



PACIFIC AMERICAN COAL LIMITED ABN 83 127 131 604

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2018

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CORPORATE INFORMATION

Registered Office

Suite 1002, Level 10
171 Clarence Street
Sydney, NSW, 2000

Directors

Geoff Hill (Chairman)
Simon Bird (Non-Executive Director)
Mark Sykes (Executive Director/Chief Executive Officer)
Matthew Hill (Alternate Director for Geoff Hill)

Company Secretary

Ian Morgan

Principal Place of Business

Suite 1002, Level 10
171 Clarence Street
Sydney, NSW, 2000
Email: info@pamcoal.com
Telephone: +61 2 9238-1175
Website: www.pamcoal.com

Solicitor

HWL Ebsworth Lawyers
Level 14
Australia Square
264-278 George Street
Sydney NSW 2000

Share Registry

Boardroom Pty Limited
Grosvenor Place
Level 12
225 George Street
Sydney, NSW, 2000
Telephone: 1300 737 760 (in Australia)
+61 2 9290 9600 (International)
Website: www.boardroomlimited.com.au

Banker

National Australia Bank

Auditor

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Investor enquiries

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171 Clarence Street
Sydney, NSW, 2000
Telephone: +61 2 9238-1175
Email: info@pamcoal.com
Website: www.pamcoal.com

DIRECTORS' REPORT

The Directors of Pacific American Coal Limited ASX code: **PAK** or '**the Company**' present their report for the half-year ended 30 June 2018. The Directors report as follows:

1. Directors

The names of the Directors of the Company during the half-year and up to the date of this report are:

Geoff Hill (Chairman) Appointed 15 May 2009

Simon Bird (Non-Executive Director) Appointed 13 July 2010

Mark Sykes (Executive Director/Chief Executive Officer) Appointed 31 December 2017

Matthew Hill (Alternate for Geoff Hill) Appointed 23 June 2014

2. Review of operations

The consolidated net profit after income tax for the half-year ended 30 June 2018 was \$455,409 (2017: loss \$2,616,738), including a net gain of \$944,163 from the sale of the Company's South Hazell exploration tenements.

Over the past half year, the Company has focused on the strategic development and exploration of metallurgical coal assets in North America.

Key activities include:

- Successful sale of the Company's South Hazell exploration project for \$ 1,004,000 cash
- Exploration activity continuing on the Company's 100% owned coking coal leases at Elko, BC Canada
- Investigations of investment opportunities in renewable energy technologies,

resulting in \$ 4,416,942 cash held at 30 June 2018 (31 December 2017 \$4,203,074).

During the half year ended 30 June 2018, PAK's net cash used in operating activities totalled \$686,668 (2017: \$681,695).

3. Outlook

Pacific American Coal Limited is focused on the production, development and exploration of coking coal assets in North America. The Company's strategic focus is on the 100% owned Elko coking coal project in British Columbia, Canada.

An exploration program in the Elko coking coal project commenced during July 2018, immediately after all permits were granted. The Company signed drilling and construction contracts with a number of highly qualified firms that provide drilling, installation of access roads, bridges/culvers, drill pads and site surveys necessary to meet permit requirements.

The initial construction activities of access roads and bridges are completed.

The drill rig mobilised to site and commenced drilling. The drill program is expected to be completed during October 2018.

4. Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Auditor's Independence Declaration pursuant to Section 307C of the *Corporations Act 2001* (Cth) is set out on page 5.

5. Rounding of Amounts to the Nearest Dollar

The Company is not of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and as such, amounts in the Half Year Financial Report and Directors' Report have been reported to the nearest dollar, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors.



Simon Bird
Director
Sydney
11 September 2018

**PACIFIC AMERICAN COAL LIMITED
ABN 83 127 131 604
AND ITS CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PACIFIC AMERICAN COAL LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

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I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2018 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND

Partner

Date: 11th September, 2018

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CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 30 June 2018

