

QUARTERLY REPORT

JULY to SEPTEMBER 2012



Australian Pacific Coal ASX: AQC

Australian Pacific Coal (AQC) is an emerging ASX coal explorer focused on the Bowen Basin, Queensland.

Through a series of acquisitions, AQC has positioned itself with both metallurgical and thermal coal projects potentially suited for underground and open cut mining.

The focus of AQC's operations is to value add the coal projects through evaluation of resource potential of the projects followed up with drilling as required to prove up the resource. Early stage drilling has commenced on selected projects.

Following on from the value add process, AQC's exploitation opportunities for individual coal projects include development of the project in its own right, farm-in, joint venture exploration, joint venture development or outright sale.

AQC's long term strategic focus is based on seeking out and identifying potentially lucrative resource investment opportunities.

Paul Byrne
Chief Executive Officer
pbyrne@aqcltd.com

Quarterly Activities Report

KEY POINTS

Coal exploration

- Ongoing focus on 100% owned Blackwater project drilling program, continuing through to end of 2012. Fully funded infill drilling program to move to Indicated and Measured Resources.
- Assay testing from EPC 1996 'Churchyard Creek' drilling.
- Near term focus on Cooroora, Carlo Creek and Dingo project areas.
- Subsequent to the quarter end, JV partner Rio Tinto proposed an exploration campaign of five drill holes on the EPC1824 "Mt Hillalong" Tenement.

Corporate

- Secured \$5.575 million total funding package to progress exploration program and provide ongoing working capital

Chief Executive Officer's Comment

The September 2012 quarter was one in which we continued to advance AQC's exploration program. Landholder, Cultural Heritage and Environmental clearances have been obtained or are well advanced for our planned drilling campaigns.

Initial site clearing and drilling is scheduled commence on EPC 1827 "Cooroorah" in early November 2012. Current year activities aim to advance the resource status of the tenement as a requirement for the Mineral Development Licence Application MDLA 453. The process has been assisted by the acquisition of additional recent exploration data, including the acquisition of data from five drill holes and three seismic lines that intersect the tenement.

The Company's exploration program is focused on unlocking the significant value at its Cooroorah EPC 1827 and other Blackwater projects. Achieving this requires certainty of funding. During the quarter we finalised and have now secured an exploration and working capital funding agreement for up to \$5.575 million. The agreement ensures that our ongoing efforts are fully funded as we advance our exploration. Key benefits of the funding agreement are certainty of access to funding, minimising of existing shareholder dilution and maintaining maximum flexibility of capital management.

We are pleased to note that Rio Tinto Exploration are advancing their exploration program on our Mt Hillalong JV projects. In addition to the airborne geophysical survey over the Hillalong project area in Queensland discussed in the June 2012 quarterly report Rio are currently planning a five drill hole exploration program.

For the near term, we remain focused on and are now well placed to advance towards commercialisation of our 100% owned Blackwater projects.

Paul Byrne
Chief Executive Officer

Coal Exploration

AQC has built a portfolio of 22 coal exploration permits (EPCs) and 12 EPC applications in the Bowen and Surat Basins of Queensland. The EPCs and applications 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.

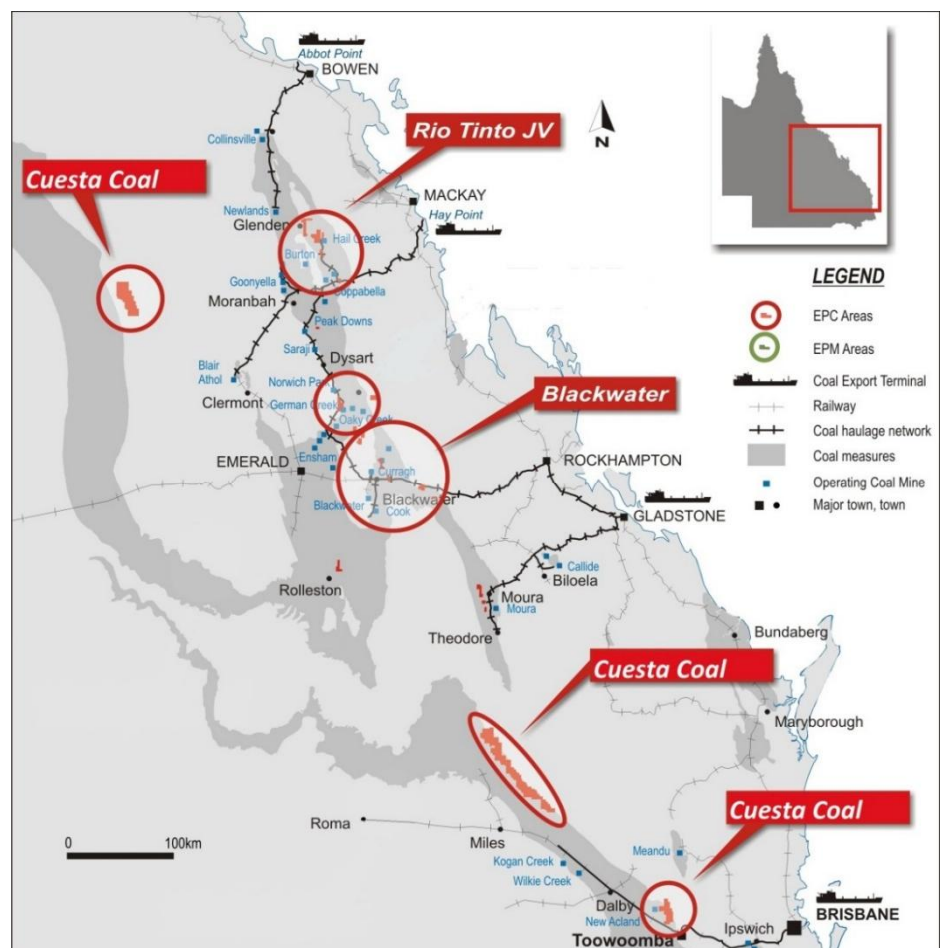
The four Mt Hillalong tenements have been incorporated into an Exploration, Option and Joint Venture (EOJV) Agreement with Rio Tinto Exploration Pty Ltd.

