Pan Asia
Corporation Ltd

ABN 45 098 448 269

Annual Financial Report

For the Year Ended

30 June 2014

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CORPORATE INFORMATION

Directors

Domenic Martino	Non-Executive Chairman
Luke Martino	Non-Executive Director
Michael Pixley	Non-Executive Director

Senior Executive Team

Alan Hopkins	Chief Executive Officer
Jason Campbell	Company Secretary / Chief Financial Officer
Robert Bradley	Project Manager
Cicip Hadi	Senior Economic Geologist
Agus Sucipto	Exploration Manager (TCM Project)
Dadzui Ismail	Underground Mining Manager (TCM Project)

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ASX Code

PZC

REVIEW OF OPERATIONS

Highlights for the Year

- Substantially stabilised the Company's finances
- Actively progressed development plans for our Flagship Thermal Coal Project in Indonesia

Overview

It was another challenging year for resource companies, with commodity prices continuing to slide & equity market support for junior resource companies remaining weak.

As a result, it was a year to first consolidate the Company's financial position and then look to build a solid consortium of development partners for our flagship high CV thermal coal project "TCM".

The stabilisation of the Company's finances was achieved through a series of equity financings at a premium to the prevailing depressed market price and included an underwritten rights issue, completed post FY2014, to all existing shareholders. These funds were used primarily for working capital and the replacement of more expensive bridging finance. This refinancing process is still ongoing with the replacement of the PT Kopex Mining ("KOPEX") funding arrangement still being progressed.

As part of the overall process, the Company undertook a full cost review and streamlined its operations including relocating and downsizing its offices and team in Jakarta.

Much of the funding support throughout the year came from investors from Indonesia and elsewhere in the ASEAN region. This integration of the shareholder base into the ASEAN region should be beneficial for the Company as we look to move forward with this and other regional projects over the coming years.

In addition to establishing the important corporate funding, the Company has also been active with a number of groups who have interest in engaging on the TCM project. While this is necessarily taking some time, the Company has active and advanced discussions underway with a number of capable groups who can assist in moving forward on the TCM project.

In parallel with this, the Company has further refined its future development models for the project as well as progressed various permits and access agreements required pre development.

The plan for this coming year is to complete these arrangements to facilitate a clear path to development and we trust that this will coincide with a rising tide for resources and thermal coal in particular.

The combination of these two occurrences should result in our shareholder and stakeholder values improving over the coming years and we thank you for your ongoing support through this process.

TCM Project (Production Mining Business Licence (“IUP”) – South Kalimantan)

The Company owns 75% of PT Transcoal Minergy, the owner of mining operation production licence 545/091/IUP-OP/D.PE/2010 dated 28 April 2010 and situated within the administrative boundaries of the Kecamantans of Mantewe and Batulicin, Kapupatan Tanah Bumbu Province of South Kalimantan, Indonesia. The area is approximately 125km east of Banjarmasin (the provincial capital of South Kalimantan) and approximately 40km northwest of Batulicin (the capital of the Kabupatan Tanah Bumbu). The concession is adjacent to the east of Arutmin’s ATA open pit coalmine and as such, it benefits from having well known high CV coal quality and good established infrastructure.

The Company has a current JORC resource in all seams totalling 177Mt with mineable seams at 129Mt. The coal is of high CV (6200 GAR Kcal/kg) thermal coal with predominately low ash and moisture content which underpins its development credentials.

TCM PROJECT JORC RESOURCES *

	CURRENT			
	Measured Mt	**Indicated Mt**	**Inferred Mt**	**TOTAL Mt**
Mineable Seams				
SU (5)	20.43	12.25	32.03	64.71
SM (6)	17.19	12.22	35.04	64.45
Sub Total				129.16
Other Seams	15.79	10.95	21.37	48.11
TOTAL	**53.41**	**35.42**	**88.44**	**177.27**

TCM PROJECT

- **High CV coal** ~ 6200 GAR[+]
- **Sellable Coal** 1.5mt pa [+]
- **Mine life** 30 years [++]
- **Operating Cost / t on MV** USD 52/t [+]
- **Style of Mining** Mechanised, with second stage Longwall [+]

[+] Based on Kopex initial Feasibility Study on TCM South Resource only

[++] Incorporating increased JORC resource discovered in TCM North

To date the Company has received both PMA and Clean and Clear status and is currently in the process of obtaining its forestry approval. The Company intends to update the feasibility study in the current financial year.

*The information was prepared and first disclosed under the JORC Code 2004. It has not been updated since, to comply with the JORC Code 2012, on the basis that the information has not materially changed since it was last reported.

Figure 1: Coal loading facility at Batulicin *

Figure 2: Sampling coal seam on TCM highwall

*Note: Not an asset of the Company

Refer page 66 for Competent Person's Statement

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2014.

The names of Directors of the Company at any time during or since the end of the financial year are:

Domenic Martino	Non-Executive Chairman	
Luke Martino	Non-Executive Director	
Michael Pixley	Non-Executive Director	
Tim Gazzard	Non-Executive Director	Resigned 9 September 2014
Mitch Jakeman	Non-Executive Director	Resigned 28 November 2013

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PARTICULARS OF DIRECTORS AND COMPANY SECRETARY

Domenic Martino *(Non- Executive Chairman)*

Qualifications

- Bachelor of Business
- Fellow, Institute of Chartered Accountants Australia (FCA)
- Fellow, Australian Society of Certified Practising Accountants (FCPA)
- Fellow, Australian Institute of Company Directors (FAICD)

Experience

Domenic was appointed as a Director of Pan Asia Corporation on 24 December 2010 and became Chairman of the Company on 1 March 2011. Domenic is a Chartered Accountant by profession and a former Chief Executive Officer of Deloitte Touche Tohmatsu in Australia. Domenic specialises in the resources and energy sector, including mergers and acquisitions, initial public offerings and strategic opportunities.

Luke Martino *(Non-Executive Director)*

Qualifications & Affiliations

- Bachelor of Commerce
- Fellow, Institute of Chartered Accountants in Australia (FCA)
- Member, Australian Society of Certified Practicing Accountants (CPA)
- Fellow, Australian Institute of Company Directors (FAICD)

Experience

Luke was appointed as a Non-Executive Director on 4 March 2010.

Luke has over 25 years experience at Partner and Board level with major accounting firms and has served as a Director of several public and private companies. He has significant experience in the mining and resources industry (particularly in Indonesia) and the property and hospitality industries. Luke has an entrepreneurial passion for nurturing businesses and specialises in corporate and growth business consulting.

Michael Pixley *(Non-Executive Director)*

Qualifications

- Bachelor of Business

Experience

Michael has worked as a merchant banker specialising in strategic corporate development, joint ventures and acquisitions. He has over 20 years experience in the Asian business sector, and has extensive networks and relationships with key personnel in the government, corporate and private business sectors, in the Asia Pacific region.

Mitch Jakeman *(Non-Executive Director) – Resigned 28 November 2013*

Tim Gazzard *(Non-Executive Director) – Resigned 9 September 2014*

Jason Campbell *(Chief Financial Officer & Company Secretary)*

Qualifications

- Bachelor of Business
- Member of CPA Australia
- Diploma in Applied Corporate Governance with Chartered Secretaries Australia

Experience

Jason commenced with the Company in March 2011 as Chief Financial Officer and Commercial Manager. He was appointed Company Secretary in October 2011. Prior to joining Pan Asia, Jason spent 7 years at Argonaut Limited, an Investment Banking and Corporate Stocking business in Perth.

OTHER CURRENT DIRECTORSHIPS

Domenic Martino	Cokal Limited (Director), Australasian Resources Limited (Chairman), ORH Limited (Chairman), Gladstone Pacific Nickel Limited (Director), Synergy Plus Limited (Chairman), Coral Sea Petroleum Ltd (Managing Director), MUI Corporation Limited (Director)
Luke Martino	Central Asia Resources Limited (Alternate Director)
Michael Pixley	OKLO Resources Limited (Director)

PREVIOUS DIRECTORSHIPS IN THE LAST 3 YEARS

Domenic Martino	Resourcehouse Limited (Chairman), Clean Global Energy Limited (Director)
Luke Martino	NIL
Michael Pixley	Holista Colltech Limited

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

Director	Shares Held		Performance Shares Held		Options Held	
	Directly	**Indirectly**	**Directly**	**Indirectly**	**Directly**	**Indirectly**
Mr Domenic Martino*	-	7,450,000	-	-	-	-
Mr Luke Martino **	-	6,035,410	-	-	-	-
Mr Michael Pixley	-	-	-	-	-	-

*Indirect interests are held via Domenal Enterprises Pty Ltd, Impact Nominees Pty Ltd and Indian West Pty Ltd. 1,000,000 of these Shares included above are held indirectly but Domenic Martino has no beneficial interest in the same.

** Indirect interests are held via LJM Capital Corporation Pty Ltd and LJM Capital Corporation Pty Ltd.

DIRECTORS' MEETINGS

During the financial year, eight (8) meetings of Directors were held. Attendances by each Director during the year were:

	Directors' Meetings		Audit & Risk		Remuneration	
	Number of meetings eligible to attend	**Number attended**	**Number of meetings eligible to attend**	**Number attended**	**Number of meetings eligible to attend**	**Number attended**
Domenic Martino	8	6	-	-	1	1
Luke Martino	8	8	-	-	1	1
Michael Pixley	8	8	-	-	-	-
Mitch Jakeman*	6	4	-	-	-	-
Tim Gazzard**	8	7	-	-	-	-

* Resigned 28 November 2013

**Resigned 9 September 2014

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Pan Asia support the principles of corporate governance. The Company's corporate governance statement is contained on page 19.

