Pan Asia Corporation Limited
ACN 098 448 269

Notice of Annual General Meeting

Annual General Meeting of Shareholders to be held at the Irish Club of WA, 61 Townshend Road, Subiaco, Western Australia on Monday, 30 November 2015, commencing at 11.30am (WST).

Important

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

Shareholders should refer to the Independent Expert's Report contained inside this Notice. The Independent Expert has determined that the control transaction referred to in this Notice is **not fair and may or may not be reasonable** to the non-associated Shareholders.

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING 3

EXPLANATORY STATEMENT 6

1. VOTING 6

2. ANNUAL REPORT 8

3. RESOLUTION 1: APPROVAL OF REMUNERATION REPORT 8

4. RESOLUTION 2: RE-ELECTION OF LUKE MARTINO 8

5. RESOLUTION 3: ISSUE OF CONVERTIBLE NOTES TO COLEMAN VENTURES LIMITED 9

6. RESOLUTION 4: CHANGE TO SCALE OF ACTIVITIES 22

7. RESOLUTION 5: ISSUE OF SHARES TO SELECT EQUITY GROWTH LIMITED 24

8. RESOLUTION 6: APPROVAL OF 10% PLACEMENT FACILITY 25

DEFINITIONS 31

ANNEXURE A – PRO-FORMA STATEMENT OF FINANCIAL POSITION 34

ANNEXURE B – TERMS OF CONVERSION OPTIONS 36

ANNEXURE C – INDEPENDENT EXPERT'S REPORT 38

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an annual general meeting of the shareholders of Pan Asia Corporation Limited ACN 098 448 248 (**Company**) will be held at the Irish Club of WA, 61 Townshend Road, Subiaco, Western Australia on Monday, 30 November 2015, commencing at 11.30am (WST). The Explanatory Statement that accompanies and forms part of this Notice of Annual General Meeting describes in more detail the Resolution to be considered.

Business

Annual Report

To receive and consider the Annual Report of the Company for the financial year ended 30 June 2015, which includes the Financial Report, the Directors' Report, the Remuneration Report and the Auditor's Report.

Resolution 1: Approval of Remuneration Report

To consider and, if thought fit, to pass the following Resolution as an **advisory only resolution**:

> *"That, for the purpose of section 250R(2) of the Corporations Act, and for all other purposes, the Remuneration Report for the financial year ended 30 June 2015 be adopted."*

Note: The votes on this Resolution are advisory only and do not bind the Directors or the Company.

Voting exclusion statement

The Company will disregard any votes cast on the Resolution:

- by or on behalf of a member of Key Management Personnel as disclosed in the Remuneration Report;
- by or on behalf of a Closely Related Party of a member of Key Management Personnel; and
- as a proxy by a member of Key Management Personnel or a Closely Related Party,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the Proxy Form or by the Chair pursuant to an express authorisation to exercise the proxy.

Resolution 2: Re-election of Luke Martino

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

> *"That, for all purposes, Luke Martino, who retires by rotation in accordance with clause 13.2 of the Constitution and who is eligible and offers himself for re-election, be re-elected as a Director."*

Resolution 3: Issue of Convertible Notes to Coleman Ventures Limited

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

> *"That, subject to Resolution 4 being passed, for the purpose of item 7 of section 611 of the Corporations Act, and for all other purposes, approval is given for:*
>
> *(a) the Company to issue:*
>
> *(i) up to 10 Convertible Notes to Coleman Ventures Limited; and*
>
> *(ii) Shares and Conversion Options to Coleman Ventures Limited (and/or its nominee) in the event that the Convertible Notes are converted into securities; and*
>
> *(b) Coleman Ventures Limited to acquire a Relevant Interest in the Company's Shares as a result of converting Convertible Notes into Shares, and any Conversion Options into Shares, which increases Coleman Ventures Limited's Voting Power in the Company:*

(i) from 20% or below to more than 20%; and

(ii) from a starting point that is above 20% and below 90%,

on the terms and conditions set out in the Explanatory Statement."

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared by HLB Mann Judd for the purposes of Shareholder approval required under item 7 of section 611 of the Corporations Act for this Resolution. The Independent Expert's Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders. The Independent Expert has determined that the transaction is **not fair and may or may not be reasonable** to the non-associated Shareholders.

Voting exclusion

The Company will disregard any votes cast on this Resolution by Coleman Ventures Limited and any of its associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 4: Change to scale of activities

To consider and, if thought fit, pass the following Resolution as an **ordinary resolution**:

"That, subject to Resolution 3 being passed, in accordance Listing Rule 11.1.2, and for all other purposes, approval is given for the Company to make a significant change to the scale of its activities as set out in the Explanatory Statement."

Voting exclusion

The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 5: Issue of Shares to Select Equity Growth Limited

To consider and, if thought fit, pass the following Resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4, and for all other purposes, the issue of 54,000,000 Shares to Select Equity Growth Limited at an issue price of $0.005 each as set out in the Explanatory Statement is hereby approved and ratified."

Voting exclusion

The Company will disregard any votes cast on this Resolution by any person who participated in the issue of securities, and any associates of those persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 6: Approval of 10% Placement Facility

To consider and, if thought fit, to pass the following Resolution as a **special resolution**:

"That, for the purpose of Listing Rule 7.1A, and for all other purposes, approval be given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company under and in accordance with Listing Rule 7.1A, on the terms and conditions set out in the Explanatory Statement."

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by any person who may participate in an issue under the 10% Placement Facility and a person who might obtain a benefit (except a benefit solely in the capacity of a Shareholder) if the Resolution is passed, and any associate of those persons.

However, the Company will not disregard a vote if:

- it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board

Jason Campbell
Company Secretary
Pan Asia Corporation Limited

29 October 2015

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the shareholders of Pan Asia Corporation Limited ACN 098 448 248 (**Company**) in connection with the Resolutions to be considered at the Annual General Meeting to be held at the Irish Club of WA, 61 Townshend Road, Subiaco, Western Australia on Monday, 30 November 2015, commencing at 11.30am (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Annual General Meeting.

This Notice should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

Capitalised terms used in this Notice have the meaning given to them in the Definitions section.

A reference to "$" or "A$" means Australian dollars unless the context requires otherwise. A reference to "US$" means United States dollars. A reference to "SG$" means Singaporean dollars.

Unless otherwise stated, all amounts in US$ that have been converted to A$ in this Notice have been converted using the Reserve Bank of Australia's foreign currency exchange rate on 30 June 2015 of A$1 = US$0.768. The Company has used this exchange rate to be consistent with the Annual Report. The Company notes that the A$ has since depreciated to A$1 = US$0.7275 on 19 October 2015.

Unless otherwise stated, all amounts in SG$ that have been converted to A$ in this Notice have been converted using the Reserve Bank of Australia's foreign currency exchange rate on 7 July 2015 of A$1 = SG$1.0126. The Company has used this exchange rate to be consistent with the Annual Report. The Company notes that the A$ has since depreciated to A$1 = SG$1.0066 on 19 October 2015.

1. Voting

1.1 Proxies

Please note that:

- a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also speak at the Meeting;
- a proxy need not be a member of the Company;
- a Shareholder may appoint a body corporate or an individual as its proxy;
- a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative.

Members of the Key Management Personnel will not be able to vote as proxy on Resolution 1 unless the Shareholder directs them how to vote or, in the case of the Chair, unless the Shareholder

expressly authorises him to do so. If a Shareholder intends to appoint a member of the Key Management Personnel (other than the Chair) as their proxy, the Shareholder should ensure that it directs the member of Key Management Personnel how to vote on Resolution 1.

If a Shareholder intends to appoint the Chair as its proxy for Resolution 1, Shareholders can direct the Chair how to vote by marking one of the boxes for Resolution 1 (for example, if the Shareholder wishes to vote 'for', 'against' or to 'abstain' from voting). If the Shareholder does not direct the Chair how to vote, then by submitting the Proxy Form, the Shareholder will be expressly authorising the Chair to exercise the proxy in respect of Resolution 1 even though it is connected to the remuneration of members of the Key Management Personnel.

To vote by proxy, please complete and sign the enclosed Proxy Form (and any Power of Attorney under which it is signed) and return by either of the methods set out below so that it is received by no later than 11.30am (WST) on Saturday, 28 November 2015, being not later than 48 hours before the commencement of the Meeting. Proxy Any Proxy Form received after that time will not be valid for the scheduled Meeting. Proxy Forms may be lodged using the reply paid envelope or:

Online

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting" and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

By Mail

Pan Asia Corporation Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By Fax

+61 2 9287 0309

By Hand

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

*During business hours (Monday to Friday, 9.00am-5.00pm)

The Proxy Form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where an appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile and by 11.30am (WST) on Saturday, 28 November 2015. If facsimile transmission is used, the power of attorney must be certified.

1.2 Voting entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of Shareholders as at 11.30am (WST) on Saturday, 28 November 2015. Accordingly, transactions registered after this time will be disregarded in determining Shareholder's entitlement to attend and vote at the Annual General Meeting.

2. Annual Report

The Annual Report of the Company for the financial year ended 30 June 2015, which includes the Financial Report, the Directors' Report, the Remuneration Report and the Auditor's Report, will be laid before the Annual General Meeting.

There is no requirement for Shareholders to approve the Annual Report. However, the Chair will allow a reasonable opportunity for Shareholders to ask questions or make comments about the Report and the management of the Company.

A representative of the Company's auditor, HLB Mann Judd, is anticipated to be in attendance to respond to any questions raised of the auditor or on the Auditor's Report in accordance with section 250T of the Corporations Act.

3. Resolution 1: Approval of Remuneration Report

Section 249L(2) of the Corporations Act requires a company to inform Shareholders that a resolution on the Remuneration Report will be put at the Annual General Meeting. Section 250R(2) of the Corporations Act requires a resolution that the Remuneration Report adopted be put to a vote. Resolution 1 seeks this approval.

In accordance with section 250R(3) of the Corporations Act, Shareholders should note that Resolution 1 is an "advisory only" Resolution which does not bind the Directors or the Company. However, the Directors take the discussion at the meeting and the outcome of the vote into account when considering the Company's remuneration practices.

Following consideration of the Remuneration Report for the financial year ended 30 June 2015, the Chair, in accordance with section 250SA of the Corporations Act, will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

If at least 25% of the votes cast on a resolution for the adoption of a Remuneration Report are voted against at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution proposing that another general meeting be held within 90 days, at which all of the Company's Directors (other than the Managing Director) would go up for re-election.

The Directors encourage all Shareholders to vote on Resolution 1.

4. Resolution 2: Re-election of Luke Martino

In accordance with clause 13.2 of the Constitution, at every annual general meeting, an election of Directors must be held whereby one or more Directors retire from office by rotation and are eligible for re-election. The Directors to retire are those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement.

Luke Martino retires by rotation at this Annual General Meeting and, being eligible, offers himself for re-election. Brief background information on Mr Martino is set out below.

Luke Martino

Luke Martino has over 20 years of experience at Partner and Director level with major accounting firms and is a Director of several private and public companies. He has gained significant experience and established credibility in the mining and resources industry (particularly in Indonesia) and the property and hospitality industries. Luke has an entrepreneurial passion for nurturing businesses and specialises in corporate and growth business consulting.

Directors' recommendations

Other than Mr Martino, who does not make any recommendation in relation to his own re-election, the Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

5. Resolution 3: Issue of Convertible Notes to Coleman Ventures Limited

5.1 Background

As announced to ASX on 21 April 2015, the Company has entered into a facility and convertible note agreement (**Agreement**) with Coleman Ventures Limited (**Coleman**) under which, subject to Resolutions 3 and 4 being passed:

- Coleman will make available up to $5,000,000 to the Company via a funding facility (up to $2,000,000 in year 1, and up to $3,000,000 in year 2) (**Facility**); and
- for each $500,000 drawn down by the Company under the Facility, the Company will issue a Convertible Note to Coleman.

The Company notes that the previous agreement with Caldecott Ventures Limited that was announced to ASX on 11 November 2014 was terminated due to delays in obtaining ASIC approval of the Technical Valuation Report included in the Independent Expert's Report. Caldecott Ventures Limited and Coleman are both owned and controlled by the same person, being Mr Lee Chin Cheh.

Since entering into the original agreement, the Company's Share price had fallen from $0.023 to $0.003 on 21 April 2015 amidst a downturn in market conditions.[1] As a result, the terms of the Convertible Notes had to be reset nearer to current market prices, being those reflected in the new Agreement.

The key terms of the Convertible Notes are set out below.

Convertible Notes	
Number	Up to 10
Face Value	$500,000
Maturity Date	2 years from issue
Interest rate	3% per annum
Conversion Price	$0.007 per Share
Conversion	• Coleman may elect to convert a Convertible Note into securities at any time on or before the Maturity Date • If converted, the Face Value and accrued interest will convert into Shares at the Conversion Price • If converted within 6 months of issue, the Company must also issue 1 Conversion Option for every 2 Shares issued pursuant to the conversion
Redemption	• An unconverted Convertible Note must be redeemed by the Company within 10 business days of the Maturity Date at Face Value plus interest • The Company may elect to redeem a Convertible Note on or prior to the Maturity Date – half in cash and half in Shares (converted at the Conversion Price)

A more comprehensive summary of the terms of the Convertible Notes is set out in Section 5.2.

[1] The closing price of the Company's Shares on the ASX was $0.008 on 18 September 2015.

The key terms of the Conversion Options are set out below.

Conversion Options	
Number	1 for every 2 Shares issued
Exercise price	$0.01
Expiry date	2 years from issue

Full terms of the Conversion Options are set out in Annexure B.

Over the past 18 months, the Company has focused on consolidating its financial position in light of difficult market conditions facing junior resource companies. As part of this focus, the Company has streamlined its operations and undertaken minor equity capital raisings, including the following:

- August 2014 – an underwritten entitlement offer to Shareholders at $0.021 per Share which raised approximately $1,600,000;
- March 2015 – a placement of Shares to Select Equity Growth Limited at $0.005 per Share which raise $270,000;[2] and
- August 2015 – an entitlement offer to Shareholders at $0.007 per Share which raised approximately $920,385 (**Entitlement Offer**).[3]

If Resolutions 3 and 4 are passed, the Company will have access to up to $5,000,000 in funding for the 2 year period commencing on the date of the Annual General Meeting, of which up to $2,000,000 may be drawn down in the first year, and up to $3,000,000 may be drawn down in the second year.

To the extent that the Entitlement Offer was not taken up by Shareholders and the resulting shortfall shares are not placed to investors, the Company intends to draw down funds under the year 1 tranche of the Facility. In doing so, the Company anticipates that it will raise approximately $2,000,000 via a combination of the Entitlement Offer and the year 1 tranche of the Facility, and a further $3,000,000 under the year 2 tranche of the Facility. The Company will consider undertaking another entitlement offer to Shareholders in year 2 to reduce its need to draw down on the year 2 tranche of the Facility. However, the Company notes that it may draw down additional funds under the Facility in either year if required in order to retire debt.

Kopex Loan

As announced to ASX on 22 June 2015, the Company received a letter from PT Kopex Mining Contractors (**Kopex**) demanding repayment of a loan guaranteed by the Company, and a trade creditor debt owing by the Company, in the amount of US$2,767,600 (approximately A$3,603,415), plus interest (**Kopex Loan**) by 30 June 2015. The guarantee component of the Kopex Loan relates to funding provided by Kopex which was previously used for drilling and pre-feasibility study work on the Company's thermal coal project in Indonesia – the TCM Project (**TCM Project**). Kopex's letter stated that if payment was not made by 30 June 2015 then Kopex would initiate legal proceedings against the Company to recover the debt plus interest.

The Company notes, however, that under revised repayment terms agreed with Kopex on or about 26 November 2014, if the Company makes an arrangement to sell at least 50% of the TCM Project prior to 15 June 2015 then the outstanding balance of the Kopex Loan is to be repaid from the proceeds of the sale.

As announced to ASX on 4 June 2015, the Company has entered into a binding heads of agreement with Universal Coal Resources Pte Ltd (**Universal**) under which the Company proposes to sell its interest in the TCM Project for shares in Universal to the value of SG$30,000,000 (approximately

[2] The placement to Select Equity Growth Limited is the subject of Resolution 3. See Section 7 for further information.
[3] The Board reserves the right to place the shortfall to investors at the same price by 6 November 2015.

A$30,378,000). The agreement is conditional on a number of key matters including, but not limited to, Universal completing its IPO on the Catalist board of the Singapore Exchange, and Kopex and Universal agreeing to terms for the settlement of the Kopex Loan using proceeds from the IPO.

The Company considers that, having entered into an arrangement to sell its interest in the TCM Project to Universal, the outstanding balance of the Kopex Loan should now be repaid through that transaction i.e. from funds raised by Universal in connection with its IPO. However the Company notes that there is a risk that an arbiter 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.

Since receiving the demand letter, the Company and Kopex have been in discussions regarding repayment of the Kopex Loan however the matter remains unresolved at the date of this Notice. Although the Company is hopeful that an amicable solution can be reached, 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.

Need for funding

In difficult market conditions, the Board considers the Facility to be a unique and attractive opportunity for the Company which will significantly strengthen its financial position.

If the sale of the TCM Project does not complete or if the Company is otherwise required to repay the Kopex Loan prior to completion of the sale of the TCM Project, then the Facility would provide the Company with access to funds which it could use to pay Kopex. The Company notes that it currently has insufficient cash reserves to repay the Kopex Loan and, therefore, without the Facility the Company could face insolvency. The Board considers that drawing down on the Facility would be the most appropriate method of addressing this potential funding requirement as the Company can choose not to draw down on the Facility if the funds are not required.

If Kopex calls the Kopex Loan immediately then the Company will again seek to negotiate appropriate and reasonable repayment terms with Kopex, failing which the matter would proceed to arbitration in Perth, Western Australia. If the Company is required to make a payment in settlement of the Kopex Loan, and it has insufficient cash reserves to make such payment, then the Company may seek to raise additional funds via debt and/or equity markets to discharge the Kopex Loan. It is likely that the Company would liaise with key stakeholders and Shareholders of the Company to raise such additional funds and to avoid insolvency.

In the event that the Company is not required to pay the Kopex Loan and the loan is instead discharged using the proceeds raised under Universal's IPO, then the Company only intends to draw down on the Facility to the extent necessary to fund ongoing expenditure requirements.

Reasons for Shareholder approval

Section 606 of the Corporations Act prohibits a person from acquiring a Relevant Interest in issued voting Shares of a listed company that would cause that persons (or another person's) Voting Power to increase above 20%, or from a starting point above 20% and below 90%, unless the acquisition is made under an exception in section 611.

Coleman does not currently have a Relevant Interest in any Shares in the Company. However, if the Convertible Notes proposed to be issued under the Agreement are converted into Shares, and any Conversion Options issued are converted into Shares, Coleman will potentially increase its Voting Power in the Company above the 20% threshold.

In addition, any further conversions of Convertible Notes and Conversion Options into Shares may increase Coleman's Voting Power in the Company from a starting point that is above 20% and below 90%, which would again trigger the prohibition in section 606 of the Corporations Act.

Based on certain assumptions, the maximum Voting Power that Coleman may obtain in the Company as a result of converting into Shares all 10 Convertible Notes and all Conversion Options that may be issued under the Agreement is 68.9%. Please refer to Section 5.8 for further information on the Voting Power that may be acquired by Coleman pursuant to the Convertible Notes.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606 where the acquisition has been approved by shareholders. Accordingly, Resolution 3 seeks Shareholder approval pursuant to item 7 of section 611 in order for Coleman's Voting Power in the Company to increase:

- from 20% or below to more than 20%; and
- if applicable, from a starting point that is above 20% and below 90%,

as a result of converting Convertible Notes and Conversion Options into Shares in accordance with the Agreement.

5.2 Facility and Convertible Note Agreement

The material terms of the Facility and Convertible Note Agreement between the Company and Coleman are as follows:

(a) The Agreement is subject to the Company obtaining Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act for the issue of Convertible Notes, and the issue of Shares and Conversion Options pursuant to the conversion of the Convertible Notes (**Condition**).

(b) For a period of 2 years from the satisfaction of the Condition, Coleman will make available to the Company up to $5,000,000 by way of a funding facility, with $2,000,000 available in the first year and $3,000,000 available in the second year (**Facility**). The Company may draw down on the Facility from time to time in multiples of $500,000.

