

30 January 2015

## DECEMBER 2014 QUARTERLY ACTIVITIES REPORT

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Pan Asia Corporation Ltd (ASX: **PZC**) (the **Company**) is pleased to report on its activities for the quarter ending 31 December 2014 (the **Quarter**).

### **HIGHLIGHTS**

- **Convertible Note Financing Facility for \$7M Established**
- **Kopex Repayment Terms Revised**
- **Favourable Indonesian Legislation**
- **Longmei Update**

During the quarter, the Company moved to:

- 1) Clear its accumulated creditor & bridge financing arrangements;
- 2) Establish a line of finance that would enable the Company to repay its historical loan due to Kopex contractors and also provide the necessary funding to move forward with its flagship high CV thermal coal project (TCM) in Indonesia;
- 3) Progress planning for all outstanding pre development items in anticipation of the financing being completed.

### **Establishing Line of Finance - Convertible Note Facility**

The Company executed a Convertible Note Financing for up to \$7,000,000 ("Financing") with offshore investment company Caldecott Ventures Limited ("Caldecott or the Noteholder"). The Financing facility consists of 14 convertible notes, each having a face value of \$500,000 and convertible into shares at \$0.025 per share with each convertible note having a 2 year maturity date.

The Financing will be used to repay the outstanding Kopex loan and undertake pre development work on the TCM project. This would include in-fill drilling in the northern resource area, preparing an updated feasibility study / a detailed mine plan based on the expanded resource area of the TCM concession (the initial Kopex study was undertaken on the initial southern resource area only) and finalization of outstanding permitting etc.

Completion of the above will facilitate development agreements with various parties currently ongoing.

A condition of the Financing is to seek shareholder approval at a meeting of the Company's shareholders ("the Meeting") as this is required if the convertible notes are exercised to an extent that the Noteholder obtains more than 20% of the share capital of the Company. In preparing the documents for the Meeting, the Company further commissioned an Independent Expert to prepare a valuation of the Company ("Independent Experts Report or IER") and an Independent Technical Expert to value the project and prepare a report ("Technical Report"). All required Meeting documents were lodged with ASIC for approval in November 2014.

Due to reasons beyond the Company's control, at the date of this report, ASIC has yet to agree entirely on some content of the Technical Report and is in dialogue with the Independent geologist to have this finalized as soon as possible. As a consequence of this delay, there may be consequential knock on impacts with the imminent settlement planned with Kopex.

Once this is completed, the Meeting documentation will be sent to shareholders and the Meeting called with the requisite 28 days-notice.

#### **Revised Kopex Terms**

The Company renegotiated re-payment terms with Kopex for the total amount of USD 2,767,500 due in November 2014. The Company and Kopex agreed to extend the repayment date beyond 30 November 2014, while the Company was awaiting finalization of the approval of the Financing by way of the Meeting. As mentioned above, the Company is still awaiting the Meeting to take place. The revised payment terms were agreed with Kopex with the amount outstanding renegotiated to repaying in two tranches, the first tranche of USD 1,500,000 on Financing being approved and the Convertible Notes being issued and the second and remaining tranche of USD 1,267,000 no later than 15 June 2015 (with the 2<sup>nd</sup> tranche accruing interest at 15% per annum calculated for the six months to 15 June 2015).

As part of the revised repayment agreement, Kopex rescinded its pre-emptive rights to participate in the development and production of the TCM project, including the provision of mining services, mining equipment and financing of development and production. Kopex has also foregone its right to convert to a 10% interest in the TCM project in the event of default however has retained its right to convert into shares in the Company at a conversion price equal to the average closing price in the 20 trading days prior to Kopex exercising its option.

#### **Indonesian Legislation**

The Company received some good news in December 2014 in respect of a positive change in divestment laws in Indonesia for underground mining companies. Indonesian Government Regulation No.77 of 2014 (GR77/2014) provides that for foreign owners of a Production Operation Licence for underground mining operations (such as held on the TCM project) now only requires a maximum divestment of 30% to local Indonesian partners in the 15<sup>th</sup> year of production. In recent years all foreign companies holding Production Operation

Licenses in underground mining were required to divest 51% of the project to Indonesian partners by the 10<sup>th</sup> year of production

The Company has campaigned and presented in Indonesia for some time on removing hurdles and providing incentives to Companies willing to invest the financial resources and skills into developing Indonesia's underground minerals. This is a big positive for foreign investment and valuations of these projects in Indonesia and the Company is extremely pleased with this recent new regulation.

#### **LongMei Update**

The Company is continuing its discussions with leading Chinese underground mining contractor, Longmei, with a view to possibly partnering with the Company to progress the TCM project to a longwall operation. To date the Company has executed an MoU with Longmei, outlining a framework where Longmei would advise on further infill drilling in the northern area of the TCM concession, advise on mining design and complete an updated feasibility study. Further, the Company would be seeking a financing arrangement with Longmei to substantially assist with the development and production of mining the high grade CV deposit at TCM at guaranteed production levels. These discussions are ongoing.

The Company also has discussions ongoing with other parties who may participate in the projects development.

**ENDS**

**Mining Tenement Details**

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

**About Pan Asia**

Pan Asia Corporation Limited flagship project ("TCM") is a high CV thermal coal project in South Kalimantan in which PZC owns a 75% interest.

Pan Asia seeks to build significant projects; de-risking them ready for development partnership / offtake agreements with quality, life of mine partners.

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