DIVIDENDS

No dividends were paid or recommended during the year.

OPERATING RESULTS

For the financial year the consolidated entity incurred a consolidated loss after tax from ordinary activities of $1,237,328 (2013: $2,852,357).

PRINCIPAL ACTIVITIES

Pan Asia owns a 75% interest in its flagship underground high CV thermal coal project, the PT Transcoal Minergy Project in South Kalimantan, Indonesia. An exploration drilling programme has been completed on the concession to date resulting in a total JORC resource of 177Mt. The JORC Resource from mineable seams is 129Mt.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The Company is in the process of seeking development funding partners to help deliver the PT Transcoal Minergy Project to development and production stage in the next couple of years. Pan Asia's goal is to continue to source and develop key energy resources for the Asian markets.

It is not possible to estimate the future results at this stage.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report other than what has been disclosed in this report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

- On 11 July 2014, the Company allotted 24m shares to Lanesborough Investment Pte Ltd for consideration of $0.021 per share to raise a total of AUD $504,000. Lanesborough became a substantial holder in the Company with a 10.48% interest.
- On 16 July 2014, the Company implemented a fully underwritten rights issue to existing shareholders at $0.021 per share, at a premium to the Company's market price at the time to raise AUD$1.6m. The rights issued closed on 19 August 2014 with AUD$14,000 taken up by shareholders. The underwriter, Nexus Link Limited, paid AUD$1.586m and was issued with 75,519,340 shares in the Company to take their total shareholding in the Company to 99,519,340 shares or a 32.6% interest.
- On completion of the rights issue and underwriting, the Company has 305,180,859 shares on issue as of the date of this report.
- On 9 September 2014, Tim Gazzard, Noble's representative non-executive director on the Board of the Company stepped down due to work commitments and Noble's interest falling below 5% in FY2014.
- On 15 September 2014, the Company announced a sale of small holdings facility for all shareholders holding less than a marketable parcel of shares at the Record Date being less than AUD$500 or 20,833 shares or less. This will give the small shareholders an ability to sell their shareholding without incurring brokerage costs and the Company will save on future administration costs and have a cleaner register.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is not subject to any environmental regulations or licences. However, the Indonesian controlled entities are subject to Indonesian environmental laws and regulations in respect to its projects located in Indonesia. Currently, PT TCM, 75% owned by the Company, commissioned PT Hatfield consultants of Indonesia to revise and update its existing Indonesian Environmental Impact Assessment (AMDAL). The initial environment-related AMDAL permit was granted to TCM on 23 April 2010 on the basis of an initial feasibility study. The AMDAL was extended for a further 3 years on 24 April 2013. When the Company updates its mine plan, TCM will revise the current AMDAL to incorporate changes in the mine plan and results from Wet and Dry Season environmental surveys and Socio-Economic and Health surveys conducted by international consulting firm PT Hatfield Indonesia.

There have been no known breaches of environmental laws or regulations by the consolidated entity in this jurisdiction.

SHARE OPTIONS

As at the date of this report, the Company has the following options on issue:

- 500,000 options which have an exercise price of $0.25 per option and an expiry date of 11 October 2014
- 5,600,000 options which have an exercise price of $0.25 per option and an expiry date of 1 February 2015

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company established insurance covers in respect of the Directors of the Company (as named in this report), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. As per usual with such cover, the contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel ("KMP") of Pan Asia Corporation Limited. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

The following persons acted as KMP during or since the end of the financial year:

- Domenic Martino (Non-Executive Chairman)
- Luke Martino (Non-Executive Director)
- Michael Pixley (Non-Executive Director)
- Mitch Jakeman (Non-Executive Director)- Resigned 28 November 2013
- Tim Gazzard (Non-Executive Director)- Resigned 9 September 2014
- Alan Hopkins (Chief Executive Officer)
- Jason Campbell (Chief Financial Officer & Company Secretary)

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

Remuneration Committee

The Company has a formal Remuneration Committee. The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing the compensation arrangements for the Directors and executive management team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and the executive management team.

Remuneration Structure

In accordance with the best practice Corporate Governance, the structure of the non-executive Directors and executives of the Company is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The level of fees is not linked to the Directors' or the Company's performance.

The ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at an Annual General Meeting when shareholders approved an aggregate remuneration of $250,000 per year. Further, shareholders must approve the framework for any equity schemes. If a Director is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Company. An additional fee may also be paid for each Board committee, where warranted, on which a Director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by Directors who serve on one or more sub committees.

Senior Manager and Executive Director Remuneration

Remuneration consists of fixed remuneration.

Fixed Remuneration

Fixed remuneration is reviewed by the Board where applicable. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary. The Chairman's remuneration is currently $3,000 per month and non-executive directors are paid $2,000 per month.

The CEO Alan Hopkins, through his Company, Ridgescan Pty Ltd, has renewed his Consultancy Agreement on 2 April 2014 with the following terms:

- Duration of contract is one year and can be extended for rolling one year periods;
- Notice period is 3 months;
- If contract terminated by the Company with cause, then no termination payout;
- If contract terminated by the Company without cause, then termination payment is 6 months consultancy payment.

REMUNERATION REPORT

Remuneration of Key Management Personnel

Table 1: Directors' remuneration for the years ended 30 June 2014 and 30 June 2013:

		Primary Benefits					Post Employment				
		Salary & Fees	Cash STI $	LTI $	Non Monetary Benefits $	Equity Options $	Superannuation $	Retirement $	Other $	Total $	% Performance Related
D Martino	2013	60,000	-	-	-	-	-	-	-	60,000	-
Non Executive Chairman	**2014**	**46,000**	-	-	-	-	-	-	-	**46,000**	-
L Martino	2013	36,000	-	-	-	-	-	-	-	36,000	-
Non Executive Director	**2014**	**29,000**	-	-	-	-	-	-	-	**29,000**	-
M Pixley	2013	36,000	-	-	-	-	-	-	-	36,000	-
Non Executive Director	**2014**	**29,000**	-	-	-	-	-	-	-	**29,000**	-
M Jakeman*	2013	21,000	-	-	-	-	-	-	-	21,000	-
Non Executive Director	**2014**	**15,000**	-	-	-	-	-	-	-	**15,000**	-
T Gazzard**	2013	3,000	-	-	-	-	-	-	-	3,000	-
Non Executive Director	**2014**	**29,000**	-	-	-	-	-	-	-	**29,000**	-
Total	2013	156,000	-	-	-	-	-	-	-	156,000	-
	2014	**148,000**	-	-	-	-	-	-	-	**148,000**	-

* Resigned 28 November 2013

** Resigned 9 September 2014

REMUNERATION REPORT (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Senior Management and Executives' remuneration for the years ended 30 June 2014 and 30 June 2013:

		Primary Benefits					Post Employment				
		Salary & Fees $	Cash STI $	LTI $	Non Monetary Benefits $	Equity Options $	Superannuation $	Retirement $	Other $	Total $	% Performance Related
A Hopkins CEO	2013	240,000	-	-	20,170	-	-	-	-	260,170	-
	2014	**240,000**	-	-	**18,336**	**-**	-	-	-	**258,336**	-
J Campbell Company Sec	2013	180,000	-	-	-	-	16,200	-	-	196,200	-
	2014	**180,000**	-	-	-	**-**	**16,650**	-	-	**196,650**	-
Total	2013	420,000	-	-	20,170	-	16,200	-	-	456,370	-
	2014	**420,000**	**-**	**-**	**18,336**	**-**	**16,650**	**-**	**-**	**454,986**	**-**

REMUNERATION REPORT (continued)

Shareholdings of Key Management Personnel

Shares held in the Company (number)

30 June 2014	Balance at beginning of period	Exercised Options	Net change Other	Balance at end of period
D.Martino	7,450,000	-	-	7,450,000
M.Pixley	-	-	-	-
L.Martino	5,835,410	-	200,000	6,035,410
M.Jakeman*	6,750,000	-	-	6,750,000
T.Gazzard**	-	-	-	-
A.Hopkins	5,521,000	-	300,000	5,821,000
J.Campbell	-	-	-	-
Total	25,556,410	-	7,250,000	26,056,410

* Resigned 28 November 2013

** Resigned 9 September 2014

30 June 2013	Balance at beginning of period	Exercised Options	Net change Other	Balance at end of period
D.Martino	7,450,000	-	-	7,450,000
M.Pixley	-	-	-	-
L.Martino	5,315,000	-	520,410	5,835,410
M.Jakeman	-	-	6,750,000	6,750,000
T.Gazzard	-	-	-	-
A.Hopkins	4,800,000	-	721,000	5,521,000
J.Campbell	-	-	-	-
Total	17,565,000	-	7,991,410	25,556,410

Option holdings of Key Management Personnel

Options held in the Company (number)

30 June 2014	Balance at beginning of period	Purchases	Exercised options	Net change Other	Balance at end of period
D Martino	-	-	-	-	-
M Pixley	-	-	-	-	-
L Martino	-	-	-	-	-
M Jakeman*	-	-	-	-	-
T Gazzard**	-	-	-	-	-
A Hopkins	4,000,000	-	-	-	4,000,000
J.Campbell	1,000,000	-	-	-	1,000,000
Total	5,000,000	-	-	-	5,000,000

* Resigned 28 November 2013

** Resigned 9 September 2014

REMUNERATION REPORT (continued)

Option holdings of Key Management Personnel (continued)

Options held in the Company (number)

30 June 2013	Balance at beginning of period	Purchases	Exercised options	Net change Other	Balance at end of period
D Martino	-	-	-	-	-
M Pixley	-	-	-	-	-
L Martino	200,000	-	-	(200,000)	-
M Jakeman	-	-	-	-	-
T Gazzard	-	-	-	-	-
A Hopkins	4,000,000	-	-	-	4,000,000
J.Campbell	1,000,000	-	-	-	1,000,000
Total	5,200,000	-	-	(200,000)	5,000,000

During the reporting period, fees for administrative, accounting and consulting fees of $117,440 (excluding GST) were incurred to Indian Ocean Advisory Group Pty Ltd. These services were provided on normal commercial terms and conditions and at market rates. Mr Luke Martino is a Director of Indian Ocean Advisory Group Pty Ltd. The amount outstanding at year end is $227,419.