(c) For each $500,000 drawn down, the Company must issue a Convertible Note to Coleman.

(d) Each Convertible Note has a face value of $500,000 (**Face Value**).

(e) Each Convertible Note has a maturity date of 2 years from the date it is issued (**Maturity Date**).

(f) Until a Convertible Note is redeemed for cash or converted into securities, interest will accrue on the amount of the Face Value at rate of 3% per annum.

(g) On or before the Maturity Date, the Company may elect to redeem a Convertible Note in full by paying the amount of the Face Value and accrued interest (**Monies Payable**) to Coleman, with half of the payment to be made in cash and half to be paid in Shares (based on the Conversion Price).

(h) On or before the Maturity Date, Coleman may elect to convert a Convertible Note in full into securities by written notice to the Company.

(i) If Coleman fails to convert a Convertible Note into securities by the Maturity Date, the Company must pay the amount of the Monies Payable in respect of the Convertible Note in cash to Coleman within 10 business days.

(j) If Coleman elects to convert a Convertible Note into securities within 6 months of its issue, the Company must issue Shares and Conversion Options to Coleman in accordance with the following formulas:

(i) **S = MP / CP**

Where:

S is the number of Shares to be issued to Coleman;

MP is the Monies Payable in respect of the Convertible Note; and

CP is the conversion price of $0.007 (**Conversion Price**); and

(ii) **CO = S / 2**

Where:

CO is the number of Conversion Options to be issued to Coleman; and

S is the number of Shares to be issued to Coleman.

(k) If Coleman elects to convert a Convertible Note into securities after the date that is 6 months after its issue but on or before the Maturity Date, the Company must issue Shares to Coleman in accordance with the following formula:

S = MP / CP

Where:

S is the number of Shares to be issued to Coleman;

MP is the Monies Payable in respect of the Convertible Note; and

CP is the Conversion Price.

(l) The Convertibles Notes will be unsecured.

(m) The Convertible Notes will not be listed.

(n) The Convertible Notes confer no voting rights at Shareholder meetings.

(o) Convertible Notes may only be transferred with the prior consent of the Company, in the Company absolute discretion.

(p) The Company and Coleman both give warranties and undertakings considered standard for an agreement of this nature.

(q) The Company gives a number of undertakings considered standard for a borrower in an agreement of this nature, including maintaining its listing, complying with laws, changing its business and notice requirements.

(r) The Agreement sets out a number of default events considered standard for an agreement of this nature, including breach of the Agreement and insolvency. If a default event occurs, Coleman can declare all money owing under the Agreement to be immediately due and payable.

5.3 Proposed use of funds

The use of funds raised under the Facility will depend significantly on how the Kopex Loan is dealt with (see Section 5.1 for further information). The table below shows the proposed use of funds based on the Company being required to repay the Kopex Loan itself prior to completion of the sale of the TCM Project, and based on the Kopex Loan being repaid from the proceeds raised through Universal's IPO. If the Company is not required to repay the Kopex Loan prior to completion of the sale of the TCM Project, then it is unlikely that the full amount of the Facility will be drawn down.

Use of funds[1]	With Kopex Loan repayment	Without Kopex Loan repayment
Existing creditors	$50,000	$50,000
Kopex Loan repayment[2]	$4,000,000	-
Working capital[3]	$950,000	$4,950,000
Total	**$5,000,000**	**$5,000,000**

Notes:

1. Assumes that all $5,000,000 is drawn down under the Facility and 10 Convertible Notes are issued to Coleman. Please note that the Company only intends to draw down on the Facility to the extent necessary to repay the Kopex Loan and to fund ongoing expenditure requirements. Therefore, funds drawn down on the Facility and applied towards working capital may be significantly less, particularly for the 'without Kopex Loan repayment' column.

2. The amount used for the Kopex Loan is an approximate amount based on the amount demanded by Kopex being US$2,767,600 (approximately A$3,603,517) plus interest at 9.4% from 30 June 2014. See Section 5.1 for further information on the Kopex Loan.

3. Working capital may include expenditure to maintain the TCM Project in good standing, creditors, wages, payments to contractors, rent and outgoings, insurance, accounting, audit, legal and listing fees, other items of a general administrative nature and cash reserves which may be used in connection with the TCM Project or any other project, as determined by the Board at the relevant time.

4. The above table is an indication of the Board's current intention as at the date of this Notice. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

5.4 Pro forma capital structure

If Shareholders approve Resolution 3, the effect on the capital structure of the Company will depend on a number of factors, including:

- the amount drawn down by the Company under the Facility;
- the number of Convertible Notes that Coleman elects to convert into securities; and
- the timing of when Coleman converts Convertible Notes into securities (if at all).

The tables below set out the potential effect of the issue of Convertible Notes on the capital structure of the Company based on the 2 extreme situations – conversion on the date that is 6 months after the Convertible Notes are issued, and conversion on the Maturity Date (i.e. 2 years after the Convertible Notes are issued).

When considering the tables below, Shareholders are reminded that:

- Coleman may elect to convert some Convertible Notes within 6 months of issue, and other Convertible Notes after 6 months from issue but on or before the Maturity Date; and
- a Convertible Note can only be converted into securities in full (i.e. not a combination of cash and securities).[4]

Conversion on 6 months

On the date that it 6 months after a Convertible Note is issued, the Convertible Note will have accrued $7,500 in interest. In addition, if a Convertible Note is converted into securities within 6 months of being issued, the Company must issue 1 Conversion Option for every 2 Shares issued pursuant to the conversion of the Convertible Note.

Assuming all $5,000,000 is drawn down by the Company under the Facility, and all 10 Convertible Notes are converted into securities 6 months after being issued, if Shareholders approve Resolution 3 then the capital structure of the Company will be affected as follows:

[4] N.b. the Company can redeem a Convertible Note on or prior to the Maturity Date for cash and Shares (based on the Conversion Price) in equal proportions.

Capital structure	Number[1]
Existing Shares[2]	490,421,915
Shares issued upon conversion[3]	725,000,000
Total Shares	**1,215,421,915**
Conversion Options[4]	362,500,000
Fully diluted Share capital[5]	**1,577,921,915**

Notes:

1. This does not include any shortfall Shares resulting from the Entitlement Offer which may be issued to investors in accordance with the Offer Document.
2. Assumes that all $5,000,000 is drawn down under the Facility and 10 Convertible Notes are issued to Coleman.
3. Includes conversion of the Face Value and total accrued interest at a rate of 3% per annum.
4. No Conversion Options will be issued pursuant to a Convertible Note it the Convertible Note is not converted within 6 months of being issued.
5. Assumes that no additional securities are issued by the Company.

Conversion on Maturity Date

By the Maturity Date, each unconverted Convertible Note will have accrued $30,000 in interest.

Assuming all $5,000,000 is drawn down by the Company under the Facility, and all 10 Convertible Notes are converted into Shares at the Maturity Date, if Shareholders approve Resolution 3 then the capital structure of the Company will be affected as follows:

Capital structure	Number[1]
Existing Shares[2]	490,421,915
Shares issued upon conversion[3]	757,142,857
Total Shares	**1,247,564,772**
Conversion Options[4]	Nil
Fully diluted Share capital[5]	**1,247,564,772**

Notes:

1. This does not include any shortfall Shares resulting from the Entitlement Offer which may be issued to investors in accordance with the Offer Document.
2. Assumes that all $5,000,000 is drawn down under the Facility and 10 Convertible Notes are issued to Coleman.
3. Includes conversion of the Face Value and total accrued interest at a rate of 3% per annum.
4. No Conversion Options will be issued pursuant to a Convertible Note it the Convertible Note is not converted within 6 months of being issued.
5. Assumes no additional securities are issued by the Company.

5.5 Pro forma statement of financial position

Assuming that Shareholders approve Resolution 3, the pro forma statement of financial position of the Company is set out in Annexure A.

5.6 Takeover prohibition

Section 606 of the Corporations Act prohibits a person from acquiring a Relevant Interest in the issued voting shares of a listed company if the acquisition would result in that person's (or another person's) Voting Power in the company increasing:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

Voting Power

The Voting Power of a person in a company is determined in accordance with section 610 of the Corporations Act. It is aimed at grouping together and counting the percentage of all voting shares in a company that are controlled by a person and its associates (i.e. their Relevant Interests).

Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a Relevant Interest in securities if that person:

- is the holder of the securities;
- has power to exercise, or control the exercise of, a right to vote attached to the securities; or
- has power to dispose of, or exercise control over the disposal of, the securities.

It is immaterial whether the power or control is direct or indirect, and it does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that, if a body corporate has a Relevant Interest in securities, a person will also have a Relevant Interest in those securities if:

- the person has Voting Power in the body which is above 20%; or
- the person controls the body.

Associates

In determining who is an associate for the purposes of calculating a person's Voting Power, section 12(2) of the Corporations Act provides that:

- the following entities are associates of a body corporate:
  - another body corporate which it controls;
  - another body corporate which controls it; and
  - another body corporate that is controlled by the same entity which controls it;
- a person will be an associate of another person if they have, or propose to enter into, a relevant agreement for the purpose of controlling or influencing:
  - the composition of a body's board; or
  - the conduct of the body's affairs; and
- a person will be an associate of another person if they are acting, or propose to act, in concert in relation to the affairs of a body.

5.7 Item 7 of section 611 of the Corporations Act

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606 where the acquisition of the Relevant Interest has been approved by shareholders in general meeting, provided that:

- no votes are cast in favour of the resolution by the person proposing to make the acquisition or their associates; and
- shareholders are given all information known to the acquirer or the company that was material to the decision on how to vote.

If Resolution 3 is passed, the acquisition of Convertible Notes by Coleman will not in itself result in Coleman acquiring a Relevant Interest in the Shares of the Company. However, under section 606(6) of the Corporations Act, a person is taken to acquire a Relevant Interest in voting shares in a company if securities in which the person already had a Relevant Interest become voting shares in the company. In that case, the acquisition occurs when the securities become voting shares.

The acquisition of Shares by Coleman pursuant to the conversion of Convertible Notes and, if applicable, Conversion Options will result in Coleman acquiring a Relevant Interest in the Company's Shares which will potentially increase Coleman's Voting Power in the Company:

- from 20% or below to more than 20%; and
- from a starting point that is above 20% and below 90%.

Based on certain assumptions, the maximum Voting Power that Coleman may obtain in the Company as a result of converting all 10 Convertible Notes, and all Conversion Options that may be issued under the Agreement, into Shares is 68.9%. Please refer to Section 5.8 for further information on the Voting Power that may be acquired by Coleman pursuant to the Convertible Notes.

Accordingly, the Company is seeking Shareholder approval to Resolution 3 for the purposes of item 7 of section 611 of the Corporations Act.

5.8 Prescribed information

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74: *Acquisitions approved by members* for the purposes of obtaining approval under item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by HLB Mann Judd contained in Annexure C of this Notice.

Identity of the acquirer and its associates

The Convertible Notes are to be acquired by Coleman Ventures Limited (Company No. 1837142) (**Coleman**). Any Shares issued pursuant to the conversion of Convertible Notes and Conversion Options are to be acquired by Coleman (and/or its nominee).

Coleman is a limited liability company incorporated under the laws of the British Virgin Islands on 14 August 2014. Coleman is a special purpose investment company established for the purposes of investing in and recapitalising undervalued assets in the energy and resources sector. Coleman favours a contrarian and counter-cyclical approach to its investments, especially in the case of assets with ever present demand.

The sole director and shareholder of Coleman is Mr Lee Chin Cheh. Mr Lee holds a law degree from the University of Wolverhampton in the United Kingdom, and a Certificate in Legal Practice awarded by the Legal Profession Qualifying Board in Malaysia.

Mr Lee was called to the Malaysian Bar in 1996 and is now the principal partner of Messrs Lee Ong & Partners in Malaysia. He is primarily engaged in corporate and commercial matters covering consultancy, documentation and litigation.

Mr Lee is also actively involved in community services and is presently sitting 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.

Mr Lee is also active in business ventures. He has acted as placee for a number of allotments in Malaysian public companies, and sits on the board of several private companies including Free Edge Sdn Bhd, Pai Nian Products Sdn Bhd and Zip-In Solutions Sdn Bhd. Mr Lee is also board advisor for, amongst other companies, the Unique Seafood Group and and Nanyang Electric Group.

Mr Lee and Coleman do not currently have any associates with a Relevant Interest in the Company's Shares.

Effect on the acquirer's Voting Power

Coleman does not currently have a Relevant Interest in any Shares in the Company and therefore has 0% Voting Power in the Company. The maximum Voting Power that Coleman may obtain in the Company as a result of converting all 10 Convertible Notes, and all Conversion Options that may be issued under the Agreement, into Shares is 68.9% (i.e. a 68.9% increase).[5] In order to obtain this level of Voting Power, the Company would need to draw down all $5,000,000 under the Facility, and Coleman would be required to convert all Convertible Notes into securities 6 months after their issue, and further convert into Shares all Conversion Options issued pursuant to the conversion of Convertible Notes.

The Voting Power to be acquired by Coleman pursuant to the Convertible Notes will depend on a number of factors, including:

- the amount drawn down by the Company under the Facility;
- the number of Convertible Notes that Coleman elects to convert into securities;
- the timing of when Coleman converts Convertible Notes into securities (if at all); and
- the number of additional Shares on issue (if any).

The tables below set out the potential effect of the issue of Convertible Notes on Coleman's Voting Power in the Company based on various amounts drawn down by the Company under the Facility.

When considering the tables below, Shareholders are reminded that:

- Coleman may elect to convert some Convertible Notes within 6 months of issue, and other Convertible Notes after 6 months from issue but on or before the Maturity Date; and
- a Convertible Note can only be converted into securities in full (i.e. not a combination of cash and securities).[6]

[5] Based on the current number of Shares on issue, being 490,421,915 Shares.
[6] The Company can also redeem a Convertible Note on or prior to the Maturity Date for cash and Shares (based on the Conversion Price) in equal proportions.

$5,000,000 drawn down[1]	Shares held by Coleman	Total Shares on issue[2]	Voting Power
Conversion 6 months after issue[3]			
Existing position	Nil	490,421,915	**0%**
Upon conversion of 10 Convertible Notes[4]	725,000,000	1,215,421,915	**59.7%**
Plus exercise of 362,500,000 Conversion Options[5]	1,087,500,000	1,577,921,915	**68.9%**
Conversion at Maturity Date[6]			
Existing position	Nil	490,421,915	**0%**
Upon conversion of 10 Convertible Notes[7]	757,142,857	1,247,564,772	**60.7%**

Notes:

1. Assumes that all $5,000,000 is drawn down under the Facility and 10 Convertible Notes are issued to Coleman.
2. This does not include any shortfall Shares resulting from the Entitlement Offer which may be issued to investors in accordance with the Offer Document. Assumes that no additional Shares are issued by the Company.
3. Assumes that all Convertible Notes are converted on the date that is 6 months after their issue.
4. Shares issued pursuant to the conversion of 10 Convertible Notes having a total Face Value of $5,000,000 and total accrued interest at a rate of 3% per annum of $75,000.
5. Assumes that all Conversion Options issued pursuant to conversion of the Convertible Notes are exercised into Shares.
6. Assumes that all Convertible Notes are converted on the Maturity Date (i.e. 2 years after being issued).
7. Shares issued pursuant to the conversion of 10 Convertible Notes having a total Face Value of $5,000,000 and total accrued interest at a rate of 3% per annum of $300,000.

Reasons for the proposed acquisition

The Company has entered into the Agreement to access funds which will provide the Company with working capital and the ability to repay the Kopx Loan if required (see Section 5.1 for further information). Please refer below for reasons to vote in favour of Resolution 3.

Timing of the proposed acquisition

Under the Agreement, Coleman may only convert a Convertible Note into Shares within 2 years of the Convertible Note being issued. Convertible Notes will only be issued by the Company if the Company draws down on the Facility, which may only occur during the 2 year period following the date of the Annual General Meeting. Accordingly, the acquisition of Shares by Coleman pursuant to the conversion of Convertible Notes will likely happen progressively over the 4 year period following the date of the Annual General Meeting.

In addition, the Company must issue 1 Conversion Option for every 2 Shares issued pursuant to a Convertible Note converted within 6 months of being issued. Conversion Options will expire 2 years after being issued. Therefore, any acquisition of Shares pursuant to the exercise of Conversion Options will likely occur progressively over the 2 and a half year period following the date of the Annual General Meeting.

Material terms of the proposed acquisition

A summary of the key terms of the Agreement is set out in Section 5.2.

Other relevant agreements

Other than the Agreement, no relevant agreements exist between the Company and Coleman, or any of their associates.

Acquirer's intentions regarding the future of the Company

Other than as disclosed elsewhere in this Notice, Coleman:

(a) has no current intention of making any changes to the business of the Company;

(b) does not propose to inject further capital into the Company;

(c) does not intend to change the employment arrangements of the Company;

(d) does not propose to transfer any assets between the Company and Coleman, their associates;

(e) has no intention to otherwise redeploy the fixed assets of the Company; and

(f) does not intend to change the financial or dividend distribution policies of the Company.

These intentions are based on information concerning the Company, its business and the business environment which is known to Coleman at the date of this Notice. Final decisions regarding these matters will only be made by Coleman in light of material information and circumstances at the relevant time. Accordingly, the statements set out above are statements of current intention only, which may change as new information becomes available to it or as circumstances change.

Directors' interests

No Director is a related party of Coleman and no Director has a material personal interest in the issue of Convertible Notes to Coleman under Resolution 3.

Additional directors

At the date of this Notice, it is not intended that any person will become a director of the Company if Shareholders approve Resolution 3.

Independent Expert's Report

The Independent Expert's Report assesses whether the acquisition of Shares by Coleman pursuant to Resolution 3 is fair and reasonable to the Shareholders who are not associated with Coleman. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed acquisition the subject of Resolution 3. This assessment is designed to assist all Shareholders in reaching their voting decision.

HLB Mann Judd has prepared the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 3 is, on balance, **not fair and may or may not be reasonable** to the Shareholders not associated with Coleman. It is recommended that all Shareholders read the Independent Expert's Report in full which is enclosed as Annexure C of this Notice.

Reasons to vote in favour of Resolution 3

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3 for the reasons set out below.

(a) The Agreement is conditional on Resolution 3 being approved. If Resolution 3 is passed, the Company will have access to up to $5,000,000 in funding for a 2 year period, providing financial security for the Company during challenging times for junior resources companies and particularly with the uncertainty surrounding the Kopex Loan (see Section 5.1 for further information).

(b) Currently, access to capital is extremely limited for junior resources companies in light of low investor sentiment towards the sector. The Facility represents a unique and attractive opportunity for the Company which will significantly strengthen its financial position.

(c) The Company notes that the Independent Expert considers that the Agreement is 'not reasonable' on the basis that the Company is not required to repay the Kopex Loan. As discussed in Section 5.1, there is a possibility that the Company will be required to repay some or all of the Kopex Loan prior to completion of the sale of its TCM Project to Universal. In these circumstances, the Independent Expert considers that the transaction is 'reasonable' as the funds raised via the Facility would assist the Company in repaying the Kopex Loan and potentially avoiding insolvency (please refer to the Independent Expert's Report in Annexure C). Therefore, by having access to the Facility, the Company will be able to mitigate the risks associated with the Kopex Loan and potential insolvency. To the extent that the funds available under the Facility are insufficient to cover any requirement to repay the Kopex Loan, the Company would likely seek to raise additional funds via debt and/or equity markets in order to avoid insolvency. If the risks associated with the Kopex Loan do not eventuate then the Company will only draw down on the Facility to the extent necessary to fund ongoing expenditure requirements.

(d) The Directors consider that the Company's Share register will be strengthened by the addition of Coleman as a key Shareholder.

Reasons to vote against Resolution 3

Although the Directors unanimously recommend that Shareholders vote in favour of Resolution 3, the Directors consider that Shareholders may consider voting against Resolution 3 for the reasons set out below.

(a) The issue of Shares pursuant to the conversion of Convertible Notes, and any Conversion Options, will have a dilutionary effect on Shareholders. Based on the current number of Shares on issue, the maximum extent to which Shareholders will be diluted is approximately 322%. Dilution will effectively reduce the Voting Power of existing Shareholders and may give existing Shareholders less influence over the Company. The Company notes, however, that it only intends to draw down on the Facility to the extent necessary to repay the Kopex Loan prior to completion of the TCM Project sale, and to fund ongoing expenditure requirements. Therefore, if the Company is not required to repay the Kopex Loan then the dilutionary impact of the Facility will be significantly reduced.