The remainder are owned 100% by the Company.

The projects have been segregated into three broad project areas to reflect ownership, control and operatorship.

The combined area covered by the exploration permits and applications totals over 2,000 km² and represents highly prospective coking, pulverised coal injection (PCI) and thermal coal targets.

AQC's near term exploration focus is on its 100% owned Blackwater projects. The highly prospective Blackwater projects are centrally located amongst operating coal mines in close proximity to established infrastructure with realistic opportunities for rapid commercialisation.



AQC's exploration strategy is focused on seeking 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 then seek to evaluate development options.

The Company is focusing current activities on three prospective projects which fall within this exploration strategy. These Blackwater region projects are 100% owned by AQC. The current drilling schedule for these projects is set out in the following table:

Drilling Schedule	2012		2013	
	Q3	Q4	Q1	Q2
Cooroorah (EPC1827)				
Carlo Creek (EPC1995)				
Dingo (EPC1859)				

The above scheduled drilling campaigns are fully funded through the planned exploration program.

COMPETENT PERSON STATEMENT OF COMPLIANCE

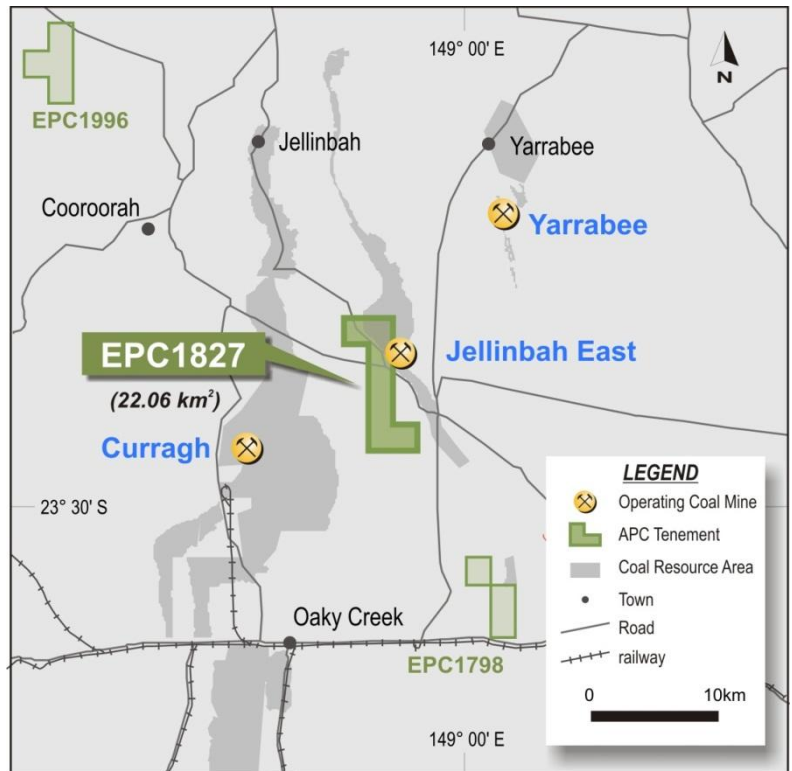
This report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves "The JORC Code" (2004) and reviewed by Mr S.W (Bill) Hayes of S.W Hayes and Associates who consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Mr Hayes, a Fellow of the AusIMM, is a coal geologist with approximately 42 years' experience relevant to the style of mineralisation and type of deposit under consideration and qualifies as a Competent Person as defined by the Australian Code for Reporting of Exploration Results

Cooroorah – EPC 1827

Located adjacent to a haul road network, railways and developed infrastructure, EPC 1827 'Cooroorah' is linked to Gladstone and major coal ports and has the potential to host high quality metallurgical coal.