Ridgescan Pty Ltd, a company related to key management personnel, has provided short-term loans of $600,000 and a total financing fee of $75,000 was incurred in the current financial period. Total loan and financing fee outstanding as at 30 June 2014 is $602,000.

LJM Capital Pty Ltd, a company related to a director, has provided short-term loans of $75,000 and a total financing fee of $6,250 was incurred in the current financial period. Total loan outstanding as at 30 June 2014 is $75,000.

End of Remuneration Report

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITORS' INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 18 and forms part of this Directors' report for the year ended 30 June 2014.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided by the auditor are outlined in Note 21 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the Directors

Luke Martino
Director

Dated 24 September 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Pan Asia Corporation Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**L Di Giallonardo**
24 September 2014	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

CORPORATE GOVERNANCE STATEMENT

The Board of Pan Asia Corporation Limited is responsible for the corporate governance of Pan Asia Corporation Limited and its subsidiary companies. The Board determines all matters relating to the strategic direction and governance, policies, practices and management of the Company in the best interests of shareholders, stakeholders, clients and employees.

To the extent that they are applicable, the Company has adopted the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Corporate Governance Recommendations**).

Commensurate with the spirit of the ASX Corporate Governance Recommendations, the Company has followed each ASX Corporate Governance Recommendation where the Board has considered it to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, the resources available and the activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Corporate Governance Recommendations, the Board sets out below its "if not, why not" report.

Corporate governance policies and practice of the Company are reflective of the Company's current position. As the Company's activities develop in size, nature and scope, the Board will reconsider and review the Company's corporate governance structures. Copies of the Company's corporate governance policies are available on the website.

Structure & Role of the Board

The Board operates pursuant to a formal Board charter, which sets out the functions and responsibilities of the Board and management of the Company, and is available in the corporate governance section of the Pan Asia website.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report, including their term of office, are detailed in the Directors' Report.

The Board of the Company is responsible for:

(a) the overall operation and stewardship of the Company and its subsidiaries;
(b) charting the direction, strategies and financial objectives for the Company; and
(c) monitoring the implementation of those policies, strategies and financial objectives,

and is committed to protecting and enhancing shareholder values and conducting the Company's business ethically and in accordance with the highest standards of corporate governance.

Each of the Directors, when representing the Company, must act in the best interests of the shareholders of the Company and in the best interests of the Company as a whole.

A Director is considered to be independent where he or she is a non-executive Director, is not a member of management and is free of any relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of his or her judgment. Directors are expected to bring independent views and judgement to the Board's deliberations. The Board Charter requires that the majority of the Directors of Pan Asia Corporation Limited will be non-executive (preferably independent) Directors and that the Chair will be a non-executive Director. The existence of the following relationships may affect the independent status if the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of Pan Asia (as defined in section 9 of the Corporations Act);
- is employed, or has previously been employed, in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the services provided;

- is a material supplier or customer of the Company, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer; or
- has a material contractual relationship with Pan Asia Corporation other than as a Director.

In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount, being the monetary value of the transaction or item in question. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with the definition of independence above, and the materiality thresholds set, the Board reviewed the positions and associations of each of the Directors in office at the date of this statement and considers that all of the Directors are independent as follows:

Name	Position
Domenic Martino	Non-Executive Chairman
Luke Martino	Non-Executive Director
Michael Pixley	Non-Executive Director

The Board will assess the independence of new Directors upon appointment, and the independence of other Directors, as appropriate. To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice at the expense of Pan Asia Corporation Limited. However, prior approval from the Chair is required, which may not be unreasonably withheld.

The term in office held by each Director in office at the date of this statement is as follows:

Name	Term in office
Domenic Martino	Appointed 24 December 2010 – no fixed term
Luke Martino	Appointed 4 March 2010 – no fixed term
Michael Pixley	Appointed 9 December 2008 – no fixed term

The Board is assisted by the Nomination and Remuneration Committee and the Audit and Risk Committee.

Nomination and Remuneration Committee

The Board has an established Nomination and Remuneration Committee. The Nomination and Remuneration Committee is comprised of two members, Domenic Martino and Luke Martino, both of whom are non-executive Directors. The functions of the Nomination and Remuneration Committee include the following:

- assisting the Board in examining the selection & appointment practices of the Company;
- ensuring remuneration arrangements are equitable and transparent and enable the Company to attract and retain executives and Directors who will create sustainable value for members and other stakeholders;
- ensuring the Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- reviewing Board succession plans and Board renewal;
- reviewing the processes for evaluating the performance of the Board, its committees and individual Directors and ensuring that a fair and responsible reward is provided to executives and Directors having regard to their performance and evaluation;

- reviewing levels of diversity within the Company and Board and reporting on achievements pursuant to any diversity policy developed by the Board; and
- reviewing the Company's remuneration, recruitment, retention and termination policies for Board and senior executives.

Due to the Company's size and that of the Board, the committee consists of two members. As the Company grows in size, the Company will consider appointing additional members.

For details of Directors' attendance at meetings of the Nomination and Remuneration Committee, please refer to the Directors' Report.

For additional details regarding the Nomination and Remuneration Committee, including the committee charter, please refer to our website.

Audit and Risk Committee

The Board has an established Audit and Risk Committee that operates under a charter approved by the Board. The Audit and Risk Committee comprises two members, Luke Martino and Michael Pixley, both of who are non-executive Directors.

The purpose of the Committee with respect to audit is to assist the Board of Directors of the Company in fulfilling its corporate governance and oversight responsibilities by:

<u>Monitoring and reviewing:</u>

- the integrity of financial statements;
- the effectiveness of internal financial controls;
- the independence, objectivity and competency of internal and external auditors;
- the policies on risk oversight and management; and
- making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement.

The Committee is also to assist the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Company.

Due to the Company's size and that of the Board, the Committee currently consists of two members both of whom are non-executive independent Directors. As the Company grows in size, the Company will appoint additional members.

Details of the skill and experience of the committee members are detailed in the Directors' report.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, please refer to the Directors' Report.

For additional details regarding the Audit and Risk Committee, including the committee charter, please refer to our website.

Dealing in Securities Policy

The Board has an established Dealing in Securities Policy. The policy sets out the rules and regulations that apply to the Directors, Key Management Personnel, their associates and employees of the Company in regards to trading in the securities of the Company. The policy aims to develop a culture of awareness of individual responsibilities in regards to trading in the Company's securities and having regard to the insider trading provisions.

For additional details regarding the Dealing in Securities policy, please refer to our website.

Code of Conduct

Pan Asia has established a code of conduct. The code of conduct is located on the Company's website in the Corporate Governance section.

Shareholder Communication Policy

The Board aims to ensure that shareholders are informed of all major developments affecting Pan Asia's state of affairs. In particular, the Board believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner.

The Company's website includes a section on the Company's corporate governance policies and practices, a reports section containing copies of annual, half yearly and quarterly reports and reports from stockbroking firms, a news section, containing copies of ASX announcements made by the Company, and details of the Company's projects and activities including presentation material provided to investors or stockbroking analysts, briefing material from any Company site visits and the Company profile and contact details.

Diversity

Whilst Pan Asia has not yet formally adopted a Diversity Policy, the Company recognises that a talented and diverse workforce is a key competitive advantage and that success is a reflection of the quality and skills of its people. Diversity assists the business in achieving its objectives and delivering for its stakeholders by enabling it to attract and retain the most qualified and experienced individuals to the workforce.

The Company's general policy when choosing employees is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

Pan Asia workforce gender profile

	Female	Female %	Male	Male %
Administration	2	67	1	33
Supervisory/Professional	1	50	1	50
Executive Management	0	0	2	100
Total	**3**	**43**	**4**	**57**
Board	0	0	3	100

Explanations for departures from ASX Corporate Governance Recommendations

Recommendations that have not been adopted by the Company prior to the date of this Annual Report, together with the reasons why they have not been adopted.

Principle 3- Recommendations 3.2 & 3.3

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.

Explanation from Departure

Due to the Company's size and nature, the Company has not yet adopted a diversity policy. The Company will consider adopting a diversity policy if it considers it warranted in FY 2015.

Principle 4 – Recommendation 4.2

The Audit Committee composition should include at least three members.

Explanation for Departure

Due to the Company's size and that of the Board, this Committee currently consists of two members both of whom are non-executive independent Directors. As the Company grows in size, the Company will consider appointing additional members.

Principle 8 – Recommendation 8.2

The Remuneration and Nomination Committee composition should include at least three members.

Explanation for Departure

Due to the Company's size and that of the Board, this Committee currently consists of two members both of whom are non-executive independent Directors. As the Company grows in size, the Company will consider appointing additional members.

BEST PRACTICE RECOMMENDATION

Outlined below are the 8 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council as they applied for the financial year ended 30 June 2014. The Company has complied with the Corporate Governance Principles and Recommendations except as identified on the next pages.

