



ABN 45 098 448 269

Annual Financial Report
For the Year Ended
30 June 2018

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CORPORATE INFORMATION**Directors**

Gary Williams	Director
Michael Pixley	Director
Lee Chin Cheh	Non- Executive Director

Auditor

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000
Telephone: +61 (8) 9227 7500
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Senior Executive Team

Brett Crowley	Company Secretary
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Australian Business Number

45 098 448 269

Share Registry

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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

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

A Heads of Agreement was 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 included 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 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 were 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.

During the year the terms of the Agreement were extended to include further time for due diligence and shareholder approval. Subsequent to year end, the Company entered into a further agreement in respect of the TCM Project (refer "Significant Events after Balance Date in the Directors' Report").

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, particularly with the potential acquisition of coal assets in Queensland (see below).

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).

This transaction has been progressing, and during the year the Company loaned money to NEC to advance these coal projects. The key terms of the loan are as follows:

The principal amount of the loan is up to \$1.5 million;

- a) the repayment date is 21 February 2019;
- b) interest is payable at 12% per annum;
- c) interest is calculated on a daily basis from the date of each drawdown;
- d) NEC can prepay the loan upon giving one months' notice; and
- e) the loan is secured by a second ranking general security agreement over all present and after-acquired property of NEC.

On 21 May 2018, NEC was placed into voluntary administration and a receiver was appointed. PZC has security over its debt, which will be recovered or the Company will acquire the NEC assets as part of a proposed restructure of NEC.

The Company will progress with this potential acquisition in the 2019 financial year.

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 2018.

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

Gary Williams	Director	
Michael Pixley	Director	
Lee Chin Cheh	Non-executive Director	
Peter Chai	Chairman	Resigned 29 November 2017
Sean Chai	Director	Resigned 29 November 2017
Domenic Martino	Former Chairman	Resigned 4 July 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

Gary Williams (Director)

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 (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."

Peter Chai (Former Non- Executive Chairman) Resigned 29 November 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 (Former 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) Resigned 29 November 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.

Brett Crowley (Company Secretary)

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.

OTHER CURRENT DIRECTORSHIPS

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

PREVIOUS DIRECTORSHIPS IN THE LAST 3 YEARS

Gary Williams	Nil
Lee Chin Cheh	Nil
Michael Pixley	OKLO Resources Limited (Director) – March 2013 to November 2014; APAC Coal Limited (Director) – April 2016 to March 2017
Domenic Martino	Food Revolution Group (Director) – February 2016 to August 2016
Peter Chai	Nil
Sean Chai	Nil

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
Gary Williams	-	-	-	-	-	-
Michael Pixley	-	-	-	-	-	-
Lee Chin Cheh	-	-	-	-	-	-

DIRECTORS' MEETINGS

During the financial year, five (5) meetings of Directors were held. Attendances by each Director during the year were:

Directors' Meetings		
	Number of meetings eligible to attend	Number attended
Gary Williams	5	2
Michael Pixley	5	2
Lee Chin Cheh	5	2
Peter Chai **	4	4
Sean Chai **	4	4
Domenic Martino*	-	-
* Resigned 4 July 2017		
** Resigned 29 November 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 \$1,424,682 (2017: \$611,591).

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.

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 Minergy. This transaction remains on foot (refer Significant Events After the Balance Date below).

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 8 November 2018 the Company announced that it had executed a binding agreement (the "Agreement") with Topplus Limited (an associate of Glory Merry Limited ("Glory Merry")), for the divestment of Pan Asia's Indonesian thermal coal assets. Pan Asia will receive total consideration of US\$4.6 million (A\$6.4 million) for the sale of Pan Asia's 75% interest in PT. Transcoal Minergy ("TCM"). TCM is the registered holder of production operation mining business licence No. 545/091/IUP-OP/D.PE/2010. To date the Company has received US\$500,000 (refer Note 12), with a further US\$500,000 spent by Glory Merry on a feasibility study of the Project. Subsequent to year end the Company received US\$2 million of the total consideration which, should the disposal not be approved by shareholders, will remain as a loan to Pan Asia bearing an 8% interest rate for 12 months. The remaining consideration of US\$1.6 million is payable upon Pan Asia shareholders voting to approve the divestment by this date.

The Company previously announced that it had entered into a binding but conditional term sheet to acquire a sizeable coal operation comprising of conventional coal exploration and pre-development projects in the Bowen Basin in Queensland Australia, from New Emerald Coal Pty Limited (NEC). The Pan Asia executive team is in constant negotiation with NEC on advancing the previously announced possible transaction. Pan Asia has previously made available a secured loan of AU\$1,068,915 bearing an interest rate of 12% to further this transaction (refer note 8).

