



ABN 45 098 448 269

Annual Report
For the Year Ended
30 June 2017

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CORPORATE INFORMATION

Directors

Peter Chai	Chairman
Sean Chai	Director
Gary Williams	Director
Lee Chin Cheh	Non- Executive Director
Michael Pixley	Non-Executive Director

Auditor

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Senior Executive Team

Brett Crowley Company Secretary

Australian Business Number

45 098 448 269

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ASX Code

PZC

REVIEW OF OPERATIONS

Highlights for the Year

- **Potential Cash Sale of Interest in TCM Project**
- **Ongoing Review of Possible Acquisition of NEC Assets**

Potential Cash Sale of Interest in TCM Project

Highlights

- Potential Sale of PZC interest in TCM Project for ~ USD 6M net of costs /USD 9.25M pre-costs
- USD 500,000 has been received by PZC
- USD 500,000 committed to update Feasibility Study
- Six months due diligence period
- Potential Sale subject to shareholder, regulatory and other approvals

Overview

In May 2017, the company announced that it had entered into a Heads of Agreement with Glory Merry Limited (GM) for the potential sale of the Company's 100% owned subsidiary, Innovation West Mantewe Pte Limited (IWM), which has a 75% interest in PT. Transcoal Minergy, the registered holder of production operation mining business licence No. 545/091/IUP-OP/D.PE/2010 (the **TCM Project**).

The Transaction

With improving coal prices, the Company has been approached to sell its 100% owned subsidiary, IWM, which holds a 75% interest in the TCM Project for cash (the Transaction). The board had been investigating this pathway in parallel with other established arrangements.

A Heads of Agreement has been entered into with GM, a private business group. GM is active across various sectors in Asia, especially China, Taiwan, Thailand, Malaysia, Indonesia and Cambodia.

GM's operations primarily include Investment, Property, Construction, Palm Oil Plantation, Timber Trading, Agriculture and Fisheries, Bauxite and Nickel Ore Mining, and recently an aggressive expansion into the Coal Mining sector.

The Heads of Agreement includes the following terms:

1. USD 1,000,000 to be paid in accordance with the following:
 - a) USD 500,000 paid to the Company prior to 30 June 2017 (AUD\$652,498); and
 - b) USD 500,000 paid to an independent consultant prior to 30 June 2017 to carry out an updated feasibility study on the TCM Project;
2. The Execution of a Share Purchase Agreement and the completion of all conditions within that agreement; these conditions are extensive and include full due diligence for up to six months, approvals from PZC shareholders, any necessary approvals from all regulatory and other bodies involved, and the project and IWM being cleared of any liabilities or claims.

Should the transaction not proceed after the due diligence period, GM will receive a 20% interest in the TCM Project in respect of the USD 1 million invested and in the event that this cannot be provided by Pan Asia it shall be provided from the Indonesian project partners who will then receive 73,599,685 shares in the Company.

If the transaction is to proceed, Pan Asia will receive USD 9.25 million less any costs/debts on the project that remain to be cleared. These costs/debts include amounts owing to Kopex under their loan agreement, any contingent amounts due to Polo under the Pledge of Shares security arrangements and any outstanding arrears still due in Indonesia in respect of the TCM Project. A facilitation fee is payable to third parties should the Transaction complete, which has been set at 10% of the net amount to be received by Pan Asia, being USD 9.25 million, less costs/debts as previously specified and deducted. This equates to between 5%-6% of the total sale value.

The Company sees this as a positive step that provides essential funding for both the Company and the Project and provides a foundation from which the Company can then regain momentum in the energy sector.

Universal and Polo

In June 2015, the Company entered into a conditional agreement with Universal Coal Resources Pte Ltd (“Universal”) under which they were to undertake to list the TCM project on the Singapore Stock Exchange. In return, Pan Asia was to receive SGD 30M in shares in the listed company.

In May 2016, the Company entered into a highly conditional share sale and purchase agreement with Universal. Additionally, to assist Universal raise funds for the project’s proposed listing by way of a Convertible Note Financing from Polo Investments Pte Ltd (“Polo”), Pan Asia provided the TCM asset as an additional security for Polo Investments Ltd, in the event that the convertible note was not repaid by Universal. The principle of Universal provided personal guarantees to both Polo and Pan Asia to cover in the event Universal failed and could not repay the loan from Polo.

While Pan Asia has endeavoured to be accommodating to Universal, the Company believes the conditions in that agreement were not met resulting in the Company and the TCM Project’s ongoing survival being placed in jeopardy. The Company then had no choice but to seek an alternative and certain way forward with the TCM Project.

The Company plans to further engage with Polo to seek a commercial restructuring of this security in the event the current potential sale of the TCM Project does proceed to a point where a sale of Pan Asia’s interest to Glory Merry is to occur.

In the event Polo serves a notice of enforcement of its security provided by Pan Asia, the Company has six months to sell the project, repay Polo for Universal’s debt and seek redress from Universal and its guarantor.

Possible Acquisition of NEC Assets

The Company previously announced that it had entered into a binding but conditional term sheet to acquire a sizeable coal operation comprising conventional coal exploration and pre-development projects in the Bowen Basin in Queensland Australia, from United Queensland Resources Pty Ltd (“UQR”) and its wholly owned subsidiary New Emerald Coal Limited (NEC).

Please refer to previous ASX announcements made on this for details.

Consideration of this possible acquisition has been advancing. The board expects to be in a position to make a decision and recommendation to shareholders on this in the September quarter.

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities (together "the Group" or "the consolidated entity") for the financial year ended 30 June 2017.

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

Peter Chai	Chairman	Appointed 9 June 2017
Domenic Martino	Former Chairman	Resigned 4 July 2017
Sean Chai	Director	Appointed 9 June 2017
Gary Williams	Director	Appointed 9 June 2017
Lee Chin Cheh	Non-executive Director	
Michael Pixley	Non-Executive Director	
Luke Martino	Non-Executive Director	Resigned 9 June 2017

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

Peter Chai (Non- Executive Chairman) Appointed 9 June 2017

Experience

Mr Peter Chai has more than thirty years of experience in corporate management and has held senior management positions in various listed entities in South-East Asia and Hong Kong. His expertise is in finance and funds management.

Mr Chai also has excellent and in-depth knowledge and strong international contacts across the Asia-Pacific region. He was special assistant to the late Datuk Ahmad Jaafar former Governor of Central Bank of Malaysia and Central Bank of Namibia.

Domenic Martino (Non- Executive Chairman) Resigned 4 July 2017

Qualifications

- Bachelor of Business
- Fellow, Chartered Accountants Australia & New Zealand (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.

Sean Chai (Director) Appointed 9 June 2017**Qualifications & Affiliations**

- Bachelor of Commerce

Experience

Mr Sean Cai is a young, aspiring financier with a solid foundation in business, having been closely involved with the operations of his family's enterprise for several years. He has a strong understanding of statistical analysis and problem-solving, as well as strong technical and analytical abilities and an attention to detail.

Mr Chai graduated from the University of NSW, with a Bachelor degree in Commerce majoring in accounting and finance in 2016.