(b) The Independent Expert has concluded that the issue of Shares under the Agreement is 'not fair' on the basis that the fair market value of Shares in the Company on a control basis before the issue of Shares pursuant to the Agreement is higher that their assessed value on a minority basis after the issue of Shares pursuant to the Agreement. Shareholders may be concerned by the Independent Expert's finding that the price to be paid by Coleman under the Facility is 'not fair'. However, if the Company is required to repay the Kopex Loan prior to completion of the sale of the TCM Project then, despite concluding that the price is 'not fair', the Independent Expert has concluded that Shareholders will be better off if the Agreement and Facility proceed than if they do not (please refer to the Independent Expert's Report in Annexure C).

(c) The Conversion Price for the Convertible Notes is $0.07 per Share,[7] which represents a discount of:

(i) 42.86% to $0.0100, the closing price of Shares in the Company on the ASX on 19 October 2015;

(ii) 21.43% to $0.0085, the 1 month VWAP of Shares in the Company;

(iii) 18.57% to $0.0083, the 6 month VWAP of Shares in the Company; and

[7] Coleman may also receive Noteholder Options and interest. See Section 5.2 for a summary of the terms of the Agreement.

(iv) 85.71% to $0.0130, the 12 month VWAP of Shares in the Company.

(d) If Coleman acquires Voting Power of greater than 10% in the Company, this may deter a takeover offer for the Company as Coleman will be able to block a compulsory acquisition of the Shares under the Corporations Act for so long as it holds more than 10% of the number of Shares on issue. A takeover offer may be attractive to Shareholders as they can be made at a premium to the market price of Shares.

6. Resolution 4: Change to scale of activities

6.1 Background

Resolution 4 seeks approval from Shareholders for a change to the scale of the activities of the Company. Resolution 4 is a conditional resolution and will only be put to Shareholders if Resolution 3 is passed.

As outlined in Section 2, the Company has entered into the Facility and Convertible Note Agreement under which the Company will potentially issue up to 1,087,500,000 Shares to Coleman pursuant to the conversion of Convertible Notes and Noteholder Options (if applicable) in consideration of receiving funds under the Facility. The Agreement is subject to Shareholders approving Resolution 3.

A detailed description of the Agreement and proposed acquisition of securities by Coleman is set out in Section 5.

6.2 Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposed to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- if ASX requires, obtain shareholder approval and comply with any requirements of ASX in relation to the associated notice of meeting; and
- if ASX require, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that given the potential change in the scale of the Company's activities resulting from the Company issuing securities under the Agreement, the Company is required to obtain Shareholder approval for the purposes of Listing Rule 11.1.2. Accordingly, Resolution 4 seeks approval from Shareholders for a change to the scale of the activities of the Company

As required by ASX Guidance Note 12: *Significant Changes to Activities*, the following information is provided in relation to Resolution 4:

(a) **Material terms of the transaction**

A summary of the key terms of the Agreement is set out in Section 5.2.

(b) **Financial effect of the transaction on the entity and on the interests of security holders**

Assuming that Shareholders approve Resolutions 3 and 4:

- the pro forma statement of financial position of the Company is set out in Annexure A; and

- the pro forma capital structure of the Company is set out in Section 5.4.

The financial effect of the Facility on the Company will depend on a number of factors, including:

- the amount drawn down by the Company under the Facility;
- the number of Convertible Notes that Coleman elects to convert into securities; and
- the timing of when Coleman converts Convertible Notes into securities (if at all).

The amount to be drawn down by the Company will largely depend on the extent to which (if at all) the Company is required to make any payment to Kopex in respect of the Kopex Loan. If such payment is required then the Company could draw down on the Facility to repay the Kopex Loan which would remove the Kopex Loan from the balance sheet and leave the Company's cash position relatively unchanged.

However, upon drawing down funds under the Facility a new liability to Coleman will be created on the balance sheet, effectively replacing the Kopex Loan liability. This new liability in respect of the Convertible Note(s) will remain as a liability unless and until, and to the extent to which, the Convertible Note(s) are:

- converted into securities in the Company, which would be reflected in the equity section of the Company's balance sheet;
- redeemed for cash, which would likely cause a corresponding reduction to the Company's cash reserves and, therefore, its assets.

Ultimately, the Company considers that having access to the Facility will significantly improve its financial position and security in what are particularly challenging economic conditions facing exploration companies. In particular, and as discussed in Section 5.1, access to the Facility will help to mitigate the risks associated with the Kopex Loan and potential insolvency.

(c) **Details of how the entity will be modifying its business model to accommodate the significant change in the scale of the entity's activities**

Other than as disclosed elsewhere in this Notice, the Board has no current intention of making any changes to the business model of the Company as a result of any significant change in the scale of the Company's activities which may arise in connection with the Agreement.

(d) **Information about the entity's need to borrow any funds or raise any capital in the short term as a result of the transaction**

As discussed in Section 5.1, the Company is entering into the Agreement to obtain access to up to $5,000,000 under the Facility. This will assist the Company with meeting any payment requirements with respect to the Kopex Loan and ongoing expenditure requirements.

At the date of this Notice, it is considered by the Directors that the Facility will provide the Company with sufficient funding to see it through to the sale of its interest in the TCM Project, which is anticipated for late 2016. However, as discussed in Section 5.1, the Company may undertake another entitlement offer to Shareholders in year 2 to reduce any need to draw down on the year 2 tranche of the Facility, and give Shareholders an opportunity to participate in the fundraising.

Other than as disclosed elsewhere in this Notice, the Board has no current intention of borrowing any funds or raising any capital in the short term in connection with the Agreement.

However, final decisions regarding further funding will only be made by the Company in light of material information and circumstances at the relevant time. Accordingly, the above

statements are statements of current intention only, which may change as new information becomes available or as circumstances change.

(e) **Changes proposed to the entity's board or senior management**

At the date of this Notice, it is not intended that any changes will be made to the Board or senior management of the Company in connection with the Agreement.

(f) **Timetable for implementing the transaction**

Under the Agreement, Coleman may only convert a Convertible Note into Shares within 2 years of the Convertible Note being issued. Convertible Notes will only be issued by the Company if the Company draws down on the Facility, which may only occur during the 2 year period following the date of the Annual General Meeting. Accordingly, the acquisition of Shares by Coleman pursuant to the conversion of Convertible Notes, and the resulting impact on the scale of the Company's activities, will likely happen progressively over the 4 year period following the date of the Annual General Meeting.

In addition, the Company must issue 1 Conversion Option for every 2 Shares issued pursuant to a Convertible Note converted within 6 months of being issued. Conversion Options will expire 2 years after being issued. Therefore, any acquisition of Shares pursuant to the exercise of Conversion Options, and the resulting impact on the scale of the Company's activities, will likely occur progressively over the 2 and a half year period following the date of the Annual General Meeting.

6.3 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

7. Resolution 5: Issue of Shares to Select Equity Growth Limited

7.1 Background

On 12 March 2015, the Company announced that it had agreed to issue 54,000,000 Shares to Select Equity Growth Limited under a placement at an issue price of $0.005 each to raise $270,000 (before costs). The Company issued the Shares on 19 March 2015 using its placement capacity under Listing Rule 7.1.

The Company is seeking Shareholder approval to ratify the prior issue of Shares under the placement in accordance with Listing Rule 7.1.

7.2 Listing Rule 7.4

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company during the previous 12 months (without approval and which were not subject to an exception), exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Shareholders passed a special resolution under Listing Rule 7.1A at the Company's annual general meeting on 28 November 2014 which essentially provides the Company with additional Share placement capacity equal to 10% of its issued capital.

Listing Rule 7.4 provides that where a company ratifies a prior issue of securities, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1, thereby replenishing the company's 15% capacity and enabling it to issue further securities up to that limit. In addition, prior issues of securities under Listing Rule 7.1A can be ratified under Listing Rule 7.4 to replenish a company's additional 10% placement capacity and enable it to issue further Shares up to that limit.

Resolution 5 proposes the ratification of the issue of 54,000,000 Shares under to Select Equity Growth Limited for the purpose of satisfying the requirements of Listing Rule 7.4. If Resolution 5 is

approved, the Shares will not be included in the Company's 15% calculation for the purposes of Listing Rule 7.1 or its 10% calculation for the purposes of Listing Rule 7.1A.

As required by Listing Rule 7.5, the following information is provided in relation to Resolution 5.

(a) **Number of securities issued**

54,000,000 Shares.

(b) **Price at which the securities were issued**

$0.005 each.

(c) **Terms of the securities**

The Shares issued under the placement rank equally in all respects with other Shares on issue.

(d) **Name of the persons to whom the entity will issue the securities or the basis on which those persons were determined**

The Shares were issued to Select Equity Growth Limited.

(e) **Intended use of the funds raised**

The Company intends to use the funds raised under the placement to fund the Company's ongoing working capital requirements.

7.3 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

8. Resolution 6: Approval of 10% Placement Facility

8.1 Background

Resolution 6 is a special resolution which seeks Shareholder approval for the issue of Equity Securities totalling up to 10% of the issued capital of the Company under and in accordance with Listing Rule 7.1A.

8.2 Listing Rule 7.1A

Listing Rule 7.1A enables eligible entities to issue Equity Securities totalling up to 10% of its issued share capital through placements over a 12 month period after the entity's annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of $300 million or less. The Company is an eligible entity.

As Resolution 6 is a special resolution, at least 75% of the votes cast on Resolution 6 must be cast in favour of the Resolution in order for it to be passed.

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice, the only quoted Equity Securities that the Company has on issue are its Shares.

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of shares on issue 12 months before the date of issue or agreement:

(a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(b) plus the number of partly paid shares that became fully paid in the 12 months;

(c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;

(d) less the number of fully paid shares cancelled in the 12 months.

Note: 'A' has the same meaning as in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1. The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (set out above).

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 Trading Days of the date above, the date on which the Equity Securities are issued.

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

For the purposes of Listing Rule 7.3A, the following information is provided to Shareholders in relation to Resolution 6:

(a) **Minimum price at which the securities may be issued**

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within 5 Trading Days of the date above, the date on which the Equity Securities are issued.

(b) **Risk of dilution**

If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:

(i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and

(ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2 assuming that the Proposed Transaction has completed and the Public Offer is fully subscribed.

The table also shows:

(i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue at the date of this Notice. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future general meeting; and

(ii) two examples where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		**50% decrease in market price** $0.005	**Current market price** $0.01	**100% increase in market price** $0.02
Current variable 'A' 490,664,567Shares	**10% voting dilution**	49,066,456 Shares	49,066,456 Shares	49,066,456 Shares
	Funds raised	$245,332	$490,664	$981,329
50% increase in current variable 'A' 735,996,850 Shares	**10% voting dilution**	73,599,685 Shares	73,599,685 Shares	73,599,685 Shares
	Funds raised	$367,998	$735,996	$1,471,993
100% increase in current variable 'A' 981,329,134 Shares	**10% voting dilution**	98,132,913 Shares	98,132,913 Shares	98,132,913 Shares
	Funds raised	$490,664	$981,329	$1,962,658

Notes:

1. Assumes the Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
2. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
3. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
4. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
6. The market price used is $0.01, being the closing price of Shares on 19 October 2015.
7. The current variable 'A' does not include any Shares that may be issued pursuant to Resolution 3.

(c) **Date by which the securities may be issued**

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (disposal of the main undertaking of the Company).

(d) **Purposes for which the securities may be issued**

The Company may seek to issue the Equity Securities for the following purposes:

(i) non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or

(ii) cash consideration. In such circumstances, the Company may apply the funds raised towards its TCM Project, the review and evaluation of new acquisitions and investments (including expenses associated with such acquisitions and investments) and general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy for issues of securities**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of recipients of Equity Securities will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

(i) the purpose of the issue;

(ii) the methods of raising funds that are available to the Company including, but not limited to, rights issues or other issues in which existing security holders can participate;

(iii) the effect of the issue of the Equity Securities on the control of the Company;

(iv) the financial situation and solvency of the Company;

(v) prevailing market conditions; and

(vi) advice from corporate, financial and broking advisers (if applicable).

Recipients of Equity Securities under the 10% Placement Facility have not been determined at the date of this Notice but are likely to be investors which are sophisticated or professional investors for the purposes of section 708 of the Corporations Act.

(f) **Details of previous issues of securities**

During the 12 months preceding the date of the Annual General Meeting, the Company has issued 185,483,708 Shares and no other Equity Securities. This represents 60.7% of the total number of Equity Securities on issue at the commencement of that period.

Details of all issues of Equity Securities during the 12 month period prior to the date of the Annual General Meeting are set out below.

Placement to Select Equity Growth Limited	
Date of issue	12 March 2015
Number issued	54,000,000 Shares
Class of security	Fully paid ordinary share
Summary of terms	Each Share ranks equally in all respects with other Shares on issue
Persons who received securities	Select Equity Growth Limited
Issue price	$0.005 per Share
Discount to market price	Nil
Total cash consideration	$270,000
Amount of cash spent	$270,000
Use of cash	General Australian and Indonesian project and administrative expenses
Intended use of remaining cash	N/A
Entitlement Offer to Shareholders	
Date of issue	6 August 2015
Number issued	131,483,708
Class of security	Fully paid ordinary share
Summary of terms	Each Share ranks equally in all respects with other Shares on issue
Persons who received securities	Eligible Shareholders who applied for Shares under the Entitlement Offer
Issue price	$0.007 per Share

Discount to market price	Nil
Total cash consideration	$920,385
Amount of cash spent	$920,385
Use of cash	• Retire loans that were due and payable by the Company • Continued studies and permitting at the TCM Project • Pre-development planning at the TCM Project • Marketing • General Australian and Indonesian project and administrative expenses • Forestry permitting at the TCM Project
Intended use of remaining cash	N/A

8.3 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.

DEFINITIONS

In this Notice and Explanatory Statement, the following terms have the following meanings:

10% Placement Facility has the meaning given in Section 8.2.

10% Placement Period has the meaning given in Section 8.2.

Agreement means the Facility and Convertible Note Agreement between the Company and Coleman summarised in Section 5.2.

Annexure an annexure to this Explanatory Statement.

Annual General Meeting or **Meeting** means the annual general meeting of Shareholders to be held on Monday, 30 November 2015, at 11.30am (WST).

Annual Report the annual report of the Company for the financial year ended 30 June 2015.

Board means the board of Directors.

Business Day means any day other than a Saturday, a Sunday or a public holiday in Perth, Western Australia.

Coleman means Coleman Ventures Limited (Company No. 183 7142), a company registered under the laws of the British Virgin Islands, of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Chair means the chairperson of the Meeting.

Closely Related Party means a closely related party of a member of Key Management Personnel as defined in section 9 of the Corporations Act, being:

(a) a spouse or child of the member;

(b) a child of that member's spouse;

(c) a dependent of that member or of that member's spouse;

(d) anyone else who is one of that member's family and may be expected to influence that member, or be influenced by that member, in that member's dealings with the Company;

(e) a company that is controlled by that member; or

(f) any other person prescribed by the regulations.

Company means Pan Asia Corporation Limited ACN 098 448 269.

Conversion Option means an Option on the terms set out in Annexure B.

Conversion Price means, in respect of a Convertible Note, $0.007 per Share.

Convertible Note means a convertible note to be issued by the Company to Coleman under the Agreement on the terms summarised in Section 5.2.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Directors' Report means the directors' report contained in the Annual Report.

Entitlement Offer means the Company's entitlement offer to Shareholders at an issue price of $0.007 per Share which completed in August 2015.

Equity Securities has the meaning given in the Listing Rules.

Explanatory Statement means the explanatory statement incorporated in the Notice.

Face Value means, in respect of a Convertible Note, $500,000.

Facility means the funding facility of up to $5,000,000 to be made available by Coleman to the Company under the Agreement.

Financial Report means the financial report contained in the Annual Report.

HLB Mann Judd means HLB Mann Judd Corporate (WA) Pty Ltd of Level 4, 130 Stirling Street, Perth, WA 6000.

Independent Expert means HLB Mann Judd.

Independent Expert's Report means the Independent Expert's Report prepared by HLB Mann Judd and attached as Annexure C.

Key Management Personnel means the key management personnel of the Company as defined in section 9 of the Corporations Act and Australian Accounting Standards Board accounting standard 124, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

Kopex means PT Kopex Mining Contractors, a company existing under the laws of the Republic of Indonesia.

Kopex Loan has the meaning given in clause 5.1.

Listing Rules means the official Listing Rules of ASX.

Maturity Date means, in respect of a Convertible Note, 2 years after the date that the Convertible Note is issued.

Notice of Annual General Meeting or **Notice** means the notice of annual general meeting incorporating the Explanatory Statement.

Proxy Form means the proxy form attached to this Notice.

Offer Document means the offer document dated 8 July 2015 issued by the Company in relation to the Entitlement Offer.

Option means an option to acquire a Share.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Remuneration Report means the remuneration report contained in the Annual Report.

Resolution means a resolution contained in the Notice.

Section means a section contained in the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of one or more Shares.

TCM Project means the Company's thermal coal project in Indonesia.

Trading Day has the meaning given in the Listing Rules.

Voting Power has the meaning given in the Corporations Act.

VWAP means volume weighted average price.

WST means Western Standard Time, being the time in Perth, Western Australia.

ANNEXURE A – PRO-FORMA STATEMENT OF FINANCIAL POSITION

	Audited 30 June 2015	No conversion to Shares	Conversion to Shares at 2 year maturity	Conversion to Shares within 6 months, Options exercised
Current Assets				
Cash and cash equivalents (Note 3)	135,985	5,756,371	5,756,371	6,343,871
Trade and other receivables	13,642	13,642	13,642	13,642
Prepayments	24,421	24,421	24,421	24,421
Other financial assets	2,083	2,083	2,083	2,083
Total Current Assets	**176,131**	**5,796,517**	**5,796,517**	**6,384,017**
Non-Current Assets				
Plant and equipment	63,585	63,585	63,983	63,983
Exploration and evaluation expenditure – TCM Project	18,821,917	18,821,917	18,821,917	18,821,917
Loans to other entities	144,203	144,203	144,203	144,203
Total Non-Current Assets	**19,029,705**	**19,029,705**	**19,029,705**	**19,029,705**
Total Assets	**19,205,836**	**24,826,222**	**24,826,222**	**25,413,722**
Current Liabilities				
Trade and other payables	1,369,987	1,369,897	1,369,897	1,369,897
Borrowings	12,534	12,534	12,534	12,534
Loans from other entities	3,494,271	3,494,271	3,494,271	3,494,271
Total Current Liabilities	**4,876,702**	**4,876,702**	**4,876,702**	**4,876,702**
Non-Current Liabilities				
Deferred tax liability	2,315,499	2,315,499	2,315,499	2,315,499
Borrowings	58,296	58,296	58,296	58,296
Convertible note	-	5,000,000	-	-
Total Non-Current Liabilities	**2,373,795**	**7,373,795**	**2,373,795**	**2,373,795**
Total Liabilities	**7,250,497**	**12,250,497**	**7,250,497**	**7,250,497**
Net Assets	**11,995,339**	**12,575,725**	**17,575,725**	**18,163,225**
Equity				
Issued capital	58,475,942	59,396,328	64,396,328	64,758,828
Reserves (Note 1)	1,384,844	2,210,744	2,210,744	1,603,964
Accumulated losses (Note 2)	-49,359,296	-50,485,196	-50,485,196	-49,653,416
Parent entity interest	10,501,490	11,121,876	16,121,876	16,709,376
Non-controlling interest	1,453,849	1,453,849	1,453,849	1,453,849
Total Equity	**11,955,339**	**12,575,725**	**17,575,725**	**18,163,225**

	Audited 30 June 2015	No conversion to Shares	Conversion to Shares at 2 year maturity	Conversion to Shares within 6 months, Options exercised
Note 1 - Reserves				
Reserves as at 30 September 2014		1,384,844	1,384,844	1,384,844
Equity portion of Convertible Note		825,900	825,900	219,120
Total		**2,210,744**	**2,210,744**	**1,603,964**
Note 2 - Accumulated losses				
Accumulated losses as at 30 September 2014		49,359,296	49,359,296	49,359,296
Interest expense on maturity or redemption		300,000	300,000	75,000
Unwinding of interest expense		825,900	825,900	219,120
Total		**50,485,196**	**50,485,196**	**49,653,416**
Note 3 - Cash				
Entitlement Offer - August 2015		920,386	920,386	920,386
Total		**920,386**	**920,386**	**920,386**

ANNEXURE B – TERMS OF CONVERSION OPTIONS

The terms and conditions of Conversion Options are set out below.