Using the loan from TopPlus, Pan Asia further secured its security over both the shares and all the assets of NEC. A further secured loan of USD 1.5 million was advanced to NEC. The loan amount bears an interest rate of 8%. Pan Asia also secured its interest with a general security interest over the shares and assets of NEC and further entered in to a Deed of Priority with the existing creditors of NEC, giving Pan Asia the 1st ranking security over the assets and shares of NEC. In addition to making the loan available for the specific purpose of discharging the Gladstone Port debt and paying the individual tenement rentals, Pan Asia secured a new purchase price binding on NEC of AUD 40 million, down from the previously negotiated and announced AUD 75 million. The Teresa Coal Project (owned 15% by NEC) is the first of NEC's assets being upgraded via external investment and with the current drilling planned, its value is expected to be further significantly enhanced, targeting coking coal under the existing thermal coal seam.

The Directors are not aware of any other matters or circumstances that have arisen since 30 June 2018 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:

- Gary Williams (Director) – appointed 9 June 2017
- Michael Pixley (Director)
- Lee Chin Cheh (Non-Executive Director)
- Peter Chai (Chairman) – resigned 29 November 2017
- Sean Chai (Director) – resigned 29 November 2017
- Domenic Martino (former Chairman) – resigned 4 July 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. Previously the Chairman's remuneration was \$3,000 per month and non-executive directors were paid \$2,000 per month. In July 2017 it was resolved by the Board that no director fees be paid, but that consulting fees be paid to those directors taking on an executive role during the Company's period of restructure. The consulting fees are paid at \$4,000 per month per director.

REMUNERATION REPORT

Remuneration of Key Management Personnel

Table 1: Directors' remuneration for the years ended 30 June 2018 and 30 June 2017:

		Short-term Employment Benefits		Post-Employment Benefits		Total	% Performance Related
		Salary & Fees	Non Monetary Benefits	Superannuation	Retirement		
		\$	\$	\$	\$	\$	
G Williams ****	2017	-	-	-	-	-	-
Director	2018	48,000	-	-	-	48,000	-
M Pixley	2017	24,000	-	-	-	24,000	-
Director	2018	48,000	-	-	-	48,000	-
L Chin Cheh	2017	24,000	-	-	-	24,000	-
Non Executive	2018	-	-	-	-	-	-
Director							
D Martino *	2017	36,000	-	-	-	36,000	-
Non Executive	2018	3,000	-	-	-	3,000	-
Chairman							
P Chai **	2017	-	-	-	-	-	-
Director	2018	-	-	-	-	-	-
S Chai **	2017	-	-	-	-	-	-
Director	2018	-	-	-	-	-	-
L Martino ***	2017	22,000	-	-	-	22,000	-
Non Executive	2018	-	-	-	-	-	-
Director							
Total	2017	106,000	-	-	-	106,000	-
	2018	99,000	-	-	-	99,000	-

* Resigned 4 July 2017

** Resigned 29 November 2017

*** Resigned 9 June 2017

**** Appointed 9 June 2017

(i) The Company owed \$112,800 to Directors as at 30 June 2018 (2017: \$33,000)

REMUNERATION REPORT (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Senior Management and Executives' remuneration for the years ended 30 June 2018 and 30 June 2017:

		Short-term Employment Benefits		Post-Employment Benefits		Total	% Performance Related
		Salary & Fees	Non Monetary Benefits	Superannuation	Retirement		
		\$	\$	\$	\$	\$	
A Hopkins	2017	24,500	-	-	-	24,500	-
CEO*	2018	-	-	-	-	-	-
J Campbell *	2017	11,250	-	-	-	11,250	-
Company Sec	2018	-	-	-	-	-	-
B Crowley	2017	3,000	-	-	-	3,000	-
Company Sec**	2018	30,000	-	-	-	30,000	-
Ms L Martino***	2017	15,000	-	-	-	15,000	-
	2018	-	-	-	-	-	-
Total	2017	53,750	-	-	-	53,750	-
	2018	30,000	-	-	-	30,000	-

* Resigned 9 June 2017

**Appointed 9 June 2017

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

(i) The Company owed \$13,750 to Senior Management and Executives as at 30 June 2018 (2017: \$nil)

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 2018				
Gary Williams	-	-	-	-
M Pixley	-	-	-	-
L Chin Cheh	-	-	-	-
D Martino *	7,450,000	-	-	7,450,000
P Chai **	-	-	62,642,249	62,642,249
S Chai **	-	-	-	-
B Crowley	-	-	-	-
Total	7,450,000	-	62,642,249	70,092,249

