

# QUARTERLY REPORT

**JULY to SEPTEMBER 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.

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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**

- 2011 drilling program underway – German Creek projects.
- 2011 drilling program completed – Cooroorah NE shallow open-cut area.

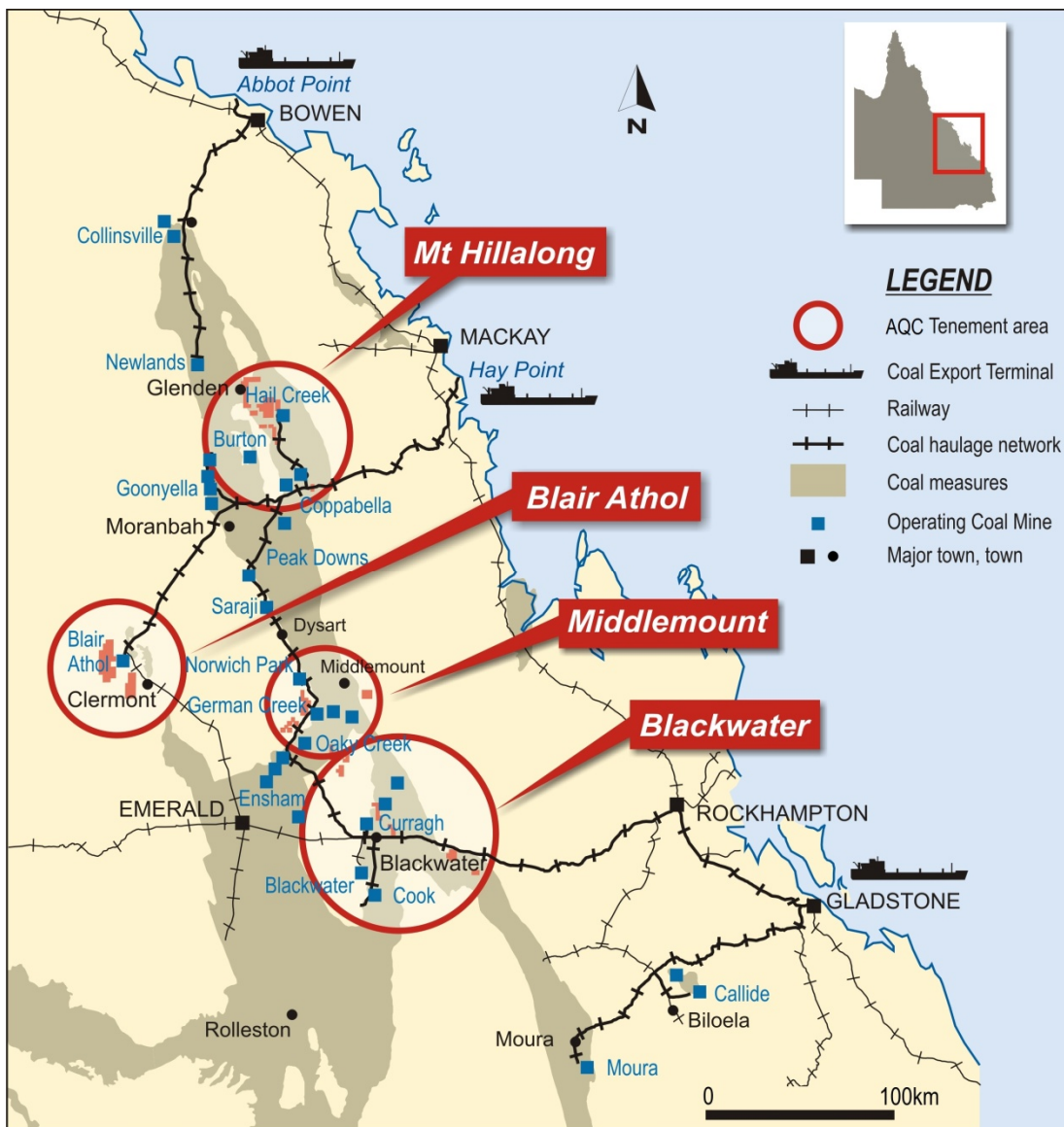
#### **Corporate**

- Completion of agreement with Rio Tinto Exploration Pty Ltd for the potential acquisition or joint venture of the Mt Hillalong projects. Company has received the initial payment of \$2.3million from Rio Tinto Exploration Pty Ltd under the agreement.
- Execution of a Bentonite Marketing Agreement with Fertoz Pty Ltd for the Company's Mantuan Downs CalBen calcium bentonite.

## 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 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 km<sup>2</sup> and represents highly prospective coking, PCI and thermal coal targets.

Work during the Quarter has focused on the 2011 exploration program which includes:

- Drill four new holes in the upthrust NE section of EPC 1827 to provide coal samples,
- 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.

## **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 during this quarter, a Mineral Development Licence Application (MDLA) No 453 was applied for over the tenement area to facilitate further near term exploration and project feasibility studies.

