2012 HALF YEAR **REPORT**

31 December 2011

Australian Pacific **Coal**

CONTENTS

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Australian Pacific Coal achieved a number of milestones during the quarter. First and foremost was the settlement of the Exploration Option and Joint Venture Agreement with Rio Tinto Exploration covering the Mt Hillaong projects. The agreement provided the company with an injection of $2.3million cash and has enabled AQC to focus on exploration of selected projects.

Our other joint venture partner Blackwood Resources Pty Ltd has made significant progress both in the exploration of the JV tenements and securing the capital required for further exploration of the tenements. Cuesta Coal Limited was formed in September 2011 and acquired 100% ownership of Blackwood Resources Pty Ltd as part of their proposed IPO listing on the Australian Stock Exchange. The IPO opened on 7th March 2012. On 6 February 2012 Cuesta announced their initial maiden inferred resource estimate covering our JV East Wandoan project (EPC1955).

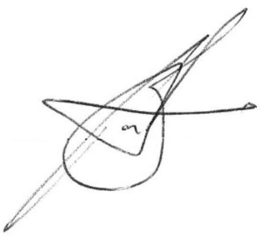
The company has completed initial desktop analysis of its tenements. As a result of this work, AQC has identified three significant project areas within the Blackwater region of the Bowen Basin. The company is focusing its current exploration activities on these project areas.

Located in the coal hub of Queensland, the Bowen Basin supplies some of the world's highest quality metallurgical, PCI and thermal coal for export and domestic markets. The project areas are located in an area that has been actively mined for many decades. The exploration projects are all in close proximity to these mines offering the potential to utilise and share infrastructure necessary for future mine development.

Our exploration team is currently finalising access agreements and mobilization planning for the drilling program. The planned schedule is set out below:

Drilling schedule	2012			
	Q1	Q2	Q3	Q4
Churchyard Creek (EPC 1996)				
Cooroorah (EPC 1827)				
Dingo (EPC 1859)				

I look forward to updating the market with the results of the planned exploration drilling over the coming months and also expect to announce further progress from our two joint venture partners.



Paul Byrne
Managing Director

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half year ended 31 December 2011.

Directors

The names of directors who held office during or since the end of the half year ended 31 December 2011:

Mr. John Bovard (Chairman, Non-executive Director)

Mr. Peter Ziegler (Deputy Chairman, Non-executive Director)

Mr. Paul Byrne (Executive Director)

Mr. Paul Ingram (Non-executive Director)

Operating Results

The half year consolidated profit of the consolidated group amounted to $1,383,527 (2010: loss $439,155) after providing for income tax and eliminating minority equity interests.

Significant revenue and expense items disclosed at "Note 3: Profit for the Year" include the initial proceeds from an agreement with Rio Tinto Exploration Pty Ltd (RTX). On 22nd August 2011 the Company announced that its 100% owned subsidiary Area Coal Pty Ltd (Area Coal) had executed an Exploration, Option and Joint Venture Agreement ("the agreement") with RTX covering four of its Mt Hillalong tenements. The Group has received an initial cash payment of $2,300,000 in accordance with the agreement.

Review of Operations

Coal Exploration Projects

AQC owns 18 coal exploration permits (EPCs) and 16 EPC applications in the Bowen and Surat Basins of Queensland. The EPCs cover areas the Company believes are prospective for both metallurgical and thermal coal and exploitable by both open cut and underground mining. Four of the EPCs have been farmed out to Cuesta Coal subsidiary, Blackwood Resources Pty Ltd, whereby AQC retains a 10% free carried interest through to feasibility study. The Mt Hillalong projects have been incorporated into an Exploration, Option and Joint Venture Agreement with Rio Tinto Exploration Pty Ltd. The remainder are owned 100% by the Company.

The projects have been segregated into four broad project areas to reflect geographic location and coal targets.

The company has focused on completion of the 2011 exploration program and preparation of the 2012 drilling program which includes:

- Site access, planning and preparation for drilling of open cut resource targets on EPC 1996 'Churchyard Creek',
- Site access, planning and preparation for infill drilling of EPC 1827 'Cooroorah' to increase the size and JORC status of the resource.
- Drill the open cut resource target on EPC 1854 'West German Creek',

The Company's exploration strategy is to seek shallow coking coal targets from which it can develop into a small to mid-sized coal producer. The Company will value-add deeper (underground) targets by drilling them and undertaking other exploration activities to prove up resources, and thence evaluate development options.