Corporate Governance Policy	Action taken and reasons if not adopted
Establish and disclose the respective roles and responsibilities of Board and management	
<u>Principle 1: Lay solid foundation for management and oversight</u>	
1.1 Companies should establish the functions reserved to the Board and to those delegated to senior executives and disclose those functions.	Adopted
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Adopted
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Adopted
Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties	
<u>Principle 2: Structure the Board to add value</u>	
2.1 A majority of the Board should be independent Directors.	Adopted
2.2 The Chair should be an independent Director.	Adopted
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Adopted
2.4 The Board should establish a Nomination Committee.	Adopted
2.5 Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	Adopted
2.6 Companies should provide the information indicated in 'Guide to reporting on Principle 2'.	Adopted

Corporate Governance Policy	Action taken and reasons if not adopted
Actively promote ethical and responsible decision-making	
Principle 3: Promote ethical and responsible decision-making	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity; 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Adopted
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	The Company has not yet adopted a diversity policy - refer explanation regarding the reason that the Company has not yet adopted.
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity.	The Company has not yet adopted a diversity policy - refer explanation regarding the reason that the Company has not yet adopted.
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Adopted
3.5 Companies should provide the information indicated in the 'Guide to reporting on Principle 3'.	Adopted
Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting	
Principle 4: Safeguard integrity in financial reporting	
4.1 The Board should establish an Audit Committee.	Adopted
4.2 The Audit Committee should be structured so that it: • Consists of non-executive Directors. • Consists of a majority of independent Directors. • Is chaired by an independent Chair, who is not the Chair of the Board. • Has at least three members.	Adopted / Refer explanation regarding the Company having only two members
4.3 The Audit Committee should have a formal charter.	Adopted
4.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 4'.	Adopted

Corporate Governance Policy	Action taken and reasons if not adopted
Promote timely and balanced disclosure of all material matters concerning the Company <u>Principle 5: Make timely and balanced disclosure</u> 5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. 5.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 5'.	Adopted Adopted
Respect the rights of shareholders and facilitate the effectiveness of those rights <u>Principle 6: Respect the rights of shareholders</u> 6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings, and disclose their policy or a summary of that policy. 6.2 Companies should provide information indicated in the 'Guide to reporting on Principle 6'.	Adopted Adopted
Establish a sound system of risk oversight and management and internal control <u>Principle 7: Recognise and manage risk</u> 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Adopted
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. 7.3 The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided, in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects, in relation to reporting financial risks.	Adopted Adopted

Corporate Governance Policy	Action taken and reasons if not adopted
7.4 Provide the information indicated in the 'Guide to reporting on Principle 7'.	Adopted
Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear. Principle 8: Remunerate fairly and responsibly	
8.1 The Board should establish a Remuneration Committee.	Adopted
8.2 The Remuneration Committee should be structured so that it: • Consists of a majority of independent Directors • Is chaired by an independent Director • Has at least three members	Adopted / Refer explanation regarding the Company having only two members
8.3 Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	Adopted
8.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 8'.	Adopted

STATEMENT OF COMPREHENSIVE INCOME

	Notes	CONSOLIDATED	
		2014	**2013**
		$	**$**
Other income	3(a)	1,142	2,168
Loss on disposal of non-current assets	3(b)	(9,369)	-
Loss on disposal of subsidiaries	3(c)	-	(1,229,502)
Other expenses	3(d)	(1,229,101)	(1,625,023)
Loss before income tax		(1,237,328)	(2,852,357)
Income tax benefit	4	**-**	**-**
Net loss for the period		(1,237,328)	(2,852,357)
Other comprehensive income for the period			
Items that may be classified to profit or loss:			
Exchange differences on translation of foreign operations		(106,601)	287,886
Income tax relating to these items		-	-
Other comprehensive income for the year, net of tax		(106,601)	287,886
Total comprehensive loss for the period		(1,343,929)	(2,564,471)
The net loss for the period is attributable to:			
Owners of the parent		(1,230,793)	(2,848,838)
Non-controlling interest		(6,535)	(13,519)
		(1,237,328)	(2,852,357)
The comprehensive loss for the period is attributable to:			
Owners of the parent		(1,336,054)	(2,606,707)
Non-controlling interest		(7,875)	42,326
		(1,343,929)	(2,564,471)
Basic loss per share	5	(0.80)	(2.25)

The statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

	Notes	CONSOLIDATED	
		2014	2013
ASSETS		$	$
Current Assets			
Cash and cash equivalents	6	200,600	69,569
Trade and other receivables	7	18,137	24,336
Prepayments		19,391	26,452
Other financial assets	8	-	22,723
Loans to other entities	9(a)	-	34,273
Total Current Assets		238,128	177,353
Non-Current Assets			
Plant and equipment	10	75,224	130,821
Deferred exploration expenditure	11	16,093,077	15,240,087
Loans to other entities	9(b)	144,203	144,203
Total Non-Current Assets		16,312,504	15,515,111
TOTAL ASSETS		16,550,632	15,692,464
LIABILITIES			
Current Liabilities			
Trade and other payables	12	1,337,196	842,917
Borrowings	14(a)	78,193	7,624
Loans from other entities	13	3,362,775	3,097,763
Total Current Liabilities		4,778,164	3,948,304
Non-Current Liabilities			
Borrowings	14(b)	-	78,194
Deferred tax liability		2,315,499	2,315,499
Total Non-Current Liabilities		2,315,499	2,393,693
TOTAL LIABILITIES		7,093,663	6,341,997
NET ASSETS		9,456,969	9,350,467
EQUITY			
Issued capital	16	56,181,091	54,730,660
Reserves	17	381,824	487,085
Accumulated losses		(48,541,341)	(47,310,548)
Parent entity interest		8,021,574	7,907,197
Non-controlling interest		1,435,395	1,443,270
TOTAL EQUITY		9,456,969	9,350,467

The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

	Issued Capital $	Share based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
Balance at 30 June 2012	**53,698,707**	**910,406**	**63,649**	**(45,190,811)**	**1,401,034**	**10,882,985**
Loss for the year	-	-	-	(2,838,838)	(13,519)	**(2,852,357)**
Exchange differences arising on translation of foreign operations	-	-	232,131	-	55,755	**287,886**
Total comprehensive loss	**-**	**-**	**232,131**	**(2,838,838)**	**42,236**	**(2,564,471)**
Shares issued during the year (net of share issue costs)	1,031,953	-	-	-	-	**1,031,953**
Options expired during the year	-	(719,101)	-	719,101	-	**-**
Balance at 30 June 2013	**54,730,660**	**191,305**	**295,780**	**(47,310,548)**	**1,443,270**	**9,350,467**
Loss for the year	-	-	-	(1,230,793)	(6,535)	**(1,237,328)**
Exchange differences arising on translation of foreign operations	-	-	(105,261)	-	(1,340)	**(106,601)**
Total comprehensive loss	**-**	**-**	**(105,261)**	**(1,230,793)**	**(7,875)**	**(1,343,929)**
Shares issued during the year (net of share issue costs)	1,450,431	-	-	-	-	**1,450,431**
Balance at 30 June 2014	**56,181,091**	**191,305**	**190,519**	**(48,541,341)**	**1,435,395**	**9,456,969**

The statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

	Notes	CONSOLIDATED	
		2014	2013
		$	$
Cash flows from operating activities			
Receipts from customers		-	-
Interest received		1,142	2,168
Payments to suppliers and employees		(793,529)	(1,018,779)
Mining tenement expenditure		(761,658)	(1,534,614)
Interest and income taxes paid		(12,926)	(21,390)
Net cash flows from/(used in) operating activities	6	(1,566,971)	(2,572,615)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,567)	(4,419)
Proceeds from sale of investments and fixed assets		11,921	-
Funds received from related parties		237,310	811,534
Net cash flows from/(used in) investing activities		247,664	807,115
Cash flows from financing activities			
Proceeds from issue of shares (net of share issue costs)		1,450,430	541,953
Net cash flows from/(used in) financing activities		1,450,430	541,953
Net increase/(decrease) in cash and cash equivalents		131,123	(1,223,547)
Cash and cash equivalents at beginning of year		69,569	1,288,357
Exchange rate fluctuations on cash held		(92)	4,759
Cash and cash equivalents at end of year	6	200,600	69,569

The statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The financial report is presented in Australian dollars.

The Company is a listed public Company incorporated in Australia. The principal activities of the entities in the Group are coal exploration and development in Indonesia.

(b) Adoption of new and revised standards

Changes in accounting policies on the application of Accounting Standards

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operation and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review, the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 24 September 2014.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Pan Asia Corporation Limited and the entities it controlled ("the Group") for the year ended 30 June 2014.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been fully eliminated.

(d) Basis of consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Unrealised gains or transactions between the Group and its subsidiaries are eliminated to the extent of the Group's interests in the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the consolidated profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Pan Asia Corporation Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, as discussed in Note 25.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 25.

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward is dependent on the future successful outcome from exploration activities or alternatively the sale of the respective areas of interest. Where exploration results are unsuccessful, or no further work is to be undertaken, the Directors will then assess whether an impairment write-down is required, which will be recognised in the statement of comprehensive income.

(f) Revenue recognition

Revenues are stated net of the amount of goods and services tax (GST) payable to the taxation authority.

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Sale of goods

  Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

- Interest income

  Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax

(h) Income Tax (continued)

regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to complete the amount are those that are enacted or substantially enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

(i) Foreign currency translation

Both the functional and presentation currency of Pan Asia Corporation Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Foreign currency translation (continued)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations PT PZC Services and PT Transcoal Minergy, is United States dollars (US$).

