ABN 45 098 448 269

Financial Statements

For the Half-Year Ended

31 December 2016

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DIRECTORS' REPORT

The directors of Pan Asia Corporation Limited ("Pan Asia, "PZC" or the Company") submit the financial statements of the Group of which the Company is the ultimate parent for the half-year ended 31 December 2016 (the period). In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Domenic Martino	Non - Executive Chairman
Luke Martino	Non - Executive Director
Michael Pixley	Non - Executive Director
Lee Chin Cheh	Non –Executive Director

Company Secretary

The names of the company secretaries who held office during the period and until the date of this report are noted below.

Jason Campbell	Company Secretary	Continuing
Louisa Martino	Company Secretary	(Appointed 18th October 2016)

Operating Results

During the period, Pan Asia Corporation Limited recorded a loss of $186,744 (2015: $427,578).

Review of Operations

Highlights for the Period

With the resurgence of coal prices:

- The Company sought to progress the due diligence to acquire the substantial New Emerald Coal Limited (NEC) Asset portfolio. However, as some of NEC's title and infrastructure arrangements were still in the process of being settled, the Company has not to date been able to finalise this review. This possible acquisition is still under detailed consideration with the Company reviewing all its options.
- Additionally, during the period, PZC continued to support the proposed sale of the TCM project to Universal Coal Resources Pte Ltd (Universal) for listed shares as part of Universal's planned listing on SGX.
- The Company was approached to sell the TCM project for cash and the board is investigating in detail this possible alternative pathway in parallel with assessing progress by Universal.

Overview

Improvement in sentiment for some of the other bulk commodities recently extended to an increase in prices being received in the coal sector. This stimulated renewed interest in the Company's high CV coal project (TCM) in Indonesia and the board is working to close the most suitable transaction that will facilitate support for both the Company and the project.

Universal SGX listing of TCM Project

In early June 2015, Pan Asia announced it had entered into an exclusive Heads of Agreement with Universal Coal Resources Pte Ltd ("Universal") for the commercial sale of the Company's 75% interest in TCM. Universal agreed to purchase a 100% interest in the Company's 100% owned Singapore subsidiary, Innovation West Mantewe Pte Ltd ("IWMPL") owner of the 75% interest in the TCM project (the "Transaction"). Universal planned to undertake an SGX Catalist listing and Pan Asia, upon completion of the successful listing, will receive shares in Universal to the value of SGD $30m at the IPO issue price.

To facilitate the Transaction, on 9 May 2016, Pan Asia entered into a share sale and purchase agreement ("SSPA") with Universal Coal Resources Pte Ltd ("Universal") for the 100% sale of IWMPL which owns Pan Asia's 75% interest in TCM. The actual transfer of the asset will occur upon the Company gaining shareholder approval. In the meantime, the Company has executed a share pledge agreement ("SPA") with Universal pledging the shares of IWMPL prior to shareholder approval being obtained.

The intended commercial outcome of entering into the SSPA and SPA to transfer the TCM asset was to assist Universal obtain a $5m funding facility from Polo Investments Ltd ("Polo") to fund the undertaking of key value adds, obtain relevant approvals for the TCM asset as well as acquire additional assets to form part of the Universal listing process on SGX, and as a result, realise Pan Asia's TCM sale proceeds.

Commercial Arrangements:

The Company entered into the SSPA subject to the following conditions:

- The directors and shareholders passing the requisite resolutions approving the sale and transfer of IWMPL;
- Universal assuming all liabilities in respect of the TCM asset; and
- All approvals, consents, licences, permits, waivers and exemptions for the sale and transfer of shares being granted by any relevant third party.

The SSPA includes a Call Option clause with call option default events that will allow the Company to purchase back the TCM asset for SGD$1.00. These default events include:

- If the listing does not take place on SGX by 31 December 2017;
- If the Buyer fails to complete the IPO Sponsor conditions precedent prior to the listing deadline;
- If the Buyer fails to comply with any rules and regulations in respect of the Listing;
- If any condition subsequent is not fulfilled;
- If the Buyer fails to raise at least SGD $20m prior to the listing deadline; or prior to receiving an in-principal approval for the listing;
- If the Buyer breaches any of its warranties, undertakings or covenants in the SSPA;
- If the Buyer breaches any material term of the SSPA;
- If the Buyer is deemed or becomes insolvent, or ceases to be a going concern or is deemed by auditors a risk to continue as a going concern; and
- If the Buyer breaches any term of the share pledge.