The Cooroorah tenement consists of two target areas including a Main Target with an estimated inferred resource of 107Mt, reported in accordance with the JORC Code, and a secondary Shallow Target located in the north of EPC 1827 between the Jellinbah Fault, to the south-west, and the Jellinbah Mining Licence boundaries to the north-east and drilled previously by the Company.



Current year activities aim to achieve indicated to measured status in accordance with the JORC Code of approximately 50% of the Main Target as a requirement for Mineral Development Licence Application MDLA 453.

Main target area – Rangal coal measures at depth

Additional data from recent exploration across the tenement has been acquired by the Company. The data acquired is from five drillholes including one cored hole located near the southern tenement boundary along with data from three seismic lines that intersect the tenement. Remodelling and resource estimation based on the additional data have commenced.

The Company is scheduled to commence a twenty site drilling program in November 2012. Preliminary activities have been completed including obtaining site clearances, engagement of Traditional Owners for Cultural Heritage survey and scheduling contractors and equipment.

Twenty sites are proposed for drilling. Nine holes are likely to be drilled in the first phase with the aim to elevate the resource to indicated and measured status in accordance with the JORC Code over 50% of the current inferred resource.

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 scheduled 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 EPC 1827. Historical shallow drilling intersected coal in this area, and from assessment of geophysical logs, it was considered to be of sufficient potential quality to warrant drill testing. Historical geophysical logs indicated low density coal plies with the potential for low to moderate yielding, hard coking coal similar to Aquila's Washpool Coal Project 20km west of the EPC. This exploration program was drilled to test for a similar scenario.

Four holes have been drilled with core samples taken from two holes for analysis and wash plant test work. 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 at that stage.

During the September quarter the Company explored non-traditional coal beneficiation and coal quality testing on previously drilled shallow hole RDH002C. The testing carried out indicated that yields from the selected Aquarius seam plies are sufficient to warrant testing of additional seams to determine potential for resource definition.

Dingo – EPC 1859

EPC1859 'Dingo' was granted to AQC subsidiary, Area Coal Pty Ltd on 31 May 2011 for a period of five years, and comprises seven sub-blocks.

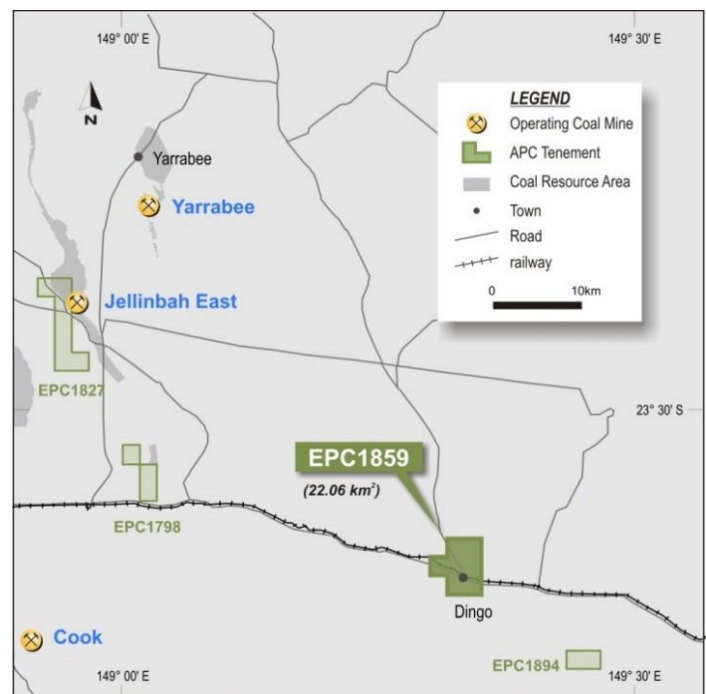
The tenement is located about 30km east of the operating Blackwater and Curragh coal mines. The Dingo tenement is located on the rail network, surrounded by majors such as Bandanna Energy, Peabody Energy (Macarthur Coal) and Aquila Resources.

Exploration within EPC 1859 is aimed at defining geometry and quality of the Rangal Coal Measures and Burngrove Formation seams (or equivalents).

Several coal seams of the Rangal Coal Measures are mined further to the east and north-east for export thermal and metallurgical coal markets.