(a) **Entitlement**

Each Conversion Option entitles the holder to subscribe for one Share upon exercise of the Conversion Option.

(b) **Expiry Date**

Each Conversion Option will expire at 5.00pm (Perth time) on the date that is 2 years after the date that the Conversion Option is issued (**Expiry Date**).

(c) **Exercise Price**

Each Conversion Option will have an exercise price of $0.01 (**Exercise Price**).

(d) **Exercise period and lapsing**

Subject to clause (i), Conversion Options may be exercised at any time after its date of issue and prior to the Expiry Date. After this time, any unexercised Conversion Options will automatically lapse.

(e) **Exercise Notice and payment**

Conversion Options may be exercised by notice in writing to the Company (**Exercise Notice**) together with payment of the Exercise Price for each Conversion Option being exercised. Any Exercise Notice for a Conversion Option received by the Company will be deemed to be a notice of the exercise of that Conversion Option as at the date of receipt. Cheques paid in connection with the exercise of Conversion Options must be in Australian currency, made payable to the Company and crossed "Not Negotiable".

(f) **Shares issued on exercise**

Shares issued on exercise of Conversion Options will rank equally in all respects with then existing fully paid ordinary shares of the Company.

(g) **Quotation of Shares**

Provided that the Company is quoted on the ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Conversion Options.

(h) **Timing of issue of Shares**

Subject to clause (i), within 5 business days after the later of the following:

(i) receipt of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Conversion Option being exercised by the Company if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and

(ii) the date the Company ceases to be in possession of excluded information with respect to the Company (if any) following the receipt of the Notice of Exercise and payment of the Exercise Price for each Conversion Option being exercised by the Company,

the Company will:

(iii) allot and issue the Shares pursuant to the exercise of the Conversion Options;

(iv) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act (to the extent that it is legally able to do so); and

(v) apply for official quotation on the ASX of the Shares issued pursuant to the exercise of the Conversion Options.

(i) **Shareholder and regulatory approvals**

Notwithstanding any other provision of these terms and conditions, exercise of Conversion Options into Shares will be subject to the Company obtaining all required (if any) shareholder and regulatory approvals for the purpose of issuing the Shares to the holder. If exercise of the Conversion Options would result in any person being in contravention of section 606(1) of the Corporations Act then the exercise of each Conversion Option that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the exercise of the Conversion Options may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the exercise of the Conversion Options will not result in any person being in contravention of section 606(1) of the Corporations Act.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Conversion Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Conversion Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least four business days after the issue is announced. This is intended to give the holders of Conversion Options the opportunity to exercise their Conversion Options prior to the announced record date for determining entitlements to participate in any such issue.

(k) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

(i) the number of Shares which must be issued on the exercise of a Conversion Option will be increased by the number of Shares which the holder would have received if the holder had exercised the Conversion Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(l) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of a Conversion Option.

(m) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(n) **Quotation**

The Company will not apply for quotation of the Conversion Options on ASX.

(o) **Transferability**

Conversion Options can only be transferred with the prior written consent of the Company (which consent may be withheld at the Company's sole discretion).

ANNEXURE C - INDEPENDENT EXPERT'S REPORT

Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555
Licensed Investment Adviser

Independent Expert's Report

Pan Asia Corporation Ltd

HLB Mann Judd Corporate (WA) Pty Ltd AFSL 250903
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd Corporate (WA) Pty Ltd is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

HLB Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555
Licensed Investment Adviser

FINANCIAL SERVICES GUIDE

Dated 1 July 2015

1. HLB Mann Judd Corporate (WA) Pty Ltd

HLB Mann Judd Corporate (WA) Pty Ltd ABN 69 008 878 555 ("HLB Mann Judd Corporate" or **"we"** or **"us"** or **"ours"** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 250903**;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services;
- superannuation; and
- debentures, stocks or bonds issued or proposed to be issued by a government.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product and there is no statutory exemption relating to the matter, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither HLB Mann Judd Corporate, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by us

HLB Mann Judd Corporate has no employees. All personnel who complete reports for HLB Mann Judd Corporate are partners of HLB Mann Judd (WA Partnership). None of those partners are eligible for bonuses directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

HLB Mann Judd Corporate is wholly owned by HLB Mann Judd (WA Partnership). Also, our directors are partners in HLB Mann Judd (WA Partnership). Ultimately the partners of HLB Mann Judd (WA Partnership) own and control HLB Mann Judd Corporate.

From time to time HLB Mann Judd Corporate or HLB Mann Judd (WA Partnership) may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1. Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints must be in writing, addressed to The Complaints Officer, HLB Mann Judd Corporate (WA) Pty Ltd, Level 4, 130 Stirling Street, Perth WA 6000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within **7 days** and investigate the issues raised. As soon as practical, and not more than **one month** after receiving the written complaint, we will advise the complainant in writing of the determination.

9.2 Referral to external disputes resolution scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (**"FOS"**). FOS independently and impartially resolves disputes between consumers, including some small business, and participating financial services providers.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details at the foot of page 1 of this FSG.

HLB Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555
Licensed Investment Adviser

19 October 2015

The Directors
Pan Asia Corporation Ltd
311-313 Hay Street
SUBIACO WA 6008

Dear Sirs

INDEPENDENT EXPERT'S REPORT

INTRODUCTION

On 21 April 2015 ("Announcement Date"), Pan Asia Corporation Ltd ("Pan Asia" or the "Company") announced that it had entered into a Facility and Convertible Note Agreement ("Agreement") with Coleman Ventures Limited ("Coleman") under which Coleman has agreed to provide to Pan Asia a facility of $5,000,000 which Pan Asia may draw down in the form of convertible notes ("Proposed Transaction"). These convertible notes may then be converted into fully paid shares (and, in certain circumstances, options to acquire shares) in Pan Asia at the option of Coleman in accordance with the Agreement. Depending on the extent of the facility drawn down by Pan Asia and the ultimate conversion of the notes and any options into fully paid shares in Pan Asia by Coleman (if any), Coleman could become a substantial shareholder in Pan Asia. This would be potentially achieved by the approval of Resolution 3 of the Notice of Annual General Meeting of shareholders of the Company proposed to be held on 30 November 2015, namely Pan Asia entering into the Agreement with Coleman on the terms and conditions set out in the Explanatory Statement that accompanies the Notice of Meeting. A summary of the key components of the Agreement is set out in Section 3 of this Report.

STRUCTURE OF REPORT

This Report has been divided into the following sections:

1. Summary and opinion
2. Purpose of the Report
3. Key components of the Facility and Convertible Note Agreement
4. Economic analysis
5. Industry analysis
6. Adopted basis of evaluation
7. Profile of Pan Asia
8. Valuation of Pan Asia prior to the Proposed Transaction
9. Consideration
10. Assessment of whether the Proposed Transaction is fair
11. Assessment of whether the Proposed Transaction is reasonable
12. Sources of information
13. Qualifications, Declarations and Consents

Appendices

1. SUMMARY AND OPINION

1.1 Fairness

Set out in the table below is a comparison of our assessment of the fair market value of a Pan Asia share prior to the Proposed Transaction on a control basis with the value of a Pan Asia share subsequent to the Proposed Transaction on a minority basis (assuming the maximum number of shares that are able to be issued to Coleman are issued).

	Report Reference	Low cents	Preferred cents	High cents
Value of a Pan Asia share pre-transaction	8.3.1	2.07	2.64	3.94
Value of a Pan Asia share post-transaction:				
Scenario 1	9	0.97	1.20	1.70
Scenario 2	9	0.95	1.14	1.54

As the preferred value of a Pan Asia share on a pre-transaction basis is greater than the preferred value post transaction on a minority basis, it is our opinion that the Proposed Transaction is **not fair.**

1.2 Reasonableness

We have considered the analysis in Section 11 of this Report, in terms of both the advantages and disadvantages of the Proposed Transaction and the position of the non-associated shareholders of Pan Asia if the Proposed Transaction was to proceed.

In our opinion, the key factor in determining our opinion in relation to reasonableness will depend on the actions of PT Kopex Mining Contractors ("Kopex") in relation to the loan that is currently owed by the Company.

In our opinion:

a) the position of the non-associated shareholders of Pan Asia if the Proposed Transaction was to proceed is more advantageous than if the Proposed Transaction was not approved by the shareholders, should Kopex act on its letter of demand and enforce payment prior to the Company being able to complete the sale of the TCM project;

b) should Kopex not act on its letter of demand or the Company is not otherwise required to make payment to Kopex pursuant to the letter, prior to the Company being able to complete the sale of the TCM project, the position of the non-associated shareholders of Pan Asia if the Proposed Transaction was to proceed is less advantageous than if the Proposed Transaction was not approved by the shareholders.

1.3 Opinion

We are of the opinion that the Proposed Transaction is not fair but reasonable to the non-associated shareholders of Pan Asia, should Kopex act on its letter of demand and enforce payment prior to the Company being able to complete the sale of the TCM project.

We are of the opinion that the Proposed Transaction is neither fair nor reasonable to the non-associated shareholders of Pan Asia, should Kopex not act on its letter of demand or the Company is not otherwise required to make payment to Kopex pursuant to the letter, prior to the Company being able to complete the sale of the TCM project.

2. PURPOSE OF THE REPORT

2.1 General

The Directors of Pan Asia have requested that HLB Mann Judd Corporate (WA) Pty Ltd ("HLB") provide an independent expert's report ("Report") advising whether, in our opinion, the Proposed Transaction is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be regarded ("non-associated shareholders").

This Report has been prepared to assist shareholders in their decision whether to vote for or against the resolution giving effect to the Proposed Transaction. Pan Asia is seeking the approval of its shareholders, under Item 7 of section 611 of the Corporations Act 2001, for the Proposed Transaction, as it involves Coleman potentially acquiring greater than 20% of the issued capital of Pan Asia. At the date of this Report, Coleman holds no shares in Pan Asia. The potential issue of shares to Coleman pursuant to the Proposed Transaction could result in Coleman acquiring a relevant interest in Pan Asia greater than 20%, or acquiring a relevant interest in Pan Asia from a starting point that is above 20% and below 90%.

2.2 Regulatory Guidance

This Report is to be included in the Notice of Annual General Meeting and Explanatory Statement ("Notice of Annual General Meeting") for the meeting to be held on 30 November 2015 to consider the resolution giving effect to the Proposed Transaction, for the purpose of assisting shareholders in their consideration of that resolution. This Report should not be used for any other purpose.

We have prepared this Report having regard to the relevant Australian Securities and Investments Commission ("ASIC") releases. ASIC Regulatory Guide 74 "*Acquisitions approved by members*" suggests that the obligation to supply shareholders with all information that is material to the decision on how to vote on the resolution giving effect to the Proposed Transaction can be satisfied by the directors of Pan Asia, by either:

(a) undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or

(b) by commissioning an independent expert's report.

The directors of Pan Asia have commissioned this Report to satisfy this obligation.

In determining the fairness and reasonableness of the Proposed Transaction, we have had regard to ASIC Regulatory Guide 111 "Content of expert reports" ("RG 111"), which states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price (in this case, the proposed price at which the convertible notes will be converted into fully paid shares in Pan Asia) and the value that may be attributed to the securities under offer (in this case, the value of the Pan Asia shares) **(*fairness*)** and an examination to determine whether there are sufficient reasons for security holders to accept the offer despite an offer not being fair **(*reasonableness*)**.

The concept of ***fairness*** is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in this offer (in this case, the value of the Pan Asia shares). Furthermore, this comparison should be made assuming 100% ownership of the "target" (in this case, 100% of Pan Asia) and irrespective of whether the consideration is scrip or cash.

RG 111 states that an offer is reasonable if it is fair. An offer may also be reasonable, if despite it not being fair, there are significant factors which in the expert's opinion shareholders should consider in accepting the offer.

RG 111 also suggests that where the Proposed Transaction is a control transaction the expert should focus on the substance of the control transaction, rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction it should be analysed on a basis that is consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction to consider whether, in our opinion, it is fair and reasonable to the non-associated shareholders of Pan Asia.

We have also had regard to ASIC Regulatory Guide 112 "Independence of experts".

2.3 Compliance with APES 225 *Valuation Services*

This Report has been prepared in accordance with the requirements of the professional standard APES 225 *Valuation Services* ("APES 225") as issued by the Accounting Professional & Ethical Standards Board.

In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

> *"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."*

3. KEY COMPONENTS OF THE FACILITY AND CONVERTIBLE NOTE AGREEMENT

On 21 April 2015, Pan Asia announced that it had entered into a Facility and Convertible Note Agreement ("Agreement") with Coleman under which Coleman has agreed to provide to Pan Asia a facility of $5,000,000 which Pan Asia may draw down in the form of convertible notes. These convertible notes may then be converted into fully paid shares (and, in certain circumstances, options to acquire shares) in Pan Asia at the option of Coleman in accordance with the Agreement. Depending on the extent of the facility drawn down by Pan Asia and the ultimate conversion of the notes and any options into fully paid shares in Pan Asia by Coleman (if any), Coleman could become a substantial

shareholder in Pan Asia. This Agreement replaces the agreement executed and announced on 12 March 2015 with Caldecott Ventures Limited. The Company notes, however, that Coleman is owned and controlled by the same Malaysian based lawyer and businessman, Mr Lee Chin Cheh, who owns and controls Caldecott Ventures Limited. The terms of the Agreement are more comprehensively set out in the Notice of Annual General Meeting and the accompanying Explanatory Statement.

The key terms of the Agreement are as follows:

i) The facility amounts to $5,000,000.

ii) The facility may be drawn down by Pan Asia by delivering to Coleman funding notices in tranches of $500,000. The funding will take the form of convertible notes, such that a maximum of 10 convertible notes may be issued, each with a face value of $500,000 and therefore totaling $5,000,000. Up to $2,000,000 can be drawn down in year 1 and up to $3,000,000 can be drawn down in year 2.

iii) The convertible notes will bear interest at the rate of 3% per annum from the date the notes are issued.

iv) Each note will have a maturity date of two years after the date the note is issued.

v) Up to the maturity date of each note, Coleman may convert the note to fully paid shares in the Company. Each note would convert to 71,428,571 fully paid shares in the Company. Any unpaid interest on a note may also be converted to fully paid shares in the Company. The conversion price would equate to $0.007 per share. If Coleman converts any note to fully paid shares in the Company within six months of the note originally being issued, then upon conversion, Coleman would also be entitled to be issued conversion options in Pan Asia on the basis of one option for every two shares issued ("Conversion Options"). These Conversion Options would have an exercise price of $0.01. Any options issued would expire two years after the date of issue.

vi) If the notes are not converted prior to maturity, then the Company must repay the notes in cash.

Depending on the extent of the facility drawn down by Pan Asia and the ultimate conversion of the notes and any options into fully paid shares in Pan Asia by Coleman (if any), Coleman will hold the following interest in Pan Asia if the resolution giving effect to the Proposed Transaction is approved by the shareholders at the Annual General Meeting of shareholders of the Company proposed to be held on 30 November 2015:

	Coleman % interest in Pan Asia
Scenario 1 [(i)]	60.7%
Scenario 2 [(ii)]	68.9%

(i) Assumes $5,000,000 of notes are issued, interest not paid in cash, notes are held to maturity and converted to ordinary shares.

(ii) Assumes $5,000,000 of notes are issued, interest not paid in cash, all notes are converted to ordinary fully paid shares within 6 months of being issued, the resultant Conversion Options are exercised.

4. ECONOMIC ANALYSIS

At its meeting on 6 October 2015, the Reserve Bank of Australia Board ("Board") decided to leave the cash rate unchanged at 2.0 per cent. In support of this decision, the Board provided the following commentary:

The global economy is expanding at a moderate pace, with some further softening in conditions in China and east Asia of late, but stronger US growth. Key commodity prices are much lower than a year ago, in part reflecting increased supply, including from Australia. Australia's terms of trade are falling.

The Federal Reserve is expected to start increasing its policy rate over the period ahead, but some other major central banks are continuing to ease policy. Equity market volatility has continued, but the functioning of financial markets generally has not, to date, been impaired. Long-term borrowing rates for most sovereigns and creditworthy private borrowers remain remarkably low. Overall, global financial conditions remain very accommodative.

In Australia, the available information suggests that moderate expansion in the economy continues. While growth has been somewhat below longer-term averages for some time, it has been accompanied with somewhat stronger growth of employment and a steady rate of unemployment over the past year. Overall, the economy is likely to be operating with a degree of spare capacity for some time yet, with domestic inflationary pressures contained. Inflation is thus forecast to remain consistent with the target over the next one to two years, even with a lower exchange rate.

In such circumstances, monetary policy needs to be accommodative. Low interest rates are acting to support borrowing and spending. Credit is recording moderate growth overall, with growth in lending to the housing market broadly steady over recent months. Dwelling prices continue to rise strongly in Sydney and Melbourne, though trends have been more varied in a number of other cities. Regulatory measures are helping to contain risks that may arise from the housing market. In other asset markets, prices for commercial property have been supported by lower long-term interest rates, while equity prices have moved lower and been more volatile recently, in parallel with developments in global markets. The Australian dollar is adjusting to the significant declines in key commodity prices.

The Board today judged that leaving the cash rate unchanged was appropriate at this meeting. Further information on economic and financial conditions to be received over the period ahead will inform the Board's ongoing assessment of the outlook and hence whether the current stance of policy will most effectively foster sustainable growth and inflation consistent with the target.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 6 October 2015

5. INDUSTRY ANALYSIS

The following analysis is provided in respect of the major industry in which the Company is currently operating and in which it plans to operate in the future, namely coal mining in Indonesia.

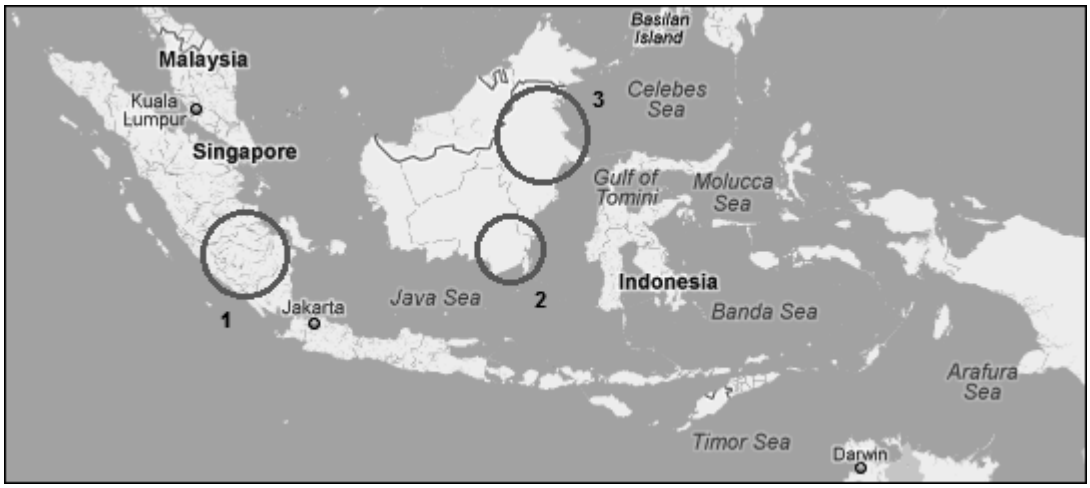
5.1 Indonesia's Coal Production and Export

Indonesia is one of the world's largest producers and exporters of coal. Since 2005, when it overtook Australia, the country has been the leading exporter in thermal coal. A significant portion of this exported thermal coal consists of a medium-quality type (between 5100 and 6100 cal/gram) and a low-quality type (below 5100 cal/gram) for which large demand comes from China and India. According to information presented

by the Indonesian Ministry of Energy, Indonesian coal reserves are estimated to last around 83 years if the current rate of production is to be continued. Regarding global coal reserves, Indonesia currently ranks 10th, containing roughly 3.1 percent of total proven global coal reserves according to the most recent BP Statistical Review of World Energy. Around 60 percent of Indonesia's total coal reserves consists of the cheaper lower quality (sub-bituminous) coal that contains less than 6100 cal/gram.