The Company shall have the ability to waive any term of provision of the agreement and the SPA shall be included in a schedule that forms part of the SSPA.

The Company is currently assessing the progress being made by Universal in parallel with possible alternative pathways and expects the way forward to be clear in the coming period.

Subsequent Events

Subsequent to balance date, Pan Asia advised it had received notification from Polo that Universal was in default under the terms of a Convertible Loan Agreement ("CLA") entered into between Polo & Universal. Polo has requested that Universal rectify this default as soon as possible.

Polo advised this default by Universal arises as a result of Pan Asia not yet having convened a shareholders meeting to seek approval for the transfer of Pan Asia's shares in IWMPL under the terms the SSPA.

As previously stated, there are significant preconditions to be met by Universal before this meeting is to be called and the Company is seeking to have these fulfilled as a matter of priority to enable the planned meeting to be called expeditiously.

In the event Universal does not rectify the default, then Polo may seek to exercise any rights under the CLA with Universal and also under the SPA.

As previously reported, the Company has also been independently approached to sell the TCM project. In the event that opportunity materialises on beneficial terms, the Company would seek to discuss with Polo the commercial restructuring of the current security provided in support of the current proposed sale of the project to Universal.

Dividends Paid or Recommended

No dividends were paid or proposed during the half-year ended 31 December 2016.

Auditor's 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 review of the half-year financial statements. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

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Luke Martino

Director

13 March 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Pan Asia Corporation Limited for the half-year ended 31 December 2016, 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 review; and