Gary Williams (Director) Appointed 9 June 2017**Qualifications & Affiliations**

- Diploma of Mining
- Master of Business Administration
- Mechanical Engineering Diploma
- First Class Managers Cert Competency
- Australian Institute of Company Directors
- Mine Managers Association of Australia
- American Institute of Mining Metallurgical and Petroleum Engineers
- Construction Engineering Mining Association- CEMA

Experience

Mr Williams is an experienced international mining executive with formal qualifications as a mining engineer, mine manager holding an MBA. As Founder and Managing Director of the global mining materials handling company, Continental and mining services United Mining Group, as well as a previous positions as a senior Executive with Cyprus Coal, Coal & Allied and BP Coal, Mr Williams has more than 35 years' experience in the industry.

Mr Williams has significant expertise in the exploration, development and operations of world class, highly efficient open-pit, underground and processing resource projects in Australia, Thailand, Indonesia, New Zealand, North & South America and South Africa.

Lee Chin Cheh (Non- Executive Director)**Qualifications**

- Law Degree University of Wolverhampton UK
- Certificate of Legal Practice - Legal Profession Qualifying Board Malaysia

Experience

Mr Lee was called to the Malaysian Bar in 1996 and is now the principal partner of Messrs Lee Ong & Partners in Malaysia. Mr Lee is primarily engaged in corporate and commercial matters covering consultancy, documentation and litigation. Mr Lee is actively involved in community services and is presently on the boards of various trade and community non-governmental organisations as executive member or advisor. He has also served as a State Assemblyman in the Selangor State Legislative Assembly, Malaysia, and was a member of the Selangor State Public Accounts Committee.

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 25 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.

Michael lived and worked in Asia for 20 years based in Singapore and retains directorships of large private companies and Family Offices from this period. Directorships and executive roles spanned Asia to Australia and the United States in businesses from property to manufacturing enterprises. Michael has lead corporate acquisitions, capital restructuring and public listings across mining, industrial, technology and property industry sectors across the Asia Pacific region."

Luke Martino *(Non-Executive Director) Resigned 9 June 2017***Qualifications & Affiliations**

- Bachelor of Commerce
- Fellow, Chartered Accountants Australia & New Zealand (FCA)
- Member, Australian Society of Certified Practising Accountants (CPA)
- Fellow, Australian Institute of Company Directors (FAICD)

Experience

Luke has spent over 20 years at Partner and board level encompassing leadership roles with Deloitte and other major accounting firms. He is a Director of several large private and public listed companies. Luke has lead numerous corporate transactions including public listings and equity raising for mining projects in Canadian and Australian security markets. He is currently the Managing Director of Indian Ocean Corporate.

Jason Campbell *(Chief Financial Officer & Company Secretary) Resigned 9 June 2017***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 and resigned on 9 June 2017. Prior to joining Pan Asia, Jason spent 7 years at Argonaut Limited, an Investment Banking and Corporate Stockbroking business in Perth.

Brett Crowley *(Company Secretary) Appointed 9 June 2017***Qualifications & Affiliations**

- Bachelor of Commerce
- Diploma of Law

Experience

Mr Crowley is a practicing solicitor and is an experienced chairman, finance director and company of ASX-listed companies. He is a former Senior Legal Member of the NSW Civil and Administrative Tribunal.

Louisa Martino (Company Secretary) Appointed 18 October 2016 and resigned 9 June 2017

Qualifications & Affiliations

- Bachelor of Commerce
- Fellow, Chartered Accountants Australia & New Zealand (FCA)
- Australian Institute of Company Directors (AICD)

Experience

Louisa previously worked for a corporate finance company, assisting with company compliance (ASIC and ASX) and capital raisings. She also has experience working for government organisations in Business Development Division where she performed reviews of business opportunities and prepared business case analysis for those seeking Government funding.

Prior to that, Ms Martino worked for a major accounting firm in Perth, London and Sydney where she provided corporate advisory services, predominately on IPOs and mergers and acquisitions and also performed due diligence reviews.

OTHER CURRENT DIRECTORSHIPS

Domenic Martino	Cokal Limited (Director) – <i>December 2010 to present</i> , Australasian Resources Limited (Chairman) – <i>November 2005 to present</i> , ORH Limited (Chairman) – <i>May 2009 to present</i> , Gladstone Pacific Nickel Limited (Director) – <i>October 2011 to present</i> , Synergy Plus Limited (Chairman) – <i>July 2006 to present</i> , South Pacific Resources Limited (Executive Director) – <i>August 2012 to present</i> , Skyland Petroleum Limited (Director) – <i>December 2013 to present</i>
Peter Chai	Ante Real Estate Trust (Director) – <i>April 2017 to present</i>
Sean Chai	Nil
Gary Williams	Nil
Lee Chin Cheh	O&C Resources Berhad which is listed on Bursa Malaysia (Director)
Michael Pixley	Story-I Limited (Director) – <i>2014 to present</i> ; Refresh Group Limited (Director) – <i>December 2015 to present</i>
Brett Crowley	APAC Coal Limited (Director) – <i>June 2017 to present</i> , Bisan Limited (Director) – <i>November 2016 to present</i>

PREVIOUS DIRECTORSHIPS IN THE LAST 3 YEARS

Domenic Martino	Food Revolution Group (Director) – <i>February 2016 to August 2016</i> , Pan Asia Corporation (Director) – <i>December 2010 to July 2017</i>
Peter Chai	Nil
Sean Chai	Nil
Gary Williams	Nil
Lee Chin Cheh	Nil
Michael Pixley	OKLO Resources Limited (Director) – <i>March 2013 to November 2014</i> ; APAC Coal Limited (Director) – <i>April 2016 to March 2017</i>

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, performance shares and options of the Company were:

Director	Shares Held		Performance Shares Held		Options Held	
	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Peter Chai	-	62,642,249	-	-	-	-
Sean Chai	-	-	-	-	-	-
Gary Williams	-	-	-	-	-	-
Lee Chin Cheh	-	-	-	-	-	-
Michael Pixley	-	-	-	-	-	-

DIRECTORS' MEETINGS

During the financial year, seven (7) 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*		7	-	-	-	-
Peter Chai	-	-	-	-	-	-
Sean Chai	-	-	-	-	-	-
Gary Williams	-	-	-	-	-	-
Lee Chin Cheh	7	6	-	-	-	-
Michael Pixley	7	7	-	-	-	-
Luke Martino **	7	7	-	-	-	-

* Resigned 4 July 2017

** Resigned 9 June 2017

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 \$611,591 (2016: \$791,609).

During the year, the Group adopted a voluntary change in accounting policy whereby exploration and evaluation expenditure is expensed as incurred rather than capitalised. This change in accounting policy has been adopted retrospectively, and hence prior years' reported figures in this financial report may differ from figures reported in last years' financial report.

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 177 Mt. The JORC Resource from mineable seams is 129Mt.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

In May 2017, the company announced that it had entered into a Heads of Agreement with GM for the potential sale of the Company's 100% owned subsidiary, Innovation West Mantewe Pte Limited, which has a 75% interest in PT. Transcoal Minery. This transaction is still within the due diligence period.