### ***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.

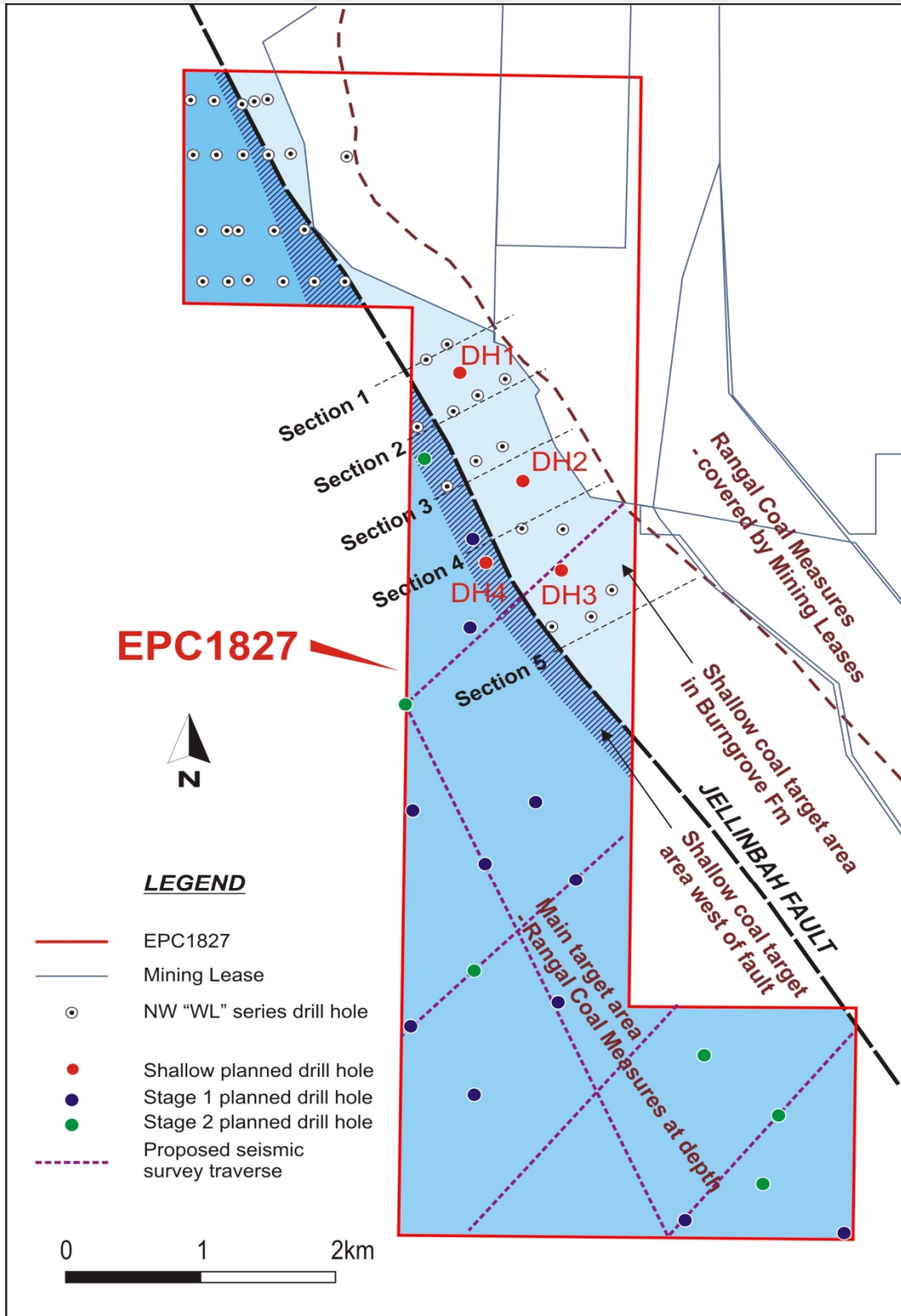
### ***Secondary target – Burngrove formation in upthrust NE section***

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.