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

Perth, Western Australia
13 March 2017

L Di Giallonardo
Partner

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Continuing operations			
Revenue	2(a)	65	258
Accounting and legal fees		(52,756)	(93,611)
Management, corporate advisory and consulting expense		(21,265)	(62,703)
Depreciation and amortisation		(5,387)	(8,452)
Employee benefits expense		-	(123,503)
Securities exchange expenses		(16,716)	(30,530)
Other expenses	2(b)	(90,685)	(109,037)
Loss before income tax expense		**(186,744)**	**(427,578)**
Income tax expense		-	-
Net loss for the period		**(186,744)**	**(427,578)**
Other comprehensive income for the period			
Items which may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		220,284	361,411
Total comprehensive income/(loss) for the period		**33,540**	**(66,167)**
The net loss for the period is attributable to:			
Owners of the parent		(186,744)	(427,544)
Non-controlling interest		-	(34)
		(186,744)	**(427,578)**
Total comprehensive income/(loss) for the period is attributable to:			
Owners of the parent		30,378	(71,413)
Non-controlling interest		3,162	5,246
		33,540	**(66,167)**
Basic loss per (cents per share)		**(0.04)**	**(0.19)**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents		1,844	5,298
Trade and other receivables	3	2,817	10,585
Prepayments		16,098	21,017
Total current assets		**20,759**	**36,900**
Non-current assets			
Property, plant and equipment		42,965	48,203
Deferred exploration and evaluation expenditure	4	19,656,374	19,311,753
Loans to other entities	5	144,203	144,203
Total non-current assets		**19,843,542**	**19,504,159**
Total assets		**19,864,301**	**19,541,059**
Liabilities			
Current liabilities			
Trade and other payables		1,158,421	1,140,817
Borrowings	6(a)	17,185	16,270
Loans from other entities	7	3,878,932	3,600,126
Total current liabilities		**5,054,538**	**4,757,213**
Non-current liabilities			
Borrowings	6(b)	36,589	44,212
Deferred tax liabilities		2,315,499	2,315,499
Total non-current liabilities		**2,352,088**	**2,359,711**
Total liabilities		**7,406,626**	**7,116,924**
Net assets		**12,457,675**	**12,424,135**
Equity			
Issued capital	8	59,394,571	59,394,571
Reserves	9	1,809,491	1,592,369
Accumulated losses		(50,206,636)	(50,019,892)
Parent entity interest		10,997,426	10,967,048
Non-controlling interest		1,460,249	1,457,087
Total equity		**12,457,675**	**12,424,135**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Non-Controlling Interest	Total
	$	$	$	$	$
Balance at 1 July 2015	58,475,942	(49,359,296)	1,384,844	1,453,849	11,955,339
Loss for the period	-	(427,544)	-	(34)	(427,578)
Exchange differences arising on translation of foreign operations	-	-	356,131	5,280	361,411
Total comprehensive income for the period	-	(427,544)	356,131	5,246	(66,167)
Shares issued during the half-year	920,386	-	-	-	920,386
Share issue costs for the half-year	(1,757)	-	-	-	(1,757)
Balance at 31 December 2015	**59,394,571**	**(49,786,840)**	**1,740,975**	**1,459,095**	**12,807,801**
Balance at 1 July 2016	59,394,571	(50,019,892)	1,592,369	1,457,087	12,424,135
Loss for the period	-	(186,744)	-	-	(186,744)
Exchange differences arising on translation of foreign operations	-	-	217,122	3,162	220,284
Total comprehensive income for the period	-	(186,744)	217,122	3,162	33,540
Balance at 31 December 2016	**59,394,571**	**(50,206,636)**	**1,809,491**	**1,460,249**	**12,457,675**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Interest received	60	258
Payments to suppliers and employees	(174,547)	(753,676)
Mining tenement expenditure	-	(260,530)
Interest and income taxes paid	-	(163)
Net cash (used in) operating activities	**(174,487)**	**(1,014,111)**
Cash flows from investing activities		
(Purchase) of property, plant and equipment	-	(1,020)
Funds (repaid to) from related parties	(6,708)	(6,073)
Net cash (used in) investing activities	**(6,708)**	**(7,093)**
Cash flows from financing activities		
Proceeds from convertible note	177,735	-
Proceeds from issue of shares (net of share issue costs)	-	918,629
Net cash provided by financing activities	**177,735**	**918,629**
Net (decrease) in cash held	**(3,460)**	**(102,575)**
Cash and cash equivalents at the beginning of the period	5,298	135,985
Exchange rate fluctuations on cash held	6	173
Cash and cash equivalents at the end of the period	**1,844**	**33,583**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

These condensed half-year financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, they cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Pan Asia Corporation Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Basis of Preparation

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

Significant Accounting Judgements and Key Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-year financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of the estimation of uncertainty were the same as those that applied to the financial report for the year ended 30 June 2016.

Adoption of New and Revised Accounting Standards

In the half-year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its 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 half-year ended 31 December 2016. 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 its business and, therefore, no change necessary to Group accounting policies.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

In the half year ended 31 December 2016, the Company recorded a net loss of $186,744 and a net operating cash outflow of $174,482. The Company has a working capital deficiency of $5,033,779 as at 31 December 2016, due principally to the current nature of the amount owing to KOPEX Mining of US$2,767,500 (comprising loans of US$2,530,000 and other payables of US$237,500) for the feasibility study and drilling activities relating to the TCM project ("Kopex Loan"). The Company has entered into a guarantee and indemnity to guarantee the performance of TCM to repay the loan. At the date of this report, the Kopex Loan remains outstanding.

As stated in the FY2015 annual report, the Company received a demand to repay the Kopex Loan prior to the 30 June 2015 financial year end. The Company disputed having to repay the Kopex Loan by 30 June 2015 and during the half-year ended 31 December 2016, both Kopex and Pan Asia continued to correspond on the situation regarding the Kopex Loan. The Company maintains its stance as per the agreement with Kopex on or about 26 November 2014, in that if the Company made an arrangement to sell at least 50% of the TCM Project prior to 15 June 2015 and the outstanding balance of the Kopex Loan is to be repaid from the proceeds of the sale, as agreed. In early June 2015, the Company entered into an agreement with Universal Coal Resources Pte Ltd ("Universal") to sell the Company's 75% interest in TCM for SGD $30m, with Pan Asia to receive the consideration for sale on a successful listing of the TCM project on the Singapore Stock Exchange (SGX) catalist listing ("Agreement"). The Agreement is conditional on a number of key matters including, but not limited to, Universal completing its IPO on the SGX, and Kopex and Universal agreeing to terms for the settlement of the Kopex Loan using proceeds from the IPO. The Company considers that, having entered into an arrangement to sell its interest in the TCM Project to Universal, the outstanding balance of the Kopex Loan should now be repaid through that transaction i.e. from funds raised by Universal in connection with its IPO.