There are numerous smaller pockets of coal reserves on the islands of Sumatra, Java, Kalimantan, Sulawesi and Papua but the three largest regions of Indonesian coal resources are:

1. South Sumatra
2. South Kalimantan
3. East Kalimantan



The Indonesian coal industry is rather fragmented with only a few big producers and many small players that own coal mines and coal mine concessions (mainly in Sumatra and Kalimantan).

Since the early 1990s, when the coal mining sector was reopened for foreign investment, Indonesia witnessed a robust increase in coal production, coal exports and domestic sales of coal. Domestic use of coal remains relatively small. Indonesia's coal exports account for between 70 and 80 percent of total coal production, the remainder is sold on the domestic market.

	2007	2008	2009	2010	2011	2012	2013	2014
Production	217	240	256	275	353	383	421	458
Export	163	191	198	208	272	304	349	382
Domestic	61	49	56	67	80	79	72	76

[in million tons]

Source: Ministry of Energy and Mineral Resources

5.2 Drivers of the increase in Indonesian coal production and export

- Coal is the dominating force in power generation. At least 27 percent of the world's total energy output and more than 39 percent of all electricity is produced by coal-fired power plants due to coal's abundance, its relatively easy and low-cost extraction, and less expensive infrastructure requirements compared to other energy resources.

- Indonesia contains abundant reserves in medium and low-quality coal. These types of coal are competitively priced on the international market (partly due to Indonesia's low labor wages).

- Indonesia's strategic geographical position towards the giant emerging markets of China and India. Demand for low quality coal from these two countries is skyrocketing as they open many new coal-fired power plants to supply electricity to their immense populations.

The main export destination countries for Indonesian coal are China, India, Japan and Korea. Coal has a clear importance for Indonesia's state revenue as the commodity accounts for around 85 percent of mining revenue.

5.3 Future Prospects of the Indonesian Coal Mining Sector

The commodities boom of the 2000s generated significant profits for companies engaged in the export of coal. The rise in commodity prices was - to a large extent - triggered by accelerated economic growth in emerging and developing economies. But this profitable situation changed with the outbreak of the global financial crisis in 2008 when commodity prices went down fast. Indonesia was affected by these external factors as export of commodities (in particular coal and palm oil) accounts for around 50 percent of total Indonesian exports, thus limiting the country's GDP growth in 2009 to 4.6 percent (which still represents an impressive number, largely supported by domestic consumption). From the latter half of 2009 until the beginning of 2011 a sharp rebound in global coal prices occurred. However, reduced global economic activity has lessened demand for coal, thus resulting in a downward trend of coal prices starting from early 2011.

This means that - generally - profits in the coal industry will be limited in the near future. However, if we take the longer term into consideration - when global economic activity is back on track - demand from China and India is forecast to make the coal business very profitable again (China's demand is in fact expected to double between 2011 and 2016 to 6 billion tonnes). These promising future perspectives are the main reason that in recent years many Indonesian companies have started - or are planning to start - expanding into the nation's coal mining industry, sometimes even resulting in a shift of their core business. Considering the rising energy prices and growing scarcity of energy sources, it will become more expensive to buy coal on the market in the future. For many Indonesian companies this is an incentive to start securing coal reserves now. A number of large companies such as Astra International, Semen Indonesia (cement industry) and Perusahaan Listrik Negara (electricity) – the last two of which are highly dependent on the supply of coal - are investing in coal mining in order to establish an entire value chain in mining and energy businesses while also securing future supplies, and thus guarding it against fluctuations in global coal prices. Currently, owning a coal mine has become a trend for the richer families and companies in Indonesia.

Despite global awareness to reduce dependency on fossil fuels, developments in renewable energy resources do not show an indication that dependency on fossil fuels (especially coal) will be reduced significantly in the foreseeable future, thus coal remains a vital energy resource. Clean coal technologies in coal mining, however, will gain significance in the future (partly due to commercial relevance) and Indonesia is expected to become heavily involved in that process being a major player in the coal mining sector. These clean coal technologies focus on the reduction of emissions produced by coal-fired power generation but lack sustained progress yet. Upstream activities connected to coal mining, such as the development of coalbed methane (CBM) reservoirs of which Indonesia contains great potential, has begun to receive attention recently.

Indonesian Government policy will affect the nation's coal mining industry. To secure domestic supplies, the Indonesian Ministry of Energy and Mineral Resources orders coal producers to reserve a specific amount of their production for domestic consumption. Moreover, the government can use export tax to discourage coal exports. The government aims for more domestic consumption of coal as it wants coal to supply around 30 percent of the country's energy mix by 2025:

	Energy Mix 2011	**Energy Mix 2025**
Oil	50%	23%
Coal	**24%**	**30%**
Gas	20%	20%
Renewable Energy	6%	26%

Source: Ministry of Energy and Mineral Resources

Another recent development is that the Indonesian government intends to curb shipments of all raw materials (except for coal), instead requiring the mining sector to add value to the products before export takes place. Initially, the plan was to ban raw mineral exports from 2014 onwards. Recently, however, the government has stated that it will be more flexible towards this ban and expressed that some exports can continue under certain conditions. Coal will not be affected by this ban according to government statements made in 2012, thus can continue to be exported without being processed first.

Source: Indonesia Investments

6. ADOPTED BASIS OF EVALUATION

6.1 Fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessment of the fair market value of a Pan Asia share on a control basis prior to incorporating the effects of the Proposed Transaction with our assessment of the fair market value of a Pan Asia share on a minority basis subsequent to incorporating the effects of the Proposed Transaction.

As noted in Section 3 of this Report, the number of shares to be issued under the Proposed Transaction will depend upon the extent of the facility drawn down by Pan Asia and the ultimate conversion of the notes and any conversion options into fully paid shares of Pan Asia.

To evaluate the Proposed Transaction, we have assumed two alternatives:

Scenario 1 - all notes are held to maturity and, together with accrued interest, converted to ordinary shares.

Scenario 2 – all notes and accrued interest are converted to ordinary shares within 6 months and the option entitlement is exercised at 1 cent per option.

The Pan Asia shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to gain control, to reduce or eliminate competition, to secure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. As the Proposed Transaction is a control transaction (as defined in RG 111), we have considered this factor in forming our opinion.

6.2 Reasonableness

We have assessed the reasonableness of the Proposed Transaction by considering other advantages and disadvantages of the Proposed Transaction to the non-associated shareholders of Pan Asia.

6.3 Individual circumstances

We have evaluated the Proposed Transaction for Pan Asia shareholders as a whole. We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Due to their particular circumstances, individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from those adopted in this Report. Accordingly, individual shareholders may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt, shareholders should consult an independent adviser.

6.4 Limitations and Reliance on Information

HLB's opinion is based on economic, share market, business trading and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time. If these conditions did change materially the valuations and opinions could be different in these changed circumstances.

This Report is also based upon financial information and other information provided by Pan Asia. HLB has considered and relied upon this information. HLB has no reason to believe that any material facts have been withheld. The information provided to HLB has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposed Transaction is fair and reasonable. However, in preparing reports such as this, time is limited and HLB does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to fairness and reasonableness is more in the nature of an overall review rather than a detailed audit or investigation.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgment of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or valuation.

Preparation of this Report does not imply that HLB has audited in any way the records of Pan Asia for the purposes of this Report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years except as otherwise noted.

The information provided to HLB included historical financial information for Pan Asia. Pan Asia is responsible for this information. HLB has used and relied on this information for the purpose of analysis.

7. PROFILE OF PAN ASIA

7.1 Company History

On 24 December 2010, Pan Asia acquired 100% of the issued share capital of Innovation West Pty Ltd. Innovation West Pty Ltd holds a 75% interest in PT Transcoal Minergy, an Indonesian coal company which owns the flagship TCM Coal Project in South Kalimantan, Indonesia. The Company has a current JORC resource in all seams totalling 177Mt with mineable seams at 129Mt. The coal is high CV thermal coal with predominantly low ash and moisture content which underpins its development credentials. To date, the Company has received both PMA and Clean and Clear status and is currently in the process of obtaining its forestry approval. The Company intends to update its feasibility study in the current financial year.

Source: Review of Operations in the Company's 2014 Annual Report

7.2 Assets

The Company's assets comprise predominantly of mineral exploration properties. Extracts of the Company's audited financial report for the year ended 30 June 2014 and the year ended 30 June 2015 are shown at Sections 7.7 and 7.8 of this Report.

7.3 Legal Structure

Pan Asia is a public company incorporated and domiciled in Australia. Pan Asia has the following subsidiaries:

Name of subsidiary	Country of incorporation	% interest held by Pan Asia
Innovation West Pty Ltd	Australia	100
Innovation West Mentewe (Singapore) Pte Ltd	Singapore	100
PT Transcoal Minergy	Indonesia	75
PT PZC Services	Indonesia	100
Triumph West Pty Ltd	Australia	100

Innovation West Pty Ltd has a 100% interest in Innovation Mentewe (Singapore) Pte Ltd which holds a 75% interest in PT Transcoal Minergy. PT Transcoal Minergy is the owner of mining operation production licence 545/091/IUP-OP/D.PE/2010 dated 28 April 2010 and situated within the administrative boundaries of the Kecamantans of Mantewe and Batulicin, Kapupatan Tanah Bumbu Province of South Kalimantan, Indonesia.

7.4 Management and Personnel

The Company's current directors are:

Dr Domenic Martino	Non-Executive Chairman
Mr Luke Martino	Non-Executive Director
Mr Michael Pixley	Non-Executive Director

The Company's senior executive team members are:

Mr Alan Hopkins	Chief Executive Officer
Mr Jason Campbell	Company Secretary/Chief Financial Officer
Mr Robert Bradley	Project Manager
Mr Cicip Hadi	Senior Economic Geologist
Mr Agus Sucipto	Exploration Manager (TCM Project)
Mr Dadzui Ismail	Underground Mining Manager (TCM Project)

7.5 Capital Structure and Shareholders

At the date of this Report, Pan Asia had the following securities on issue:

Shares:

	Number
Fully paid ordinary shares	490,664,567

Options:
At the date of this Report, there are no options on issue.

Escrow provisions
At the date of this Report, no shares are held in escrow.

Top 20 shareholders

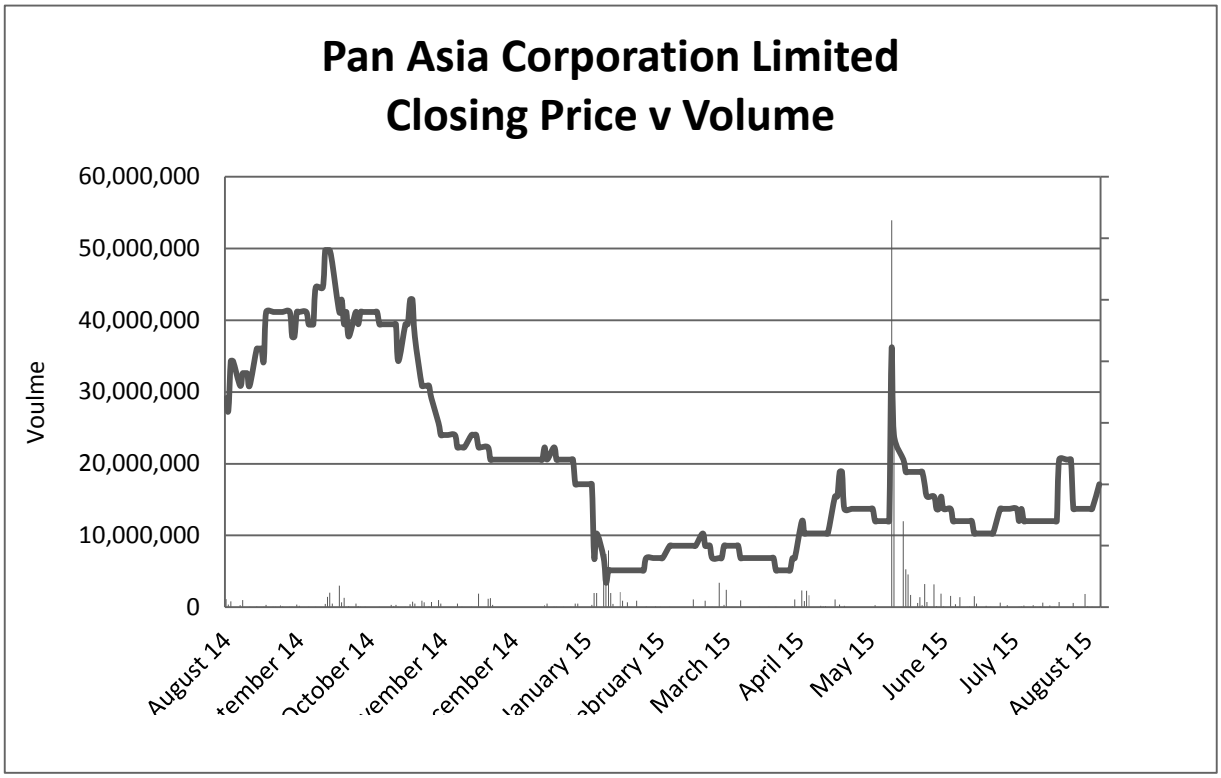
The top 20 shareholders as at 13 August 2015 are set out below.

Shareholder	Number of Shares	% of total shares on issue
Nexus Link Limited	179,134,812	36.53%
JP Morgan Nominees Australia Limited	97,477,188	19.88%
National Nominees Limited	45,051,607	9.19%
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	25,056,338	5.11%
Lanesborough Investments Pte Ltd	24,000,000	4.89%
HSBC Custody Nominees (Australia) Limited	10,138,431	2.07%
LJM Enterprises (WA) Pty Ltd	5,000,000	1.02%
Ridgescan Pty Ltd <AGH Superannuation Fund>	4,400,000	0.90%
Monex Boom Securities (HK) Ltd <Client Account>	3,270,000	0.67%
Citicorp Nominees Pty Ltd	3,142,554	0.64%
Domenal Enterprises Pty Ltd <DMV Super Fund A/C>	2,500,000	0.51%
John Wardman & Associates Pty Ltd <The Wardman Super Fund A/C>	2,300,000	0.47%
Mr John Desmond Martin	2,000,000	0.41%
Oatsworth Pte Ltd	1,837,299	0.37%
V Bass Pty Ltd <Ausinvest Super Fund A/C>	1,805,933	0.37%
Mr Damien Allen	1,800,000	0.37%
Mr Mark Sommers Hill <Rydall A/C>	1,500,000	0.31%
UOB Kay Hian (Hong Kong) Limited	1,458,334	0.30%
Ridgescan Pty Ltd <AGH Super Fund A/C>	1,421,000	0.29%
Mr Gregory McDonald Ball	1,350,000	0.28%
TOTAL	**414,643,496**	**84.55%**

7.6 Share Price Performance

Pan Asia's share price movements in the 12 months to the date of preparation of this Report, together with volumes traded are presented in the graph below:

Minimal trading occurred through September 2015.



The Pan Asia closing share price has fluctuated from a price of 1.6 cents at the beginning of the above period, to a low of 0.2 cents in February 2015, a high of 2.9 cents in October 2014 and to a closing price at 31 August 2015 of 0.8 cents.

The following key announcements were made by the Company to the market during the above period:

Date	Announcement	Closing share price after announcement $ (movement)	Closing share price three days after announcement $ (movement)
11/08/15	Close of Rights Issue Entitlement Offer Notice of Shortfall	0.007 (◂ 0%)	0.012 (▲42%)
31/07/15	Quarterly Cashflow Report	0.007 (◂ 0%)	0.007 (◂ 0%)
31/07/15	Quarterly Activities Report	0.007 (◂ 0%)	0.007 (◂ 0%)
21/07/15	Non Renounceable Entitlement Shareholder Letters	*0.008* (◂ 0%)	0.008 (◂ 0%)
08/07/15	Appendix 3B & Section 708AA Notice	0.007 (◂ 0%)	0.006 (▼17%)
08/07/15	Pan Asia Offer Document	0.007 (◂ 0%)	0.006 (▼17%)
08/07/15	Pan Asia Announces $2 million Entitlement Offer	0.007 (◂ 0%)	0.006 (▼17%)
22/06/15	Kopex Repayment Update	0.009 (◂ 0%)	0.007 (◂ 0%)
04/06/15	SGD $30M Sale of Interest in TCM Project	0.021 (▲200%)	0.011 (▼91%)
30/04/15	Quarterly Cashflow Report	0.006 (◂ 0%)	0.006 (◂ 0%)
30/04/15	Quarterly Activities Report	0.006 (◂ 0%)	0.006 (◂ 0%)
21/04/15	Financing Update	0.006 (◂ 0%)	0.006 (◂ 0%)
19/03/15	Appendix 3B	0.005 (◂ 0%)	0.004 (▼25%)
16/03/15	Half Yearly Report and Accounts	0.006 (▼20%)	0.005 (▼20%)
12/03/15	Funding Update	0.005 (◂ 0%)	0.005 (◂ 0%)
30/01/15	Quarterly Cashflow Report	0.006 (▼50%)	0.003 (▼100%)
30/01/15	Quarterly Activities Report	0.006 (▼50%)	0.003 (▼100%)
24/12/14	Favourable Indonesian Government Regulation on Divestment	0.012 (◂ 0%)	0.012 (◂ 0%)
27/11/14	Revised Kopex Repayment Terms	0.014 (◂ 0%)	0.013 (▼8%)
11/11/2014	Convertible Note Financing	0.023 (◂ 0%)	0.023 (◂ 0%)
31/10/2014	Quarterly Activities Report	0.023 (◂ 0%)	0.023 (◂ 0%)
31/10/2014	Quarterly Cashflow Report	0.023 (◂ 0%)	0.024 (▲8%)
24/09/2014	Annual Report to shareholders	0.024 (◂ 0%)	0.023 (▼4%)
15/09/2014	Sale of Small Holdings of Shares	0.024 (◂ 0%)	0.024 (◂ 0%)
09/09/2014	Appendix 3B	0.021 (◂ 0%)	0.024 (▲13%)
09/09/2014	Pan Asia Update	0.021 (◂ 0%)	0.024 (▲13%)

Source: ASX company announcements

7.7 Financial Performance

Extracts of the Company's audited financial results for the year ended 30 June 2014 and the year ended 30 June 2015 are set out below:

	Audited Year to 30 June 2014 $	Audited Year to 30 June 2015 $
Interest income	1,142	1,114
Loss on disposal of non-current assets	(9,369)	-
Accounting, audit and legal fees	(133,633)	(205,706)
Consulting, supplier and investor relations	(240,685)	(192,717)
Corporate and other administration fees	(148,679)	(118,013)
Directors' fees	(148,000)	(88,600)
Employment and occupancy costs	(216,504)	(212,293)
Other	(341,600)	(195,018)
Loss before income tax	(1,237,328)	(1,011,233)
Income tax benefit	-	-
Loss for the period	(1,237,328)	(1,011,233)

7.8 Financial Position

Extracts of the Company's audited financial position as at 30 June 2014 and 30 June 2015 are set out below:

	Audited 30 June 2014 $	Audited 30 June 2015 $
Current Assets		
Cash and cash equivalents	200,600	135,985
Trade and other receivables	18,137	13,642
Prepayment	19,391	24,421
Other financial assets	-	2,083
Total Current Assets	**238,128**	176,131
Non Current Assets		
Plant and equipment	75,224	63,585
Deferred exploration expenditure	16,093,077	18,821,917
Loans to other entities	144,203	144,203
Total Non Current Assets	**16,312,504**	**19,029,705**
Total Assets	**16,550,632**	**19,205,836**
Liabilities		
Current Liabilities		
Trade and other payables	1,337,196	1,369,897
Borrowings	78,193	12,534
Loans from other entities	3,362,775	3,494,271
Total Current Liabilities	**4,778,164**	**4,876,702**
Non-Current Liabilities		
Borrowings	-	58,296
Deferred tax liability	2,315,499	2,315,499
Total Non-Current Liabilities	**2,315,499**	**2,373,795**
Total Liabilities	**7,093,663**	**7,250,497**
Net Assets	**9,456,969**	**11,955,339**

7.9 Tax Losses

At 30 June 2015, the Company had a net unrecognised deferred tax asset of $3,526,909. This asset is not included in the statement of financial position in Section 7.8 of this Report.

