of issue or agreement:

- (1) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2;
- (2) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (3) plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under Listing Rules 7.1 or 7.4 (but note that this does not include an issue of fully paid ordinary securities under the entity's 15% placement capacity without shareholder approval); and
- (4) less the number of fully paid ordinary securities cancelled in the 12 months.

D is 10 percent.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

(d) **Listing Rule 7.1A.3**

(1) **Equity Securities**

Any Equity Securities issued under the Additional 10% Placement must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of this notice of meeting, the only class of Equity Securities in the Company quoted on the ASX are Shares. The Company presently has 582,563,304 shares on issue at the date of this Notice of Meeting.

(2) **Minimum Issue Price**

The issue price for the Placement Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days immediately before:

- (A) the date on which the price at which the relevant Placement Securities are to be issued is agreed; or
- (B) if the relevant Placement Securities are not issued within five trading days of the date in paragraph (A) above, the date on which the relevant Placement Securities are issued.

Explanatory Statement

(e) **Information to be given to ASX - Listing Rule 7.1A.4**

If Resolution 6 is passed and the Company issues any Placement Securities under Listing Rule 7.1A, the Company will give to ASX:

- (1) a list of allottees of the Placement Securities and the number of Placement Securities allotted to each (this list will not be released to the market); and
- (2) the following information required by rule 3.10.5A, which will be released to the market on the date of issue:
 - (A) details of the dilution to the existing holders of Equity Securities caused by the issue;
 - (B) where the Equity Securities are issued for cash consideration, a statement of the reasons why the Company issued the Equity Securities as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing shareholders would have been eligible to participate;
 - (C) details of any underwriting arrangements, including any fees payable to the underwriter; and
 - (D) any other fees or costs incurred in connection with the issue.

(f) **Listing Rules 7.1 and 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice of Meeting, the Company has on issue 582,563,304 shares. Assuming Shareholder approval is obtained for Resolutions 2 and 3 and no other securities are issued prior to the date of the Meeting, the Company will have the capacity to issue the following shares on the date of the Meeting:

- (1) 87,384,496 shares under Listing Rule 7.1; and
- (2) subject to shareholder approval being obtained under Resolution 6, 58,256,330 shares under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (as described above).

10.3 Specific Information required by Listing Rule 7.3A

(a) **Minimum Price of securities issued under Listing Rule 7.1A - Listing Rule 7.3A.1**

Pursuant to and in accordance with Listing Rule 7.1A.3, the Placement Securities issued pursuant to approval under Listing Rule 7.1A must have an issue price of not less than 75% of the VWAP for the Equity Securities over the 15 trading days immediately before:

- (1) the date on which the price at which the Placement Securities are to be issued is agreed; or
- (2) if the Placement Securities are not issued within five trading days of the date in paragraph (1) above, the date on which the Placement Securities are issued.

Explanatory Statement

The Company will disclose to the ASX the issue price on the date of issue of the Placement Securities.

(b) **Risk of economic and voting dilution - Listing Rule 7.3A.2**

As provided by Listing Rule 7.3A.2, if Resolution 6 is passed and the Company issues the Placement Securities, there is a risk of economic and voting dilution to the existing Shareholders. The Company currently has on issue 582,563,304 shares. Assuming Shareholder approval is obtained for Resolutions 2 and 3, the Company could issue 58,256,330 Shares on the date of the meeting (however, it is important to note that the exact number of Equity Securities which may be issued will be calculated in accordance with the formula contained in Listing Rule 7.1A.2 details of which are set out above). Any issue of Placement Securities will have a dilutive effect on existing shareholders.

There is a specific risk that:

- (1) the Market Price for the Company's Equity Securities may be significantly lower on the date of the issue of any Placement Securities than it is on the date of the meeting; and
- (2) the Placement Securities may be issued at a price that is at a discount to the Market Price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue or the value of the Placement Securities.

As required by Listing Rule 7.3A.2, Table 1 below shows the potential economic and voting dilution effect, in circumstances where the issued share capital has doubled and the Market Price of the shares has halved. Table 1 also shows additional scenarios in which the issued share capital has increased (by both 50% and 100%) and the Market Price of the shares has:

- decreased by 50%; and
- increased by 100%.