Total area covered by exploration permits and applications now totals over 2,000 km2 and represents highly prospective coking, PCI and thermal coal targets.

DIRECTORS' REPORT

The Group holds the following coal tenement assets:

Tenement	Location	Status
EPC 1548	West German Creek	Granted 29 March 2010
EPC 1566	Bee Creek	Competing application
EPC 1638	Spear Creek	Competing application
EPC 1798	Bluff Creek	Granted 19 February 2010
EPC 1827 MDLA 453	Cooroorah	EPC Granted 25 November 2009 MDL application lodged 8 March 2011
EPC 1859	Dingo	Granted 31 May 2011
EPC 1866	Lake Elphinstone	Competing application
EPC 1894	Pocky Creek	Granted 29 March 2010
EPC 1895	Dawson River	Granted 29 March 2010
EPC 1896	Bottle Tree Creek	Application
EPC 1920	Comet River	Granted 18 February 2010
EPC 1965	Kanga Creek	Granted 28 March 2011
EPC 2011	North Copperfield	Competing application
EPC 2014	Blair Athol	Competing application
EPC 2157		Competing application (priority applicant)
EPC 1989	Castlevale	Exploration Permit Proposal (proceeding to grant)
EPC 1995	Carlo Creek	Granted 25 May 2010
EPC 1996	Churchyard Creek	Granted 24 May 2010
EPC 1997	Mt Stuart	Granted 24 May 2010
EPC 2012	Clermont	Competing application
EPC 2016	Drummond	Competing application
EPC 2035	Bee Creek	Granted 12 October 2010
EPC 2036	Ripstone Creek	Granted 12 October 2010
EPC 2037	Almoola	Exploration Permit Proposal (proceeding to grant)
EPC 2826		Competing application
EPC 2828		Competing application

Blackwood Resources Pty Ltd (Cuesta Coal Limited) JV

The Company, through its 100% owned subsidiary Mining Investments One Pty Ltd has entered into a Joint Venture Exploration and Development agreement with Cuesta Coal Limited subsidiary Blackwood Resources Pty Ltd (Blackwood). Under the agreement Blackwood acquires a 90% interest in the following tenements for a total cash consideration of $500,000. AQC will hold a 10% free carried interest in the tenements up until bankable feasibility. AQC will have the option to enter into a joint venture agreement with Blackwood to further explore and develop these tenements.

EPC 1955	Bungaban Creek	Granted 30 March 2010
EPC 1957	Laguna Creek	Granted 8 February 2012
EPC 1979	Kingsthorpe	Granted 12 October 2010
EPC 1987	Quandong	Exploration Permit Proposal (proceeding to grant)

Rio Tinto Exploration Pty Ltd JV

On 22nd August 2011 the Company announced that its 100% owned subsidiary Area Coal Pty Ltd (Area Coal) had executed an Exploration, Option and Joint Venture Agreement ("the agreement") with RTX covering four of its Mt Hillalong tenements.

EPC 1824	Mt Hillalong	Granted 31 March 2011
EPC 1645	Mount Hess	Competing application
EPC 1773	Kemmis Creek	Granted 29 October 2010
EPC 1867	Mount Hess West	Exploration Permit Proposal (proceeding to grant)

Industrial Minerals Projects

The Group holds the following industrial minerals assets

Tenement	Mineral	Location	Status	Uses
ML 70360 EPM 13886 EPM 17644	Calcium Bentonite	Springsure Central Qld	Mining commenced, processing plant installed and product being sold under a marketing agreement with Fertoz Pty Ltd	Multiple uses including clarification of food oils, livestock feed, compost enhancing.
ML 50207 EPM 16629 EPM 19039	Sodium Bicarbonate	Roma Qld	Consulting hydro geologists appointed to supervise process. The company is reviewing its future options for this project.	Baking Soda and Soda Ash. Food and other industries, glass manufacture

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 354 for the half year ended 31 December 2011.