The Company has continued to look at acquiring other assets, and has identified a sizeable coal operation comprising conventional coal exploration and pre-development projects in the Bowen Basin in QLD. The Company announced in December 2015 that it had entered into a binding but conditional term sheet with United Queensland Resources Pty Ltd for the acquisition. The acquisition is still pending and due diligence is ongoing.

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 as has been disclosed in this report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 July 2017, the Company issued 97,642,249 fully paid ordinary shares at an issue price of \$0.003 per share. The issue of these shares raised \$292,927 to fund working capital and review new projects. These shares rank equally with existing ordinary shares on issue.

On 18 July 2017, the Company issued 25,023,592 shares at an issue price of \$0.003 per share. The issue of these shares raised \$75,071 to fund working capital and review new projects. These shares rank equally with existing ordinary shares on issue.

On 21 August 2017, the Company undertook a pro-rata, non-renounceable, fully underwritten rights issue that offered up to 613,330,708 fully paid ordinary shares at an issue price of \$0.002. The Company received acceptances for a total of 27,721,270 shares at \$0.002 raising \$55,442. The Company will to place the shortfall of shares of 585,609,438 (\$1,171,219) over the 30 days up to 10 October 2017. Any shortfall remaining will be subscribed to by the underwriter.

The Directors are not aware of any other matters or circumstances that have arisen since 30 June 2017 which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is not subject to any environmental regulations or licences.

SHARE OPTIONS

As at the date of this report, the Company has no options on issue.

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 the financial year:

- Peter Chai (Chairman) - appointed 9 June 2017
- Sean Chai (Director) - appointed 9 June 2017
- Gary Williams (Director) – appointed 9 June 2017
- Lee Chin Cheh (Non-Executive Director)
- Michael Pixley (Non-Executive Director)
- Domenic Martino (former Chairman) – resigned 4 July 2017
- Luke Martino (Non-Executive Director) – resigned 9 June 2017
- Louisa Martino (former Company Secretary) – appointed 18 October 2016; resigned 9 June 2017
- Brett Crowley (Company Secretary) – appointed 9 June 2017

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.

REMUNERATION REPORT

Remuneration of Key Management Personnel

Table 1: Directors' remuneration for the years ended 30 June 2017 and 30 June 2016:

		Short-term Employment Benefits		Post-Employment Benefits		Total	% Performance Related
		Salary & Fees	Non Monetary Benefits	Superannuation	Retirement		
		\$	\$	\$	\$		
D Martino	2016	36,000	-	-	-	36,000	-
Non Executive Chairman	2017	36,000	-	-	-	36,000	-
P Chai	2016	-	-	-	-	-	-
Director	2017	-	-	-	-	-	-
S Chai	2016	-	-	-	-	-	-
Director	2017	-	-	-	-	-	-
L Martino *	2016	24,000	-	-	-	24,000	-
Non Executive Director	2017	22,000	-	-	-	22,000	-
G Williams	2016	-	-	-	-	-	-
Director	2017	-	-	-	-	-	-
M Pixley	2016	24,000	-	-	-	24,000	-
Non Executive Director	2017	24,000	-	-	-	24,000	-
L Chin Cheh	2016	6,000	-	-	-	6,000	-
Non Executive Director	2017	24,000	-	-	-	24,000	-
Total	2016	90,000	-	-	-	90,000	-
	2017	106,000	-	-	-	106,000	-

(i) The Company owed \$33,000 to Directors as at 30 June 2017 (2016: \$46,400)

*Resigned 9 June 2017

REMUNERATION REPORT (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Senior Management and Executives' remuneration for the years ended 30 June 2017 and 30 June 2016:

		Short-term Employment Benefits		Post-Employment Benefits		Total	% Performance Related
		Salary & Fees	Non Monetary Benefits	Superannuation	Retirement		
		\$	\$	\$	\$		
A Hopkins	2016	140,000	8,519	-	-	148,519	-
CEO*	2017	24,500	-	-	-	24,500	-
J Campbell *	2016	119,556	-	11,358	-	130,914	-
Company Sec	2017	11,250	-	-	-	11,250	-
B Crowley	2016	-	-	-	-	-	-
Company Sec**	2017	3,000	-	-	-	3,000	-
Ms L Martino***	2016	-	-	-	-	-	-
	2017	15,000	-	-	-	15,000	-
Total	2016	259,556	8,519	11,358	-	279,433	-
	2017	53,750	-	-	-	53,750	-

* Resigned 9 June 2017

**Appointed 9 June 2017

*** Appointed 18 October 2016 and resigned 9 June 2017

(i) The Company owed \$nil to Senior Management and Executives as at 30 June 2017 (2016: \$55,000)

REMUNERATION REPORT (continued)

Shareholdings of Key Management Personnel

Shares held in the Company (number)

	Balance at beginning of period	Exercised Options	Net change Other	Balance at end of period
30 June 2017				
D.Martino***	7,450,000	-	-	7,450,000 [^]
P Chai**	-	-	-	-
S Chai**	-	-	-	-
G Williams**	-	-	-	-
M.Pixley	-	-	-	-
L.Martino*	6,035,410	-	-	6,035,410 [^]
L Chin Cheh	-	-	-	-
A.Hopkins*	5,821,000	-	5,455,083	365,917
Ms L Martino****	-	-	-	-
B Crowley**	-	-	-	-
Total	19,306,410	-	5,455,083	13,851,327

* Resigned 9 June 2017

**Appointed 9 June 2017

*** Resigned 4 July 2017

****Appointed 18 October 2016 and resigned 9 June 2017

[^] Balance at date of resignation

	Balance at beginning of period	Exercised Options	Net change Other	Balance at end of period
30 June 2016				
D.Martino	7,450,000	-	-	7,450,000
M.Pixley	-	-	-	-
L.Martino	6,035,410	-	-	6,035,410
L Chin Cheh	-	-	-	-
A.Hopkins	5,821,000	-	-	5,821,000
J.Campbell	-	-	-	-
Total	19,306,410	-	-	19,306,410

Option holdings of Key Management Personnel

No options were held by Key Management Personnel during the current year or previous year.

During the reporting period, fees for administrative, accounting and consulting fees of \$102,619 (excluding GST) were charged by Indian Ocean Advisory Group Pty Ltd (which includes \$22,000 director fees charged by Mr Luke Martino), rent of \$22,000 (excluding GST) was charged by Indian Ocean Property Group Pty Ltd and company secretary fees of \$15,000 (excluding GST) for services performed by Ms Louisa Martino and advisory fees of \$25,000 (excluding GST) was charged by Indian Ocean Corporate 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. Mr Domenic Martino is a Director of Indian Ocean Corporate Group Pty Ltd. Mr Luke Martino and Mr Domenic Martino are Directors of Indian Ocean Property Group Pty Ltd. The amount outstanding at year end is \$nil.

End of Remuneration Report

CORPORATE GOVERNANCE

The Directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standards of corporate behaviour and accountability. Please refer to the Corporate Governance Statement that is available on the Company's website at www.panasiacorp.com.au.