	Note	Consolidated Entity June 2018	June 2017
		\$	\$
Other revenue			
Gain on the sale of investment		944,163	-
Interest income		11,350	36,317
Other income		-	82
Foreign currency exchange gain		55,741	-
Expenses			
Employee expenses		(133,895)	(238,732)
Administration costs		(421,950)	(412,832)
Interest expense		-	(25)
Share of loss of equity accounted investments		-	(250,357)
Impairment loss on equity accounted investment		-	(1,664,472)
Foreign currency exchange loss		-	(86,719)
Profit / (Loss) before income tax		<u>455,409</u>	<u>(2,616,738)</u>
Income tax expense / (benefit)		-	-
Profit / (Loss) after income tax		<u>455,409</u>	<u>(2,616,738)</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		32,618	(23,677)
Total other comprehensive income		32,618	(23,677)
Total comprehensive income		<u>488,027</u>	<u>(2,640,415)</u>
		Cents per share	Cents per share
Earnings / (Loss) per share:			
Basic earnings / (loss)	7	0.28	(1.58)
Diluted earnings / (loss)	7	0.28	(1.58)

The Consolidated Interim Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	Consolidated Entity June 2018 \$	December 2017 \$
Current Assets			
Cash and cash equivalents		4,416,942	4,203,074
Trade and other receivables	3	16,111	17,203
Other assets		14,297	23,359
Total Current Assets		<u>4,447,350</u>	<u>4,243,636</u>
Non-Current Assets			
Fixed assets		2,373	2,249
Security deposits		100,304	-
Deferred exploration and evaluation costs	4	704,232	635,244
Total Non-Current Assets		<u>806,909</u>	<u>637,493</u>
Total Assets		<u>5,254,259</u>	<u>4,881,129</u>
Current Liabilities			
Trade and other payables		203,851	318,748
Total Current Liabilities		<u>203,851</u>	<u>318,748</u>
Total Liabilities		<u>203,851</u>	<u>318,748</u>
Net Assets		<u>5,050,408</u>	<u>4,562,381</u>
Equity			
Contributed equity	5	13,170,374	13,170,374
Reserves		42,210	9,592
Accumulated losses		(8,162,176)	(8,617,585)
Total Equity		<u>5,050,408</u>	<u>4,562,381</u>

The Consolidated Interim Balance Sheet is to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 30 June 2018

	Note	Contributed Equity \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 January 2017		12,875,053	40,400	(7,020,810)	5,894,643
Transactions with owners in their capacity as owners					
Issue of share capital		300,000	-	-	300,000
Share issue costs		(4,679)	-	-	(4,679)
		<u>295,321</u>	<u>-</u>	<u>-</u>	<u>295,321</u>
Comprehensive income					
Loss after tax		-	-	(2,616,738)	(2,616,738)
Foreign currency translation differences		-	(23,677)	-	(23,677)
Total comprehensive income for the half-year		<u>-</u>	<u>(23,677)</u>	<u>(2,616,738)</u>	<u>(2,640,415)</u>
Balance at 30 June 2017		13,170,374	16,723	(9,637,548)	3,549,549
Balance at 1 January 2018		13,170,374	9,592	(8,617,585)	4,562,381
Transactions with owners in their capacity as owners					
Issue of share capital		-	-	-	-
Share issue costs		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Comprehensive income					
Profit after tax		-	-	455,409	455,409
Foreign currency translation differences		-	32,618	-	32,618
Total comprehensive income for the half-year		<u>-</u>	<u>32,618</u>	<u>455,409</u>	<u>488,027</u>
Balance at 30 June 2018		13,170,374	42,210	(8,162,176)	5,050,408

The Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the Half-Year Ended 30 June 2018

	Consolidated Entity	
	June 2018	June 2017
	\$	\$
Cash Flows Used In Operating Activities		
Interest received	10,196	6,160
Interest expenses	-	(25)
Cash payments in the course of operations	(696,864)	(687,830)
Net Cash used in Operating Activities	(686,668)	(681,695)
Cash Flows From Investing Activities		
Security deposits paid	(100,304)	-
Payment for exploration and evaluation costs	(60,560)	(44,812)
Cash received from sale of investments	1,004,000	226,750
Net Cash from Investing Activities	843,136	181,938
Cash Flows from Financing Activities		
Proceeds from the issue of securities	-	300,000
Costs associated with the issue of securities	-	(4,679)
Net Cash from Financing Activities	-	295,321
Net increase / (decrease) in cash and cash equivalents	156,468	(204,436)
Net foreign exchange differences	57,400	(32,416)
Cash and cash equivalents at beginning of financial period	4,203,074	2,494,527
Cash and cash equivalents at end of financial period	4,416,942	2,257,675

The Consolidated Interim Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

Reporting Entity

Pacific American Coal Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year ended 30 June 2018 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity"). The comparative period is the six months ended 30 June 2017.

Statement of Compliance

The consolidated interim financial report is a general-purpose financial report which has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial reports of the Consolidated Entity as at and for the year ended 31 December 2017.