* Resigned 4 July 2017

** Resigned 29 November 2017

^ If resigned before balance date, balance at date of resignation

	Balance at beginning of period	Exercised Options	Net change Other	Balance at end of period ^
30 June 2017				
G Williams *****	-	-	-	-
M Pixley	-	-	-	-
L Chin Cheh	-	-	-	-
D Martino***	7,450,000	-	-	7,450,000
P Chai**	-	-	-	-
S Chai**	-	-	-	-
L Martino*	6,035,410	-	-	6,035,410
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 and resigned 29 November 2017

*** Resigned 4 July 2017

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

*****Appointed 9 June 2017

^ If resigned before balance date, balance at date of resignation

Option holdings of Key Management Personnel

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

Related Party Transactions

During the reporting period, fees for administrative, accounting and consulting fees of \$31,000 (excluding GST) (2017: \$102,619) were charged by Indian Ocean Advisory Group Pty Ltd (which includes \$Nil (2017: \$22,000) director fees charged by Mr Luke Martino), rent of \$Nil (2017:\$22,000) (excluding GST) was charged by Indian Ocean Property Group Pty Ltd and company secretary fees of \$Nil (2017: \$15,000) (excluding GST) for services performed by Ms Louisa Martino and advisory fees of \$19,000 (2017:\$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 and Indian Ocean Corporate Pty Ltd. The amounts outstanding at year end are \$17,900 (2017: \$Nil) and \$6,000 (2017:\$Nil) respectively.

The Company has entered into a loan agreement with New Emerald Coal Pty (NEC), whereby Pan Asia has loaned NEC funds for the development of its assets. At the time of making the loan, there was one common director to Pan Asia and NEC, being Mr Domenic Martino. Mr Gary Williams is a director of Pan Asia and NEC. As at 30 June 2018, the Company had loaned NEC \$1,068,915 (2017:Nil), on the following arms' length terms:

- a) the principal amount of the loan is up to \$1,500,000;
- b) the repayment date is 21 February 2019;
- c) interest is payable at 12% per annum;
- d) interest is calculated on a daily basis from the date of each drawdown;
- e) NEC can prepay the loan upon giving one months' notice; and
- f) the loan is secured by a second ranking general security agreement over all present and after-acquired property of NEC

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 (2017: \$377,735). The convertible note agreement expired on 21 April 2017.

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 ASX.

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 17 and forms part of this Directors' report for the year ended 30 June 2018.

NON-AUDIT SERVICES

No non-audit services were provided by the Company's auditor, HLB Mann Judd during the year (2017: \$Nil).

Signed in accordance with a resolution of the Directors.



29 March 2019

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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
29 March 2019



L Di Giallonardo
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	CONSOLIDATED	
		2018	2017
		\$	\$
Revenue	3(a)	92,803	65
Other expenses	3(b)	(1,517,485)	(611,656)
Loss before income tax		(1,424,682)	(611,591)
Income tax benefit	4	-	-
Net loss for the period		(1,424,682)	(611,591)
Other comprehensive income for the period			
<i>Items that may be classified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(173,513)	135,652
Income tax relating to these items		-	-
Other comprehensive income/(loss) for the year, net of tax		(173,513)	135,652
Total comprehensive loss for the period		(1,598,195)	(475,939)
The net loss for the period is attributable to:			
Owners of the parent		(1,416,621)	(596,831)
Non-controlling interest		(8,061)	(14,760)
		(1,424,682)	(611,591)
The total comprehensive loss for the period is attributable to:			
Owners of the parent		(1,489,661)	(541,890)
Non-controlling interest		(108,534)	65,951
		(1,598,195)	(475,939)
Basic loss per share	5	(0.17)	(0.12)

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

STATEMENT OF FINANCIAL POSITION

	Notes	CONSOLIDATED	
		2018	2017
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	42,350	10,979
Trade and other receivables	7	28,215	3,667
Prepayments		27,177	19,244
Total Current Assets		97,742	33,890
Non-Current Assets			
Plant and equipment	9	29,919	37,283
Loans to other entities	8(a)	-	-
Total Non-Current Assets		29,919	37,283
TOTAL ASSETS		127,661	71,173
LIABILITIES			
Current Liabilities			
Trade and other payables	10	917,660	737,020
Borrowings	13(a)	49,025	21,690
Loans from other entities	11	3,800,817	3,679,443
Other liabilities	12	676,485	652,498
Total Current Liabilities		5,443,987	5,090,651
Non-Current Liabilities			
Borrowings	13(b)	-	28,579
Total Non-Current Liabilities		-	28,579
TOTAL LIABILITIES		5,443,987	5,119,230
NET LIABILITIES		(5,316,326)	(5,048,057)
EQUITY			
Issued capital	14	60,724,497	59,394,571
Reserves	15	(120,293)	(47,253)
Accumulated losses		(63,089,597)	(61,672,976)
Parent entity interest		(2,485,393)	(2,325,658)
Non-controlling interest		(2,830,933)	(2,722,399)
TOTAL DEFICIENCY		(5,316,326)	(5,048,057)