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Pan Asia Corporation Limited at the rate of exchange ruling at balance date and income and expense items are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(j) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

(k) Trade and other receivables (continued)

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

(l) Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i. the rights to tenure of the area of interest are current; and

ii. at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development, in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(q) Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition & Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The

Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(q) Financial Assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(r) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or Group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Group of financial assets with similar credit risk characteristics and that Group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(s) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – 1-5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

i. *Impairment*

   The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

   The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-

(s) Plant and equipment (continued)

i. Impairment (continued)

tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income in the 'impairment of non-current assets' line item.

ii. De-recognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(t) Share-based payment transactions

Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, further details of which are given in Note 25.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Pan Asia Corporation Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the

(t) Share-based payment transactions (continued)

share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5).

Share based payments with parties other than employees and contractors acting in the capacity of employees is measured by reference to the fair value goods or services rendered at the date on which the Group obtains the goods or the counterparty renders services.

(u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Pan Asia Corporation Limited.

(v) Earnings or loss per share

Basic earnings or loss per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings or loss per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interests associated with dilutive potential ordinary shares that have been recognised as expenses; and

  other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Going Concern

In the year ended 30 June 2014, the Company recorded a net loss of $1,237,328 and a net operating cash outflow of $1,566,971. The Company has a working capital deficiency of $4,540,036 as at 30 June 2014, due principally to the current nature of the loan with KOPEX Mining of US$2,530,000 for the feasibility study and drilling activities in the TCM project. As outlined in note 13, the Company is required to repay the loan in cash by 30 November 2014, unless KOPEX elects to exercise its right to convert the outstanding loan to shares in the Company during the period to 30 November 2014. Notwithstanding the above, the Board is of the opinion that the Company is a going concern for the following reasons.

Subsequent to year end the Company raised $504,000 from the issue of 24 million ordinary shares via placement and $1,602,204 of equity capital via a non-renounceable rights issue. The funds raised will be used to meet the ongoing working capital requirements of the Group. The Board also recognises that a further equity raising will be required to ensure that the Company can continue to fund the consolidated entity's operations and further develop its resource

(w) Going Concern (continued)

assets during the twelve month period from the date this financial report is signed. The Directors will review a number of funding options and remain confident that an appropriate level of funding can be derived. Additionally, the Company may seek to attempt to defer repayment of loans and reduce operating activities. In the event that the Company is unsuccessful in generating future cash flows by raising additional equity or the potential sell down of assets, or is unable to defer the repayment of the loan or reduce operating activities, these conditions indicate a material uncertainty that may cast significant doubt as to whether the Company will continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

NOTE 2: SEGMENT REPORTING

Segment Information

The following table presents revenue and result information and certain asset and liability information regarding the relevant segments for the period ended 30 June 2014 for the consolidated entity.

The chief operating decision-maker has been identified as the Board of Pan Asia Corporation Limited.

The reportable segments have been identified around geographical areas and regulatory environments. Operating segments have been aggregated. Specifically PT PZC Services and PT Transcoal Minergy have been aggregated in the Indonesian reporting segment.

The Australian reporting segment derives its revenues from its investments in the entities making up the Indonesian reporting segment and from interest on its cash deposit. It is intended that the Indonesian reporting segment will derive revenue from the exploration assets it currently holds and from royalty and off-take agreements currently in place.

Transactions between reportable segments are accounted for in the same manner as transactions with external parties.

NOTE 2: SEGMENT REPORTING (continued)

30 June 2014 segments

	Australia $	Indonesia $	Total $
Segment result			
Other revenue	1,142	-	1,142
Supplier, consulting, investor relations and other	240,685	-	240,685
Employment and occupancy costs	216,504	-	216,504
Depreciation	24,530	3,346	27,876
Foreign exchange loss	19,330	3	19,333
Segment result	(1,151,950)	(85,378)	(1,237,328)
Segment assets and liabilities			
Property, plant and equipment	74,531	692	75,224
Deferred exploration expenditure	-	16,093,077	16,093,077
Loans to/(from) other entities	144,203	(3,362,775)	(3,218,572)
Segment assets	439,450	16,111,182	16,550,632
Segment liabilities	3,856,833	3,236,830	7,093,663

30 June 2013 segments

	Australia $	Indonesia $	Total $
Segment result			
Other revenue	2,168	-	2,168
Supplier, consulting, investor relations and other	207,847	2,114	209,961
Employment and occupancy costs	216,315	191,624	407,939
Depreciation	42,736	7,893	50,629
Foreign exchange loss	4,395	541	4,936
Segment result	(2,591,933)	(260,424)	(2,852,357)
Segment assets and liabilities			
Property, plant and equipment	97,495	33,326	130,821
Deferred exploration expenditure	-	15,240,087	15,240,087
Loans to/(from) other entities	178,476	(2,727,763)	(2,549,287)
Segment assets	395,599	15,296,865	15,692,464
Segment liabilities	3,491,051	2,850,946	6,341,997

NOTE 3: REVENUES AND EXPENSES

Revenue and Expenses from Continuing Operations

		CONSOLIDATED	
		2014	**2013**
		$	**$**
(a)	**Other income**		
	Interest income	1,142	2,168
		1,142	**2,168**
(b)	**Disposal of non-current assets**		
	Loss on disposal of motor vehicle and office equipment	9,369	-
		9,369	**-**
(c)	**Disposal of subsidiaries**		
	Loss on disposal of subsidiaries PT Kusan Persada and PT Roda Niaga (i)	-	1,229,502
		-	**1,229,502**
(d)	**Other expenses**		
	Accounting, audit and legal fees	133,633	216,665
	Bank charges	5,281	7,417
	Consulting, supplier, investor relations and other	240,685	209,961
	Corporate and other administration fees	148,679	193,592
	Directors' fees	148,000	156,000
	Impairment on loan	23,182	-
	Interest	31	31,420
	Depreciation expense	27,876	50,629
	Employment and occupancy costs	216,504	407,247
	Loss on bond breaking	31,036	-
	Stock exchange and share registry expenses	54,332	77,440
	Travel and accommodation expense	45,410	203,341
	Foreign exchange loss	19,333	4,936
	Other	135,119	66,375
		1,229,101	**1,625,023**

(i) In September 2012, the Company decided not to proceed with the Indonesian requirement of a status conversion of its two dormant Indonesian subsidiaries, PT Kusan Persada and PT Roda Niaga, into a foreign investment company, resulting in a disposal of both subsidiaries. See note 15.

NOTE 4: INCOME TAX BENEFIT

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:

	CONSOLIDATED	
	2014	**2013**
	$	**$**
Operating loss before income tax	**1,237,328**	**2,852,357**
Prima facie benefit on loss from ordinary activities (30%)	**371,198**	**855,707**
Tax effect of amounts which are taxable (deductible) in calculating taxable income		
- Non deductible expenditure	(3,077)	(4,504)
- Capitalised exploration expenditure	286,793	286,790
Deferred Tax Asset (DTA) on temporary differences and tax losses not brought to account	**654,915**	**1,137,993**
Income tax benefit for the year	**-**	**-**
Deferred tax assets not brought to account at balance date		
Tax losses not brought to account	**18,375,181**	**16,192,132**
Potential tax benefit	**5,512,554**	**4,857,640**
Less: Potential deferred tax on exploration expenditure not brought to account	**(2,512,424)**	**(2,256,527)**
	3,000,130	**2,601,113**

The DTA not brought to account will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in the income tax legislation adversely affect the Group in utilising the benefit.

NOTE 5: LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Share options with an exercise price above the average market price during the period have been excluded from the calculation of the diluted earnings per share. Diluted earnings per share are not reflected as the result is anti-dilutive in nature.

NOTE 5: LOSS PER SHARE (continued)

The following reflects the income and share data used in the basic loss per share computations:

	CONSOLIDATED	
	2014	2013
	$	$
Loss for the year	(1,230,793)	(2,848,838)
Weighted average number of ordinary shares for basic loss per share	154,453,409	123,235,250

There have been no other transactions involving ordinary shares or potential ordinary shares between the balance date and the date of completion of these financial statements.

NOTE 6: CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2014	2013
	$	$
Cash at bank and cash on hand	200,600	69,569
	200,600	69,569

Cash at bank earns interest at floating rates based on daily bank deposit rates. The entity has no credit standby arrangements, loan or overdraft facilities for the periods ended 30 June 2013 and 30 June 2014.

The fair value of cash and cash equivalents is $200,600 (2013: $69,569).

At 30 June 2014, the Company had $20,000 included in the amount above, in a bank deposit that is held as collateral against a credit card facility.

NOTE 6: CASH AND CASH EQUIVALENTS (continued)

Reconciliation of losses from ordinary activities after income tax to net cash flow from by operating activities

	CONSOLIDATED	
	2014	**2013**
	$	**$**
Loss from ordinary activities after income tax	(1,237,328)	(2,852,357)
Add/(less) non-cash flows in loss from ordinary activities:		
Depreciation and amortisation of property, plant and equipment	27,876	50,629
Loss on disposal of assets	9,369	-
Loss on disposal of subsidiaries	-	1,229,502
(Increase)/decrease in capitalised exploration costs	(852,990)	(844,717)
(Increase)/decrease in current receivables	13,260	(5,847)
(Decrease)/increase in payables	486,654	495,543
Foreign exchange (gain)/loss	19,333	4,936
(Increase)/decrease in other assets	($33,145)	(650,304)
Net cash flows (used in) operating activities	**(1,566,971)**	**(2,572,615)**

NOTE 7: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2014	**2013**
	$	**$**
(a) Current		
Trade receivables (i)	18,137	24,336
	18,137	**24,336**

(i) Trade receivables are non-interest bearing.