This consolidated interim financial report was approved on 11 September 2018 by the Board of Directors.

Going Concern

The Consolidated Entity had a net profit of \$455,409 and a net operating cash outflow of \$686,668 for the 6 months ended 30 June 2018. As at 30 June 2018, the Consolidated Entity had cash and cash equivalents of \$4,416,942, net current assets of \$4,243,499 and net assets of \$5,050,408.

Management continues to preserve operating cash. Current cash levels are sufficient to fund ongoing administration and budgeted exploration. In the event additional exploration activities are undertaken, there may be a requirement to raise capital. The ability of the Consolidated Entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Consolidated Entity to raise additional capital in the form of equity;
- the continued support of current shareholders; and
- the ability to successfully develop and extract value from its projects that are under development.

These conditions give rise to a material uncertainty over the Consolidated Entity's ability to continue as a going concern.

Directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Consolidated Entity has funded its activities through issuance of equity securities and it is expected that the Consolidated Entity will be able to fund its future activities through further issuances of equity securities; and
- Directors believe there is sufficient cash available for the Consolidated Entity to continue operating until it can raise sufficient further capital to fund its ongoing activities within the forecast period.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

Notes to the Financial Statements (continued)

1. Statement of Significant Accounting Policies (continued)*Accounting Policies*

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 31 December 2017.

Associates

Associates are all entities over which the Consolidated Entity has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Consolidated Entity's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Any dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Any unrealised gains on transactions between the Consolidated Entity and its associates are eliminated to the extent of the Consolidated Entity's interest in the associates. Any unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Deferred Exploration and Evaluation Costs

Exploration and evaluation costs related to an area of interest are written off as incurred except they are carried forward as an asset in the balance sheet where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively be its sale.

Capital costs include costs directly related to exploration and evaluation activities in the relevant area of interest.

General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Capitalised exploration and evaluation expenditure are written off where the above conditions are no longer satisfied.

Identifiable exploration assets acquired are recognised as assets at their fair value.

Exploration and evaluation expenditure incurred subsequent to the acquisition of an exploration asset in a business combination is accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of the Consolidated Entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the transaction date.

Foreign currency differences are generally recognised in profit or loss.

Notes to the Financial Statements (continued)

1. Statement of Significant Accounting Policies (continued)*Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

New and Revised Standards

New and revised standards have been issued by the AASB and are effective for the half-year, however there are no material changes to the policies that affect the recognition and measurement of the results or financial position of the Consolidated Entity.

Fair Values

The fair values of Consolidated Entity's financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

2. Dividends

During the half year, no dividends were paid or provided for (2017: \$Nil).

3. Trade and other receivables

	30 June 2018	31 December 2017
	\$	\$
Other receivables	16,111	17,203
	<u>16,111</u>	<u>17,203</u>

4. Deferred exploration and evaluation costs*Movements during the period*

Balance at beginning of period	635,244	498,751
Additions	97,990	172,557
Disposal	(64,155)	-
Foreign currency difference to Exchange Reserve	35,153	(36,064)
Balance at end of period	<u>704,232</u>	<u>635,244</u>

Notes to the Financial Statements (continued)

5. Contributed Equity

	30 June 2018	31 December 2017
Issued Capital – Number of ordinary fully paid shares	<u>165,305,889</u>	165,305,889
Value of Issued Capital	<u>\$13,170,374</u>	\$13,170,374

Movements during the period

	30 June 2018 Number	31 December 2017 Number	30 June 2018 \$	31 December 2017 \$
Balance at beginning of period	<u>165,305,889</u>	162,305,889	<u>13,170,374</u>	12,875,053
Shares issued	-	3,000,000	-	300,000
Share based payment	-	-	-	-
Share issue costs	-	-	-	(4,679)
	-	3,000,000	-	295,321
Balance at end of period	<u>165,305,889</u>	165,305,889	<u>13,170,374</u>	13,170,374

6. Options

As at 30 June 2018, there were no unissued shares under option (31 December 2017: Nil).

7. Earnings per share

	June 2018 \$	June 2017 \$
Profit / (Loss) used to calculate basic and diluted earnings per share	<u>455,409</u>	(2,616,738)

Weighted average number of shares and options

	Number of shares	Number of shares
Weighted average number of ordinary fully paid shares outstanding during the period, used in calculating basic and diluted earnings per share	<u>165,305,889</u>	165,123,569

64,883,607 Company options (exercise price \$0.25 per share) that expired on 31 December 2017 were not considered dilutive, as they were out of the money.