During the June 2012 quarter modelling was completed. A 10-site program has been planned including three core holes to test interpreted fault block model and provide additional data where gaps exist.

Approval for relaxation of the buffer area has been received. An amended EA and approval to undertake drilling (with conditions) within the buffer zones of encroaching ERE's in the EPC has been granted.



The proposed work program is planned to include:

- Drilling program of chip/core holes to maximum depth 250m
- Detailed lithology and structure logging
- Sampling of coal seams for coal quality analysis
- Sampling of roof and floor material for geotechnical analysis
- Geophysical wireline logging of all holes (including minimum of gamma, density, resistivity, sonic and deviation)
- Coal quality analysis of target seams in each hole
- Remodelling and review for resource assessment reporting in accordance with the JORC Code
- Planning of follow-up drilling to elevate status of remaining areas

Landholder negotiations commenced during the September 2012 quarter along with engagement Traditional Owners for Cultural Heritage survey.

Carlo Creek – EPC 1995

An eight-site drilling program has been proposed to better define seams and coal quality. The program is planned for drilling in the fourth quarter of 2012 or first quarter of 2013.

During the September 2012 quarter landholder negotiations were commenced along with cultural heritage clearance of the three sites proposed for drilling in the fourth quarter of 2012

Background

Assessment of historical drill holes and seismic sections has identified two potential coal target sequences in EPC1995. These are German Creek Formation seams (“Primary Target”), on the western side of the EPC, and Fort Cooper Coal Measures in the central and eastern EPC (“Secondary Target”).

A single historical drill hole (6D) falls inside the western boundary of the EPC. This hole is also located on an historical seismic line (Line-J), which crosses the northwest quadrant of the EPC. Additional drill-hole and seismic data surround the EPC (Figure 2).