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Foreign Currency Translation Reserve	Accumulated Losses	Non-controlling Interest	Total Equity
CONSOLIDATED	\$	\$	\$	\$	\$
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)
Loss for the year	-	-	(1,416,621)	(8,061)	(1,424,682)
Exchange differences arising on translation of foreign operations	-	(73,040)	-	(100,473)	(173,513)
Total comprehensive loss	-	(73,040)	(1,416,621)	(108,534)	(1,598,195)
Shares issued during the year (net of share issue costs)	1,329,926	-	-	-	1,329,926
Balance at 30 June 2018	60,724,497	(120,293)	(63,089,597)	(2,830,933)	(5,316,326)

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

STATEMENT OF CASH FLOWS

	Notes	CONSOLIDATED	
		2018	2017
		\$	\$
Cash flows from operating activities			
Interest received		-	64
Payments to suppliers and employees		(164,396)	(824,663)
Payments for mining tenement expenditure		(32,244)	-
Interest and income taxes paid		-	-
Net cash flows used in operating activities	6	(196,640)	(824,599)
Cash flows from investing activities			
Loan to New Emerald Coal Pty Ltd		(1,068,915)	-
Advance payment received on sale of TCM Project		-	652,498
Net cash flows (used in)/from investing activities		(1,068,915)	652,498
Cash flows from financing activities			
Proceeds from issue of shares (net of share issue costs)		1,296,926	-
Proceeds from convertible notes		-	177,735
Net cash flows from financing activities		1,296,926	177,735
Net increase in cash and cash equivalents		31,371	5,634
Cash and cash equivalents at beginning of year		10,979	5,298
Exchange rate fluctuations on cash held		-	47
Cash and cash equivalents at end of year	6	42,350	10,979

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

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

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

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 2018, 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 2018. 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 March 2019.

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 2018.

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\$) and Innovation West Mantewe Pte Limited, is Singapore dollars (SGD)

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 Profit or Loss and Other 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. Once the technical and commercial viability of extracting a mineral resource are demonstrable in respect of an area of interest, development expenditure is capitalised to the Statement of Financial Position.

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 diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment – 1-5 years

Motor vehicles – 4 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 Profit or Loss and Other 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 5).

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

(u) Segment Reporting

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

(v) Earnings or loss per share

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

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

- costs of servicing equity (other than dividends) and preference share dividends;
 - the after tax effect of dividends and interests associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Going Concern

In the year ended 30 June 2018, the Group recorded a net loss of \$1,424,682 and a net operating cash outflow of \$196,640. The Group has a working capital deficiency of \$5,346,245 as at 30 June 2018, 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 \$5,316,326 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 2018, 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, 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 Glory Merry ("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 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.

On 8 November 2018 the Company announced that it had executed a binding agreement with Toplus Limited (an associate of GM), for the divestment of the Indonesian thermal coal assets. Pan Asia will receive total consideration of US\$4.6 million (A\$6.4 million) for the sale of Pan Asia's 75% interest in PT. Transcoal Minergy ("TCM"). To date the Company has received US\$500,000 (refer Note 12), with a further US\$500,000 spent by Glory Merry on a feasibility study of the Project. Subsequent to year end the Company received US\$2 million of the total consideration. The remaining consideration of US\$1.6 million is payable upon Pan Asia shareholders voting to approve the divestment by this date.

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 is 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, however the board is confident that it will be able to secure this additional funding.

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 financial year, 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, 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. The Company placed 382,743,000 shares under the shortfall raising \$765,486; and
- 25 May 2018 - Placement of 150,000,000 shares at \$0.001, raised \$150,000.

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 2018 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 2018 segments:

	Australia \$	Indonesia \$	Total \$
Segment result			
Other revenue	92,803	-	92,803
Supplier, consulting, investor relations and other	146,847	-	146,847
Employment and occupancy costs	3,000	-	3,000
Depreciation	7,543	-	7,543
Segment result	(1,392,438)	(32,244)	(1,424,682)
Segment assets and liabilities			
Property, plant and equipment	24,864	5,055	29,919
Loans to/(from) other entities	(1,054,220)	(3,423,082)	(4,477,302)
Segment assets	111,538	16,123	127,661
Segment liabilities	(1,358,520)	(4,085,467)	(5,443,987)

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	32,407	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)