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 financial report. This Independence Declaration is set out on page 18 and forms part of this Directors' report for the year ended 30 June 2017.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided by the auditor are outlined in Note 20 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



Michael Pixley
Non-Executive Director

29 September 2017

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 2017, 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
29 September 2017

L Di Giallonardo

L Di Giallonardo
Partner

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	CONSOLIDATED	
		2017	Restated 2016*
		\$	\$
Revenue	4(a)	65	429
Other expenses	4(b)	(611,656)	(792,038)
Loss before income tax		(611,591)	(791,609)
Income tax benefit	5	-	-
Net (loss) for the period		(611,591)	(791,609)
Other comprehensive income for the period			
<i>Items that may be classified to profit or loss:</i>			
Exchange differences on translation of foreign operations		135,652	(141,417)
Income tax relating to these items		-	-
Other comprehensive income/(loss) for the year, net of tax		135,652	(141,417)
Total comprehensive (loss) for the period		(475,939)	(933,026)
The net loss for the period is attributable to:			
Owners of the parent		(596,831)	(758,799)
Non-controlling interest		(14,760)	(32,810)
		(611,591)	(791,609)
The total comprehensive (loss) for the period is attributable to:			
Owners of the parent		(541,890)	(813,917)
Non-controlling interest		65,951	(119,109)
		(475,939)	(933,026)
Basic loss per share	6	(0.12)	(0.17)

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

* Refer to Note 3 for details of the restatement for the voluntary change in accounting policy.

STATEMENT OF FINANCIAL POSITION

	Notes	CONSOLIDATED	
		2017	Restated 2016*
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7	10,979	5,298
Trade and other receivables	8	3,667	10,585
Prepayments		19,244	21,018
Total Current Assets		33,890	36,901
Non-Current Assets			
Plant and equipment	10	37,283	48,203
Loans to other entities	9(a)	-	144,203
Total Non-Current Assets		37,283	192,406
TOTAL ASSETS		71,173	229,307
LIABILITIES			
Current Liabilities			
Trade and other payables	11	737,020	1,140,817
Borrowings	14(a)	21,690	16,270
Loans from other entities	12	3,679,443	3,600,126
Other liabilities	13	652,498	-
Total Current Liabilities		5,090,651	4,757,213
Non-Current Liabilities			
Borrowings	14(b)	28,579	44,212
Total Non-Current Liabilities		28,579	44,212
TOTAL LIABILITIES		5,119,230	4,801,425
NET ASSETS/(LIABILITIES)		(5,048,057)	(4,572,118)
EQUITY			
Issued capital	15	59,394,571	59,394,571
Reserves	16	(47,253)	(102,194)
Accumulated losses		(61,672,976)	(61,076,145)
Parent entity interest		(2,325,658)	(1,783,768)
Non-controlling interest		(2,722,399)	(2,788,350)
TOTAL EQUITY/(DEFICIENCY)		(5,048,057)	(4,572,118)

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

* Refer to Note 3 for details of the restatement for the voluntary change in accounting policy.

STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non-controlling Interest \$	Total Equity \$
Restated balance at 30 June 2015 *	58,475,942	(47,076)	(60,317,346)	(2,669,241)	(4,557,721)
Loss for the year	-	-	(758,799)	(32,810)	(791,609)
Exchange differences arising on translation of foreign operations	-	(55,118)	-	(86,299)	(141,417)
Total comprehensive loss	-	(55,118)	(758,799)	(119,109)	(933,026)
Shares issued during the year (net of share issue costs)	918,629	-	-	-	918,629
Restated balance at 30 June 2016 *	59,394,571	(102,194)	(61,076,145)	(2,788,350)	(4,572,118)
Loss for the year	-	-	(596,831)	(14,760)	(611,591)
Exchange differences arising on translation of foreign operations	-	54,941	-	80,711	(135,652)
Total comprehensive loss	-	54,941	(596,831)	65,951	(475,939)
Shares issued during the year (net of share issue costs)	-	-	-	-	-
Balance at 30 June 2017	59,394,571	(47,253)	(61,672,976)	(2,722,399)	(5,048,057)

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

* Refer to Note 3 for details of the restatement for the voluntary change in accounting policy.

STATEMENT OF CASH FLOWS

	Notes	CONSOLIDATED	
		2017 \$	Restated 2016 * \$
Cash flows from operating activities			
Interest received		64	429
Payments to suppliers and employees		(824,663)	(1,038,189)
Interest and income taxes paid		-	(301)
Net cash flows used in operating activities	7	<u>(824,599)</u>	<u>(1,038,061)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(1,019)
Repayments made to related parties		-	(10,348)
Advance payment received on sale of TCM Project		652,498	-
Net cash flows from/(used in) investing activities		<u>652,498</u>	<u>(11,367)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of share issue costs)		-	918,629
Proceeds from convertible notes		177,735	-
Net cash flows from financing activities		<u>177,735</u>	<u>918,629</u>
Net increase/(decrease) in cash and cash equivalents		5,634	(130,799)
Cash and cash equivalents at beginning of year		5,298	135,985
Exchange rate fluctuations on cash held		(47)	112
Cash and cash equivalents at end of year	7	<u>10,979</u>	<u>5,298</u>

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

* Refer to Note 3 for details of the restatement for the voluntary change in accounting policy.

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.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

(b) Adoption of new and revised standards

Changes in accounting policies on the application of Accounting Standards

In the year ended 30 June 2017, 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 2017. 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 29 September 2017.

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 2017.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

There were no areas that involved critical accounting judgements or key sources of examination in the current or previous year

(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:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition (continued)

- 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 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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income Tax (continued)

- 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.

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\$).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Foreign currency translation (continued)

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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of asset (continued)

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 expenditure is expensed to profit or loss as incurred. The financial report has been prepared on the basis of a retrospectively applied voluntary change in accounting policy related to exploration and evaluation expenditure (refer to Note 3 for further details). The previous accounting policy was to capitalise exploration and evaluation expenditure incurred and carry forward as an asset when costs were expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area had not yet reached a stage which permitted a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations were continuing.

The directors believe that this change in policy will result in more relevant and reliable information in the financial report. Exploration and evaluation assets are inherently uncertain and expensing as incurred results in a more transparent financial position and profit and loss. Furthermore, the newly adopted accounting policy is consistent with those of many other exploration and mining companies.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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-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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Share-based payment transactions (continued)

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 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/loss per share (see Note 6).

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Going Concern

In the year ended 30 June 2017, the Group recorded a net loss of \$611,591 and a net operating cash outflow of \$824,599. The Group has a working capital deficiency of \$5,056,761 as at 30 June 2017, due principally to the current nature of the amount owing to KOPEX Mining of USD 2,767,500 (comprising loans of USD 2,530,000 and other payables of USD 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. The Group also has a net asset deficiency of \$5,048,057 at balance date.

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 year ended 30 June 2017, 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 to sell the Company's 75% interest in TCM for SGD 30 million, with Pan Asia to receive the consideration for sale on a successful listing of the TCM project on the Singapore Stock Exchange (SGX) catalyst listing ("Agreement"). The Agreement was 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 be repaid through that transaction i.e. from funds raised by Universal in connection with its IPO. While Pan Asia has endeavoured to be accommodating to Universal, the Company believes the conditions in that agreement were not met resulting in the Company and the TCM Project's ongoing survival being placed in jeopardy. The Company then had no choice but to seek an alternative and certain way forward with the TCM Project.