8. VALUATION OF PAN ASIA PRIOR TO THE PROPOSED TRANSACTION

8.1 Valuation Summary

HLB has assessed the fair market value of Pan Asia to be 2.64 cents per share. This is based on our assessment of the fair market value on a control basis prior to incorporating the effects of the Proposed Transaction.

For the purpose of our opinion, fair market value is defined as the amount at which the shares would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have considered the aspect of a premium for control in forming our opinion.

In determining this amount, we assessed the fair market value of Pan Asia after considering the various valuation methods, which are discussed in further detail at Section 8.2 of this Report.

8.2 Valuation Methodology

Methodologies commonly used for valuing assets and businesses are as follows:

8.2.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on a business by estimating the likely future maintainable earnings, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

This method is not appropriate for use in mining exploration companies.

8.2.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present values at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

The DCF methodology is not considered appropriate to use in the valuation of Pan Asia as the Company is in the exploration phase and does not have reliable cash flow forecast information based on JORC reserves.

8.2.3 Net asset value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The *orderly realisation of assets method* estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities

including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The *liquidation method* is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Where wind up or liquidation of the entity is not being contemplated, these methods in their strictest form are generally not appropriate. The *net assets on a going concern method* estimates the market values of the net assets of an entity but does not take into account any realisation costs.

The *net assets on a going concern method* is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

8.2.4 Quoted Market Price Basis

Another valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

8.2.5 Methodology Adopted

We consider that the most appropriate methods for the valuation of Pan Asia shares are the net assets on a going concern method and the quoted market price basis.

8.3 Valuation

8.3.1 Net assets on a going concern method of valuation of Pan Asia (prior to incorporating the effects of the Proposed Transaction)

Our valuation of Pan Asia on a going concern method of valuation is set out in our valuation calculations below. We have considered the valuation of Pan Asia prior to incorporating the effects of the Proposed Transaction.

Statement of Financial Position	Note	Unaudited 30 June 2015 $	Valuation Low $	Valuation Preferred $	Valuation High $
Current Assets					
Cash and cash equivalents	1	135,985	1,056,371	1,056,371	1,056,371
Trade and other receivables		13,642	13,642	13,642	13,642
Prepayments		24,421	24,421	24,421	24,421
Other financial assets		2,084	2,084	2,084	2,084
Total Current Assets		176,132	1,096,518	1,096,518	1,096,518
Non Current Assets					
Plant and equipment		63,585	63,585	63,585	63,585
Exploration and evaluation expenditure – TCM Project	2	18,821,917	13,794,521	16,602,740	22,986,301
Loans to other entities		144,203	144,203	144,203	144,203
Total Non Current Assets		19,029,705	14,002,309	16,810,528	23,194,089
Total Assets		19,205,837	15,098,827	17,907,046	24,290,607
Liabilities					
Current Liabilities					
Trade and other payables		1,369,897	1,369,897	1,369,897	1,369,897
Borrowings		12,534	12,534	12,534	12,534
Loans from other entities		3,494,271	3,494,271	3,494,271	3,494,271
Total Current Liabilities		4,876,702	4,876,702	4,876,702	4,876,702
Non-Current Liabilities					
Borrowings		58,296	58,296	58,296	58,296
Deferred tax liability	3	2,315,499	-	-	-
Total Non-Current Liabilities		2,373,795	58,296	58,296	58,296
Total Liabilities		7,250,497	4,934,998	4,934,998	4,934,998
Net Assets		11,955,340	10,163,829	12,972,048	19,355,609

		Number	Number	Number	Number
Shares on issue	1	359,180,859	490,664,567	490,664,567	490,664,567
Value per share (cents)		3.33	2.07	2.64	3.94

We have made the following adjustments to the net assets of Pan Asia as at 30 June 2015 in determining our valuation. These adjustments relate to matters which have effect prior to the effects of the Proposed Transaction.

1. Included in the cash balances are the proceeds from the issue of 131,483,708 ordinary shares at $0.007 from the Rights Issue Entitlement Offer that was completed in August 2015.

2. We instructed Al Maynard & Associates Pty Ltd ("Al Maynard") to provide an independent market valuation of the mineral assets currently held by Pan Asia, namely the TCM Project in South Kalimantan, Indonesia. Al Maynard considered a number of different valuation methods when valuing these mineral assets. A copy of the report prepared by Al Maynard is attached to this Report as Appendix 2.

   The range of values for Pan Asia's exploration assets as assessed by Al Maynard is set out below:

	Low Value $'000	Preferred Value $'000	High Value $'000
Company mineral assets (as valued by Al Maynard & Associates Pty Ltd):			
TCM Project (being Pan Asia's 75% interest in the Project)	13,795	16,603	22,986

We have incorporated these valuation amounts in the above table as the "Valuation Low", "Valuation High" and "Valuation Preferred" amounts.

3. The deferred tax liability as at 30 June 2015 of $2,315,499 is the liability calculated under Australian Accounting Standard AASB112 *Income Taxes*. We have recalculated this liability so that it reflects the income tax that would be payable by the Pan Asia group if Pan Asia's interest in the project was disposed of at the values determined by Al Maynard.

8.3.2 Quoted Market Price Basis - Shares

To provide a comparison to our assessed valuation of Pan Asia in Section 8.3.1, we have also assessed the value of Pan Asia on the quoted market price basis.

The quoted market value of a company's shares is reflective of its value on a minority interest basis. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.25 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of section 611 of the Corporations Act 2001, the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain control of another company. These advantages include the following:

- control over policy, decision making and strategic direction;
- access to cash flows;
- control over dividend policies; and
- potentially, access to tax losses.

Whilst Coleman will not be obtaining 100% of Pan Asia, RG 111 states that the expert should calculate the value of a "target's" (ie Pan Asia) shares as if 100% control was being obtained. RG 111.3 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. We have considered reasonableness in Section 11 of this Report.

Our valuation calculation has been prepared in two parts. First, we have calculated the quoted market price on a minority interest basis. Secondly, we have added a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

A chart of the share price movement of Pan Asia over the 12 month period prior to the date of preparation of this Report is included in Section 7.6 of this Report.

The Pan Asia closing share price had fluctuated from a low of 0.2 cents in February 2015 to a high of 2.9 cents in October 2014. The closing share price as at 31 August 2015 is 0.8 cents.

To provide further analysis of the market prices for a Pan Asia share, we have also calculated the volume weighted average market price for 10, 30, 60 and 90 day periods of recent trading, as follows:

	31 August 2015 cents	10 Days cents	30 Days cents	60 Days cents	90 Days cents
Closing price	0.80				
Volume weighted average		0.81	0.83	1.01	1.49

For the quoted market price basis to be reliable there needs to be an adequately liquid and active market for the securities. We consider the following characteristics to be representative of a liquid and active or "deep" market:

- Regular trading in a company's securities;
- At least 50% of a company's securities are traded on an annual basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant and unexplained movements in the company's share price.

A company's shares should meet all of the above criteria to be considered as trading in a "deep" market, however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares determined on this basis cannot be considered relevant.

An analysis of the volume of trading in Pan Asia shares for the twelve months to 31 August 2015 is set out below:

	Low cents	High cents	Cumulative Volume Traded No	As a % of issued capital as at 31 August 2015
10 days	0.80	1.20	2,688,000	0.5%
30 days	0.70	1.20	5,476,779	1.1%
60 days	0.60	1.20	47,084,841	9.6%
90 days	0.60	2.10	135,006,212	27.5%
180 days	0.20	2.10	181,162,331	36.9%
365 days	0.20	2.90	203,330,941	41.5%

This table indicates that the Company's shares display a reasonable level of liquidity, with 41.5% of the Company's issued capital at 31 August 2015 being traded in the 12 month period to the date of this report and only 27.4% over the last 3 months. We do not

consider the level of trading in the Company's shares to be sufficiently adequate and to otherwise meet the criteria in order for the trading in the Company's shares to be considered as "deep", but do consider it to be indicative.

Notwithstanding our opinion that the quoted market price basis is not a reliable valuation basis for our assessment, for the purpose of comparison, in our opinion a range of values for Pan Asia shares based on market pricing, after disregarding post-announcement pricing, is between 0.8 cents and 1.49 cents per share, with a preferred pricing of 0.83 cents.

Control Premium

Share prices from share market trading do not reflect the market value for control of a company as they are in respect of minority interest holdings. Traditionally, the premiums required to obtain control of companies range between 15% and 25% of the minority interest values.

Quoted market price including control premium

Applying these control premiums to Pan Asia's quoted market share price results in the following quoted market price values including a premium for control:

	Low cents	Preferred cents	High cents
Quoted market price value	0.8	0.83	1.49
Control premium	15%	20%	25%
Quoted market price value inclusive of a control premium	0.92	0.99	1.86

Therefore, our valuation of a Pan Asia share based on the quoted market price method and including a premium for control is between 0.92 cents and 1.86 cents with a preferred value of 0.99 cents.

8.4 Assessment on the Fair Market Value of a Pan Asia Share

The results of the net asset and quoted market price valuations performed are summarised in the table below:

	Low cents	Preferred cents	High cents
Net assets (Section 8.3.1)	2.07	2.64	3.94
Quoted market price (Section 8.3.2)	0.92	0.99	1.86

As it is our opinion that the trading in Pan Asia shares is illiquid, we believe the most appropriate method of valuation of Pan Asia shares in accordance with RG 111 is the net assets method.

Based on the results above we consider the value of a Pan Asia share to be between 2.07 cents and 3.94 cents per share, with a preferred value of 2.64 cents per share.

9. VALUATION OF PAN ASIA SUBSEQUENT TO THE PROPOSED TRANSACTION

The shares proposed to be issued to Coleman (if Coleman elects to convert the convertible notes), would be issued at 0.7 cents per share.

Additionally, as outlined in the Notice of Annual General Meeting if any note is converted to ordinary shares within 6 months of the note's issue, then Coleman will be issued with one option for every two shares, exercisable at 1 cent each. We have been advised by the Company that it is their intention not to allow the notes to reach maturity and it is their expectation that these notes will be converted.

Whilst we acknowledge that under Australian Accounting Standards the correct treatment would be to allocate a portion of the face value to equity (being the present value of the risk premium), for the purposes of this valuation and comparison the face value has been used as this will be the liability that is converted. In our opinion, any difference would not material to the overall valuation.

As described in Section 6.1 of this Report, we have assumed the following scenarios to evaluate the Proposed Transaction:

Scenario 1 - all notes are held to maturity and, together with accrued interest, converted to ordinary shares.

Scenario 2 – all notes and accrued interest are converted to ordinary shares within 6 months and the options entitlement is exercised at 1 cent per option.

	Report Reference	Valuation Low	Valuation Preferred	Valuation High
Scenario 1				
Value of Pan Asia - pre-transaction	Section 8.3.1	10,163,828	12,972,047	19,355,608
Proceeds from the issue of the notes		5,000,000	5,000,000	5,000,000
Net assets ($)		15,163,828	17,972,047	24,355,608
Shares on issue – pre-transaction		490,664,567	490,664,567	490,664,567
Issue of shares on conversion of notes and accrued interest		757,142,857	757,142,857	757,142,857
Total shares on issue (Number)		1,247,807,424	1,247,807,424	1,247,807,424
Net assets per share (cents)		1.22	1.44	1.95
Minority interest discount (Note 1)		20%	17%	13%
Value post transaction (cents)		0.97	1.20	1.70

	Report Reference	Valuation Low	Valuation Preferred	Valuation High
Scenario 2				
Value of Pan Asia - pre-transaction	Section 8.3.1	10,163,828	12,972,047	19,355,608
Proceeds from the issue of the notes		5,000,000	5,000,000	5,000,000
Proceeds from the exercise of options		3,625,000	3,625,000	3,625,000
Net assets ($)		18,788,828	21,597,047	27,980,608
Shares on issue – pre-transaction	Section 8.3.1	490,664,567	490,664,567	490,664,567
Issue of shares on conversion of notes and accrued interest		725,000,000	725,000,000	725,000,000
Issue of shares on the exercise of options		362,500,000	362,500,000	362,500,000
Total shares on issue (Number)		1,578,164,567	1,578,164,567	1,578,164,567
Net assets per share (cents)		1.19	1.37	1.77
Minority interest discount (Note 1)		20%	17%	13%
Value post transaction (cents)		0.95	1.14	1.54

Note 1:
The above net assets per share of a Pan Asia share have been determined on a controlling interest basis. If the Proposed Transaction is approved, Coleman has the potential to gain control of the Company and conversely the non-associated shareholders would become minority interest shareholders.

We have therefore adjusted our valuation of a Pan Asia share to reflect a minority interest holding. As noted in Section 8.3.2 of this Report, we assessed an appropriate premium for control to range from 15% to 25%. We have therefore assessed a range for an appropriate minority interest discount (which is the inverse of a premium for control) of 13% to 20%.

10. ASSESSMENT OF WHETHER THE PROPOSED TRANSACTION IS FAIR

RG 111 defines an offer as being fair if the value of the offer price (price of the shares proposed to be issued to Coleman) is equal to or greater than the value of the securities being the subject of the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a Pan Asia share prior to the Proposed Transaction on a control basis with the value of a Pan Asia share subsequent to the Proposed Transaction on a minority basis (assuming the maximum number of shares that are able to be issued to Coleman are issued).

	Report Reference	Low cents	Preferred cents	High cents
Value of a Pan Asia share pre-transaction	8.3.1	2.07	2.64	3.94
Value of a Pan Asia share post-transaction:				
Scenario 1	9	0.97	1.20	1.70
Scenario 2	9	0.95	1.14	1.54

As the preferred value of a Pan Asia share on a pre-transaction basis is greater than the preferred value post transaction on a minority basis, it is our opinion that the Proposed Transaction is **not fair.**

11. CONSIDERATION WHETHER THE PROPOSED TRANSACTION IS REASONABLE

Advantages

- The approval of the Proposed Transaction will provide the Company with access to additional funds of $5,000,000.

- The finance facility will enable the Company to manage costs associated with the TCM project and other ongoing expenditure requirements.

- The Company has a loan obligation to PT Kopex Mining Contractors ("Kopex") as disclosed in note 13 of the Company's 2014 Annual Report. The balance of this loan as at 30 June 2015 was US$2,767,500. Interest at the rate of 15% per annum is accruing on this loan. As announced to ASX on 22 June 2015, Pan Asia's 75% subsidiary PT Transcoal Minergy received from Kopex a demand for repayment of the Kopex Loan (being USD$2,767,500 plus interest (included as part of trade and other payables)) by 30 June 2015.

  The Company did not settle the loan by 30 June 2015 as it did not believe that the loan was reasonably required to be settled by that date. The Company fully intends to facilitate the reasonable timing for settlement of the debt.

  As outlined in the Notice of Annual General Meeting, under revised payment terms agreed with Kopex on or about 26 November 2014, if the Company makes an arrangement to sell at least 50% of the TCM Project prior to 15 June 2015 then the outstanding balance of the Kopex loan is to be repaid from the proceeds of the sale.

  As announced to ASX on 4 June 2015, the Company has entered into a binding heads of agreement with Universal Coal Resources Pte Ltd ("Universal") under which the Company proposes to sell its interest in the TCM Project for shares in Universal to the value of SG$30,000,000 (approximately A$30,378,000). The agreement is conditional on a number of key matters including, but not limited to, Universal completing its IPO on the Catalist board of the Singapore Exchange, and Kopex and Universal agreeing to terms for the settlement of the Kopex loan using proceeds from the IPO.

  The Company considers that, having entered into an arrangement to sell its interest in the TCM Project to Universal, the outstanding balance of the Kopex loan should now be repaid through that transaction i.e. from funds raised by Universal in connection with its IPO. However the Company notes that there is a risk that an arbiter 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.

  Since receiving the demand letter, the Company and Kopex have been in discussions regarding repayment of the Kopex loan however the matter remains unresolved at the date of this Report. 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.

The Company has insufficient cash reserves to repay the debt. The Proposed Transaction will provide Pan Asia with an increased ability repay part of the debt, noting that the Company would still need to raise additional funds via debt and /or equity markets to cover any shortfall.

- The directors of Pan Asia have advised us that they have sought alternative sources of funding in order to repay the Kopex Loan if required and that the Proposed Transaction offers the most suitable finance for the Company's needs. In this regard we note that the Company raised funds under a rights issue prospectus issued in July 2015 at 0.7 cents per share where 45% of the Company's shareholders elected to subscribe for shares. We note that the convertible note conversion price is also 0.7 cents. As noted in the Notice of Annual General Meeting, the Company will consider undertaking another entitlement offer to shareholders in Year 2 of the facility, to reduce the need to draw down on the year 2 tranche of the facility, however the Company notes that it may draw down additional funds under the facility in either year if required to reduce debt.

Disadvantages

- Existing shareholders will potentially have their current shareholding interests in the Company diluted.

- The Company has announced the sale of the TCM project via a binding heads of agreement to Universal. The consideration is shares in Universal to the value of SG$30,000,000. Universal plans to complete an IPO to list on the Singapore Exchange. There is a risk that the agreement with Universal will not complete due to one or more of the conditions precedent not being satisfied.

- There is no guarantee that the Company's share price will not fall as a result of the approval of the Proposed Transaction.

- Should the notes be converted to ordinary shares, the assessed fair market value of a Pan Asia share (on a preferred basis) post the Proposed Transaction (1.20 cents under Scenario 1 and 1.14 cents under Scenario 2) is lower than the assessed fair market value of a Pan Asia share (on a preferred basis) prior to the Proposed Transaction (2.64 cents).

- The approval of the Proposed Transaction will potentially result in Coleman gaining a controlling interest in the Company which may deter a takeover offer for the Company. Should that occur, the non-associated shareholders may be denied the ability to receive a premium that would likely result from a takeover offer for the Company.

We have considered the above factors. We note that the assessed fair market value of a Pan Asia share post the Proposed Transaction is lower than the assessed current fair market value. In our opinion, the key factor in determining our opinion in relation to reasonableness will depend on the actions of PT Kopex Mining Contractors ("Kopex") in relation to the Kopex loan and whether the Company is required to repay the loan prior to completion of the sale of the TCM Project.

However, we consider that, on balance:

a) the position of the non-associated shareholders of Pan Asia if the Proposed Transaction was to proceed is more advantageous than if the Proposed Transaction was not approved by the shareholders, should Kopex act on its letter of demand and enforce payment prior to the Company being able to complete the sale of the TCM project;

b) should Kopex not act on its letter of demand or the Company is not otherwise required to make payment to Kopex pursuant to the letter, prior to the Company being able to complete the sale of the TCM project, the position of the non-associated shareholders of Pan Asia if the Proposed Transaction was to proceed is less advantageous than if the Proposed Transaction was not approved by the shareholders.

Accordingly, we are of the opinion that:

a) the Proposed Transaction is **reasonable** to the non-associated shareholders of Pan Asia, should Kopex act on its letter of demand and enforce payment prior to the Company being able to complete the sale of the TCM project.

b) the Proposed Transaction is **not reasonable** to the non-associated shareholders of Pan Asia, should Kopex not act on its letter of demand or the Company is not otherwise required to make payment to Kopex pursuant to the letter, prior to the Company being able to complete the sale of the TCM project.

12. SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Draft notice of annual general meeting and explanatory statement concerning the Proposed Transaction;
- Pan Asia's Annual audited financial report for the year ended 30 June 2014 and unaudited management accounts for the year ended 30 June 2015;
- Discussions with officers of Pan Asia;
- Publicly available information;
- Share registry information;
- ASX Announcements concerning the Proposed Transaction;
- Valuation report of Pan Asia's current mineral assets, namely the TCM Project in South Kalimantan, Indonesia prepared by Al Maynard & Associates Pty Ltd;
- Facility and Convertible Note Agreement between Pan Asia and Coleman.

13. QUALIFICATIONS, DECLARATIONS AND CONSENTS

HLB, which is a wholly owned entity of HLB Mann Judd Chartered Accountants, is a Licensed Investment Adviser and holder of an Australian Financial Services Licence under the Act and its authorised representatives are qualified to provide this Report. The authorised representative of HLB responsible for this Report has not provided financial advice to Pan Asia.