NOTE 3: REVENUES AND EXPENSES

Revenue and Expenses from Continuing Operations

		CONSOLIDATED	
		2018	2017
		\$	\$
(a) Revenue			
Interest income		92,803	65
		92,803	65
(b) Other expenses			
Accounting, audit and legal fees		104,226	128,543
Bank charges		757	1,066
Consulting, supplier, investor relations and other		146,847	60,683
Corporate and other administration fees		25,179	18,496
Exploration expense		32,244	-
Directors' fees		3,000	134,000
Impairment of loan (Note 8)		1,161,671	144,203
Depreciation expense		7,543	10,774
Employment and occupancy costs		-	89,011
Stock exchange and share registry expenses		28,225	10,571
Travel and accommodation expense		5,931	5,296
Other		1,862	9,013
		1,517,485	611,656

NOTE 4: INCOME TAX BENEFIT

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

	CONSOLIDATED	
	2018	2017
	\$	\$
Operating loss before income tax	(1,424,682)	(611,591)
Prima facie benefit on loss from ordinary activities (27.5% in 2017/2018) (27.5% in 2016/17)	391,788	168,187
Tax effect of amounts which are taxable (deductible) in calculating taxable income		
- Non-deductible expenditure	54	-
Deferred Tax Asset (DTA) on temporary differences and tax losses not brought to account	(391,734)	(168,187)
Income tax benefit for the year	-	-
<i>Deferred tax assets not brought to account at balance date</i>		
Tax losses not brought to account (i)	21,067,815	20,706,358
Potential tax benefit	5,793,649	5,694,248

(i) The Company has not yet made an assessment of whether these tax losses will continue to be available, given the significant movement in share capital during the year.

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

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in the income tax legislation adversely affect the Group in utilising the benefit.

NOTE 5: LOSS PER SHARE

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

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

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

NOTE 5: LOSS PER SHARE (CONTINUED)

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

	CONSOLIDATED	
	2018	2017
	\$	\$
Loss for the year	(1,424,682)	(611,591)
Weighted average number of ordinary shares for basic loss per share	862,583,664	490,664,567

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

NOTE 6: CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2018	2017
	\$	\$
Cash at bank and cash on hand	42,350	10,979
	42,350	10,979

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 2017 and 30 June 2018.

The fair value of cash and cash equivalents is \$42,350 (2017: \$10,979).

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

	Note	CONSOLIDATED	
		2018	2017
		\$	\$
Loss from ordinary activities after income tax	3	(1,424,682)	(611,591)
Depreciation and amortisation of property, plant and equipment		7,543	10,774
Non cash payment of invoices		33,000	-
Impairment of loan		1,161,671	144,203
(Increase)/decrease in receivables		(32,481)	8,692
(Increase)/decrease in interest receivable (NEC loan)		(92,756)	-
Increase/(decrease) in payables		179,395	(376,677)
Foreign exchange movement		(28,330)	-
Net cash flows used in operating activities		(196,640)	(824,599)

NOTE 7: TRADE AND OTHER RECEIVABLES

		CONSOLIDATED	
		2018	2017
		\$	\$
(a) Current			
Trade receivables (i)		28,215	3,667
		<u>28,215</u>	<u>3,667</u>

(i) Trade receivables are non-interest bearing.

NOTE 8: LOANS TO OTHER ENTITIES

		CONSOLIDATED	
		2018	2017
		\$	\$
(a) Non Current			
Other loan (i)		1,068,915	-
Interest on loan		92,756	-
Impairment of loan		(1,161,671)	-
Total loans to other entities		<u>-</u>	<u>-</u>

(i) Loan to NEC

Loan Agreement

The Company has entered into a loan agreement with New Emerald Coal Pty (NEC), whereby Pan Asia has loaned NEC funds for the development of its assets. At the time of making the loan, there was one common director of Pan Asia and NEC, being Mr Domenic Martino. Mr Gary Williams is also a director of Pan Asia and NEC.

During the period the Company loaned money to NEC on the following terms.

- a) the principal amount of the loan is up to \$1,500,000;
- b) the repayment date is 21 February 2019;
- c) interest is payable at 12% per annum;
- d) interest is calculated on a daily basis from the date of each drawdown;
- e) NEC can prepay the loan upon giving one months' notice; and
- f) the loan is secured by a second ranking general security agreement over all present and after-acquired property of NEC.

Whilst the directors believe the loan amount is recoverable when taking into account the value of the tenement licences held by NEC, NEC does not appear to have the sufficient working capital funds to immediately repay the loan and would require a capital raising to do so. In addition, on 21 May 2018, NEC was placed into voluntary administration and a receiver was appointed. PZC has security over its debt. The Board is of the view that the debt will be recovered or the Company will acquire the assets it seeks as part of a proposed restructure of NEC. However, the directors have resolved to provide fully for the impairment of this loan to NEC. As disclosed in Note 18, the Company is continuing to negotiate with NEC in relation to repayment of the loan.