In May 2017, the company announced that it had entered into a Heads of Agreement with GM for the potential sale of the Company's 100% owned subsidiary, IWM, which has a 75% interest in PT. Transcoal Minergy, the registered holder of the TCM Project. The Heads of Agreement includes the following terms:

1. USD 1,000,000 to be paid in accordance with the following:
 - a) USD 500,000 paid to the Company prior to 30 June 2017 (AUD\$652,498); and
 - b) USD 500,000 paid to an independent consultant prior to 30 June 2017 to carry out an updated feasibility study on the TCM Project;
2. The Execution of a Share Purchase Agreement and the completion of all conditions within that agreement; these conditions are extensive and include full due diligence for up to six months, approvals from PZC shareholders, any necessary approvals from all regulatory and other bodies involved, and the project and IWM being cleared of any liabilities or claims.

Should the transaction not proceed after the due diligence period, GM will receive a 20% interest in the TCM Project in respect of the USD 1,000,000 invested and in the event that this cannot be provided by Pan Asia it shall be provided from the Indonesian project partners who will then receive 73,599,685 shares in the Company. If the transaction is to proceed, Pan Asia will receive USD 9.25 million less any costs/debts on the project that remain to be cleared. These costs/debts include amounts owing to Kopex under their loan agreement, any contingent amounts due to Polo under the Pledge of Shares security arrangements and any outstanding arrears still due in Indonesia in respect of the TCM Project. A facilitation fee is payable to third parties should the Transaction complete, which has been set at 10% of the net amount to be received by Pan Asia, being USD 9.25 million, less costs/debts as previously specified and deducted. This equates to between 5% - 6% of the total sale value.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Going Concern (Continued)

The Company notes that there is a risk that if the KOPEX 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, the Company will 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 will be required to ensure that the Group can continue to fund its operations at least for the next 12 months from the date of this report.

In the past 36 months, the Board has been successful in seeking the following financing opportunities for the Group:

- 9 September 2014 - Raised \$1.6 million in an underwritten rights issue;
- 16 March 2015 - Placement of 54,000,000 shares at \$0.005, raised \$270,000 to sophisticated investor Select Equity Growth Limited;
- 21 April 2015 - Executed Convertible Note Agreement for \$5 million with Coleman Ventures Limited, convertible at \$0.007 per share with \$2 million drawn down for year 1 and a further \$3 million available to be drawn down in year 2. Coupon rate was 3% per annum. This convertible note agreement expired on 21 April 2017;
- 6 August 2015 - Successfully closed Entitlements Issue raising of approximately \$918,000 at \$0.007 per share.

Subsequent to year end, the Board has been successful in seeking the following financing opportunities for the Group:

- 3 July 2017 - Placement of 97,642,249 shares at \$0.003, raised \$292,927;
- 18 July 2017 - Placement of 25,023,592 shares at \$0.003, raised \$75,071;
- 21 August 2017 - Pro-rata, non-renounceable, fully underwritten rights issue offered up to 613,330,708 fully paid ordinary shares at an issue price of \$0.002. The company received acceptances for total of 27,721,270 shares at \$0.002 raising \$55,442. Company has placed the shortfall of shares of 585,609,438 (\$1,171,219) over the 30 days up to 10 October 17. Any shortfall remaining will be subscribed to by underwriter.

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: SEGMENT REPORTING

The following table presents revenue and result information and certain asset and liability information regarding the relevant segments for the year ended 30 June 2017 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.

30 June 2017 segments:

	Australia \$	Indonesia \$	Total \$
Segment result			
Other revenue	(65)	-	(65)
Supplier, consulting, investor relations and other	60,683	-	60,683
Employment and occupancy costs	29,972	59,039	89,011
Depreciation	10,774	-	10,774
Segment result	(552,552)	(59,039)	(611,591)
Segment assets and liabilities			
Property, plant and equipment	32,408	4,876	37,283
Loans to/(from) other entities	(1,030,233)	(3,301,708)	(4,331,941)
Segment assets	55,809	15,364	71,173
Segment liabilities	(1,178,624)	(3,940,606)	(5,119,230)

Revised 30 June 2016 segments*:

	Australia \$	Indonesia \$	Total \$
Segment result			
Other revenue	429	-	429
Supplier, consulting, investor relations and other	154,005	-	154,005
Employment and occupancy costs	137,178	18,052	155,230
Depreciation	14,577	2,012	16,589
Segment result	(637,635)	(153,975)	(791,609)
Segment assets and liabilities			
Property, plant and equipment	43,182	5,021	48,203
Loans to/(from) other entities	55,797	(3,400,126)	(3,455,923)
Segment assets	213,484	15,822	229,306
Segment liabilities	(2,985,262)	(1,816,163)	(4,801,425)

* Refer to Note 3 for details of the restatement for the voluntary change in accounting policy.

NOTE 3: VOLUNTARY CHANGE IN ACCOUNTING POLICY

(a) Exploration and Evaluation Accounting Policy

The financial report has been prepared on the basis of a retrospectively applied voluntary change in accounting policy related to exploration and evaluation expenditure. The previous accounting policy was to capitalise exploration and evaluation expenditure incurred and carry forward as an asset when costs were expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area had not yet reached a stage which permitted a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations were continuing.

The directors believe that this change in policy will result in more relevant and reliable information in the financial report. Exploration and evaluation assets are inherently uncertain and expensing as incurred results in a more transparent financial position and profit and loss. Furthermore, the newly adopted accounting policy is consistent with those of many other exploration and mining companies.

(b) Impact on Financial Statements

As a result of the change in accounting policy for exploration and evaluation expenditure, prior year financial statements had to be restated. The amount disclosed for the 2016 reporting period and in the statement of financial position as at 1 July 2015 and 30 June 2016 are after the change in accounting policy for exploration and evaluation expenditure.