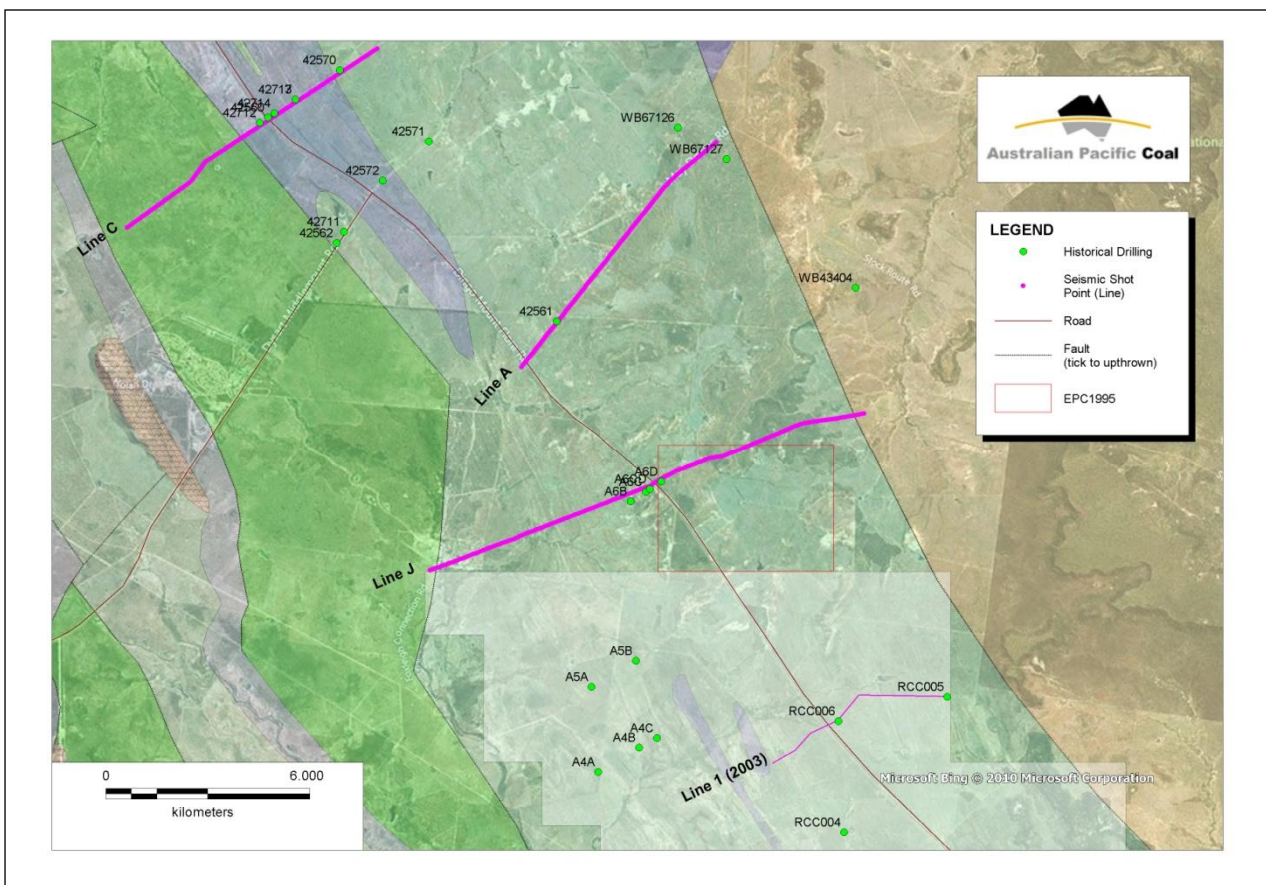


Figure 2 - Historical Drilling and Seismic Data

Drill hole 6D, located on the western boundary of the EPC, was drilled to a depth of 91.44m in the 1970/71 fiscal year. Immediately west of this drill hole are three additional holes that complete drill line-6 in historical EPC98. Three of the four holes on line-6 intersected carbonaceous sediments and coal seams (Table 2). In holes 6C, 6CD and 6D, coal seams were intersected between 35.05m and 85.34m. In the western-most hole (6B), no coal was intersected to 83.82m.

Table 2 - Drill-hole data EPC98

Hole ID*	TD	Stratigraphy	Carbonaceous Zone Intersections
6B	83.82m	German Creek Formation	None
6C	80.47m	German Creek Formation	35.05-39.62m Carb. Mudstone, coal, sandstone 53.34-54.56m Mudstone, coal, sandstone 71.93-73.15m Carb. Mudstone and coal
6CD	91.44m	German Creek Formation	41.76-42.06m Weathered coal 53.64-56.08m Banded Carb Mudstone and coal
6D**	91.44m	German Creek Formation	84.43-85.34m Coal

*On Figure 4 Map Holes ID have "A" prefix. **Drillhole inside EPC1995

The EPC and surrounding area is characterised by gently undeformed to intensely folded and deformed steeply dipping strata. The stratigraphic sequence hosting the EPC is bound on the west by the Foxleigh Fault and on the east by the Duaringa Fault.

Seismic section Line-J, which traverses the northern quadrant of the EPC, stretches across the entire sequence of Blackwater Group sediments from west to east. The section does not clearly identify the Foxleigh Fault in the west but it does delineate the position of the Duaringa Fault on the east which may encroach on the north-eastern quadrant of the EPC. The four drill holes along seismic Line-J intersect GCF strata to maximum depth of 91.44m. The seismic section indicates moderate to highly folded strata across the EPC intersection.

Churchyard Creek – EPC 1996

EPC 1996 'Churchyard Creek' is located in the Blackwater region of Central Queensland. The tenement is surrounded by several mining majors with existing JORC Resources, including Aquila Resources, Stanmore Coal and Acacia Coal.

Drilling

The drilling program at EPC1996 'Churchyard Creek' commenced on 20 April 2012 and was completed on 17 May 2012. Detailed drilling results were reported in the June 2012 Quarterly Report. A total of 1044.05m, including 542.37m of HQ core, were drilled by Drought Buster Drilling at six of the eight sites prepared. Target seams were intersected in all holes, and all cored carbonaceous and coaly intervals were sampled for analysis by RecyCoal Limited (RecyCoal) in the UK and PreLab Testing Services (PrepLab) in Rockhampton.

Coal Quality Analysis

All cored seam intervals were sampled for coal quality analysis by RecyCoal or PrepLab.

RecyCoal were provided with 75 x 1m composite samples from DDH002, DDH004, DDH005 and DDH006. Samples were transported to the UK for testing and analysis. RecyCoal have previously expressed interest in establishing a joint venture processing operation with AQC and as such were provided with coal samples to assess suitability to the RecyCoal beneficiation process.

A total of 136 samples were taken from DDH001, DDH003 and DDH007 for coal quality testing including raw, washability and clean coal composite analysis. In highly banded intervals, coal was sampled according to the proportion of coal to parting material. Where relatively clean coal intervals were sampled, parting material down to 5cm thickness was removed. PrepLab have completed a first phase of analysis on a selection of coaly plies in DDH001.

Stage 1 Coal quality results are indicating low to moderate yields. A final report has not yet been completed. The Company has commissioned additional testing to determine potential for non-traditional beneficiation of the Canis and Fairhill seam coal from this tenement.

¹ RecyCoal Limited is a UK based waste coal recovery business providing a fast, efficient and environmentally positive process for efficiently recovering coal that other systems are unable to process.