Table 1

Issued Share Capital	50% decrease in Market Price \$0.01		Current Market Price \$0.02		100% increase in Market Price \$0.04	
	10 % Voting Dilution	Capital Raised	10 % Voting Dilution	Capital Raised	10 % Voting Dilution	Capital Raised
Present Issued Share Capital = 582,563,304 shares	58,256,330	\$582,563.30	58,256,330	\$1,165,126.61	58,256,330	\$2,330,253.22
50% Increase in Share Capital = 873,844,956 shares	87,384,495	\$873,844.96	87,384,495	\$1,747,689.91	87,384,495	\$3,495,379.82
100% Increase in Share Capital =1,165,126,608shares	116,512,660	\$1,165,126.61	116,512,660	\$2,330,253.22	116,512,660	\$4,660,506.43

Assumptions and explanations

- The Market Price is \$0.02 based on the closing price of the shares on ASX on 16 October 2012.

Explanatory Statement

- The above table only shows the dilutionary effect based on the issue of the Placement Securities (assuming only shares are issued), and not any shares issued under the 15% under Listing Rule 7.1.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The Company issues the maximum number of Placement Securities.
- The issued share capital has been calculated in accordance with the formula in Listing Rule 7.1A(2) as at 16 October 2012.
- The issue price of the Placement Securities used in the table is the same as the Market Price and does not take into account the discount to the Market Price (if any).

(c) **Final date for issue - Listing Rule 7.3A.3**

As required by Listing Rule 7.3A.3, the Company will only issue and allot the Placement Securities during the 12 months after the date of this Meeting which the Company anticipates will end on 29 November 2013. The approval under Resolution 6 for the issue of the Placement Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (the disposal of the main undertaking of the Company) before the anniversary of the AGM.

(d) **Purpose - Listing Rule 7.3A.4**

As noted above, the purpose for which the Placement Securities may be issued include to raise funds for the Company and as non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and general working capital.

(e) **Shares Issued for Non-cash consideration - Listing Rule 7.3A.4**

The Company may issue Placement Securities for non-cash consideration, such as the acquisition of new assets or investments. If the Company issues Placement Securities for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Placement Securities complies with Listing Rule 7.1A.3.

(f) **Company's Allocation Policy - Listing Rule 7.3A.5**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of the Placement Securities. The identity of the allottees of Placement Securities will be determined on a case-by-case basis having regard to a number of factors including but not limited to the following:

- (1) the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issue in which existing shareholders can participate;
- (2) the effect of the issue of the Placement Securities on the control of the Company;
- (3) the financial situation and solvency of the Company; and
- (4) advice from corporate, financial and broking advisers (if applicable).

Explanatory Statement

The allottees of the Placement Securities have not been determined as at the date of this Notice but may include existing substantial shareholders and new shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments for which Placement Securities are issued as consideration, it is likely that the allottees of some of the Placement Securities will be the vendors of the new assets or investments.

(g) **Company not previously obtained shareholder approval under listing rule 7.1A**

The Company has not previously obtained shareholder approval under Listing Rule 7.1A.

10.4 Voting Exclusion Statement

A voting exclusion statement is included in the Notice of Meeting. At the date of the notice of Meeting, the proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

Explanatory Statement

11. Interpretation

AGM means the annual general meeting of the Company to be held on 29 November 2012.

ASIC means the Australian Securities and Investments Commission.

ASOF means the Australian Special Opportunity Fund LP.

ASOF Facility means the convertible loan agreement with ASOF to provide secured funding of up to AUD\$5.575million as announced to the market on 1 October 2012.

ASX means the ASX Limited ACN 008 624 69.

ASX Market Rules means the market rules of the ASX as amended from time to time.

Board means the board of directors of the Company.

Company means Australian Pacific Coal Limited ACN 089 206 986.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Equity Securities has the meaning given to that term in the Listing Rules.

Explanatory Memorandum means the explanatory statement accompanying this Notice.

Listing Rules means the listing rules of the ASX.

Market Price has the meaning given to that term in the Listing Rules.

