

AQC The future
Note from the CEO

Dear Shareholders,

“You may ask where your company is going?”

This is the way I see things in the short and longer term for our company AQC.
I will cover company joint ventures and assets to start.

AQC'S JOINT VENTURES

Our main joint venture is with Rio Tinto. It is in its second year and time is ticking for Rio Tinto to exercise its option to proceed past the first option period which expires 23rd August 2015; so less than one year away.

What does this mean for AQC?

Well, if Rio exercises its option to proceed, this will mean a large cash injection into AQC and a lot of optionality available to our company. This is a milestone occasion for AQC. We possess several options allowing our company to either retain a carried equity of 25% in a joint venture with Rio Tinto and reap the rewards into the future or we have the ability to completely sell out our interest in this project. These terms form part of the agreement that we have in place with Rio Tinto and signed by both parties.

The Cuesta Coal JV gives AQC a 10% free carried equity in the four projects they hold. Some of these projects contain JORC inferred coal resources. We are hopeful that in the future these assets may be valuable to AQC

AQC'S TENEMENT ASSETS

Our company has some tier one advanced projects, some with JORC drilled resources, while others reveal proven potential for premium semi-soft metallurgical coals.

“Cooroorah” is an in-ground 124.9Mt coal resource (69.6Mt indicated and 55.3Mt inferred in accordance with the JORC code.) I believe its location assures its future. Its dollar value can be calculated and assessed against other projects in the area. It is surrounded by a number of operating mines. The most significant of these are the Curragh and Jellinbah Mines. Curragh produces up to 8 MTPA and Jellinbah up to 5 MTPA. Although our deposit is underground, it is a shallow underground deposit. New technologies being generated guarantee a bright future for the economics of underground coal mines.

Note that our Cooroorah and “Dingo” projects are ideally located to take advantage of massive local infrastructure. This includes rail, wash plants, power, road and local workforce.

Our possibly most valuable, 100% owned project, "Clermont South," abuts the 12 MT PA Glencore mine. This is expected to be drilled within the next month. The target is the coal measures associated with the Wolfgang Basin. This is the same coal produced from the Glencore Clermont Mine where the main coal seam is up to 40 metres thick. Yes, your eyes do not deceive you, up to 40 metres thick! If we are successful in discovering an economic coal resource in this part of the basin, we will be able to produce a premium quality, direct shipping, thermal coal. Coal within the Wolfgang Basin is possibly some of the best thermal coal produced in Queensland. It is of such a high quality, low ash and sulphur product that you do not have to wash it.

Shareholders should be aware that AQC owns two metallurgical coal projects, Cooroorah and Dingo, and one thermal coal target yet to be drilled. All have development potential and are believed to represent some of the best quality coal prospects in the Bowen and Wolfgang Basins.

CASH?

Over the past two years, we have largely used an equity line provided by Lind Partners out of New York. They have played a big role in the survival of the company through the difficult financial times in our industry. We need enough funds to see the abovementioned Rio Tinto transaction mature while searching for development partners for our other projects.

THE FUTURE

What is next? The answer is straight forward. Future cash and future development for our company.

We, the board, are focussed on the potential development of one or more of our coal projects as China and India have a strong desire for Australian premium thermal and coking coals. A potential partnership / joint venture is a definite possibility for AQC.

Finally, I can report that the directors are very confident in your company's future and prospects. We will continue to be diligent and keep working for the betterment of our company.