NOTE 8: OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2014	**2013**
	$	**$**
(a) Current		
Security deposit	-	22,723
Total other financial assets	**-**	**22,723**

NOTE 9: LOANS TO OTHER ENTITIES

		CONSOLIDATED	
		2014	**2013**
		$	**$**
(a)	**Current**		
	Other loans	-	34,273
	Total loans to other entities	**-**	**34,273**
(b)	**Non Current**		
	Other loans (i)	144,203	144,203
	Total loans to other entities	**144,203**	**144,203**

(i) Unsecured interest-free loans to minority shareholders of PT Transcoal Minergy.

NOTE 10: PLANT AND EQUIPMENT

	CONSOLIDATED	
	2014	**2013**
	$	**$**
At beginning of the year, net of accumulated depreciation and impairment	130,821	174,283
Additions	2,578	7,167
Disposals	(30,299)	-
Depreciation	(27,876)	(50,629)
At end of the year, net of accumulation depreciation and impairment	**75,224**	**130,821**

At 30 June 2013	
Cost at fair value	211,389
Accumulated depreciation and Impairment	(80,568)
Net carrying amount	**130,821**
At 30 June 2014	
Cost at fair value	161,529
Accumulated depreciation and Impairment	(86,305)
Net carrying amount	**75,224**

NOTE 11: DEFERRED EXPLORATION EXPENDITURE

	CONSOLIDATED	
	2014 $	2013 $
Exploration and evaluation phases:		
Balance at beginning of the year	15,240,087	14,395,370
Expenditure incurred	961,557	1,601,496
Expenditure written off (i)	-	(1,241,065)
Foreign currency translation movement	(108,567)	484,286
Balance at end of the year	**16,093,077**	**15,240,087**

(i) Exploration expenditure written off with the disposal of PT Kusan Persada and PT Roda Niaga in FY 2013.

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. The Company has projects in Indonesia predominantly comprising a pre-development project (the TCM Project).

NOTE 12: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
Current Unsecured Liabilities:	2014 $	2013 $
Trade payables (i)	1,177,331	760,094
Accrued expenses (ii)	159,865	82,823
Total trade and other payables	**1,337,196**	**842,917**

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
(ii) Accrued expenses are non-interest bearing.

NOTE 13: LOANS FROM OTHER ENTITIES

	CONSOLIDATED	
	2014	**2013**
Current	**$**	**$**
Loan payable to KOPEX Mining (i)	1,670,502	1,696,518
Loan payable to KOPEX Mining (ii)	1,015,273	1,031,145
Loans payable to other parties (iii)	677,000	370,000
Total loans from other entities	**3,362,775**	**3,097,663**

(i) During the Company's exploration programme, an agreement was entered into with KOPEX to co-fund part of the drilling program on the TCM Coal Project. Under the agreement, KOPEX funded a total of US$1,600,000 in drilling costs. Due to KOPEX withdrawing their presence from Indonesia for their own reasons and the Company's decision to proceed without KOPEX's involvement in the TCM Coal Project, the Company and KOPEX entered into a Letter of Agreement dated 30 November 2012 to settle the loan advanced from KOPEX to the Company of US $1,600,000 by 30 November 2013. Prior to the maturity date of the loan (on 25 October 2013), an agreement was reached to have the loan repayment extended to 30 November 2014. Kopex retained its pre-emptive rights to provide mining services, equipment and financing up until such time as the loan is repaid. Kopex has security in respect of default on the loan, by way of a right to convert to an interest in the project or converting the loan into ordinary shares in Pan Asia Corporation.

(ii) KOPEX has funded and carried out US$928,700 worth of feasibility study work on the TCM project. The amount is repayable on the same terms as the drilling loan provided in (i) above as per the Letter of Agreement dated 30 November 2012 and subsequent extension agreement on 25 October 2013 to have the amounts repaid by 30 November 2014.

(iii) The Company has received short-term loans from related parties. The loans and loan fees are to be repaid in the 2015 financial year. See Note 19 for further details.

NOTE 14: BORROWINGS

	CONSOLIDATED	
	2014	**2013**
	$	**$**
(a) Current		
Motor vehicle hire purchase liability	78,193	7,624
Total borrowings	**78,193**	**7,624**
(b) Non Current		
Motor vehicle hire purchase liability	-	78,194
Total borrowings	**-**	**78,194**

NOTE 15: ACQUISITION / DISPOSAL OF SUBSIDARY

There were no acquisitions or disposals during the current year.

Prior Period Disposal

In September 2012, the Company decided not to proceed with the Indonesian requirement of a status conversion of its two dormant Indonesian subsidiaries, PT Kusan Persada and PT Roda Niaga, into a foreign investment company, resulting in a disposal of both subsidiaries.

The Company previously held an 80% interest in PT Kusan Persada and PT Roda Niaga through a number of agreements via Triumph West Pty Ltd (a wholly owned subsidiary of the Company).

Consideration on disposal - Nil $
Cash inflow on disposal – Nil $

	$
Disposal consideration	-
Less: net assets disposed of	(1,224,259)
Less: foreign currency translation movement	(5,243)
Loss on disposal	(1,229,502)

Net assets at date of disposal
The carrying amounts of assets and liabilities at the date of disposal of subsidiaries were as follows:

	$
Other assets	27,603
Deferred exploration and evaluation expenditure	1,241,065
Trade payables	(8,378)
Net assets	1,260,290
Less: non-controlling interest	(36,031)
Net assets disposed	1,224,259

NOTE 16: ISSUED CAPITAL

	CONSOLIDATED	
	2014	2013
	$	$
Ordinary shares issued and fully paid	56,181,091	54,730,660

	No. of Shares	2014 $	No. of Shares	2013 $
Movements in ordinary shares on issue				
At start of year	132,886,286	54,730,660	117,829,143	53,698,707
- Shares issued to Noble Resources vendors (i)	-	-	7,000,000	490,000
- Shares issued under Placement (ii)	72,000,000	1,512,000	8,057,143	564,000
- Less share issue costs	-	(61,569)	-	(22,047)
At end of year	204,886,286	56,181,091	132,886,286	54,730,660

(i) Shares issued to Noble Resources in settlement of monies owing to Noble were subject to voluntary escrow for a period of 9 months starting from 10 April 2013 and were released from escrow on 10 January 2014.

(ii) 72 million shares were issued in three tranches to the Tata Artha Group and its clients at $0.021 per share. The first two tranches were approved by shareholders in the general meetings held on 28 November 2013 and 21 May 2014 respectively.

NOTE 17: RESERVES

(a) Share Based Payments Reserve

Movements in share based payments reserve

	CONSOLIDATED			
		2014		2013
	No. Of Options	$	No. of Options	$
At start of year	6,100,000	191,305	8,465,480	910,406
- Expiry of options	-	-	(2,365,480)	(719,101)
At end of year	**6,100,000**	**191,305**	**6,100,000**	**191,305**

(b) Foreign Currency Translation Reserve

Movements in foreign currency translation reserve

	CONSOLIDATED	
	2014	2013
	$	$
At start of year	295,780	63,649
- Exchange rate differences arising on translation of foreign operations	(105,261)	232,131
At end of year	**190,519**	**295,780**

NOTE 17: RESERVES (continued)

Nature and purpose of reserves

Share based payments reserve
This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration and to suppliers as payments for services. Details on share based payments are disclosed in Note 25.

Foreign currency translation reserve
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

NOTE 18: FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2014	**2013**
	$	**$**
Categories of financial instruments		
Financial assets		
Cash and cash equivalents	200,600	69,569
Receivables	18,136	24,336
Other financial assets	-	22,723
Loans to other entities	144,203	178,476
	362,939	295,104
Financial liabilities		
Trade and other payables	1,337,196	842,917
Borrowings	78,193	85,818
Loans from other entities	3,362,775	3,097,763
	4,778,164	4,026,498

The Group's principal financial instruments comprise of cash, short-term deposits, and loans from other entities.

The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The carrying amount of financial assets and financial liabilities in the financial statements approximate their fair value.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short-term deposits. As at 30 June 2014, there are no significant interest bearing loans within the Group.

NOTE 18: FINANCIAL INSTRUMENTS (continued)

Credit risk

The Group's policy is to trade only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Foreign Exchange Risk

The Company engages in a number of transactions, including some loans in and out, in US Dollars (USD). The Group undertakes certain transactions denominated in currencies, such as Indonesian Rupiah (IDR), hence there are further exposures to exchange rate fluctuations.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

30 June 2014	**Liabilities**	**Assets**
US dollars	2,685,775	144,203

- Foreign currency sensitivity analysis.

The Group is exposed to US Dollar currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the US dollar. The sensitivity analysis includes only outstanding US dollar denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis focuses on external loans where the denomination of the loan is in a currency other than the currency of the Group. A positive number indicates an increase in equity where the Australian Dollar strengthens against the US dollar. For a weakening of the Australian Dollar against the US dollar there would be an equal and opposite impact on the equity and the balances below would be negative.

NOTE 18: FINANCIAL INSTRUMENTS (continued)

Foreign Exchange Risk (continued)

	CONSOLIDATED
	2014
AUD/USD +10%	231,052
AUD/USD - 10%	(282,397)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility using bank overdrafts, bank loans and capital raisings.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's non-derivative financial liabilities.

Year ended 30 June 2014	<1 month $	1-3 months $	3 months-1year $	1-5 years $	5+ years $	Total $
CONSOLIDATED						
Non-interest bearing liabilities	-	-	3,362,775	-	-	3,362,775

Year ended 30 June 2013	<1 month $	1-3 months $	3 months-1year $	1-5 years $	5+ years $	Total $
CONSOLIDATED						
Non-interest bearing liabilities	-	-	2,727,763	-	-	2,727,763

NOTE 19: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Pan Asia Corporation Limited and the controlled entities listed in the following table.