NOTE 9: PLANT AND EQUIPMENT

	CONSOLIDATED	
	2018	2017
	\$	\$
At beginning of the year, net of accumulated depreciation and impairment	37,283	48,203
Disposals	-	(146)
Depreciation	(7,543)	(10,774)
Exchange difference	179	-
At end of the year, net of accumulation depreciation and impairment	29,919	37,283

At 30 June 2017

Cost at fair value	172,197
Accumulated depreciation and Impairment	(134,914)
Net carrying amount	37,283

At 30 June 2018

Cost at fair value	172,197
Accumulated depreciation and Impairment	(142,457)
Exchange difference	179
Net carrying amount	29,919

NOTE 10: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2018	2017
	\$	\$
Current Unsecured Liabilities:		
Trade payables (i)	836,884	671,744
Overpayment	8,776	8,776
Accrued expenses (ii)	72,000	56,500
Total trade and other payables	917,660	737,020

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

NOTE 11: LOANS FROM OTHER ENTITIES

	CONSOLIDATED	
	2018	2017
Current	\$	\$
Loan payable to KOPEX Mining (i)	2,129,093	2,053,601
Loan payable to KOPEX Mining (ii)	1,293,989	1,248,107
Loans payable to other parties (iii)	377,735	377,735
Total loans from other entities	3,800,817	3,679,443

- (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 Transcoal Minergy (along with the Company) entered into a revised agreement with Kopex for the total repayment of USD 2,767,600 (being USD \$1,573,613 in 11(i) above, USD 956,387 in 11(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 12: OTHER LIABILITIES

	CONSOLIDATED	
	2018	2017
Current	\$	\$
Other liabilities – Glory Merry Limited (initial consideration)	676,485	652,498
Total other liabilities	676,485	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. Refer Note 18 for further details regarding the transaction.

NOTE 13: BORROWINGS

		CONSOLIDATED	
		2018	2017
		\$	\$
(a) Current			
Motor vehicle hire purchase liability		49,025	21,690
Total borrowings		49,025	21,690
(b) Non Current			
Motor vehicle hire purchase liability		-	28,579
Total borrowings		-	28,579

NOTE 14: ISSUED CAPITAL

CONSOLIDATED				
		2018		
		\$		
		2018		
		\$		
Ordinary shares issued and fully paid		60,724,497		
		2018	No. of	2017
		\$	Shares	\$
<i>Movements in ordinary shares on issue</i>				
At start of year	490,664,567	59,394,571	490,664,567	59,394,571
- Shares issued under Placement	272,666,141	517,998	-	-
- Rights issued to existing shareholders	410,463,885	820,928	-	-
- Less share issue costs	-	(9,000)	-	-
At end of year	1,173,794,593	60,724,497	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 15: RESERVES

Movements in foreign currency translation reserve

	CONSOLIDATED	
	2018	2017
	\$	\$
At start of year	(47,253)	(102,194)
- Exchange rate differences arising on translation of foreign operations	(73,040)	54,941
At end of year	(120,293)	(47,253)

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

NOTE 16: FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2018	2017
	\$	\$
Categories of financial instruments		
Financial assets		
Cash and cash equivalents	42,350	10,979
Receivables	28,215	3,667
Loans to other entities	-	-
	70,565	14,646
Financial liabilities		
Trade and other payables	917,660	737,020
Borrowings	49,025	50,269
Loans from other entities	3,800,817	3,679,443
	4,767,502	4,466,732

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 16: 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 2017.

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 2018	Liabilities	Assets
US dollars	3,423,082	-

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 16: FINANCIAL INSTRUMENTS (CONTINUED)

	CONSOLIDATED
	2018
	USD
AUD/USD +10%	342,308
AUD/USD - 10%	(342,308)

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 2018	\$	\$	\$	\$	\$	\$

CONSOLIDATED

Non-interest bearing liabilities	5,443,987	-	-	-	-	5,443,987
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	<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
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NOTE 17: 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 2018	% Interest 30 June 2017
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 17: 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 \$31,000 (excluding GST) (2017: \$102,619) were charged by Indian Ocean Advisory Group Pty Ltd (which includes \$Nil (2017: \$22,000) director fees charged by Mr Luke Martino), rent of \$Nil (2017: \$22,000) (excluding GST) was charged by Indian Ocean Property Group Pty Ltd and company secretary fees of \$Nil (2017: \$15,000) (excluding GST) for services performed by Ms Louisa Martino and advisory fees of \$19,000 (2017: \$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 and Indian Ocean Corporate Pty Ltd. The amounts outstanding at year end are \$17,900 (2017: \$Nil) and \$6,000 (2017: \$Nil) respectively.