ASIC Class Order 98/100 Rounding of Amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly amounts in the financial report and directors' report have been rounded off to the nearest dollar.

This directors' report is signed in accordance with a resolution of the Board of Directors.

JBovard

John Graham Bovard

Chairman

Brisbane, 15th March 2012

PARTNERS
Linda E. Timms
Anthony C. Bryen
Sara J. Crevillén
James Theologidis

ASSOCIATES
Susan J. Mortimer

Lead Auditor's Independence Declaration
To the Directors of Australian Pacific Coal Limited

In accordance with Section 307C of the Corporations Act 2001 I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Pacific Coal Limited for the half-year ended 31 December 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Sothertons – Brisbane Partnership

David A Lissauer
Lead Auditor

Dated at Brisbane this fifteen day of March 2012

SOTHERTONS BRISBANE PARTNERSHIP

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Sothertons: An association of independent accounting firms throughout Australasia

CONSOLIDATED INCOME STATEMENTS

For the half year ending 31 December 2011

	Note	Consolidated Group	
		31.12.2011	31.12.2010
		$	$
Revenue	2	2,337,411	265,053
Changes in inventories of finished goods and work in progress		-	(5,000)
Raw materials and consumables used		-	(969)
Loss on disposal of assets		-	
Employee benefits expense		(292,749)	(249,035
Depreciation and amortisation expense		(61,118)	(57,524)
Exploration, evaluation and development expenses		(16,837)	(6,261)
Finance costs		(4,461)	(8,896)
Impairment of goodwill		-	
Impairment of Investments		-	
Impairment of loans receivable		-	
Impairment of exploration and evaluation		(62,357)	
Impairment of inventory		-	5,000
Administration and consulting expenses		(516,362)	(377,833)
Other expenses		-	(3,690)
Profit before income tax	3	1,383,527	(439,155)
Income tax expense (benefit)		-	-
Profit/(Loss) from continuing operations		1,383,527	(439,155)
Profit/(Loss) from discontinued operations		-	-
Profit/(Loss) for the period		1,383,527	(439,155)
Profit/(Loss) attributable to:			
Members of the parent entity		1,383,527	(439,155)
Non-controlling interest		-	
		1,383,527	(439,155)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		0.26	(0.10)
Diluted earnings per share (cents)		0.25	(0.09)
From continuing operations:			
Basic earnings per share (cents)		0.26	(0.10)
Diluted earnings per share (cents)		0.25	(0.09)

The above income statements should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the half year ending 31 December 2011

	Note	Consolidated Group	
		31.12.2011	31.12.2010
		$	$
Profit/(Loss) for the period		1,383,527	(439,155)
Other comprehensive income			
Net gain on revaluation of land and buildings		-	-
Share of other comprehensive income of associates		-	-
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		1,383,527	(439,155)
Total comprehensive income attributable to:			
Members of the parent entity		1,383,527	(439,155)
Non-controlling interest		-	-
		1,383,527	(439,155)

The above statements of comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

	Consolidated Group	
	31.12.2011	**31.12.2010**
	$	**$**
ASSETS		
Current assets		
Cash and cash equivalents	1,391,814	585,444
Trade and other receivables	108,950	54,216
Inventories	-	-
Other financial assets	-	-
Other assets	38,738	17,783
Total current assets	1,539,502	657,443
Non-current assets		
Trade and other receivables	587,161	582,131
Investments accounted for using the equity method	110,000	110,000
Other financial assets		-
Property, plant and equipment	378,166	420,110
Exploration and evaluation expenditure	716,165	389,154
Intangible assets	-	-
Total non-current assets	1,791,492	1,501,395
Total assets	3,330,994	2,158,838
LIABILITIES		
Current liabilities		
Trade and other payables	346,488	431,587
Borrowings	-	126,272
Total current liabilities	346,488	557,859
Non-current liabilities		
Borrowings	-	-
Total non-current liabilities	-	-
Total liabilities	346,488	557,859
Net assets	2,984,506	1,600,979
EQUITY		
Issued capital	33,230,500	33,230,500
Retained earnings	(30,245,994)	(31,629,521)
Parent entity interest	2,984,506	1,600,979
Non-controlling interest	-	-
Total equity	2,984,506	1,600,979