Consolidated statement of profit or loss and other comprehensive income

	Previously stated 30 Jun 16 \$	Loss (Increase)/ Decrease \$	Restated 2016* \$
Revenue	429	-	429
Other expenses	(661,100)	(130,938)	(792,038)
Loss before income tax	(660,671)	(130,938)	(791,609)
Income tax benefit	-	-	-
	(660,671)	(130,938)	(791,609)

NOTE 3: VOLUNTARY CHANGE IN ACCOUNTING POLICY (CONTINUED)

Revenue and Expenses from Continuing Operations

	CONSOLIDATED		
	Previously stated 30 Jun 16	Loss Increase/ (Decrease)	Restated 2016*
	\$	\$	\$
(a) Revenue			
Interest income	429	-	429
	429	-	429
(b) Other expenses			
Accounting, audit and legal fees	139,888	-	139,888
Bank charges	2,695	-	2,695
Consulting, supplier, investor relations and other	154,005	-	154,005
Corporate and other administration fees	36,674	-	36,674
Exploration expense	-	130,938	130,938
Directors' fees	84,000	-	84,000
Interest	301	-	301
Depreciation expense	16,589	-	16,589
Employment and occupancy costs	155,230	-	155,230
Stock exchange and share registry expenses	37,013	-	37,013
Travel and accommodation expense	17,770	-	17,770
Other	16,935	-	16,935
	661,100	130,938	792,038

NOTE 3: VOLUNTARY CHANGE IN ACCOUNTING POLICY (CONTINUED)

Statement of Financial Position

	CONSOLIDATED		
	Previously stated 30 June 2016	Increase/ (Decrease)	Restated 30 June 2016*
	\$	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5,298	-	5,298
Trade and other receivables	10,585	-	10,585
Prepayments	21,017	-	21,018
Total Current Assets	<u>36,900</u>	<u>-</u>	<u>36,901</u>
Non-Current Assets			
Plant and equipment	48,203	-	48,203
Deferred exploration expenditure	19,311,753	(19,311,753)	-
Loans to other entities	144,203	-	144,203
Total Non-Current Assets	<u>19,504,159</u>	<u>(19,311,753)</u>	<u>192,406</u>
TOTAL ASSETS	<u>19,541,059</u>	<u>(19,311,753)</u>	<u>229,307</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	1,140,817	-	1,140,817
Borrowings	16,270	-	16,270
Loans from other entities	3,600,126	-	3,600,126
Total Current Liabilities	<u>4,757,213</u>	<u>-</u>	<u>4,757,213</u>
Non-Current Liabilities			
Borrowings	44,212	-	44,212
Deferred tax liability	2,315,499	(2,315,499)	-
Total Non-Current Liabilities	<u>2,359,711</u>	<u>(2,315,499)</u>	<u>44,212</u>
TOTAL LIABILITIES	<u>7,116,924</u>	<u>(2,315,499)</u>	<u>(4,801,425)</u>
NET ASSETS	<u>12,424,135</u>	<u>(16,996,253)</u>	<u>(4,572,118)</u>
EQUITY			
Issued capital	59,394,571	-	59,394,571
Reserves	1,592,369	(1,694,563)	102,194
Accumulated losses	(50,019,892)	(11,056,253)	(61,076,145)
Parent entity interest	10,967,048	(12,750,816)	(1,783,768)
Non-controlling interest	1,457,087	(4,245,437)	(2,788,350)
TOTAL EQUITY	<u>12,424,135</u>	<u>(16,996,253)</u>	<u>(4,572,118)</u>

NOTE 4: REVENUES AND EXPENSES

Revenue and Expenses from Continuing Operations

	CONSOLIDATED	
	2017	Restated 2016*
	\$	\$
(c) Revenue		
Interest income	65	429
	65	429
(d) Other expenses		
Accounting, audit and legal fees	128,543	139,888
Bank charges	1,066	2,695
Consulting, supplier, investor relations and other	60,683	154,005
Corporate and other administration fees	18,496	36,674
Exploration expense	-	130,938
Directors' fees	134,000	84,000
Impairment of loan	144,203	-
Interest	-	301
Depreciation expense	10,774	16,589
Employment and occupancy costs	89,011	155,230
Stock exchange and share registry expenses	10,571	37,013
Travel and accommodation expense	5,296	17,770
Other	9,013	16,935
	611,656	792,038

* Refer to Note 3 for details about the restatement for the voluntary change in accounting policy.

NOTE 5: 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	
	2017	Restated 2016
	\$	\$
Operating loss before income tax	(611,591)	(791,609)
Prima facie benefit on loss from ordinary activities (27.5% in 2016/17) (28.5% in 2015/16)	168,187	225,609
Tax effect of amounts which are taxable (deductible) in calculating taxable income		
- Non-deductible expenditure	-	(11,612)
- Capitalised exploration expenditure	-	15,733
Deferred Tax Asset (DTA) on temporary differences and tax losses not brought to account	168,187	229,730
Income tax benefit for the year	-	-
 <i>Deferred tax assets not brought to account at balance date</i>		
Tax losses not brought to account	20,706,358	20,280,765
Potential tax benefit	5,694,248	5,780,018

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 6: 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 6: LOSS PER SHARE (CONTINUED)

The following reflects the loss and weighted average number of ordinary shares used in the basic loss per share computations:

	CONSOLIDATED	
	2017	Restated 2016*
	\$	\$
Loss for the year	(611,591)	(791,609)
Weighted average number of ordinary shares for basic loss per share	490,664,567	475,174,706

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.

* Refer to Note 3 for details of the restatement for the voluntary change in accounting policy.

NOTE 7: CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2017	2016
	\$	\$
Cash at bank and cash on hand	10,979	5,298
	<u>10,979</u>	<u>5,298</u>

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 2016 and 30 June 2017.

The fair value of cash and cash equivalents is \$10,979 (2016: \$5,298).

NOTE 7: CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Note	CONSOLIDATED	
		2017 \$	Restated 2016* \$
Loss from ordinary activities after income tax	3	(611,591)	(791,609)
Depreciation and amortisation of property, plant and equipment		10,774	16,589
Loan written off		144,203	-
(Increase)/decrease in receivables		8,692	8,544
(Increase)/decrease in payables		(376,677)	(271,585)
Net cash flows (used in) operating activities		(824,599)	(1,038,061)

* Refer to Note 3 for details of the restatement for the voluntary change in accounting policy.

NOTE 8: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2017 \$	2016 \$
(a) Current		
Trade receivables (i)	3,667	10,585
	<u>3,667</u>	<u>10,585</u>

(i) Trade receivables are non-interest bearing.

NOTE 9: LOANS TO OTHER ENTITIES

	CONSOLIDATED	
	2017 \$	2016 \$
(a) Non Current		
Other loans (i)	-	144,203
Total loans to other entities	-	144,203

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

NOTE 10: PLANT AND EQUIPMENT

	CONSOLIDATED	
	2017	2016
	\$	\$
At beginning of the year, net of accumulated depreciation and impairment	48,203	63,585
Additions	-	1,207
Disposals	(146)	-
Depreciation	(10,774)	(16,589)
At end of the year, net of accumulation depreciation and impairment	37,283	48,203
At 30 June 2016		
Cost at fair value	172,473	
Accumulated depreciation and Impairment	(124,270)	
Net carrying amount	48,203	
At 30 June 2017		
Cost at fair value	172,197	
Accumulated depreciation and Impairment	(134,914)	
Net carrying amount	37,283	

NOTE 11: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2017	2016
	\$	\$
Current Unsecured Liabilities:		
Trade payables (i)	671,744	1,102,817
Overpayment	8,776	-
Accrued expenses (ii)	56,500	38,000
Total trade and other payables	737,020	1,140,817

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

NOTE 12: LOANS FROM OTHER ENTITIES

	CONSOLIDATED	
	2017	2016
Current	\$	\$
Loan payable to KOPEX Mining (i)	2,053,601	2,114,815
Loan payable to KOPEX Mining (ii)	1,248,107	1,285,311
Loans payable to other parties (iii)	377,735	200,000
Total loans from other entities	3,679,443	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 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 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 included under trade and other payables).