The Company has entered into a loan agreement with New Emerald Coal Pty (NEC), whereby Pan Asia has loaned NEC funds for the development of its assets. At the time of making the loan, there was one common director to Pan Asia and NEC, being Mr Domenic Martino. Mr Gary Williams is a director of Pan Asia and NEC. As at 30 June 2018, the Company had loaned NEC \$1,068,915 (2017: Nil), on the following arms' length terms:

- a) the principal amount of the loan is up to \$1,500,000;
- b) the repayment date is 21 February 2019;
- c) interest is payable at 12% per annum;
- d) interest is calculated on a daily basis from the date of each drawdown;
- e) NEC can prepay the loan upon giving one months' notice; and
- f) the loan is secured by a second ranking general security agreement over all present and after-acquired property of NEC.

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 (2017: \$377,735) and it has been agreed with CVL that this loan is an advance on the full note to be drawn down under the convertible note agreement at a future date. The convertible note agreement expired on 21 April 2017.

NOTE 18: EVENTS AFTER THE BALANCE DATE

On 8 November 2018 the Company announced that it had executed a binding agreement (the "Agreement") with Toplus Limited (an associate of Glory Merry Limited ("Glory Merry")), for the divestment of Pan Asia's Indonesian thermal coal assets. Pan Asia will receive total consideration of US\$4.6 million (A\$6.4 million) for the sale of Pan Asia's 75% interest in PT. Transcoal Minergy ("TCM"). TCM is the registered holder of production operation mining business licence No. 545/091/IUP-OP/D.PE/2010. To date the Company has received US\$500,000 (refer Note 12), with a further US\$500,000 spent by Glory Merry on a feasibility study of the Project. Subsequent to year end the Company received US\$2 million of the total consideration. The remaining consideration of US\$1.6 million is payable by 29 January 2019, conditional upon Pan Asia shareholders voting to approve the divestment by this date.

The Company previously announced that it had entered into a binding but conditional term sheet to acquire a sizeable coal operation comprising of conventional coal exploration and pre-development projects in the Bowen Basin in Queensland Australia, from New Emerald Coal Pty Limited (NEC). The Pan Asia executive team is in constant negotiation with NEC on advancing the previously announced possible transaction. Pan Asia has previously made available a secured loan of AU\$1,068,915 bearing an interest rate of 12% to further this transaction (refer note 8).

Using the loan from TopPlus, Pan Asia further secured its security over both the shares and all the assets of NEC. A further secured loan of USD 1.5 million was advanced to NEC. The loan amount bears an interest rate of 8%.

NOTE 18: EVENTS AFTER THE BALANCE DATE (CONTINUED)

Pan Asia also secured its interest with a general security interest over the shares and assets of NEC and further entered in to a Deed of Priority with the existing creditors of NEC, giving Pan Asia the 1st ranking security over the assets and shares of NEC. In addition to making the loan available for the specific purpose of discharging the Gladstone Port debt and paying the individual tenement rentals, Pan Asia secured a new purchase price binding on NEC of AUD 40 million, down from the previously negotiated and announced AUD 75 million. The Teresa Coal Project (owned 15% by NEC) is the first of NEC's assets being upgraded via external investment and with the current drilling planned, its value is expected to be further significantly enhanced, targeting coking coal under the existing thermal coal seam.

The Directors are not aware of any other matters or circumstances that have arisen since 30 June 2018 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 19: AUDITORS' REMUNERATION

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

	CONSOLIDATED	
	2018	2017
	\$	\$
Amounts due and received by the auditor for:		
- audit or review of the financial report	24,500	31,500
	24,500	31,500

NOTE 20: COMMITMENTS AND CONTINGENCIES

Kopex Loans

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

The Company and Kopex are in continuing correspondence regarding repayment of the Kopex debt as Kopex disputes that the Kopex Loan (refer Note 11) should be repaid from proceeds of the sale of the TCM Project to Universal. Kopex has most recently, through their lawyers, been seeking the debt to be repaid to the amount of USD 4,557,346 (which includes the principal amount plus claimed interest by Kopex to 9 January 2018) 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.

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 principal of

NOTE 20: COMMITMENTS AND CONTINGENCIES (CONTNUED)

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 finalise the sale of the project, repay Polo for Universal's debt and seek redress from Universal and its guarantor.

NOTE 21: 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 2018.