Meeting means the AGM of the Company to be held on 29 November 2012.

Notice of Meeting or **Notice** means the notice of meeting giving notice to Shareholders of the Meeting, accompanying this Explanatory Memorandum.

Resolution means a resolution to be proposed at the Meeting.

Shares means ordinary fully paid shares in the issued capital of the Company.

Shareholder means a shareholder of the Company.

Special Resolution means a resolution:

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and
- (b) that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution.

Trading Day has the meaning given to this term in the Listing Rules.

VWAP means the average of the daily volume weighted average price of all sales of Shares recorded on ASX during a prescribed pricing period not including:

- (c) any transaction classified under the ASX Market Rules as a "Special Crossing";
- (d) crossings prior to the commencement of normal trading or during the closing phase and after hours adjust phase;
- (e) any overseas trades or trades pursuant to the exercise of options over Shares; or

Explanatory Statement

(f) any overnight crossings.”

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Kevin Mischewski (Company Secretary):

Level 7, 10 Felix Street, Brisbane, Qld, 4000

Phone: 07 3221 0679

Email: cosec@aqcltd.com

Proxy Form

Proxy, representative and voting entitlement instructions

Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001* (Cth).

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act*.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the address listed below** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Australian Pacific Coal Limited
PO Box 16330, City East, QLD, Australia, 4002

Telephone No: (07) 3221 0679

Facsimile No: (07) 3229 9323

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7:00pm (Sydney time) on 27 November 2012. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy form as follows in the spaces provided:

Individual: Where the holding is in one name, the holder must sign.

Joint Holding: Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone.

Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.

Please indicate the office held by signing in the appropriate place.

Proxy Form

I / We

of

being shareholder(s) of Australian Pacific Coal Limited (**Company**)

hereby appoint:

of:

or failing him/her:

of:

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at The Stanley Room, Stamford Plaza Brisbane, Corner Edward and Margaret Streets, Brisbane Queensland 4000, on 29 November 2012 at 1:30pm (Brisbane time) and at any adjournment thereof in respect of all of my/our shares in the Company unless otherwise specified below.

Use of Proxy

Direction on how to vote

If you wish to direct the Proxy how to vote, **please place a mark in the appropriate boxes below.**

I/we direct my/our proxy to vote as indicated below:

Resolution	For	Against	Abstain
Resolution 1 – Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Ratification of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 - Ratification of ASOF Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Ratification of Convertible Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Approval for issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 - Approval to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Proxy Form

No direction on how to vote - Chairman as Proxy (Excluded Resolutions)

If the Chair of the meeting is appointed as your proxy, or may be appointed by default, and you do **NOT** wish to direct your proxy how to vote as your proxy in respect of the resolution/s, **please place a mark in the box opposite.**

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of resolution/s (**Relevant Resolution/s**) and that votes cast by the Chair of the meeting for the Relevant Resolution/s other than as proxy holder will be disregarded because of that interest.

If the Chair of the meeting is your proxy and you do not mark this box or direct the Chair of the meeting how to vote above, the Chair of the meeting will not cast your votes on the Relevant Resolution/s and your votes will not be counted in calculating the required majority if a poll is called on the Relevant Resolution/s.

The Chair intends on voting all undirected proxies in favour of all Relevant Resolutions.

No Direction on how to vote - General

If you do **not** direct your proxy on how to vote as your proxy in respect of the resolution/s, the Proxy may cast your vote as the Proxy thinks fit or may abstain from voting. By signing this appointment you acknowledge that, subject to the *Corporations Act 2001* (Cth), the Proxy may exercise your proxy even if he/she has an interest in the outcome of the resolution/s and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest (subject to the section above in relation to voting on Relevant Resolutions by the Chair of the meeting).

Apportionment - Multiple Proxies

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is % . (An additional proxy form will be supplied by the Company on request)

Apportionment – Multiple Shares

If you wish to appoint the proxy to exercise voting power over only some of your shares, the number of shares in respect of which this proxy is to operate is shares. (Note: proxy will be over all shares if left blank)

Individual or Security holder 1

Sole Director and
Sole Company Secretary (If appointed)

Security holder 2

Director

Security holder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date