The total of USD 2,767,600 was to be repaid in two instalments- USD 1,500,000 to be repaid by 15 January 2015 and the remaining USD 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 13: OTHER LIABILITIES

	CONSOLIDATED	
	2017	2016
Current	\$	\$
Other liabilities – Glory Merry Limited (initial consideration)	652,498	-
Total other liabilities	652,498	-

The Company entered into a Heads of Agreement with Glory Merry Limited (GM) for the potential sale of the Company's 100% owned subsidiary, Innovation West Mantewe Pte Limited, which has a 75% interest in PT. Transcoal Minergy, the registered holder of production operation mining business licence. The Heads of Agreement includes the payment of USD 500,000 paid to the Company (\$652,498). Refer to review of operations on page 4 for further details regarding the transaction.

NOTE 14: BORROWINGS

	CONSOLIDATED	
	2017 \$	2016 \$
(a) Current		
Motor vehicle hire purchase liability	21,690	16,270
Total borrowings	21,690	16,270
(b) Non Current		
Motor vehicle hire purchase liability	28,579	44,212
Total borrowings	28,579	44,212

NOTE 15: ISSUED CAPITAL

	CONSOLIDATED			
	2017 \$		2016 \$	
Ordinary shares issued and fully paid	59,394,571		59,394,571	
	No. of Shares	2017 \$	No. of Shares	2016 \$
<i>Movements in ordinary shares on issue</i>				
At start of year	490,664,567	59,394,571	359,180,859	58,475,942
- Rights issued to existing shareholders	-	-	131,483,708	920,386
- Less share issue costs	-	-	-	(1,757)
At end of year	490,664,567	59,394,571	490,664,567	59,394,571

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTE 16: RESERVES

Movements in foreign currency translation reserve

	CONSOLIDATED	
	2017	Restated* 2016
	\$	\$
At start of year	(102,194)	(47,074)
- Exchange rate differences arising on translation of foreign operations	54,941	(55,118)
At end of year	(47,253)	(102,194)

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

NOTE 17: FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2017	2016
	\$	\$
Categories of financial instruments		
Financial assets		
Cash and cash equivalents	10,979	5,298
Receivables	3,667	10,585
Loans to other entities	-	144,203
	14,646	160,086
Financial liabilities		
Trade and other payables	737,020	1,140,817
Borrowings	50,269	60,482
Loans from other entities	3,679,443	3,600,126
	4,466,732	4,801,425

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.

NOTE 17: FINANCIAL INSTRUMENTS (CONTINUED)

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 and interest bearing loans.

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 2016.

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/ accumulated losses.

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 2017	Liabilities	Assets
US dollars	3,519,568	-

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 17: FINANCIAL INSTRUMENTS (CONTINUED)

	CONSOLIDATED
	2017
	USD
AUD/USD +10%	351,956
AUD/USD - 10%	(351,956)

Liquidity risk

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

	<1 month	1-3 months	3 months-1year	1-5 years	5+ years	Total
Year ended 30 June 2017	\$	\$	\$	\$	\$	\$

CONSOLIDATED

Non-interest bearing liabilities	5,119,230	-	-	-	-	5,119,230
----------------------------------	-----------	---	---	---	---	-----------

	<1 month	1-3 months	3 months-1year	1-5 years	5+ years	Total
Year ended 30 June 2016	\$	\$	\$	\$	\$	\$

CONSOLIDATED

Non-interest bearing liabilities	4,801,425	-	-	-	-	4,801,425
----------------------------------	-----------	---	---	---	---	-----------

NOTE 18: 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 2017	% Interest 30 June 2016
Innovation West Pty Ltd	Australia	100	100
Innovation West Mentewe 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 Mantewe Pte Ltd which holds a 75% interest in PT Transcoal Minergy.

Pan Asia Corporation Limited is the ultimate Australian parent entity and ultimate parent of the Group.

NOTE 18: RELATED PARTY DISCLOSURE (CONTINUED)

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

During the reporting period, fees for administrative, accounting and consulting fees of \$102,619 (excluding GST) were charged by Indian Ocean Advisory Group Pty Ltd (which includes \$22,000 director fees charged by Mr Luke Martino), rent of \$22,000 (excluding GST) was charged by Indian Ocean Property Group Pty Ltd and company secretary fees of \$15,000 (excluding GST) for services performed by Ms Louisa Martino and advisory fees of \$25,000 (excluding GST) was charged by Indian Ocean Corporate 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. Mr Domenic Martino is a Director of Indian Ocean Corporate Group Pty Ltd. Mr Luke Martino and Mr Domenic Martino are Directors of Indian Ocean Property Group Pty Ltd. The amount outstanding at year end is \$nil.

On 21 April 2015 Pan Asia executed a convertible note agreement with Coleman Ventures Limited (CVL) for \$5m. Mr Lee Chin Cheh is a Director of CVL. The loan payable to CVL at balance date is \$377,735 (2016: \$200,000). The convertible note agreement expired on 21 April 2017.

NOTE 19: EVENTS AFTER THE BALANCE DATE

On 3 July 2017, the Company issued 97,642,249 fully paid ordinary shares at an issue price of \$0.003 per share. The issue of these shares raised \$292,927 to fund working capital and review new projects. These share rank equally with existing ordinary shares on issue.

On 18 July 2017, the Company issued 25,023,592 shares at an issue price of \$0.003 per share. The issue of these shares raised \$75,071 to fund working capital and review new projects. These share rank equally with existing ordinary shares on issue.

On 21 August 2017, the Company undertook a pro-rata, non-renounceable, fully underwritten rights issue that offered up to 613,330,708 fully paid ordinary shares at an issue price of \$0.002. The Company received acceptances for total of 27,721,270 shares at \$0.002 raising \$55,442. The Company will to place the shortfall of shares of 585,609,438 (\$1,171,219) over the 30 days up to 10 October 2017. Any shortfall remaining will be subscribed to by the underwriter.

The Directors are not aware of any other matters or circumstances that have arisen since 30 June 2017 which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 20: AUDITORS' REMUNERATION

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

	CONSOLIDATED	
	2017	2016
	\$	\$
Amounts due and received by the auditor for:		
- audit or review of the financial report	31,500	39,000
- preparations of an independent expert's report	-	13,000
	31,500	52,000

NOTE 21: COMMITMENTS AND CONTINGENCIES

The Company and Kopex are in continuing correspondence regarding repayment of the Kopex Loan as Kopex disputes that the Kopex Loan should be repaid from proceeds of the sale of the TCM Project to Universal. Kopex have recently, through their lawyers, 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.