The Company notes that there is a risk that if the dispute was not able to be amicably resolved in the future, an adjudicator may interpret the revised repayment terms as requiring the sale of the TCM Project to have completed by 15 June 2015, rather than an arrangement simply having been made. Although the Company is hopeful that an amicable solution can be reached, Shareholders must be aware that if repayment terms for the Kopex Loan cannot be agreed then the matter may be referred to arbitration or to a court of law and the Company could face insolvency in the event of an adverse ruling or settlement. If the sale of the TCM Project does not complete or if the Company is otherwise required to repay the Kopex Loan itself, then it may be required to draw down funds under the Convertible Note executed on 12 April 2015. Alternatively, the Company may be required to seek additional funding in order to repay the Kopex Loan. There is a risk that such funding will not be available to the Company on reasonable terms or at all.

Notwithstanding the above, the financial statements have been prepared on a going concern basis, which contemplates continuity of normal business and the realisation of assets and liabilities in the ordinary course of business and on the assumption of sufficient funds becoming available for the operations of the Group.

The Board considers the Group is a going concern but recognises that additional funding, with the possibility of a drawn down on the Convertible Note, will be required to ensure that the Group can continue to funds its operations at least for the next 12 months from the date of this report.

In the past 24 months, the Board has been successful in seeking the following financing opportunities for the Group:

- 9 September 2014 - Raised $1.6m in an underwritten rights issue;
- 16 March 2015 - Placement of 54,000,000 shares at $0.005, to raise $270,000 to sophisticated investor Select Equity Growth Limited;
- 21 April 2015 - Executed Convertible Note Agreement for $5m with Coleman Ventures Limited, convertible at $0.007 per share with $2m drawn down for year 1 and a further $3m available to be drawn down in year 2. Coupon rate is 3% per annum;
- 6 August 2015 - Successfully closed Entitlements Issue raising of ~$918,000 at $0.007 per share.

The Directors will continually review a number of funding options as and when required. In the event that the Company is unsuccessful in generating sufficient future cash flows by raising additional equity, loan funds or a potential sell-down of assets, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset and liability amounts that might be necessary should the Group not continue as a going concern.

NOTE 2: OTHER INCOME AND EXPENSES

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
(a) Revenue		
Revenue	65	258
Total Revenue	**65**	**258**
(b) Other expenses		
Bank charges	473	1,552
Interest expense	-	164
Corporate and administration fees	10,018	23,598
Travel and accommodation expenses	5,280	13,102
Rent	12,000	8,000
Foreign exchange loss - unrealised	-	13,990
GST (recovered) / expensed	-	675
Director fees	58,000	42,000
Other	4,914	5,956
Total Other Expenses	**90,685**	**109,037**

NOTE 3: TRADE AND OTHER RECEIVABLES

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Current		
Trade receivables (i)	2,817	10,585
Total trade and other receivables	**2,817**	**10,585**

(i) Trade receivables are non-interest bearing.

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 6 months ended 31 December 2016 $	Consolidated Year ended 30 June 2016 $
Exploration and evaluation phase:		
Balance at beginning of period	19,311,753	18,821,917
Expenditure incurred	-	133,041
Foreign currency translation movement	344,621	356,795
Balance at end of period	**19,656,374**	**19,311,753**

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas. The Company has one project in Indonesia, the pre-development TCM Project.