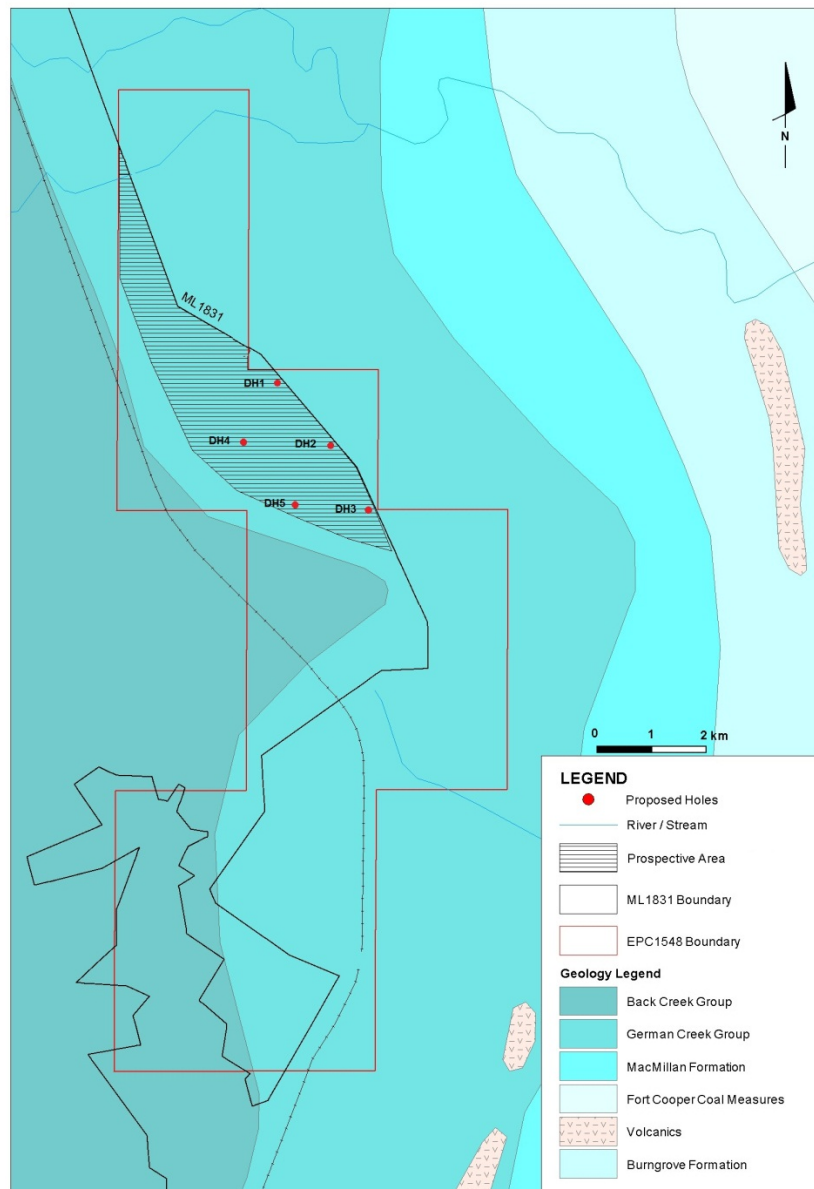
**EPC 1827 – Exploration targets and location of planned drill holes**

## EPC 1548 - German Creek West

A conceptual target planned to intersect German Creek formation coal across the northern half of the EPC has been defined. Target definition has comprised a desktop review of existing drill-hole data from the adjacent German Creek Mine. This indicates that the German Creek Seam and potentially other seams within the German Creek formation are present within EPC 1548.

Exploration planning and field work was completed during the quarter for the drilling of five 'discovery' drill holes near the German Creek lease boundary in the east, and based on results, additional holes will be drilled to define a resource. Drilling commenced on 26 October 2011.

The budgeted expenditure for this initial program is \$80,000.



**EPC 1548 – Location of planned drill holes**

## Other Projects

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

The Company holds a 10% free carry interest up to feasibility stage in 4 EPCs within the Clarence-Moreton, Surat and Galilee basins.

On 12 July 2011, Blackwood Coal announced it had completed a 15 hole drilling program at its 90% held East Wandoan project in Queensland. The East Wandoan is a joint venture between Blackwood and Australia Pacific Coal Ltd.

Drill holes intersected multiple plies of coal at shallow depths. Each of the holes has been geophysically logged to determine cumulative coal thicknesses. Blackwood expects to drill a further six to eight holes in the area to generate sufficient data for a coal resource to be calculated to JORC standards. It is anticipated that the drilling will determine whether adjacent areas to the current target area can be targeted for exploration in the 2012 drilling season.

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.

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.

The project has been on care and maintenance prior to completion of this agreement with Fertoz. Approximately 6,000 tonnes of processed product is currently on site available for immediate sale. Once the stockpile is depleted IPR will recommence mining of additional product, on a cost recovery basis, to replenish the stockpile of product available to Fertoz. IPR will continue to receive its 50% share of the profits from the sale of the additional product.



## Corporate

### Rio Tinto - Mt Hillalong Exploration Agreement

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### 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 conducted an evaluation of its long term capital requirements in relation to the exploration and development of its primary projects. Potential capital raising alternatives are being considered as part of this process and further information will be provided to the market when known.

### Financial

Cash at bank as at 30 September 2011:	\$2,299,194
Exploration and evaluation payments for the quarter:	(\$342,038)
Other net operating cash flows for the quarter:	(\$125,442)
Net investing cash flows for the quarter:	\$2,184,178
Net financing cash flows for the quarter:	(\$2,947)
Net decrease in cash held during the quarter:	\$1,713,751

### Annual General Meeting

The Annual General Meeting of the Company will be held at 1:30pm (Brisbane time) on Wednesday, 30 November 2011 in The Stanley Room, Stamford Plaza Brisbane, Corner Edward and Margaret Streets, Brisbane, Queensland

## 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 30 September 2011  
Options: 30,000,000

### Market Capitalisation

\$18.7 million at 30 September 2011

### Quarterly Share Price Activity

2011	High	Low	Last
September	\$0.063	\$0.034	\$0.035
June	\$0.095	\$0.035	\$0.040
March	\$0.081	\$0.043	\$0.057
2010			
December	\$0.042	\$0.016	\$0.042

### Substantial Shareholders

Mr Paul Byrne 9.97%  
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