The above statements of financial position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the half year ended 31 December 2011

CONSOLIDATED GROUP	**Note**	**Issued Capital Ordinary**	**Revaluation Surplus**	**Non-controlling Interests**	**Retained Earnings**	**Total**
		$	**$**	**$**	**$**	**$**
Balance at 1 July 2010		31,249,418	-	(2,914,350)	(26,252,471)	2.082,597
Profit attributable to members of the parent entity		-	-	-	(439,155)	(439,155)
Profit attributable to non-controlling interests		-	-	-	-	-
Total other comprehensive income for the period		-	-	-	-	-
Share issued during the period		2,047,497	-	-	-	2,047,497
Transaction costs on share issue		(64,658)	-	-	-	(64,658)
Subtotal		33,232,257	-	(2,914,350)	(26,691,626)	3,626,281
Dividends paid or provided for		-	-	-	-	-
Balance at 31 December 2010		33,232,257	-	(2,914,350)	(26,691,626)	3,626,281
Balance at 1 July 2011		33,230,500	-	(2,914,350)	(28,715,171)	1,600,979
Profit attributable to members of the parent entity		-	-	-	1,383,527	1,383,527
Profit attributable to non-controlling interests		-	-	-	-	-
Total other comprehensive income for the period		-	-	-	-	-
Share issued during the period		-	-	-	-	-
Transaction costs on share issue		-	-	-	-	-
Subtotal		33,230,500	-	(2,914,350)	(27,331,644)	2,984,506
Dividends paid or provided for		-	-	-	-	-
Balance at 31 December 2011		33,230,500	-	(2,914,350)	(27,331,644)	2,984,506

The above statements of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

For the half year ended 31 December 2011

	Consolidated Group	
	31.12.2011	31.12.2010
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,535,650	100,000
Payments to suppliers and employees	(1,609,637)	(1,025,326)
Interest received	31,911	(12,469)
Finance costs	(4,461)	(8,896)
Income tax paid	-	-
Net cash (used in)/provided by operating activities	953,733	(1,608,921)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments	-	-
Proceeds from sale of non-current assets	-	-
Purchase of non-current assets	(21,091)	(3,295)
Loans to subsidiaries	-	-
Repayment of loans to subsidiaries	-	-
Net cash used in investing activities	(21,091)	(32,95)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,530,000
Proceeds from borrowings	-	46,869
Repayment of borrowings	(126,272)	(46,371)
Net cash used in/(provided by) financing activities	(126,272)	1,530,498
Net increase/(decrease) in cash held	806,370	605,450
Cash and cash equivalents at beginning of period	585,444	828,782
Cash and cash equivalents at end of period	1,391,814	1,434,232

The above cash flow statements should be read in conjunction with the accompanying notes

1 BASIS OF PREPARATION

These general purpose interim financial statements for the half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Australian Pacific Coal Limited and its controlled entities (referred to as the Consolidated Group or the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011, together with any public announcements made during the following half-year.

Going Concern

This financial report has been prepared on a going concern basis as the Directors believe that the company and the consolidated entity will be able to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report. The continuation of the company and the consolidated entity as a going concern is dependent upon their ability to achieve the following objectives:

- Development and exploitation of the coal tenements
- Realisation of surplus assets
- Capital raising

However, should the anticipated activities and capital raisings not generate sufficient revenues and cash flows as expected, the company and consolidated entity may not be able to pay their debts as and when they become due and payable and they may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

For the half-year reporting period to 31 December 2011, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Group. A discussion of these new and revised requirements that are relevant to the Group is provided below:

- AASB 124: Related Party Disclosures (December 2009)

  AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:

  The definition of a "related party" is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:

  - the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
  - entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
  - the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other; and
  - the definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.

  A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

  Application of AASB 124 (December 2009) did not have a significant impact on the financial statements of the Group.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]

  This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

    - clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
    - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
    - amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
    - adding a number of examples to the list of events and transactions that require disclosure under AASB 134; and
    - making sundry editorial amendments to various Standards and Interpretations.

  Application of the amendments in AASB 2010–4 did not have a significant impact on the financial statements of the Group.