Joint Venture Projects

East Wandoan Joint Venture – AQC 10%, Blackwood Resources Pty Ltd 90% (acquired by Cuesta Coal Limited)

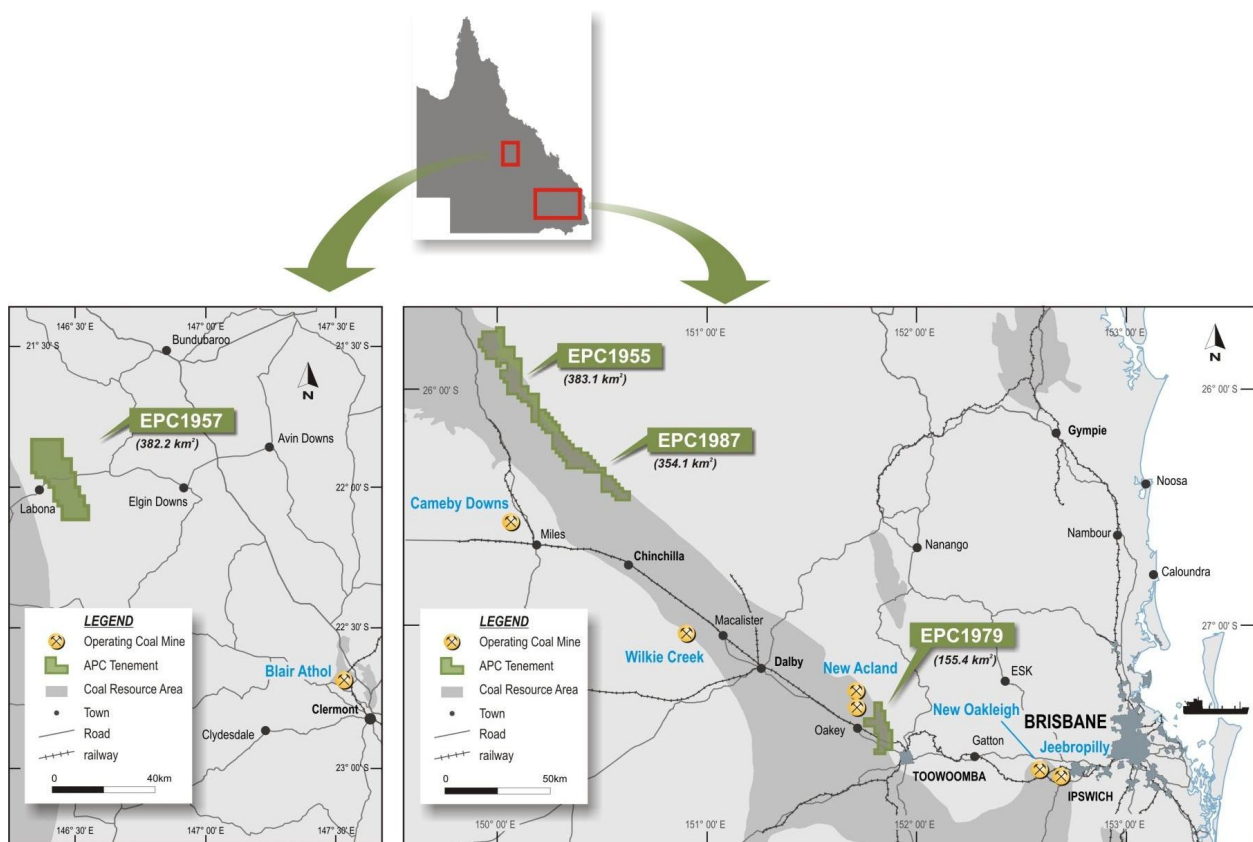


AQC joint ventured four EPCs out to unlisted coal explorer Blackwood Coal Pty Ltd subsidiary, Blackwood Resources Pty Ltd in April 2010. Under the joint venture agreement, AQC retains a 10% free carried interest up to feasibility study stage.

The four quality EPCs cover acreage in the Clarence-Morton, Surat and Galilee Basins, prospective for shallow thermal coal.

In January 2012, Cuesta Coal Limited ("Cuesta Coal") executed a legally binding conditional subscription agreement valued at \$20 million. Cuesta Coal was formed in September 2011 to acquire all of the securities on issue in Blackwood Coal Pty Limited in preparation for a public listing.

Cuesta Coal was admitted to the Australian Securities Exchange (ASX) Official List on 2 May 2012, with the security code CQC.



Under the terms of the joint venture, Cuesta Coal undertook to pay AQC \$125,000 upon grant of each EPC and is required to expend at least the minimum exploration

commitment with the aim to prove up a coal resource and complete a feasibility study for the project(s). Cuesta Coal can withdraw at any time and offer the project(s) back at no cost to AQC.