As announced to ASX on 4 June 2015, the Company has entered into a binding heads of agreement with Universal under which the Company proposes to sell its interest in the TCM Project for shares in Universal to the value of SG$30,000,000 (approximately AUD$30,378,000). The agreement is conditional on a number of key matters including, but not limited to, Universal completing its IPO on the Singapore Exchange (SGX). The Company believes that it may take at least a further 12 months for the transaction to complete given the processes involved in completing such a transaction. As a result, the Company does not believe that it is prudent to reclassify the carrying value of the TCM project as a current asset "Asset held for sale" in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations".

NOTE 5: LOANS TO OTHER ENTITIES

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Non Current		
Other loans	144,203	144,203
Total loans to other entities	**144,203**	**144,203**

NOTE 6: BORROWINGS

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
(a) Current		
Motor vehicle hire purchase liability	17,185	16,270
Total borrowings	**17,185**	**16,270**
(b) Non Current		
Motor vehicle hire purchase liability	36,589	44,212
Total borrowings	**36,589**	**44,212**

NOTE 7: LOANS FROM OTHER ENTITIES

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
(a) Current		
Loans payable to KOPEX Mining (i)	2,177,680	2,114,815
Loans payable to KOPEX Mining (ii)	1,323,517	1,285,311
Loans payable to other entities (iii)	377,735	200,000
Total loans from other entities	**3,878,932**	**3,600,126**

(i) Kopex funded US $1,573,613 in drilling costs associated with the drilling program on the TCM Coal Project. The amount provided by Kopex to fund the drilling costs was subject to a loan agreement executed in 2011*.

(ii) Kopex has previously funded and carried out US $956,387 worth of feasibility study work on the TCM project. The amount provided by Kopex to fund the feasibility study costs was subject to a funding agreement executed in 2011*.

(iii) The Company has received a loan from Coleman Ventures Limited (CVL) for $377,735 and it has been agreed with CVL that it is an advance on the first full note to be drawn down under the Convertible Note Agreement at a future date.

*On 26 November 2014, PT TCM (along with the Company) entered into a revised agreement with Kopex for the total repayment of USD 2,767,600 (being USD $1,573,613 in 13(i)(a) above, USD $956,387 in 13(ii) above and USD $237,600 in other costs).

The total of USD 2,767,600 was to be repaid in two instalments- US $1,500,000 to be repaid by 15 January 2015 and the remaining US $1,267,600 plus interest at 15% per annum to be repaid by 15 June 2015. Since the revised agreement made with KOPEX on 26 November 2014, the Company has been unable to make the repayment amount of USD 2,767,600 and remains in negotiations with Kopex regarding the timing and amount of the loan repayment.

NOTE 8: ISSUED CAPITAL

	Consolidated 6 months ended 31 December 2016 $	Consolidated Year ended 30 June 2016 $
Ordinary shares		
Issued and fully paid	59,394,571	59,394,571

	No. of Shares	$	No. of Shares	$
Movements in ordinary shares on issue				
At start of period	490,664,567	59,394,571	359,180,859	58,475,942
- Rights issued to existing shareholder (i)	-	-	131,483,708	920,386
- Less share issue costs	-	-	-	(1,757)
At end of period	490,664,567	59,394,571	490,664,567	59,394,571

NOTE 8: ISSUED CAPITAL (continued)

(i) The Company completed a fully underwritten non-renounceable rights issue in August 2015 to existing shareholders. The total number of new shares issued under the fully underwritten non-renounceable rights issue was 131,483,708 new shares at $0.007 per share to raise $920,386 before costs.

NOTE 9: RESERVES

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Foreign Currency Translation Reserve (a)	1,809,221	1,592,369
Total Reserves	**1,809,491**	**1,592,369**

(a) Foreign Currency Translation Reserve

	Consolidated 6 months ended 31 December 2016 $	Consolidated Year ended 30 June 2016 $
Movements		
At start of period	1,592,369	1,384,844
- Exchange rate differences arising on translation of foreign currency	217,122	207,525
At end of period	**1,809,491**	**1,592,369**

NOTE 10: SEGMENT REPORTING

Segment Information

The following table presents revenue and results information and certain asset and liability information regarding the relevant segments for the half-year ended 31 December 2016 for the Group.