- AASB 1054: Australian Additional Disclosures and AASB 2011–1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]

  AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements. The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards.

  Application of AASB 1054 did not have a significant impact on the financial statements of the Group

NOTE 2: REVENUE AND OTHER INCOME

	Note	Consolidated Group	
		31.12.2012	**31.12.2011**
		$	**$**
Revenue from Continuing Operations:			
Sales revenue:			
— sale of goods		-	2,584
Other revenue:			
— interest received		31,911	12,469
— government subsidies received		4,000	-
— rental revenue		1,500	-
Total Revenue		**37,411**	**15,053**
Other Income			
— sale of interest in tenements		2,300,000	250,000
Total revenue and other income from continuing operations		**2,337,411**	**265,053**
Attributable to members of the parent entity		2,337,411	265,053

NOTE 3: PROFIT FOR THE YEAR

		Note	Consolidated Group	
			31.12.2012	**31.12.2011**
			$	**$**
a.	**Expenses**			
	Cost of sales		-	5,969
	Interest expense on financial liabilities not at fair value through profit or loss		4,461	8,896
	Write-off of capitalised exploration expenditure		-	3,690
	Write-down (write back) of inventories to net realisable value		-	(5,000)
b.	**Significant Revenue and Expenses**			
	The following significant revenue and expense items are relevant in explaining the financial performance:			
	Sale of Interest in tenements	3 c.	2,300,000	250,000
	Impairment of capitalised exploration expenditure		(62,357)	(6,261)

c. **Sale of Interest in Tenements**

On 22nd August 2011 the Company announced that its 100% owned subsidiary Area Coal Pty Ltd (Area Coal) had executed an Exploration, Option and Joint Venture Agreement ("the agreement") with Rio Tinto Exploration Pty Ltd (RTX) covering four of its Mt Hillalong tenements. The Group has received an initial cash payment of $2,300,000 in accordance with the agreement. Further details of the agreement are set out in Note 5: Contingent Liabilities and Contingent Assets.

NOTE 4: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of resource category and technology investments. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Types of products and services by segment

i. *Mining exploration and evaluation*

The mining exploration and evaluation segment seeks to identify prospective resource areas, secure tenure over the relevant tenements and manage the exploration and evaluation process.

ii. *Technology investments*

Technology investment operations are largely dormant with focus being maintained on retaining the rights to secured technologies.

iii. *Bentonite Mining*

The bentonite mining segment mines for bentonite.

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. **Inter-segment transactions**

An internally determined transfer price is set for all inter-segment sales. This price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of direct operating costs within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. **Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. **Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

— Net gains on disposal of available-for-sale investments
— Impairment of assets and other non-recurring items of revenue or expense
— Income tax expense
— Deferred tax assets and liabilities
— Current tax liabilities
— Other financial liabilities
— Intangible assets
— Discontinuing operations
— Retirement benefit obligations

i. Segment performance

	Exploration	Bentonite Mining	Technology	All Other Segments	Total
HALF YEAR ENDED 31 DECEMBER 2011	**$**	**$**	**$**	**$**	**$**
Revenue					
External sales	-	-	-	1,500	1,500
Inter-segment sales	-	-	**-**	-	**-**
Interest revenue	159	-	-	31,752	31,911
Other revenue	2,300,000	-	-	4,000	2,304,000
Total segment revenue	**2,300,159**	**-**	-	**37,252**	**2,337,411**
Total group revenue					**2,337,411**
Segment net profit (loss) from continuing operations before tax	**2,291,351**	**(68,465)**	**(1,812)**	**(775,190)**	**1,445,884**
Net profit from continuing operations before tax					**1,445,884**
Amounts included in segment result and reviewed by the board:					
— finance charges	1,948	2,339	**-**	174	**4,461**
— depreciation and amortisation	**-**	46,880	**-**	14,238	**61,118**
— impairment of exploration and evaluation	59,422	2,935	**-**	-	**62,357**
Half Year ended 31 December 2010					
Revenue					
External sales	-	2,584	**-**	-	**2,584**
Inter-segment sales	-	-	**-**	-	**-**
Interest revenue	-	3,873	**-**	8,596	**12,469**
Other revenue	250,000	-	**-**	-	**250,000**
Total segment revenue	**250,000**	6,457	**-**	-	**265,053**
Total group revenue					**265,053**
Segment net profit (loss) from continuing operations before tax	**238,933**	**(75,377)**	**(3,530)**	**(599,181)**	**(439,155)**
Net profit from continuing operations before tax					**(439,155)**
Amounts included in segment result and reviewed by the board:					
— finance charges	-	8,149	-	747	8,896
— depreciation and amortisation	-	48,678	-	8,846	57,524
— impairment of exploration and evaluation	6,260	-	-	-	6,260