EPC 1957 was granted on 8 February 2012. In April 2012 the Company received Cuesta Coal's payment of the remaining \$100,000 due on grant of the tenement. One tenement, EPC 1987, remains to be granted at which time the final payment of \$100,000 will become due.

The Cuesta Coal subscription agreement "allows Cuesta Coal to continue as planned its 2012 exploration activities at the company's key project areas" and this "will enable Cuesta Coal to continue to increase the coal resources base quickly and sustainably over the coming 6 to 18 months".

On 6 February 2012, Cuesta Coal announced a maiden inferred resource in accordance with the JORC Code within EPC 1955.

Cuesta Coal has recently completed 4,050m of drilling to increase its coal resource base in accordance with the JORC Code at the 'Thorn Hill Deposit' at the East Wandoan Project. On 18 June 2012, the Company announced an 87% increase in its indicated and inferred resources reported in accordance with the JORC Code.

Cuesta Coal has announced its intention to undertake further exploration drilling.

Mt Hillalong EOJV Agreement Rio Tinto Exploration Pty Ltd

Rio Tinto

In August 2011, AQC'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 \$2.3 million under the agreement has been received by AQC.

The joint venture, over four prospective EPCs covering 100km² with a subsidiary of Rio Tinto, a global mining major, validates the quality of the acreage and highlights the significant potential of the EPCs.

The 24-month transaction timetable for exercise of the first option will commence from first entry onto AQC tenement EPC 1824.

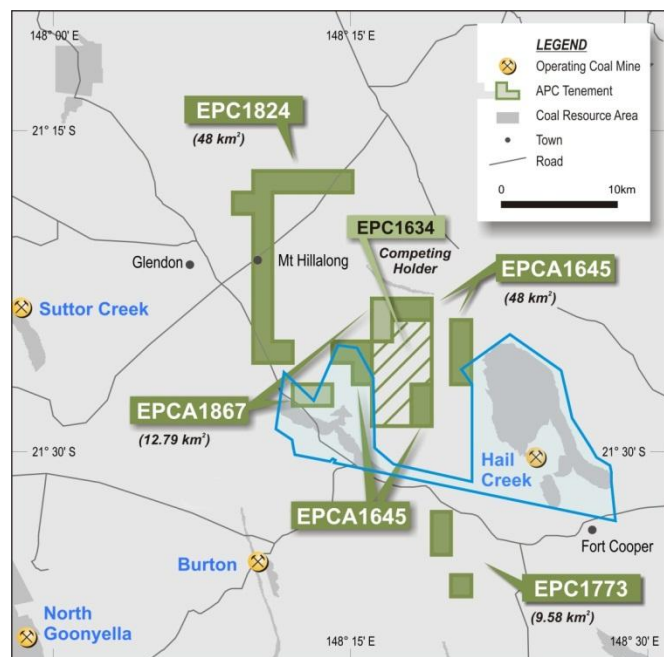
Under the joint venture, Rio Tinto Exploration has agreed to solely fund and manage a minimum expenditure of \$700,000 exploration program in EPC 1824 to exercise its right to earn a 75% working interest.