Notes to the Financial Statements (continued)

8. Contingent Liabilities and Assets

The following guarantee provided by the Consolidated Entity and outstanding as of 31 December 2017 expired during the half year ended 30 June 2018:

Entity	Lending bank	Borrower	Amount
Texas and Oklahoma Coal Company (USA) LLC	First Priority Bank	George Colliers, Inc.	USD274,600

9. Subsequent Event

During July 2018, an exploration program in the Elko coking coal project commenced immediately after all permits were granted. The Company signed drilling and construction contracts with a number of highly qualified firms that provide drilling, installation of access roads, bridges/culvers, drill pads and site surveys necessary to meet permit requirements.

Apart from the above, there has not arisen in the interval between the end of the interim period and the date of this review report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity.

10. Segment Reporting*Reportable Segments*

The Consolidated Entity has identified its operating segments based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources. The Consolidated Entity does not yet have any products or services from which it derives an income.

During the half year to 30 June 2018, management has identified the Consolidated Entity as having two reportable segments, being the geographic location of assets in the North America and Australia.

Below is an analysis of the Consolidated Entity's revenue and operating results from reportable segments:

<i>Consolidated 6 months to 30 June 2018</i>	North America	Australia	Total
	\$	\$	\$
Other revenue			
Gain on sale of investment	944,163	-	944,163
Interest income	-	11,350	11,350
Foreign currency exchange (loss) / gain	(2,773)	58,514	55,741
Expenses			
Employee expenses	(83,795)	(50,100)	(133,895)
Administration costs	(27,162)	(394,788)	(421,950)
Profit / (Loss) before income tax	<u>830,433</u>	<u>(375,024)</u>	<u>455,409</u>

Consolidated 6 months to 30 June 2017

Other revenue			
Interest income	-	36,317	36,317
Other income	-	82	82
Expenses			
Employee expenses	(85,738)	(152,994)	(238,732)
Administration costs	(31,626)	(381,206)	(412,832)
Interest expense	(25)	-	(25)
Share of loss of equity accounted investment	-	(250,357)	(250,357)
Impairment loss on equity accounted investment	-	(1,664,472)	(1,664,472)
Foreign currency exchange loss	(236)	(86,483)	(86,719)
Loss before income tax	<u>(117,625)</u>	<u>(2,499,113)</u>	<u>(2,616,738)</u>

Notes to the Financial Statements (continued)

10. Segment Reporting (continued)

Below is an analysis of the Consolidated Entity's assets and liabilities from reportable segments:

Consolidated as at 30 June 2018

	North America	Australia	Total
	\$	\$	\$
Current assets	21,608	4,425,742	4,447,350
Non-current assets	806,909	-	806,909
Total assets	828,517	4,425,742	5,254,259
Current liabilities	123,580	80,271	203,851
Non-current liabilities	-	-	-
Total liabilities	123,580	80,271	203,851
Net segment assets	704,937	4,345,471	5,050,408

Consolidated as at 31 December 2017

Current assets	20,520	4,223,116	4,243,636
Non-current assets	637,493	-	637,493
Total assets	658,013	4,223,116	4,881,129
Current liabilities	113,198	205,550	318,748
Non-current liabilities	-	-	-
Total liabilities	113,198	205,550	318,748
Net segment assets	544,815	4,017,566	4,562,381

DIRECTORS' DECLARATION

For the half year ended 30 June 2018

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001* (Cth), *Australian Accounting Standard AASB 134 'Interim Financial Reporting'*, *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5) of the *Corporations Act 2001* (Cth).



Simon Bird
Director
Sydney
11 September 2018

**PACIFIC AMERICAN COAL LIMITED
ABN 83 127 131 604
AND ITS CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PACIFIC AMERICAN COAL LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

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Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Pacific American Coal Limited and its Controlled Entities ('the Group'), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of the Group are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report 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 interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the period ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which indicates that the Group had operating cash outflows of \$686,668 for the 6 months ended 30 June 2018. This condition, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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**PACIFIC AMERICAN COAL LIMITED
ABN 83 127 131 604
AND ITS CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
PACIFIC AMERICAN COAL LIMITED**

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 interim financial report of Pacific American Coal Limited and its Controlled Entities are not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the period ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND

Partner

Date: 11th September, 2018