	Country of incorporation	% Interest 30 June 2014	% Interest 30 June 2013
Innovation West Pty Ltd	Australia	100	100
Innovation West Mentewe (Singapore) Pte Ltd	Singapore	100	100
PT Transcoal Minergy	Indonesia	75	75
PT PZC Services	Indonesia	100	100
Triumph West Pty Ltd	Australia	100	100

Innovation West Pty Ltd (a wholly owned subsidiary of the Company) has a 100% interest in Innovation West Mentewe (Singapore) Pte Ltd which holds a 75% interest in PT Transcoal Minergy.

During the reporting period, fees for administrative, accounting and consulting fees of $117,440 (excluding GST) were incurred to Indian Ocean Advisory Group Pty Ltd. These services were provided on normal commercial terms and conditions and at market rates.

NOTE 19: RELATED PARTY DISCLOSURE (continued)

Mr Luke Martino is a Director of Indian Ocean Advisory Group Pty Ltd. The amount outstanding at year end is $227,419.

Ridgescan Pty Ltd, a company related to a member of the key management personnel, has provided short-term loans of $600,000 and a total financing fee of $75,000 was incurred in the current financial period. Total loan and financing fee outstanding as at 30 June 2014 is $602,000.

LJM Capital Pty Ltd, a company related to a director, has provided short-term loans of $75,000 and a total financing fee of $6,250 was incurred in the current financial period. Total loan outstanding as at 30 June 2014 is $75,000.

NOTE 20: EVENTS AFTER THE BALANCE DATE

- On 11 July 2014, the Company allotted 24m shares to Lanesborough Investment Pte Ltd for consideration of $0.021 per share to raise a total of AUD $504,000. Lanesborough became a substantial holder in the Company with a 10.48% interest.
- On 16 July 2014, the Company implemented a fully underwritten rights issue to existing shareholders at $0.021 per share, at a premium to the Company's market price at the time to raise AUD$1.6m. The rights issued closed on 19 August 2014 with AUD$14,000 taken up by shareholders. The underwriter, Nexus Link Limited, paid AUD$1.586m and was issued with 75,519,340 shares in the Company to take their total shareholding in the Company to 99,519,340 shares or a 32.6% interest.
- On completion of the rights issue and underwriting, the Company has 305,180,859 shares on issue as of the date of this report.
- On 9 September 2014, Tim Gazzard, Noble's representative non-executive director on the Board of the Company stepped down due to work commitments and Noble's interest falling below 5% in FY2014.
- On 15 September 2014, the Company announced a sale of small holdings facility for all shareholders holding less than a marketable parcel of shares at the Record Date being less than AUD$500 or 20,833 shares or less. This will give the small shareholders an ability to sell their shareholding without incurring brokerage costs and the Company will save on future administration costs and have a cleaner register.

NOTE 21: AUDITORS' REMUNERATION

The auditor of Pan Asia Corporation Limited is HLB Mann Judd.

	CONSOLIDATED	
	2014	**2013**
	$	**$**
Amounts due and received by the auditor for:		
- audit or review of the financial report	39,000	41,245
- non-audit services	-	-
	39,000	41,245

NOTE 22: COMMITMENTS AND CONTINGENCIES

As at 30 June 2014, there are no commitments and contingent liabilities to be disclosed.

NOTE 23: KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) remuneration has been included in the Remuneration Report Section of the Directors Report.

KMP Compensation

Refer to the Remuneration Report contained in the Directors' Report for the details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2014.

The totals of remuneration paid to KMPs of the Company and the Group during the year are as follows:

	CONSOLIDATED	
	2014	**2013**
	$	**$**
Short term employee benefits	568,000	576,000
Post employment benefits	16,650	16,200
Non-monetary benefits	18,336	20,170
	602,986	612,370

NOTE 24: PARENT ENTITY DISCLOSURES

Financial position

	2014	**2013**
	$	**$**
Assets		
Current assets	5,024,753	6,045,348
Non-current assets	5,969,531	2,313,931
Total assets	10,994,284	8,359,279
Liabilities		
Current liabilities	1,537,321	916,094
Non-current liabilities	-	78,193
Total liabilities	1,537,321	994,287
Equity		
Issued capital	56,181,087	54,730,657
Accumulated losses	(46,915,429)	(45,578,396)
Share based payments reserve	191,305	191,305
Total equity	9,456,963	9,343,566

Financial performance

	2014	**2013**
	$	**$**
Loss for the year	3,037,023	3,879,961
Other comprehensive income	-	-
Total comprehensive loss	3,037,023	3,879,961

NOTE 25: SHARE BASED PAYMENTS

The following share-based payment arrangements were in place during the current year:

Unlisted Option Series	Number	Grant Date	Expiry date	Exercise price $	Fair value at grant date $
PZCOPT9	500,000	11/10/2011	11/10/2014	$0.25	$10,000
PZCOPT10	5,600,000	01/02/2012	01/02/2015	$0.25	$161,305

The following share-based payment arrangements were in place in the prior year:

Unlisted Option Series	Number	Grant Date	Expiry date	Exercise price $	Fair value at grant date $
PZCOPT7	632,740	30/12/2010	30/12/2012	$0.24	$30,000
PZCOPT8	632,740	30/12/2010	30/12/2012	$0.24	$49,101
PZCOPT9	500,000	11/10/2011	11/12/2014	$0.25	$10,000
PZCOPT10	5,600,000	01/02/2012	01/02/2015	$0.25	$161,305

The following table illustrates the number (No.), weighted average exercise prices of, and movements in share options issued:

	2014 No.	2014 Weighted average exercise price	2013 No.	2013 Weighted average exercise price
Outstanding at the beginning of the year	6,100,000	$0.25	8,465,480	$0.31
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	(2,365,480)	$0.46
Outstanding at the end of the year	6,100,000	$0.25	6,100,000	$0.25
Exercisable at the end of the year	6,100,000	$0.25	6,100,000	$0.25

The outstanding balance as at 30 June 2014 is represented by:

- 500,000 options over ordinary shares with an exercise price of $0.25 each, exercisable until 11/10/2014
- 5,600,000 options over ordinary shares with an exercise price of $0.25 each, exercisable until 1/02/2015

The range in contractual life for the share options outstanding is from 11 October 2014 to 1 February 2015.

The exercise prices for options outstanding at the end of the year was $0.25 (2013: $0.25).

The weighted average fair value of options granted during the year was NIL (2013: $NIL).

The fair value of the equity-settled share options granted to the other parties as consideration for services rendered is measured as at the date of grant using the fair value of the service received.

NOTE 25: SHARE BASED PAYMENTS (continued)

The fair value of the equity-settled share options granted to employees and consultants acting in the capacity of employees is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for options outstanding as at 30 June 2014:

	PZCOPT9	PZCOPT10
Dividend yield (%)	0%	0%
Expected volatility (%)	101.99%	89.86%
Expected life of option (years)	3	3
Exercise price ($)	$0.25	$0.25
Grant date share price ($)	$0.08	$0.10

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

1. In the opinion of the Directors of Pan Asia Corporation Limited (the 'Company'):

   a. the accompanying financial statements and notes are 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 2014 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

This declaration is signed in accordance with a resolution of the Board of Directors.

Luke Martino
Director

Dated 24 September 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Pan Asia Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of Pan Asia Corporation Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Pan Asia Corporation Limited is 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 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1(w) in the financial report which indicates that the ability of the Group to continue as a going concern is principally dependent upon the success of various funding options. Should the Group be unsuccessful in generating the required funds from these sources, there is a material uncertainty that may cast significant doubt whether the Group will be able to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Pan Asia Corporation Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
24 September 2014

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is complete up to 16 September 2014.

(a) Ordinary Shares

i) Distribution of ordinary shares

- 305,180,859 fully paid shares held by 2506 shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

ii) The number of shareholders, by size of holding, in each class is:

	Fully Paid Ordinary Shares
1 – 1,000	318,351
1,001 – 5,000	1,251,692
5,001 – 10,000	1,448,388
10,001 – 100,000	17,848,845
100,001 and over	284,313,583
Holding less than a marketable parcel	5,727,113

(iii) Substantial Shareholders (fully paid shares)

There are five shareholders registered with 5% or more of the issued shares of the Company as of 16 September 2014.

	Fully Paid Number	%IC
NEXUS LINK LIMITED	99,519,340	32.61%
LANESBOROUGH INVESTMENT PTE LTD	24,000,000	7.86%
NATIONAL NOMINEES LIMITED	22,100,000	7.24%
HSBC CSUTODY NOMINEES (AUSTRALIA) LIMITED	19,344,233	6.34%
CITICORP NOMINEES PTY LIMITED	15,557,155	5.10%

(iv) Twenty largest holders of quoted equity securities (fully paid shares)

Name	Fully Paid Number	%IC
NEXUS LINK LIMITED	99,519,340	32.61%
LANESBOROUGH INVESTMENT PTE LTD	24,000,000	7.86%
NATIONAL NOMINEES LIMITED	22,100,000	7.24%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,344,233	6.34%
CITICORP NOMINEES PTY LIMITED	15,557,155	5.10%
JP MORGAN NOMINEES AUSTRALIA LIMITED	11,075,783	3.63%
NOBLE RESOURCES INTERNATIONAL PTE LTD	7,000,000	2.29%
RIDGESCAN PTY LTD	5,821,000	1.90%
LJM ENTERPRISES (WA) PTY LTD	5,000,000	1.64%
DOMENAL ENTERPRISES PTY LTD	2,500,000	0.82%
JOHN WARDMAN & ASSOCIATES PTY LTD	2,300,000	0.75%
MR SAM FRANCIPANE	2,276,367	0.75%
MR JOHN DESMOND MARTIN	2,000,000	0.66%
MINIMUM RISK PTY LTD	1,558,600	0.51%
MARK SOMMERS HILL	1,500,000	0.49%
MR DAMIEN ALLEN	1,500,000	0.49%
UOB KAY HIAN (HONG KONG) LIMITED	1,458,334	0.48%
FANCHEL PTY LTD	1,359,829	0.45%
MCGEE CONSTRUCTIONS PTY LTD	1,350,000	0.44%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	1,302,007	0.43%

(b) Unlisted options – PZCOPT9

i) Distribution of unlisted options

500,000 unlisted options held by two (2) option holders. These unlisted options have an exercise price of $0.25 per option and an expiry date of 11 October 2014.

ii) The number of option holders, by size of holding, in each class is:

	Unlisted options
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	0
100,001 and over	2
	2

(iii) Substantial unlisted option holders

None.