The author of this Report is Norman Neill. He is a member of Chartered Accountants Australia and New Zealand, holds a Bachelor of Business, and has considerable experience in the preparation of independent expert reports and valuations of business entities in a wide range of industry sectors.

Prior to accepting this engagement, HLB considered its independence with respect to Pan Asia with reference to ASIC Regulatory Guide 112 and APES 225. In HLB's opinion, it is independent of Pan Asia.

This Report has been prepared specifically for the shareholders of Pan Asia. It is not intended that this Report be used for any other purpose other than to accompany the Notice of Meeting to be sent to the Pan Asia shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of the opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Pan Asia. HLB disclaims any assumption of responsibility for any reliance on this Report to any person other than those for whom it was intended, or for any purpose other than that for which it was prepared.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report, HLB has relied on and considered information believed, after due inquiry, to be reliable and accurate. HLB has no reason to believe that any information supplied to it was false or that any material information has been withheld.

HLB has evaluated the information provided to it by Pan Asia and other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not provide a reasonable basis for this Report. HLB has not, nor does it imply that it has, audited or in any way verified any of the information provided to it for the purposes of the preparation of this Report.

In accordance with the Act, HLB provides the following information and disclosures:

- HLB will be paid its usual professional fee based on time involvement at normal professional rates, for the preparation of this Report. This fee, estimated to be in the range of $15,000 to $20,000 excluding GST, is not contingent on the conclusion, content or future use of the Report.

- Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.

- HLB and its directors and associates do not have any interest in Pan Asia.

- HLB and its directors and associates do not have any relationship with Pan Asia or any associate of Pan Asia, other than the firm of HLB Mann Judd being the appointed auditor of Pan Asia.

Yours faithfully
HLB MANN JUDD CORPORATE (WA) PTY LTD
Licensed Investment Advisor (AFSL Licence number 250903)

N G NEILL
Authorised Representative

APPENDIX 1

Appendix 1 – Glossary of Terms

TERM	DEFINITION
Al Maynard	Al Maynard & Associates Pty Ltd
Agreement	Facility and Convertible Note Agreement between Pan Asia and Coleman dated 15 April 2015
Announcement Date	Date the event giving rise to the Proposed Transaction was announced to ASX being 21 April 2015
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
Coleman	Coleman Ventures Limited
DCF	Discounted cash flows
Directors	Directors of Pan Asia
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
FME	Future maintainable earnings
HLB	HLB Mann Judd Corporate (WA) Pty Ltd
JORC Code	Code of the Joint Ore Reserves Committee of the AIMM, AIG and MCA
Pan Asia or the Company	Pan Asia Corporation Ltd
Notice of Annual General Meeting	The Notice of Annual General Meeting and Explanatory Statement for the meeting to be held on 30 November 2015
Proposed Transaction	The entering into the Agreement with Coleman on the terms and conditions set out in the Explanatory Statement
Report	Independent expert's report prepared by HLB
Non-associated shareholders	Existing shareholders in Pan Asia who are not associated with Coleman

APPENDIX 2

Appendix 2 – Independent valuation of mineral assets prepared by Al Maynard & Associates Pty Ltd.

AL MAYNARD & ASSOCIATES Pty Ltd
Consulting Geologists

www.geological.com.au *ABN 75 120 492 435*

9/280 Hay Street, SUBIACO, WA, 6008 Australia
Tel: (+618) 9388 1000
Fax: (+618) 9388 1768
Mob: 04 0304 9449
al@geological.com.au

Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT TECHNICAL VALUATION

OF THE

MANTEWE COAL ASSET

FOR

HLB Mann Judd Corporate (WA) Pty Ltd

Author: Brian J Varndell BSc (SpecHonsGeol), FAusIMM
Peer Review: Allen J Maynard BAppSc (Geol), MAIG, MAusIMM
Company; Al Maynard & Associates Pty Ltd

Date: 16th October, 2015

EXECUTIVE SUMMARY

This updated Independent Technical Valuation Report ("Report") which modifies the 14th October 2014 version has been prepared by Al Maynard & Associates ("AM&A") at the request of Mr. L. di Giallonardo, Director, for HLB Mann Judd Corporate (WA) Pty Ltd ("HLB") who represent Pan Asia Corporation Limited ("Pan Asia")/PT PZC Services ("PZC") and PT Transcoal Minergy ("TCM") to provide an independent valuation of the mineral assets of Pan Asia held under a "Clean and Clear" licence (described in Section 4.1.2). The mineral asset of value is the Pan Asia 75% interest in the Mantewe Project, via a direct interest in the issued capital of TCM which owns the Mantewe Coal Project located in South Kalimantan, Indonesia (Fig 1). The Share Purchase Agreement was executed by Pan Asia on 12th July, 2011 for the purpose of acquiring control over the Mantewe Project owned by TCM.

Pan Asia is a junior resources company primary listed on the Australian Securities Exchange ("ASX") with a secondary listing on the Frankfurt Stock Exchange. Pan Asia maintains offices in Perth and Sydney, Australia and Jakarta, Indonesia. Pan Asia's stated aim is to seek to be a significant long term supplier of key energy resources into Asian markets. PT Kopex Mining Contractors ("KMC") prepared an initial Feasibility Study report in May 2012 ("The Technical Study") for Pan Asia /PZC and TCM; this Technical Study represents the bulk of the data and is the primary source of the AM&A information and views presented regarding the project in this Report. Pan Asia recently announced its intention to divest control of its shareholding in the project to Innovation West Pty Ltd which owns 100% of Innovation West Mantewe PTE LTD its Singaporean subsidiary that will sell its shares to Universal Coal Resources PTE LTD (UC) for SGD $30 million by way of a share transfer at the UC IPO listing price.

KMC is a subsidiary of the international Kopex Group ("Kopex"), based in Katowice, Poland and was established as an Indonesian registered company in 2008. Kopex Is one of the World's biggest underground coal mining machinery manufacturers working in several countries and can provide all equipment, training and expertise required to establish and maintain successful underground operations. In addition Kopex offers the entire process of initial geological assessment, conceptual, pre-feasibility and feasibility studies and underground mine design to provision of all mining equipment and underground mine construction and operation. The Kopex/KMC capability statement is presented in Appendix 5. This Technical Study, in which, after appropriate scrutiny and review, the data and logic are totally acceptable to AM&A, and consequently the derived Probable Reserves were used as the basic foundation of the valuation as described in full in Appendix 2 with June 2015 coal prices applied as described below.

The factors, conditions and assumptions used in the 2012 KMC report are described below in Sections 4.3, 4.3.1, 4.4 and 4.5. AM&A has reviewed the factors, conditions and assumptions underlying the Technical Study and has considered these in light of conditions and factors existing at the date of this report. AM&A is of the view that the assumptions and factors used in the Technical Study to estimate the Resources/Reserves remain valid and relevant to the valuation made in this report and AM&A did not modify the actual resources/reserves as previously estimated in the 2012 Technical Study. However, as described in the Valuation Section 5.0 only coal price modifying factors were used with the relevant details described in Appendices 1 and 2.

The change in coal prices from 2012 to 28th August, 2015 have been noted and accommodated for the valuation purpose. In essence, only the Probable Reserves (tonnes) from the 2012 Technical Study are used

as the basis for the valuation ranges. The valuation estimates are modified by application of various discounts to the 16th October 2015 coal prices as described below in Appendices 1 and 2.

Given the relevance of the assumptions and factors underlying the Technical Report, AM&A has concluded that it is reasonable to rely on KMC's comprehensive Technical Study for the purposes of this report, and that the Technical Study contains sufficient data to complete a valuation for the purposes of this report. Accordingly, for the purpose of this report, the reader can assume that AM&A has relied on the Technical Study and accepted the views of KMC in reaching its conclusions, unless AM&A expressly stated otherwise.

The Mantewe project is a high CV underground thermal coal project in Indonesia. To date Indonesian coal production has focused on open pit mining operations, but as new large scale opportunities for such deposits have diminished, Pan Asia has targeted the adjacent deeper extensions of an existing deposit for the next generation of coal supply from this area.

Pan Asia has undertaken exploration and evaluation work on the Mantewe project ("the Project") in two major phases. The first phase was conducted over the southern half of the Project area and KMC was commissioned to undertake the Technical Study to evaluate the technical and commercial viability of large scale underground mining operations. Based on only this initial southern portion of the Project area, KMC concluded that underground mining operations should be both technically and commercially viable and recommended that additional work was warranted and should be undertaken.

As part of the second phase work conducted at the Project, Pan Asia undertook some wider spaced drilling in the northern portion of the project area that identified a substantially increased JORC Code compliant resource. However, this area still requires infill drilling to enable the completion of an updated feasibility study that will include an expanded Project reserve.

This work is yet to be completed as Pan Asia is actively seeking funding to complete it. However the northern area results to date strongly enhance confidence that the northern area will be able to potentially supply substantial reserves.

AM&A has prepared this valuation based only on our review of the initial KMC Technical Study and data for the southern area and only uses the recent drill program undertaken in the northern area to enhance confidence in the identification of conservative northern area potential underground reserves as described in the Technical Study. This valuation takes into account coal market conditions as at 28thAugust , 2015.

The Mantewe Project covers the TCM concession area located within the administrative boundaries of the Kecamatans of Mantewe and Batulicin, Kabupaten Tanah Bumbu, Province of South Kalimantan, Indonesia.

The project is approximately 125 km east of Banjarmasin, the Provincial Capital of South Kalimantan, and approximately 40 km northwest of Batulicin, the capital of the Kabupaten Tanah Bumbu. The Project benefits from the already established good logistics from the proposed mine site to the existing large barge loading facilities at Batulicin (Figure 1).

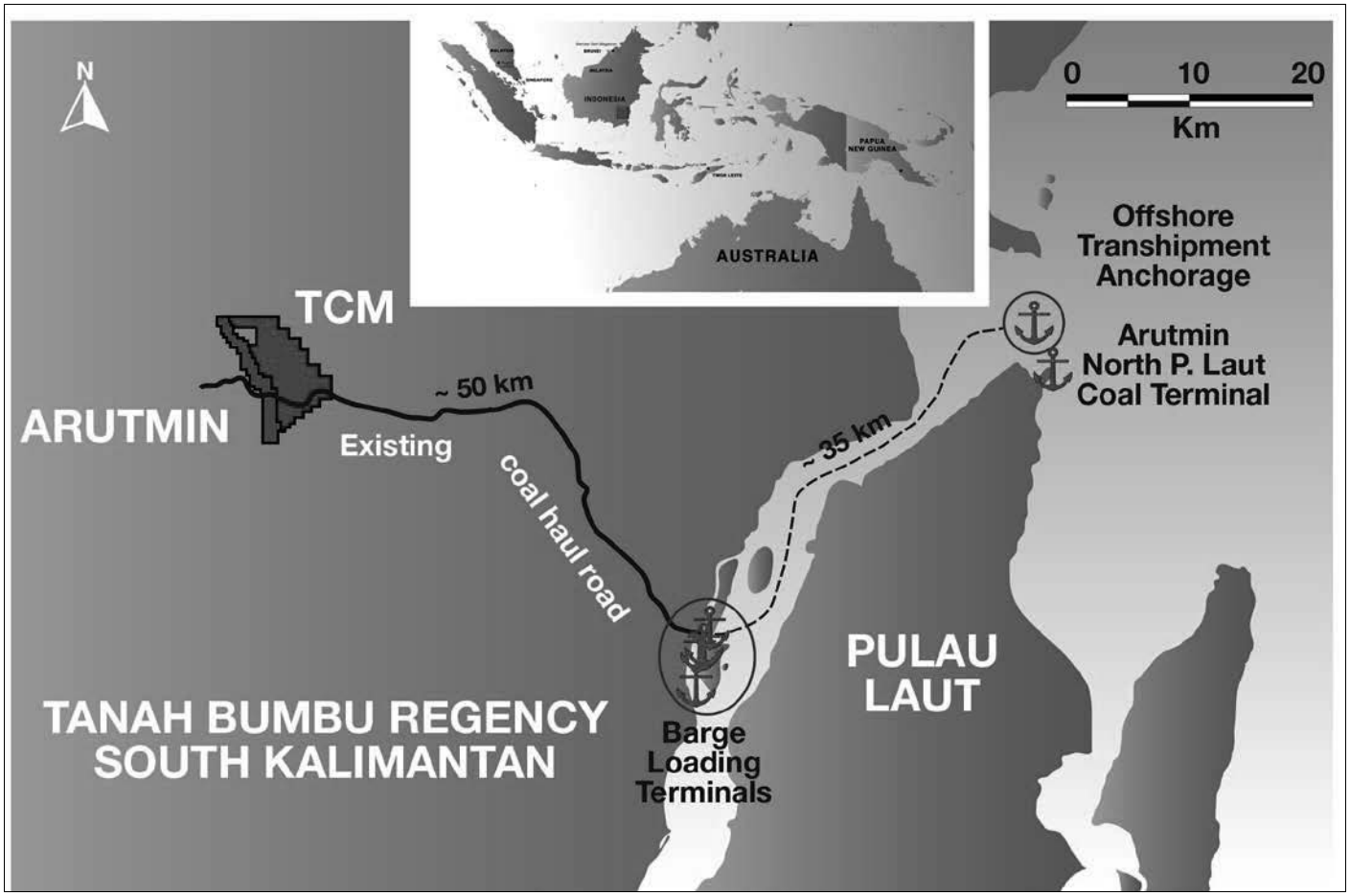


Figure 1: TCM Mantewe Project Area in South Kalimantan, Indonesia.

The Mantewe Project constitutes a concession that covers the down dip portion of the immediately adjacent PT Arutmin coal seam package that was mined by conventional open pit methodology. This open pit mine has mined up to the Western boundary of the Project area (Figure 2).

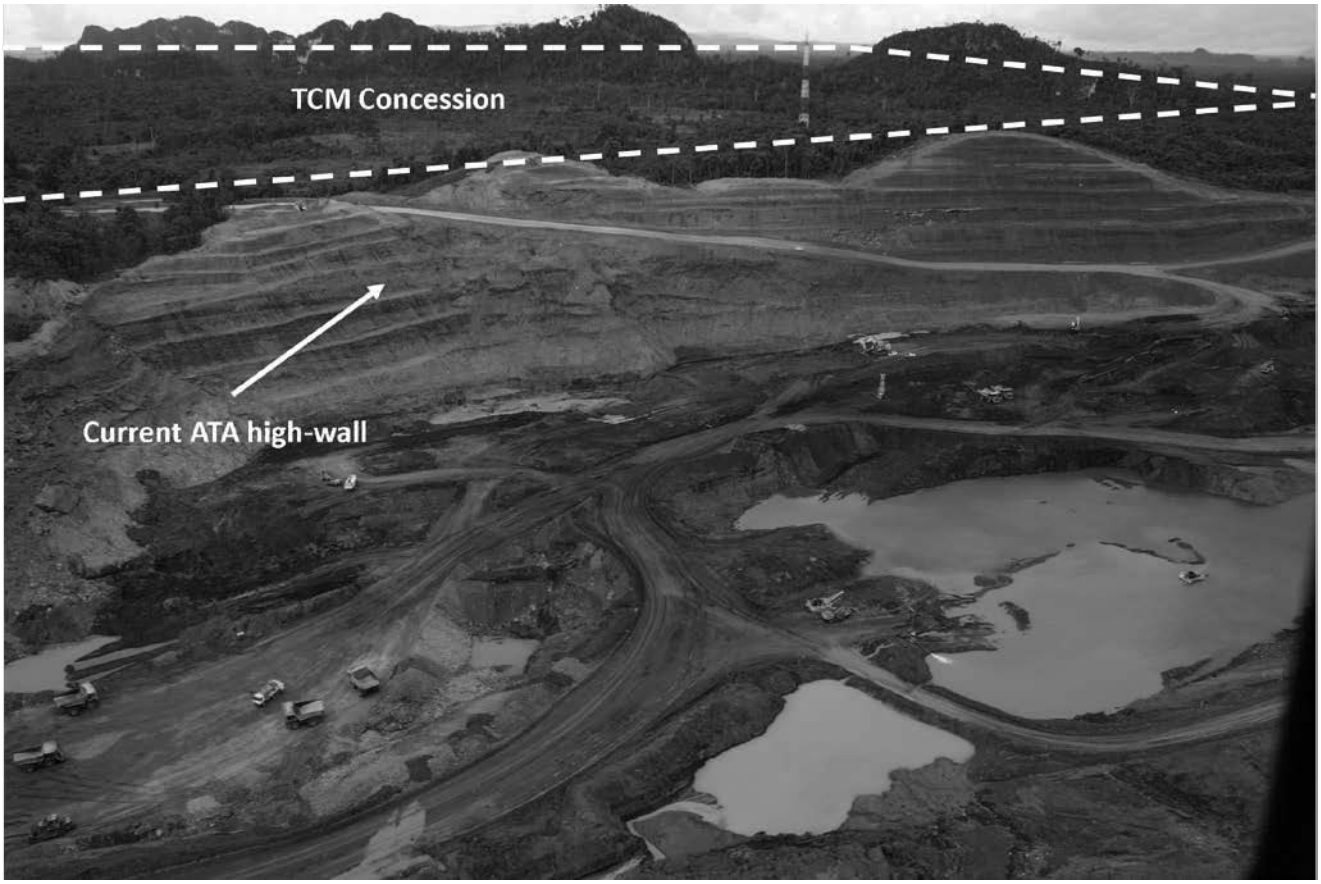


Figure 2: Photograph of Neighbouring PT Arutmin Open Pit Highwall on Western Tenement Boundary.

The Mantewe operation is proposed to involve underground coal mining since the Technical Study identified that the strip ratios for open pit mining are prohibitive and AM&A considers that this situation is unlikely to change.

Data for the project area includes logs from the drilling of 64 touch core and open-hole drillholes with a total advance of 18,793.45 m. All holes were drilled vertically and were geophysically logged at the completion of each hole.

Two hundred and twenty six samples were analysed to confirm the coal seam and parting quality data. The analyses show that the coal is a low moisture high calorie bituminous coal with variable sulphur between 0.02 and 6.46%. Total moisture ranges between 3.56% and 12.00% with a variable ash content ranging between 4.85 and 35.29% (partings <0.10 m included).

The JORC Code (2004) compliant resources for the entire TCM concession area, estimated by KMC dated 31 October, 2012 are presented in Table 1.

	CURRENT				PRIOR
	Measured Mt	Indicated Mt	Inferred Mt	TOTAL Mt	TOTAL Mt
Mineable Seams					
SU (5)	20.43	12.25	32.03	64.71	41.74
SM (6)	17.19	12.22	35.04	64.45	33.82
Sub Total				129.16	75.56
Other Seams	15.79	10.95	21.37	48.11	53.25
TOTAL	**53.41**	**35.42**	**88.44**	**177.27**	**128.81**

Table 1: JORC Code (2004) compliant PT TCM Resources at 8 November 2012.

'PRIOR' is included as this was the resource upon which the KMC feasibility Study was produced that generated reserves that are used as the basis for the AM&A valuation.

In the two proposed mineable seams, the total resource is 129.2 Mt, comprising 37.6 Mt of Measured Resource, 24.5 Mt of Indicated Resource and 67.1Mt of Inferred Resource. These numbers are for coal seams only and exclude parting which when included increases the the resource by 32.6%.

The JORC Code (2004) Resource for the two proposed mineable seams including parting is 155.1Mt. The average quality of the coal is 5.2% of total moisture, 11.7% of ash, 1.27% of sulphur with a calorific value of 6,767kcal/kg. Pan Asia has undertaken additional washing tests on the two mineable seams to wash out the parting and this resulted in an indicative saleable as received product of 8.5% moisture, ash 14% and total sulphur of 1% based on approximate 78% yields that are close to the Technical Study's proposed wash recovery of 75%. There has been no material change to the resource data since this report was issued so there would be no impact to the Technical Study findings within the scope of JORC Code 2012 Guidelines.

A 7.48 km^2 southern portion of the tenement was selected in the KMC Technical Study for potential underground production using longwall mining extraction methods. The area to the north of the Technical Study area could also contribute resources to the operation in the future once exploration in the area is completed.

