

ASX / MEDIA ANNOUNCEMENT

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March 2018 QUARTERLY ACTIVITIES REPORT

Pan Asia Corporation Limited (ASX: **PZC**) (the Company) is pleased to report on its activities for the quarter ending 31st March 2018 (the Quarter).

HIGHLIGHTS

- **Moving towards finalization of the Potential Cash Sale of Interest in TCM Project**
- **As recently announced, TCM completion date has been extended to 31 May 2018**
- **Ongoing Review and negotiation 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**
- **GM confirms intention to complete**
- **Potential Sale subject to shareholder, regulatory and other approvals**

Overview

In May 2017, the Company announced that it had entered in to 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 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, Innovation West Mantewe Pte Limited (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 million to be paid in accordance with the following:
 - a) USD 500,000 paid to the Company; and
 - b) USD 500,000 paid to an independent consultant 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, 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 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.

GM's due diligence is complete with the project economics outcome appearing positive. Some delay in completion has been encountered as a result of waiting on access licenses that affect the cost assumptions of the due diligence costing analysis. These licenses are in process and are expected to be received shortly. As such GM has confirmed to the Company that they intend to complete the purchase.

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 endeavored 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 New Emerald Coal Pty Limited (NEC). The PZC executive team is in constant negotiation with NEC on advancing the previously announced possible transaction. PZC has made available a secured loan of \$1,068,915 bearing an interest rate of 12% to further this transaction.

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

Mining Tenement Details

The Company owns a 75% interest in PT Transcoal Minergy, the owner of mining operation production licence 545/091/IUP-OP/D.PE/2010 dated 28 April 2010, located in the Tanah Bumbu Province in the Regency of South Kalimantan, Indonesia