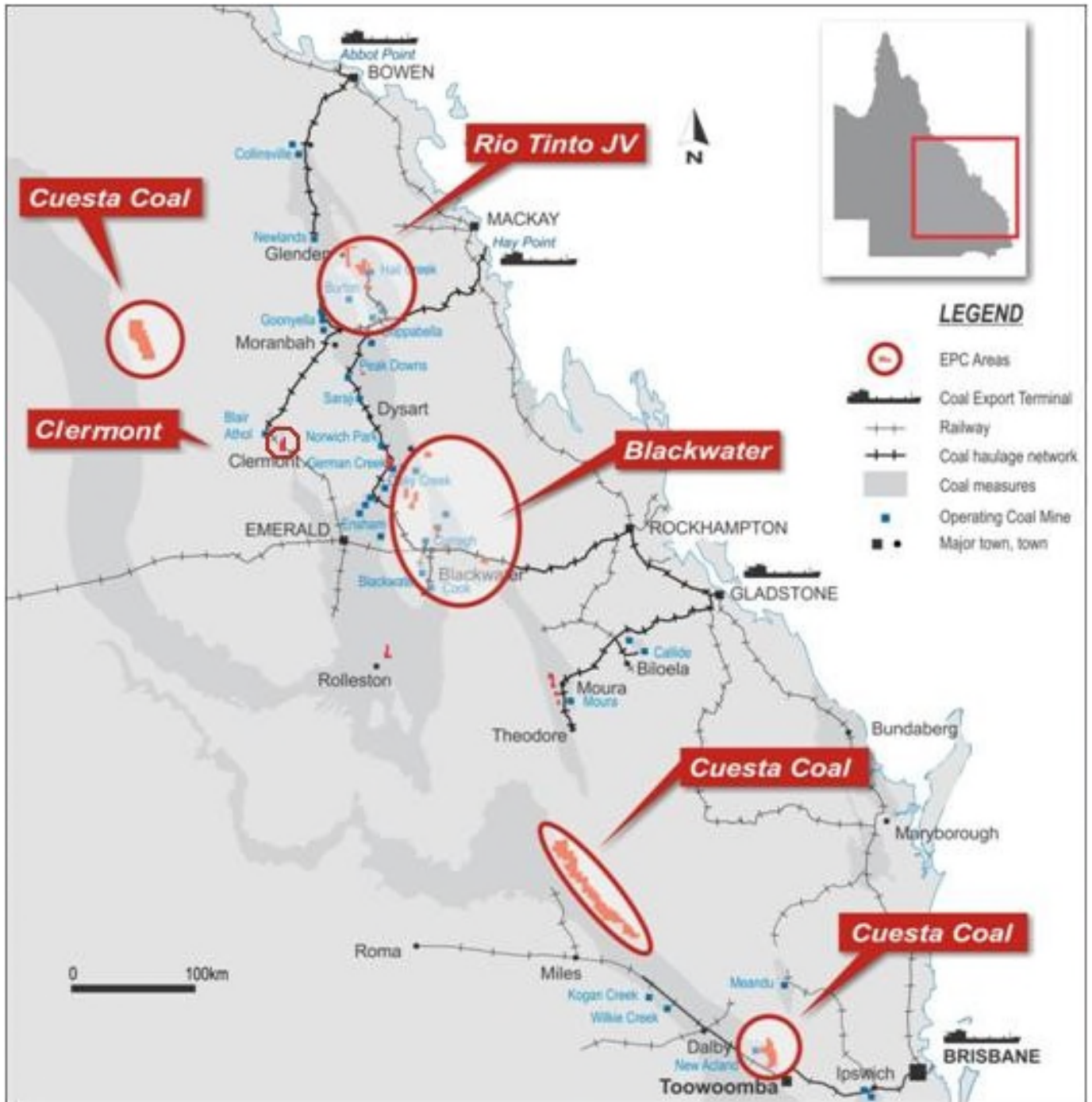
Our next milestone will be the drilling of our Clermont South project in the coming weeks. Remember, the Rio Tinto exercise date is 23rd August 2015.

Thank you. I look forward to providing further updates as and when news becomes available.

A handwritten signature in black ink, appearing to read 'Paul Byrne', with a long horizontal line extending to the right.

Paul Byrne
CEO

1 October 2014



Our project areas

Compliance Statement

Cooroora (EPC1827/MDL453) Resource Estimate

The information is extracted from the report entitled EPC1827 “Cooroora” Resource Estimate Update created on 20 November 2013 and is available to view on www.aqcltd.com/irm/content/asx-announcements.aspx. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.