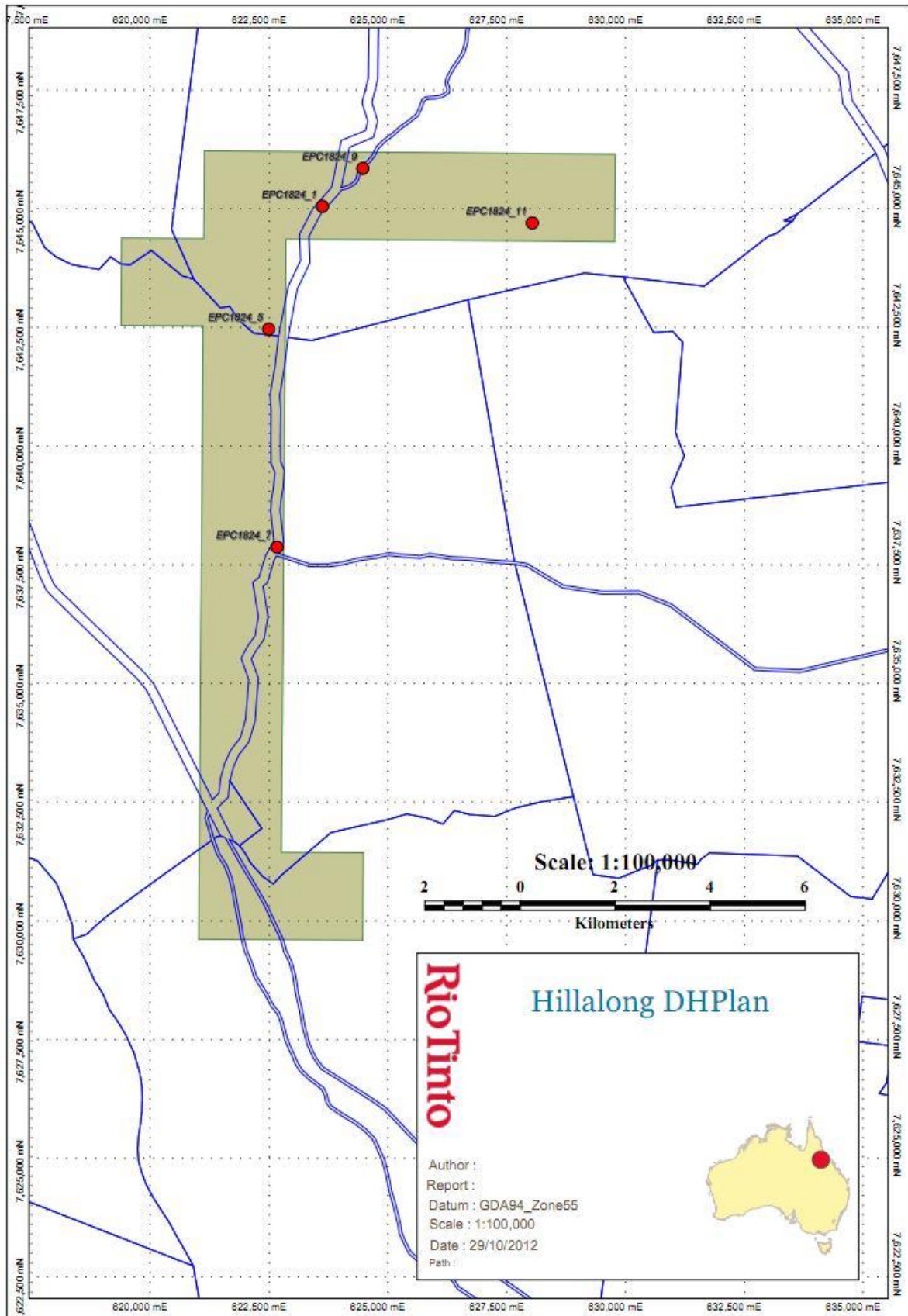
Rio Tinto Exploration have entered into an agreement with UTS Geophysics to conduct an airborne geophysical survey over the Hillalong project area in Queensland. This agreement covers the flying and data processing of high resolution fixed-wing airborne magnetic data. The objectives of the survey are to assist with the interpretation of continuity and structural features of the target coal seams in the Hillalong Project.

Rio Tinto Exploration is currently planning an exploration program to conduct drilling in the Hillalong project

The proposed program comprises 5 drill holes, including drill coring in-seam to conduct sampling for coal quality purposes, as per the following figure

This program is contingent on gaining the required approvals, drilling permits and cultural heritage clearances. The approval process has commenced.





Corporate

Funding package of up \$5.575 million

On 1 October 2012 the Company announced that it has secured up to AU\$5,575,000 in funds to progress its exploration program and to provide additional working capital. The funding arrangement is underpinned by an AU\$5,575,000 investment ("the Agreement") from The Australian Special Opportunity Fund, LP, a New York-based institutional investor, managed by The Lind Partners, LLC (together, "Lind").

Under the Agreement AQC has received AU\$400,000 in the form of an AU\$325,000 Convertible Security and AU\$75,000 as a prepayment for ordinary shares in AQC. Lind will further invest from AU\$75,000 to AU\$225,000, in monthly share subscriptions, over the next two years.

Key terms of the Agreement are detailed in the Company's announcement released to the market on 1 October 2012.

Capital requirements

AQC continues to monitor and evaluate its long-term capital requirements in relation to the exploration and development of its primary projects.

Financial

Cash at bank as at 30 September 2012	\$534,077
Exploration and evaluation payments for the quarter:	(\$207,300)
Other net operating cash flows for the quarter:	(\$288,884)
Net investing cash flows for the quarter:	-
Net financing cash flows for the quarter:	(\$12,500)
Net decrease in cash held during the quarter:	(\$508,684)

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: 564,993,926 as at 30 September 2012

Options: Nil

Market Capitalisation

\$10.2 million at 30 September 2012

Quarterly Share Price Activity

2012	High	Low	Last
September	\$0.027	\$0.013	\$0.018
June	\$0.040	\$0.020	\$0.023
March	\$0.044	\$0.032	\$0.036
2011			
December	\$0.044	\$0.028	\$0.032

Substantial Shareholders

Mr Paul Byrne 10.60%

Ms Elizabeth Byrne Henderson 5.80%

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Solicitors

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Geological Consultants

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Global Ore Discovery Ltd

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