In June 2015, the Company entered into a conditional agreement with Universal under which they were to undertake to list the TCM project on the Singapore Stock Exchange. In return, Pan Asia was to receive SGD 30 million in shares in the listed company. In May 2016, the Company entered into a highly conditional share sale and purchase agreement with Universal. Additionally, to assist Universal raise funds for the project's proposed listing by way of a Convertible Note Financing from Polo Investments Pte Ltd ("Polo"), Pan Asia provided the TCM asset as an additional security for Polo, in the event that the convertible note was not repaid by Universal. The principle of Universal provided personal guarantees to both Polo and Pan Asia to cover in the event Universal failed and could not repay the loan from Polo. While Pan Asia has endeavoured to be accommodating to Universal, the Company believes the conditions in that agreement were not met resulting in the Company and the TCM Project's ongoing survival being placed in jeopardy. The Company then had no choice but to seek an alternative and certain way forward with the TCM Project. The Company plans to further engage with Polo to seek a commercial restructuring of this security in the event the current potential sale of the TCM Project does proceed to a point where a sale of Pan Asia's interest to Glory Merry is to occur. In the event Polo serves a notice of enforcement of its security provided by Pan Asia, the Company has six months to sell the project, repay Polo for Universal's debt and seek redress from Universal and its guarantor.

NOTE 22: 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 2017.

The totals of remuneration paid to KMP of the Group during the year are as follows:

	CONSOLIDATED	
	2017	2016
	\$	\$
Short-term employment benefits	159,750	349,556
Post-employment benefits	-	11,358
Non-monetary benefits	-	8,519
	159,750	369,433

NOTE 23: PARENT ENTITY DISCLOSURES

Financial position

	2017	Restated*
	\$	2016
		\$
Assets		
Current assets	23,209	26,049
Non-current assets	32,408	43,182
Total assets	<u>55,617</u>	<u>69,231</u>
Liabilities		
Current liabilities	483,459	611,633
Non-current liabilities	28,579	44,212
Total liabilities	<u>512,038</u>	<u>655,845</u>
Equity		
Issued capital	59,394,469	59,394,469
Accumulated losses	(59,850,890)	(59,981,083)
Share based payments reserve	-	-
Total equity/(deficiency)	<u>(456,421)</u>	<u>(586,614)</u>

Financial performance

	2017	Restated*
	\$	2016
		\$
Loss for the year	(130,193)	(361,650)
Other comprehensive income	-	-
Total comprehensive loss	<u>(130,193)</u>	<u>(361,650)</u>

* Refer to Note 3 for details of the restatement for the voluntary change in accounting policy.

DIRECTORS' DECLARATION

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 2017 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 2017.

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



Michael Pixley
Non-Executive Director

Dated 29 September 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Pan Asia Corporation Limited

Report on the Audit of the Financial Report*Opinion*

We have audited the financial report of Pan Asia Corporation Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1(w) in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern*, we have determined the matters described below to be the key audit matters to be communicated in our report.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Liability limited by a scheme approved under Professional Standards Legislation

Key Audit Matter**How our audit addressed the key audit matter**

Voluntary change in accounting policy

(Refer to Note 3)

During the year, the Group changed its accounting policy regarding its treatment of exploration and evaluation expenditure. In previous financial years, exploration and evaluation expenditure, including acquisition costs, in relation to areas of interest which had not reached a stage which permitted reasonable assessment of the existence or otherwise of economically recoverable reserves, was capitalised. The Group then assessed whether any indicators of impairment existed which would require the Group to assess capitalised exploration and evaluation expenditure for impairment. The new accounting policy is to expense exploration and evaluation expenditure, including the cost of acquisition, in the year when it is incurred.

The change in accounting policy resulted in the restatement of affected 2016 balances and the disclosure of the restatement of balances reported in the 2016 financial report.

The change in accounting policy was a key audit matter due to the size and scope of the change and impact on the presentation of the financial statements.

Our procedures included but were not limited to the following:

- We considered the appropriateness of the change in accounting policy, ensuring that the disclosure requirements set out in AASB 108 were complied with.
- We reconciled the restated balances to the prior year audited balances ensuring that the change was correctly calculated and disclosed in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Pan Asia Corporation Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



HLB Mann Judd
Chartered Accountants



L Di Giallonardo
Partner

Perth, Western Australia
29 September 2017

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is complete up to 20 September 2017.

(a) Ordinary Shares

i) Distribution of ordinary shares

- 641,051,978 fully paid shares held by 811 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:

	No of Holders
1 – 1,000	110
1,001 – 5,000	95
5,001 – 10,000	50
10,001 – 100,000	325
100,001 and over	231
Total	811
Holding less than a marketable parcel	620

iii) Substantial Shareholders (fully paid shares)

There are four shareholders registered with 5% or more of the issued shares of the Company as of 19 September 2016.

	Fully Paid Number	%IC
BNP PARIBAS NOMINEES PTY LTD	171,853,800	26.81
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	111,873,931	17.45
INVESTMENT ADVISERS ALLIANCE PTY LIMITED	62,642,249	9.77
BENJAMIN CAI	48,453,892	7.56

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

Name	Fully Paid Number	%IC
BNP PARIBAS NOMINEES PTY LIMITED	171,853,800	26.81
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	111,873,931	17.45
INVESTMENT ADVISERS ALLIANCE PTY LIMITED	62,642,249	9.77
BENJMIN CAI	48,453,892	7.56
LANESBOROUGH INVESTMENT PTE LTD	24,000,000	3.74
KLEN PTY LIMITED	11,500,000	1.79
CITICORP NOMINEES PTY LIMITED	10,049,400	1.57
MR ANTHONY JOHN MORGAN	7,270,000	1.13
NATIONAL NOMINEES LIMITED	6,750,000	1.05
CHING MING LAU	6,230,000	0.97
TIMOTHY KANG	6,000,000	0.94
GA & AM LEAVER INVESTMENTS PTY LIMITED	6,000,000	0.94
KHAM & MARY MA PTY LTD	5,000,499	0.78
ANDREW LLOYD WHITE	5,000,000	0.78

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (continued)

LIM ENTERPRISES (WA) PTY LTD	5,000,000	0.78
CHERYL UMOH	5,000,000	0.78
DK KENNEDY SUPERANNUATION PTY LIMITED	5,000,000	0.78
MONEY BOOM SECURITIES (HK) LTD	3,270,000	0.51
GREGORY MACDONAL BALL	3,000,000	0.47
ANGELINA HUI MIN TAN	2,600,000	0.41
ADRIAN PAUL FLITNEY	2,600,000	0.41

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

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%

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 Kabupaten 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.

TCM PROJECT JORC RESOURCES *

	CURRENT			TOTAL Mt
	Measured Mt	Indicated Mt	Inferred 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

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (continued)

Weighted average value for S5+S6	5.10	3.75	12.75	42.00	41.55	1.02	6680	1.36
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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	°C	>1600	>1600
Spherical	°C	>1600	>1600
Hemispherical	°C	>1600	>1600
Flow	°C	>1600	>1600
Ash Chemistry - From F1.60 coal analysis only			
Silica as SiO ₂	%	51.4	
Aluminium as Al ₂ O ₃	%	31.0	
Iron as Fe ₂ O ₃	%	8.6	
Calcium as CaO	%	2.35	
Magnesium as MgO	%	0.50	
Titanium as TiO ₂	%	3.05	
Sodium as Na ₂ O	%	0.50	
Potassium as K ₂ O	%	0.12	
Manganese as Mn ₃ O ₄	%	0.039	
Phosphorus as P ₂ O ₅	%	0.221	
Sulfur as SO ₃	%	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 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.

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.



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