ii. Segment assets

	Exploration	Bentonite Mining	Technology	All Other Segments	Total
31 December 2011	**$**	**$**	**$**	**$**	**$**
Segment assets					
Segment asset increases for the period					
— capital expenditure	386,434	2,935	-	19,174	408,543
— acquisitions	-	-	-	-	-
	386,434	2,935		19,174	408,543
Included in segment assets are:					
Capitalised exploration and evaluation	716,165	-	-	-	716,165
Property, plant and equipment	-	330,607	-	47,559	378,166
Investments accounted for using the equity method	-	-	-	110,000	110,000
Other assets	63,875	35,298	-	2,027,490	2,126,663
Segment assets	780,040	365,905	-	2,185,049	3,330,994
Total group assets					**3,330,994**
30 June 2011					
Segment assets					
Segment asset increases for the period					
— capital expenditure	332,551	-	-	19,596	352,147
— acquisitions	110,000	-	-	1,999	111,999
	442,551	-	-	21,595	464,146
Included in segment assets are:					
Capitalised exploration and evaluation	389,154	-	-	-	389,154
Property, plant and equipment	-	377,487	-	42,623	420,110
Investments accounted for using the equity method	110,000	-	-	-	110,000
Other assets	211,592	26,464	36,500	965,018	1,239,574
Segment assets	710,746	403,951	36,500	1,007,641	2,158,838
Total group assets					**2,158,838**

iii. Segment liabilities

	Exploration	Bentonite Mining	Technology	All Other Segments	Total
	$	**$**	**$**	**$**	**$**
31 December 2011					
Segment liabilities	67,806	1,590	-	277,092	346,488
Reconciliation of segment liabilities to group liabilities					
Other financial liabilities					-
Total group liabilities					**346,488**
30 June 2011					
Segment liabilities	43,650	118,412	-	395,797	557,859
Reconciliation of segment liabilities to group liabilities					
Other financial liabilities					-
Total group liabilities					**557,859**

NOTE 5: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

On 22nd August 2011 the Company announced that its 100% owned subsidiary Area Coal Pty Ltd (Area Coal) had executed an Exploration, Option and Joint Venture Agreement ("the agreement") with Rio Tinto Exploration Pty Ltd (RTX) covering four of its Mt Hillalong tenements. The Group has received an initial cash payment of $2,300,000 in accordance with the agreement. In addition to the cash payment the agreement terms include that:

- title to EPC 1773 and EPCs 1867 and 1645 (if granted) will be transferred to RTX;
- RTX will sole fund and manage an exploration program for EPC 1824 with a minimum expenditure of $700,000 within the first 24 months of gaining access to the tenement;
- RTX has an option to acquire a 75% interest in EPC 1824 by making a defined payment to Area Coal at any time within the first 24 months of the exploration program. In the event of RTX's exercise of this option, the parties will form an unincorporated joint venture in which Area Coal would retain a 25% free carry interest;
- if RTX exercises the option to acquire an interest in EPC 1824, Area Coal would then hold a put option (exercisable on the date that is 12 months after the formation of the joint venture) enabling it to sell its 25% interest in the joint venture to RTX for an additional defined payment to Area Coal;
- if Area Coal does not exercise the above put option, it will have a further put option, exercisable within 180 days of the joint venture management committee commissioning a feasibility study, to sell its 25% interest in EPC1824 to RTX for consideration calculated on the basis of resource tonnage;
- if Area Coal does not exercise its second put option it will become liable for 25% of all future development and operational costs of the joint venture; and
- should RTX not exercise its option to acquire the 75% interest in the project, Area Coal will retain its existing 100% ownership of EPC 1824 and can reacquire the other three Mt Hillalong tenements originally transferred to RTX under the agreement.