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.

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

NOTE 10: SEGMENT REPORTING (continued)

Current Reporting Period Segments

Segment result

31 December 2016	Australia $	Indonesia $	Total $
Total revenue	65	-	65
Management, corporate advisory and consulting expense	(21,265)	-	(21,265)
Depreciation	(5,387)	-	(5,387)
Segment result	(186,744)	-	(186,744)

31 December 2015	Australia $	Indonesia $	Total $
Total revenue	258	-	258
Management, corporate advisory and consulting expense	(62,703)	-	(62,703)
Depreciation	(7,411)	(1,041)	(8,452)
Segment result	(424,167)	(3,411)	(427,578)

Segment assets and liabilities

31 December 2016	Australia $	Indonesia $	Total $
Property, plant and equipment	37,795	5,170	42,965
Deferred exploration expenditure	-	19,656,374	19,656,374
Loans to/(from) other entities	(233,532)	(3,501,197)	(3,734,729)
Segment assets	191,635	19,672,666	19,864,301
Segment liabilities	(3,152,149)	(4,254,477)	(7,406,626)

30 June 2016	Australia $	Indonesia $	Total $
Property, plant and equipment	43,182	5,021	48,203
Deferred exploration expenditure	-	19,311,753	19,311,753
Loans to/(from) other entities	(55,817)	(3,400,126)	(3,455,923)
Segment assets	213,484	19,327,575	19,541,059
Segment liabilities	(2,985,262)	(4,131,661)	(7,166,924)

NOTE 11: RELATED PARTY TRANSACTIONS

During the reporting period, fees for administrative, accounting and consulting of $35,719 (excluding GST) were incurred to Indian Ocean Advisory Group. These services were provided on normal commercial teams and conditions and at market rates. Mr Luke Martino is a director of Indian Ocean Advisory Group.

NOTE 12: FINANCIAL INSTRUMENTS

The Directors consider that the carrying values of the financial assets and financial liabilities recognised in the condensed consolidated statement of financial position approximate their fair values.

NOTE 13: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

The Company and Kopex are in continuing correspondence regarding repayment of the Kopex debt as Kopex disputes that the Kopex Loan should be repaid from proceeds of the sale of the TCM Project to Universal. Kopex have most recently, through their lawyers, have been seeking the debt to be repaid to the amount of USD 3,457,874 (which includes the principal amount plus claimed interest by Kopex to March 2016) through several demands for payment letters. As per the agreement executed with Kopex on 26 November 2014, the amount outstanding at that time was USD 2,767,600. At the date of this report the matter remains unresolved. Although the Company is hopeful that an amicable solution can be reached, Shareholders must be aware that if repayment terms for the Kopex Loan cannot be agreed then the matter may be referred to arbitration and the Company could face insolvency in the event of an adverse ruling or settlement.

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to balance date, Pan Asia advised it had received notification from Polo that Universal was in default under the terms of a Convertible Loan Agreement ("CLA") entered into between Polo & Universal. Polo has requested that Universal rectify this default as soon as possible.

Polo advised this default by Universal arises as a result of Pan Asia not yet having convened a shareholders meeting to seek approval for the transfer of Pan Asia's shares IWMPL under the terms the SSPA.

As previously stated, there are significant preconditions to be met by Universal before this meeting is to be called and the Company is seeking to have these fulfilled as a matter of priority to enable the planned meeting to be called expeditiously.

In the event Universal does not rectify the default, then Polo may seek to exercise any rights under the CLA with Universal and also under the SPA.

As previously reported, the Company has also been independently approached to sell the TCM project. In the event that opportunity materialises on beneficial terms, the Company would seek to discuss with Polo the commercial restructuring of the current security provided in support of the current proposed sale of the project to Universal.

There are no other events to disclose after the balance date.

DIRECTORS' DECLARATION

In the opinion of the directors of Pan Asia Corporation Limited (the Company):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended.

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

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

Luke Martino
Director
13 March 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Pan Asia Corporation Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pan Asia Corporation Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year 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 about the Group's ability 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 half-year financial report.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
13 March 2017