(iv) Twenty largest holders of unlisted options

	Unlisted options	%
WILLIAM VIGORS HEWITT	250,000	50.00%
MR JASON CAMPBELL	250,000	50.00%
TOTAL	500,000	100.00%

(c) Unlisted options – PZCOPT10

i) Distribution of unlisted options

5,600,000 unlisted options held by four (4) option holders. These unlisted options have an exercise price of $0.25 per option and an expiry date of 1 February 2015.

ii) The number of option holders, by size of holding, in each class is:

	Unlisted options
1 – 1,000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	1
100,001 and over	3
	4

(iii) Substantial unlisted option holders

	Unlisted options	%
ALAN HOPKINS	4,000,000	71.43%

(iv) Twenty largest holders of unlisted options

	Unlisted options	%
ALAN HOPKINS	4,000,000	71.43%
WILLIAM VIGORS HEWITT	750,000	13.39%
MR JASON CAMPBELL	750,000	13.39%
AMISHA MILLER	100,000	1.79%
TOTAL	5,600,000	100.00%

(d) Interest in Mining Tenements

Holder	Production IUP	Location	% interest
PT Transcoal Minergy	Operation Production IUP	Mantewe District, Tanah Bumbu Regency, South Kalimantan Province, Indonesia	75%

TCM PROJECT JORC RESOURCES *

	CURRENT			
	Measured Mt	**Indicated Mt**	**Inferred Mt**	**TOTAL Mt**
Mineable Seams				
SU (5)	20.43	12.25	32.03	64.71
SM (6)	17.19	12.22	35.04	64.45
Sub Total				129.16
Other Seams	15.79	10.95	21.37	48.11
TOTAL	**53.41**	**35.42**	**88.44**	**177.27**

Coal Quality Resource Summary of Underground Mineable Seams S5 + S6

Seam ID	TM	IM	Ash	VM	FC	TS	CV (adb)	RD
	(% ar)	(% adb)	(% adb)	(% adb)	(% adb)	(% adb)	(Kcal/kg)	g/Cc
S5	5.2	3.9	12.8	41.7	41.6	1.65	6,655	1.36
S6	5.0	3.6	12.7	42.3	41.5	0.39	6,705	1.36
Weighted average value for S5+S6	**5.10**	**3.75**	**12.75**	**42.00**	**41.55**	**1.02**	**6680**	**1.36**

Indicative 14% Ash Coal Specification – After Washing

Proximate Analysis		**14% Ash Spec**	
Total Moisture	ar	8.5	
Inherent Moisture	adb	3.0	
Ash content	ar	14.0	
Volatile Matter	ar	38.1	
	daf	49.8	
Fixed Carbon		by difference	
Total Sulfur	ar	1.00	
Calorific Value	ar	6200	
	adb	6600	
	daf	8000	
Ultimate Analysis - From F1.6 Analysis			
Carbon	daf	79.6	
Hydrogen	daf	6.05	
Nitrogen	daf	1.12	
Total Sulfur	daf	0.75	
Oxygen + error	daf	12.48	
Ash Fusion Temperature			
		Reducing Atmosphere	Oxidising Atmosphere
Deformation	^{o}C	>1600	>1600
Spherical	^{o}C	>1600	>1600
Hemispherical	^{o}C	>1600	>1600
Flow	^{o}C	>1600	>1600
Ash Chemistry - From F1.60 coal analysis only			
Silica as SiO2	%	51.4	
Aluminium as Al2O3	%	31.0	
Iron as Fe2O3	%	8.6	
Calcium as CaO	%	2.35	
Magnesium as MgO	%	0.50	
Titanium as TiO2	%	3.05	
Sodium as Na2O	%	0.50	

Potassium as K2O	%	0.12
Manganese as Mn3O4	%	0.039
Phosporus as P2O5	%	0.221
Sulfur as SO3	%	1.15
Crucible Swelling Number		-
Physical Properties		
Hardgrove Grindability Index		45
Nominal Top Size	mm	50
Minus 2mm	%	15
Estimated Yields -		
Based on 3.63m of coal and 0.79m parting		78%

PARAMETERS USED IN JORC UPGRADE

1. A total of 64 boreholes was used for the update of the resource estimation;
2. All finished boreholes were geophysically logged, samples taken and sent to laboratories;
3. Profiles, logs of boreholes and seam correlations have been completed;
4. Collar coordinates have been completed;
5. Laboratory testing: quality, geotech, gas methane undertaken;
6. Some of the coal quality data has been obtained from boreholes with less than 95% linear recovery. The lower core recoveries typically result from the weak, brittle nature of Indonesian coals, high vitrinite contents and drilling techniques used. The removal of geotechnical samples from the coal seams has also affected sample recovery for coal quality test work in some boreholes. Coal quality contour plans indicate a relatively consistent spatial distribution of key quality parameters, including air-dried ash content and calorific value. The low degree of spatial variability is typical of the seams of the Tanjung Formation, which typically do not exhibit the degree of variability observed in many Australian coal formations. This has been further verified by statistical analysis of geological data over the TCM concession area, which has illustrated that the quality values are within expected ranges and have not been affected by boreholes with less than 95% recovery.
7. A full version of an updated resource statement has been elaborated with the recent drilling and laboratory testing completed.

Future resource statements will only report resources within the S5 and S6 seams as they are expected to be economically viable by underground mining methods. All other seams will be excluded.

The JORC Resource calculation was undertaken by European coal industry group Kopex Mining Contractors (part of the KOPEX Group) and is the fourth coal resources statement in the TCM concession. The latest JORC Statement is dated 31 October 2012 and was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The above-mentioned JORC Resources, Coal Quality and Specifications are unchanged from those reported in the previous year. The Company ensured that governance arrangements mineral resource estimates quoted were subject to governance arrangements and controls and a summary of the procedures and parameters for coal estimation is outlined as follows:

An “in situ” geological model was initially created by GMT geologists working on the TCM project using Mincon software. The final model after completion of drilling stages was built by Palaris Australia Consulting. The model had cut off criteria applied. The model and underlying raw data such as borehole logs, coal quality reports and geophysical logs were reviewed by Competent Person, Marek Rosa. First resources estimation was completed by the GMT geologist as at 31 May 2010 after completion of Drilling Phase 1. Drilling phase 2 was then subsequently completed, new exploration data was reviewed by Marek Rosa and correlated with previous data obtained to the end of May 2010. The geological model was updated and new structure/ quality/ thickness map and cross sections were prepared. The geological model was categorised into indicated and inferred confidence areas and then coal volumes, tonnages and qualities were estimated and reported in these categories. The second resource estimation was completed by Kopex as at 31 January 2011 based on exploration in drilling phases 1&2. The exploration Drilling Phase 3 began in June 2011 with a total of 34 boreholes supervised by Kopex geologists. This drilling program was designed to increase the level of confidence of resources and provide data required for designing of an underground mine. After completion of Drilling Phase 3 in March 2012 and laboratory testworks, all obtained to date geological data was re-examined. The geological model was categorised into measured, indicated and inferred confidence areas and then coal volumes, tonnages and qualities were estimated and reported in these categories. Cross sections, plans and deposit characteristics such as structure, number and thickness of seams were examined to decide on minimum seam thickness, coal quality and resources estimation. These factors were then used to update the in situ geological model dated 15 April 2012. Further boreholes were drilled through to 21 June 2012 which were reviewed and added to the final geological mode. Further review of 64 boreholes were undertaken and results documented in the latest JORC Resources Statement of 31 October 2012.

The Company is planning to undertake further infill drilling in FY 2105 that would result in an updated JORC Resource reported under the JORC 2012 Code.

Competent Persons' Statement

The information in this release that relates to the Coal Resources of PT. Transcoal Minergy ("TCM") is based on information compiled and reviewed by Mr. Marek Rosa, who is a Member of the Australasian Institute of Mining and Metallurgy (The AusIMM) and works full time for PT Kopex Mining Contractors based in Jakarta, Indonesia (Member of Kopex Group Poland).

Mr Rosa is a qualified geologist who has more than 20 years of relevant mining and geological experience in coal, working for major mining companies in Poland (17 years) and in Indonesia (4 years) as a consultant. He has National Polish geological license No II-1140 for research, exploration, resource and reserve estimation of deposits of basic minerals and coalbed gas methane. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, assessment, evaluation and economic extraction of coal in Poland and Indonesia. He has sufficient experience, which is relevant to the style and type of deposit under consideration especially for Underground Mining and to the activity he is undertaking to qualify him as a Competent Person for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The estimates of Coal Resources have been carried out in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (December,2004) and Mr Rosa consents to the inclusion in this release of the Mineral Resources in the form and content in which it appears.

MAREK ROSA M.Sc. (Geology), MAusIMM