There have been no other changes in contingent liabilities and contingent assets since the end of the last annual reporting period.

NOTE 6: EVENTS AFTER THE END OF THE INTERIM PERIOD

The Directors are not aware of any significant events since the end of the interim period.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Australian Pacific Coal Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 45 to 96, are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date.

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

John Bovard

Chairman

Dated this 15th day of March 2012

PARTNERS
Linda E. Timms
Anthony C. Bryen
Sara J. Crevillén
James Theologidis

ASSOCIATES
Susan J. Mortimer

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Pacific Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Pacific Coal Limited and controlled entities (the consolidated entity), which comprises the consolidated condensed statement of financial position as at 31 December 2011, and the consolidated condensed statement of comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Australian Pacific Coal Limited the company are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date and complying with Accounting Standard ASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Australian Pacific Coal Limited and controlled entities, ASRE 2410 required that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

SOTHERTONS BRISBANE PARTNERSHIP

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Sothertons: An association of independent accounting firms throughout Australasia

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Pacific Coal Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date, and

(b) complying with AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Sothertons

Sothertons – Brisbane Partnership

David A Lissauer
Lead Auditor

Dated at Brisbane this fifteen day of March 2012

Appendix 4D

Name of entity

Australian Pacific Coal Limited

ABN or equivalent company reference	Half Year ended ('current period')
ABN 49 089 206 986	31 December 2011

Results for announcement to the market

				A$
Total Revenues	Up	781%	to	**2,337,411**
Net profit/(loss) for the period attributable to members	Up		to	**1,383,527**

Dividends (distributions)	Amount per security	Franked amount per security
Current period		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Previous corresponding period		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend N/A

Brief explanation of any of the figures reported above:

Refer to review of operations in the attached documents.

Net tangible asset backing	Current year	Previous year
Net tangible asset backing per ordinary security	**0.56 cents**	0.68 cents

Earnings per share	Current year	Previous year
Basic profit/(loss) per share (cents)	**0.26**	(0.10)
Diluted profit/(loss) per share (cents)	**0.25**	(0.09)
Weighted average number of shares used in calculating basic profit or loss per share	**533,118,926**	459,703,845
Weighted average number of shares used in calculating diluted profit or loss per share	**563,118,926**	465,981,019
The amount used in the numerator in calculating basic earnings per share is the same as the net profit or loss attributable to members reported in Income Statement.		
The calculation of diluted earnings per share involves adjusting basic earnings per share to reflect the existence of dilutive securities. This implies adjustments to increase the denominator to reflect that more shares would be on issue if conversion occurred.		

Change in composition of entity

Details of associates and joint venture entities

Corporate Directory

Directors
John Bovard
Non-executive Chairman
Peter Ziegler
Non-executive Deputy Chairman
Paul Byrne
Managing Director
Paul Ingram
Non-executive Director

Company Secretary and Chief Financial Officer
Kevin Mischewski

Listing
Australian Securities Exchange (ASX: AQC)

Share on Issue
Shares: 533,118,926 as at 31 Dec 2011
Options: 30,000,000

Market Capitalisation
$17.1 million as at 31 Dec 2011

Quarterly Share Price Activity

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

Substantial Shareholders
Mr Paul Byrne 10.13%
Ms Elizabeth Byrne Henderson 6.72%

Native Title & Heritage Consultant
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Registered Office
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Brisbane QLD 4000

Postal Address
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City East QLD 4002

Share Registry
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Brisbane QLD 4000

Auditor
Sothertons Chartered Accountants
10 Market Street
Brisbane QLD 4000

Solicitors
Hopgood Ganim
L8 Waterfront Place
Eagle St Brisbane Qld 4000

Geological Consultants
Global Ore Discovery Ltd
15a Tate St Albion Qld 4010

Minserve Pty Ltd
L1, 1 Swann St Taringa, Qld 4068

Geological Solutions Pty Ltd
10/13 Garnet St Cooroy, Qld 4563

Ausmec Geoscience
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