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

	CONSOLIDATED	
	2018	2017
	\$	\$
Short-term employment benefits	129,000	159,750
Post-employment benefits	-	-
Non-monetary benefits	-	-
	<u>129,000</u>	<u>159,750</u>

NOTE 22: PARENT ENTITY DISCLOSURES

Financial position

	CONSOLIDATED	
	2018	2017
	\$	\$
Assets		
Current assets	86,671	23,209
Non-current assets	24,865	32,408
Total assets	<u>111,536</u>	<u>55,617</u>
Liabilities		
Current liabilities	667,946	483,459
Non-current liabilities	-	28,579
Total liabilities	<u>667,946</u>	<u>512,038</u>

NOTE 22: PARENT ENTITY DISCLOSURES (CONTINUED)

Equity

Issued capital	60,724,395	59,394,469
Accumulated losses	(61,280,805)	(59,850,890)
Share based payments reserve	-	-
Total deficiency	<u>(556,410)</u>	<u>(456,421)</u>

Financial performance

	2018	2017
	\$	\$
Loss for the year	(1,369,685)	(130,193)
Other comprehensive income	-	-
Total comprehensive loss	<u>(1,369,685)</u>	<u>(130,193)</u>

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 2018 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 2018.

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



Dated 29 March 2019

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 ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 2018 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 Regarding 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 Regarding Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Disclosure of events after balance date (Refer to Note 18)	
<p>The Group has disclosed certain material events that occurred after balance date relating to the divestment of its thermal coal assets and the advancement of an acquisition of a coal operation disclosed in a prior period which incorporated the provision of funds to the vendor.</p> <p>The disclosure of these subsequent events was considered a key audit matter due to the significance of the effect of these events and the impact on the presentation in the financial report.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • We reviewed the announcements made to ASX; • We read the agreements giving effect to the divestment of the Group's thermal coal assets and the acquisition of the coal operation which incorporated the provision of funds to the vendor; and • We ensured that the disclosure of events after balance date were in accordance with AASB 110 <i>Events After the Reporting Period</i>.

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 2018, 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 2018.

In our opinion, the Remuneration Report of Pan Asia Corporation Limited for the year ended 30 June 2018 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

Perth, Western Australia
29 March 2019



L Di Giallonardo
Partner

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 26 March 2019.

(a) Ordinary Shares

i) Distribution of ordinary shares

- 1,173,794,593 fully paid shares held by 832 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	49
10,001 – 100,000	314
100,001 and over	264
Total	832
Holding less than a marketable parcel	646

iii) Substantial Shareholders (fully paid shares)

There are five shareholders registered with 5% or more of the issued shares of the Company as of 26 March 2019.

	Fully Paid Number	%
BNP PARIBAS NOMINEES PTY LIMITED	162,012,420	13.80
L&H CAPITAL PTY LTD	150,000,000	12.78
INVESTORLEND PTY LTD	125,000,000	10.65
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	112,836,864	9.61
CLEVER MONEY PTY LTD	59,510,000	5.07

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

Name	Fully Paid Number	%
1. BNP PARIBAS NOMINEES PTY LIMITED	162,012,420	13.80
2. L&H CAPITAL PTY LTD	150,000,000	12.78
3. INVESTORLEND PTY LTD	125,000,000	10.65
4. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	112,836,864	9.61
5. CLEVER MONEY PTY LTD	59,510,000	5.07
6. MR CHONG YEW CHUA & MISS WEN ZHANG	50,000,000	4.26
6. KLI PTY LTD	50,000,000	4.26
7. KLEN PTY LIMITED	35,500,000	3.02
8. RBJ ENTERPRISES PTY LIMITED	25,000,000	2.13
8. COAL CONTRACTORS PTY LTD	25,000,000	2.13
8. TRADE RAW PTY LTD	25,000,000	2.13
9. LANESBOROUGH INVESTMENT PTE LTD	24,000,000	2.04
10. MR BENJMIN CAI	23,430,000	2.00

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (continued)

Name	Fully Paid Number	%
11. THE GREGORY JONES SUPER FUND PTY LTD	17,500,000	1.49
12. SUNNY P H PTY LTD	15,000,000	1.28
13. MR TIMOTHY KANG	12,000,000	1.02
14. CITICORP NOMINEES PTY LIMITED	10,049,400	0.86
15. MR BRETT CROWLEY	9,804,985	0.84
16. MR ANTHONY JOHN MORGAN	7,270,000	0.62
17. NATIONAL NOMINEES LIMITED	6,750,000	0.58
18. GA & AM LEAVER INVESTMENTS PTY LIMITED	6,000,000	0.51
18 MR RODNEY ERNEST RIDER & MS KAY MAREE COTTERELL	6,000,000	0.51
19. DK KENNEDY SUPERANNUATION PTY LIMITED	5,000,000	0.43
19. MR ANDREW LLOYD WHITE	5,000,000	0.43
19. LIM ENTERPRISES (WA) PTY LTD	5,000,000	0.43
19. MS CHERYL UMOH	5,000,000	0.43
20. MR ZHONGLI LI	4,750,000	0.40
TOTAL	982,413,669	83.70

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%