When the northern area has had the proposed infill drilling undertaken a complete review of the project JORC Code compliant reserves will be possible. KMC concluded that some 24.6 Mt of raw coal mining product could be extracted from the southern Technical Study area to supply 17.8 Mt of washed product for sale. These factors were applied to the Northern area resources in order to add their contribution to the reserves used in this valuation.

The Technical Study findings with resources of 128.8 Mt and reserves of 24.6 Mt were used as the basis for this valuation. The basic two conclusions of the Technical Study are:

- Exploitation by underground longwall mining is feasible
- There are 24.6 Mt of Probable Reserve in the southern area

For the avoidance of doubt AM&A concludes that the comprehensive Technical Study remains valid and contains sufficient data to complete a valuation.

Based on its review AM&A conclude that the October 2015 cash value for 100% of the Project using the Empirical (yardstick) method is ascribed at US$22.2 million from within the range of US$18.4 million to US$22.4 million (Appendices 1 and 2). Using a conversion rate of A$1.00=US$0.73 this relates to A$22.0 million from within the range of A$18.0 million to A$31.0 million.

Other comparative transactions were reviewed but as they specifically exclude underground potential they were deemed unreliable for comparative purposes and valuation by that method produced non-comparable results which were therefore not used in this valuation.

The Kilburn Method was also investigated and subsequently discarded as the range of values generated is too large from Low to High, to be realistic.

However, an MEE method conducted on the cumulative expenditure in Australian dollars was also explored which resulted in being supportive of our primary method (Appendix 3).

The capitalised expenditure costs shown on the balance sheet total A$16,941,647 being:

- ☐ Capitalised Exploration Costs- $9,223,316; and
- ☐ Capitalised Acquisition Expenditure- $7,718,331

The AM&A valuation also concludes that the October 2015 cash value of the 75% Pan Asia equity interest in the Project is ascribed at US$12.1 million from within the range of US$10.1 million to US$16.8 million. Using a conversion rate of A$1.00=US$0.73 this value relates to A$16.6 million from within the range of A$13.8 million to A$23.0 million. Any additional lowering in the Australian to US dollar exchange rate will have a favourable impact on this valuation.

TABLE OF CONTENTS

1.0 Introduction 2
1.1 Scope and Limitations 2
1.2 Statement of Competence 4
2.0 Valuation of the Mineral Assets – Methods and Guides 4
2.1 General Valuation Methods 4
2.2 Discounted Cash Flow/Net Present Value 4
2.3 Joint Venture Terms 5
2.4 Similar or Comparable Transactions 5
2.5 Multiple of Exploration Expenditure 5
2.6 Ratings System of Prospectivity (Kilburn) 6
2.7 Empirical Methods (Yardstick – Real Estate) 6
2.8 General Comments 6
2.9 Environmental implications 6
2.10 Indigenous Title Claims 6
2.11 Commodities-Metal prices 7
2.12 Resource/Reserve Summary 7
2.13 Previous Valuations 7
2.14 Encumbrances/Royalty 7
3.0 Background Information 7
3.1 Introduction 7
3.2 Specific Valuation Methods 7
4.0 Mantewe Project, South Kalimantan 7
4.1 Introduction 7
4.1.1 Location and Access 8
4.1.2 Tenure 9
4.2 Geological Setting 9
4.2.1 Regional Geology 9
4.2.2 Batulicin District Geology 11
4.2.3 Mantewe Site Details 13
4.3 Resource estimates 14
4.3.1 Resource Estimates Observations 18
4.4 Underground Potential 22
4.5 TCM Mantewe Project Conclusions 25
5.0 Valuation of the Projects 26
5.1 Selection of Valuation Methods 26
5.2 Valuation Method 27
5.3 Valuation Conclusions 28
6.0 References 29
7.0 Coal Information and Definitions 29
8.0 Glossary of Technical Terms and Abbreviations 31
Section 1 Sampling Techniques and Data 38
Section 2 Reporting of Exploration Results 40
Section 3 Estimation and Reporting of Mineral Resources 41
Section 4 Estimation and Reporting of Ore Reserves 43

List of Figures

Figure 1: TCM Mantewe Project Area in South Kalimantan, Indonesia. 3
Figure 2: Photograph of Neighbouring PT Arutmin Open Pit Highwall on Western Tenement Boundary. 4
Figure 3: Tenement Location, South Kalimantan Mantewe Project. 8
Figure 4: Tectonic setting of Indonesia. 10
Figure 5: TCM Mantewe Project Local Geology. 12
Figure 6: Batulicin District Stratigraphical Table of Tertiary Age Sediments. 13
Figure 7: Mantewe Project Seam S6(SM) Isopachs 14
Figure 8: TCM Mantewe Drillhole Locations. 15
Figure 9: Main Seams S5 (SU) and S6 (SM) for proposed underground mining (View of up-dip neighbouring Arutmin Pit Highwall). 17
Figure 10: Resource Polygons for Seam S6 Mantewe Project. 20
Figure 11: Resource Area Selected for Underground Mine Design. 23

List of Tables

Table 1: JORC Code (2004) compliant PT TCM Resources at 8 November 2012. 5
Table 1: Typical PEM Factors. 5
Table 2: Pan Asia IUP Licence Details 9
Table 3: Summary of Seam Intersections for TCM Mantewe Project. 16
Table 4: JORC Code (2004) Compliant Study Resources declared by KMC 21
Table 5: JORC Code (2004) Resources available for Underground Mining. 21
Table 6: JORC Code (2004) Resources in Target Seams (SU and SM) Considered for Underground Exploitation. 21
Table 7: Resources in Underground Study Area. 22
Table 8: KMC JORC Code (2004) Reserve Estimate for Underground Mining Study Area. 24
Table 9: Summary Range of June 2015 Values. 28

Appendices

Appendix 1: Valuation Estimate Workings Summary 34
Appendix 2: Valuation Estimate Workings 36
Appendix 3: MEE Method Valuation Estimate Workings 36
Appendix 4: JORC Code, 2012 Edition – Table 1 Report 38
Appendix 5: Kopex Group (“Kopex”) Capabilities 43

The Directors
HLB Mann Judd Corporate (WA) Pty Ltd,
Level 4, 130 Stirling Street
Perth,
WA, 6000

16th October, 2015

Dear Directors,

VALUATION OF THE MANTEWE COAL MINERAL ASSET FOR PAN ASIA CORPORATION LIMITED

1.0 Introduction

This updated Independent Technical Valuation Report ("Report"), which modifies the 16th October 2014 version, has been prepared by Al Maynard & Associates (AM&A) at the request of L. Di Giallonardo, Director, for HLB Mann Judd Corporate (WA) Pty Ltd ("HLB") who represent Pan Asia Corporation Limited ("Pan Asia") / PT PZC Services ("PZC") and PT Transcoal Minergy ("TCM") to provide an independent valuation of the mineral assets of Pan Asia Corporation Limited ("Pan Asia"). The mineral asset of value is its 75% interest in the Mantewe Project, via, a direct interest in the issued capital of TCM which owns the Mantewe Coal Project located in South Kalimantan, Indonesia. Pan Asia recently announced its intention to divest control of its shareholding in the project to via its holding in Innovation West Pty Ltd which 100% owns Innovation West Mantewe PTE LTD its Singaporean subsidiary that will sell its shares to Universal Coal Resources PTE LTD for SGD $30 million by way of a share transfer at the UC IPO listing price.

Pan Asia has engaged HLB to prepare an Independent Expert's Report ("IER") for inclusion with a Notice of Meeting ("Notice") and Explanatory Statement to be sent to shareholders of Pan Asia regarding the arrangement of a Facility and Convertible Note Agreement with Coleman Ventures Limited. The IER is being prepared to report on the fairness and or reasonableness of the proposed transaction. This Report is for inclusion in the IER.

1.1 Scope and Limitations

This Report has been prepared to represent AM&A's view with opinions presented in accordance with the requirements of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the 'Valmin Code') (2005) as adopted by the Australian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy ('AusIMM').

This Report is valid as of 16th October, 2015 which is the date of the latest review of the data and technical information. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The Company has confirmed to AM&A that it has provided all information in its possession that is relevant to this report, and AM&A has no reason to believe that other relevant information exists which has not been considered for the purposes of this report. However, it is possible that other exploration data from adjacent licences with production history which affect the mineral assets does exist yet are not known of by, or available to, the writer. To the extent that such other information exists, AM&A notes that this information has not been factored into the valuation conclusions made in this report.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers' technical training and experience in the mining industry. Whilst the opinions expressed represent the writer's fair and reasonable professional opinion at the time of this Report, these opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The valuation methodology of mineral assets is subjective. The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of the Valmin Code. There are a number of generally accepted procedures for establishing the value of mineral assets with the method employed depending upon the circumstances of the mineral asset. When relevant, AM&A uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified. The readers should therefore form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved.

The information presented in this Report is based solely on technical reports provided by Pan Asia supplemented by our own knowledge and inquiries. At the request of AM&A copies of relevant technical reports and agreements were readily made available. A number of such information is available in the public domain and relevant general references are listed in Sect. 6.0 –References.

Pan Asia will be invoiced and expected to pay a fee of $15,000 to $20,000 for the preparation of this Report. This fee is based on a commercial daily rate plus expenses. Payment is not contingent on the results of this report or the passing of the relevant resolution the subject of the IER under the Notice of Meeting. Except for these fees, neither the writer nor any associates have any interest, or the rights to any interest in Pan Asia nor the mineral assets reported upon. Pan Asia has confirmed in writing that all technical data known to the public domain is available to the writers.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as "The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of "valuation in use" commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the "Range of Values" as shown in Table 9, section 5.3. Regarding the Projects it is considered that more than sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to form an informed opinion as to the June 2015 value of the mineral assets. Site visits were not undertaken to Mantewe since Brian Varndell is already familiar with the district from previous visits to the general area.

1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard and Brian J. Varndell. Allen J. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") (No 104986) and a Member of the Australian Institute of Geoscientists ("AIG" #2062). He has had 35 years' experience in mineral exploration and evaluation and more than 30 years' experience in mineral asset valuation. Brian J. Varndell BSc (SpecHonsGeol), FAusIMM (No111022), is a geologist with over 40 continuous years in the industry and 35 years in mineral asset valuation. The writers hold the appropriate qualifications, experience and independence to qualify as an independent "Expert" under the definitions of the Valmin Code.

2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17 February 1995 – the Valmin Code (updated 1999 & 2005) – we have derived the estimates listed below using the appropriate method for the technical value of the mineral assets as described.

The ASIC publications "Regulatory Guides '111 & 112" have also been duly referred to and considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a "fair value". This is a value that an informed, willing, but not anxious, arms' length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of "forced sale" circumstances.

2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms' length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Rule of thumb or yardstick approach.

2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value ('NPV') is determined from discounted cash flow ('DCF') analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the mineral asset. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots mineral assets are involved.

2.4 Similar or Comparable Transactions

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration.

2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ("MEE") is used whereby a subjective factor (also called the prospectivity enhancement multiplier or "PEM") is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. PEMs can typically range between "zero" to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value. Typical PEM Factors are shown in Table 1.

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralization identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralization
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources

Table 2: Typical PEM Factors.

Accordingly AM&A was guided by the 2.0 – 2.5 and 2.5 – 3.0 lines since the Kopex study used was not a full and proper prefeasibility study. The MME method therefore used PEMs that ranged from 2.0- 3.0 to estimate Low, Preferred and High values.

2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes, on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert's knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

2.8 General Comments

The aims of the various methods are to provide an independent opinion of a "fair value" for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment of the mineral asset under consideration with respect to the exploration and mining potential (as applicable).

2.9 Environmental implications

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

2.10 Indigenous Title Claims

Neither the Company nor AM&A are aware of any indigenous title claims within the mineral assets. Accordingly, no adjustment was made during this Report for possible indigenous title implications.

2.11 Commodities-Metal prices

Metal prices are considered in assessing in situ values and are sourced from www.Kitco.com where applicable. For coal products the 28th August 2015 high quality thermal coal sales price of US$57.72/t as quoted weekly in the Jakarta Post was used in this valuation.

2.12 Resource/Reserve Summary

The JORC Code (2004) compliant resource estimates generated by Kopex Mining Contractors were used as the basis for this valuation.

2.13 Previous Valuations

An October 2014 version of this report has been presented within the last two years.

2.14 Encumbrances/Royalty

The Project is subject to state royalties, which are under review, as stipulated by the Indonesian Government where currently applicable. These royalties do not affect the valuation methodology selected.

3.0 Background Information

3.1 Introduction

This valuation has been provided by way of a detailed review of existing information as described in Section 4.0.

The area under review comprises a project that hosts primarily thermal coal resources in Indonesia. Pan Asia advises that it holds legal title reports prepared by its Indonesian lawyers advising Pan Asia that the project licence is in good, clean and clear standing that is subject to periodic renewals. AM&A has sighted the licence document and the "Clean and Clear" certificate issued on 18th June 2013 and is satisfied that the "Clean and Clear" certificate complies with the requirements of the Valmin Code. Accordingly, AM&A has relied on this certificate in determining that the tenure which underpins this valuation is securely held by Pan Asia.

3.2 Specific Valuation Methods

There are several methods available for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Proved & Probable Reserves to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed above in Section 2.0.

For the Project the Empirical Method (yardstick) has been applied to determine an October 2014 value range.

4.0 Mantewe Project, South Kalimantan

4.1 Introduction

Pan Asia holds a 75% controlling shareholding in PT TCM, which owns the Mantewe Coal Project in South Kalimantan, an area regarded as a major coal producing province (Figures 1 & 3).

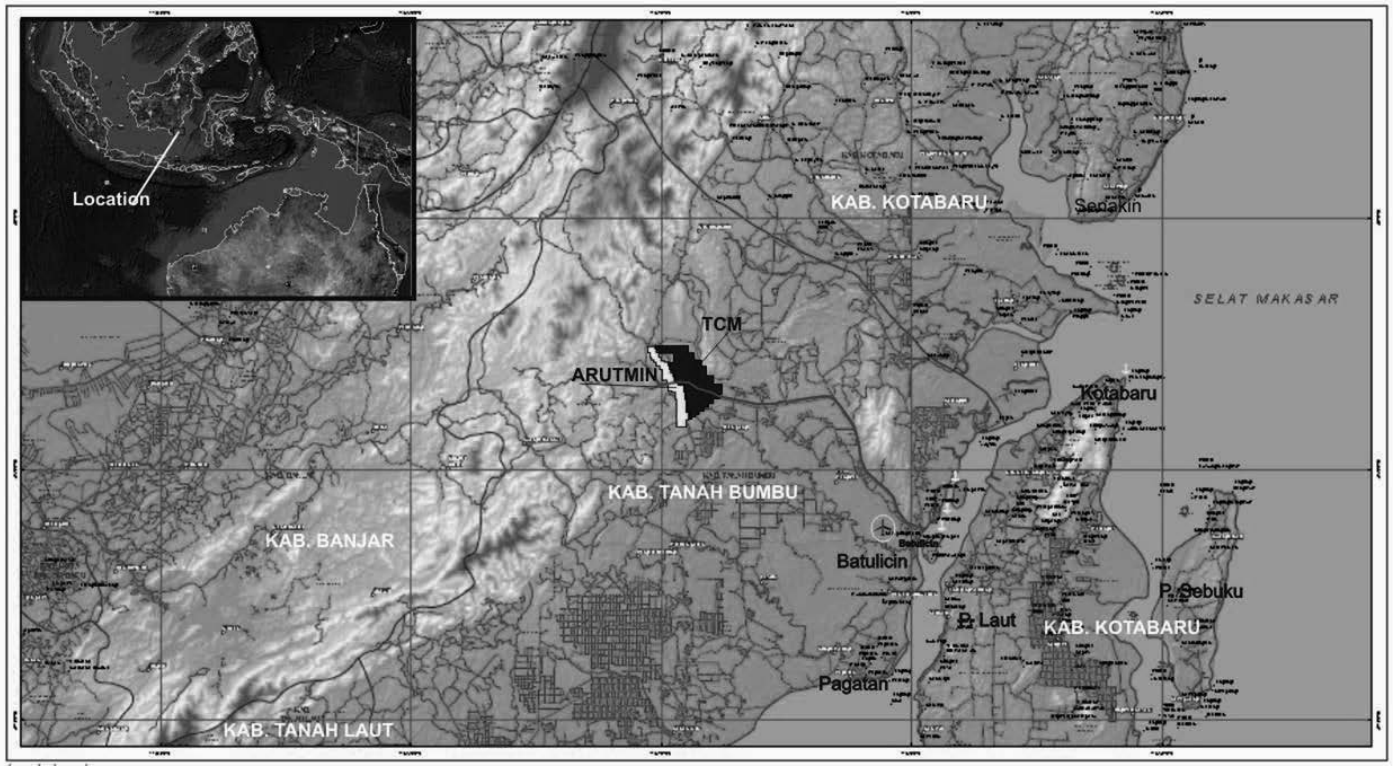


Figure 3: Tenement Location, South Kalimantan Mantewe Project.

Kalimantan has a long history of open pit coal production however only a handful of operations have attempted to continue pits into underground operations. KMC was the contract miner at one of these underground operations at Bontang some 50 km from Mantewe. Given the success of some of the other local producers there is reasonable potential for Pan Asia to establish an underground mining operation within the project area.

The project has good road access and is situated only 48 km northwest of Batulicin, a major coal shipping centre.

4.1.1 Location and Access

The TCM concession area is located within the administrative boundaries of the Kecamatans of Mantewe and Batulicin, Kabupaten Tanah Bumbu, Province of South Kalimantan, Indonesia (Figures 1 and 3). The area is located approximately 125 km east of Banjarmasin, the Provincial Capital of South Kalimantan, and approximately 40 km northwest of Batulicin, the capital of the Kabupaten Tanah Bumbu. Banjarmasin is linked to Batulicin by a good bitumen coastal highway and is serviced by several daily scheduled airline flights from Jakarta and other centres. The main site is over gently undulating terrain.

From Banjarmasin to Batulicin by vehicle is approximately 245 km and the concession area can be reached from Batulicin via an asphalt road and then through unsealed village roads for a further 45 km. Access throughout the concession area, away from the main road, is limited to a number of un-sealed vehicular roads or by foot.

The Project site is very favourably located close to very good roads, infrastructure and barge loading facilities.

The morphology of the concession area is dominantly flat to slightly undulating terrain with occasional areas becoming undulating to hilly. A section of hilly terrain to the east results from the outcrop of Berai Formation sediments, dominated by karst limestone. Elevations in the concession area generally range between 50 and 75 m asl, with karst peaks reaching up to 300 m above the surrounding terrain.

The area is forested with native riparian forest with fringing grasslands and swamps in low lying areas. The flora and fauna within the area are strongly influenced logging and subsistence agriculture but pockets of tropical bio-diversity may still exist such as natural forests containing Fernil, Cyprus, Pomia, Resin, Punsi and Rattan with various shrubs and grasslands. There are several nearby villages and the TCM deposit is adjacent to the operating ATA mine owned by PT Arutmin.

The Mantewe Project is situated at approximately 03° 14' South Latitude, 115° 42' East Longitude, approximately 125 km east of Banjarmasin.)

The climate is tropical, with higher wet season rainfall, with an annual range of 1660 – 3760 mm that produces seasonal stream run-off.

4.1.2 Tenure

The New Mining Law, which was implemented in February 2009, provided that Kuasa Pertambangan ("KP") authorisations were collapsed into a single form of mining right, known as an Ijin Usaha Pertambangan ("IUP**"**) within a set timeframe. The IUP license is a legally binding agreement which appoint the investor (foreigner/national) as exclusive contractor for a specified area. The first title issued is an Exploration IUP, which authorises activities from general survey, exploration through to mining feasibility.

An Exploration IUP is issued over a specific area with separate permits granted for each of the stages of operation, as follows:

- General survey - 2 years
- Exploration - 3 to 5 years renewable

For coal the maximum period that an Exploration IUP can be held is eight years. With the grant of the first permit, the company has the automatic right to a second issue of permit that allows for commercial mining and production. This second permit, a Production IUP, is valid up to 20 years with variable periods of extension. The Production IUP allows for mining, processing and refining, transport and sale.

At Mantewe the licence is in the IUP Production stage and Pan Asia holds interests as detailed in Table 2. The TCM coal concession area legality is covered by the Decree of the Bupati of Tanah Bumbu number 545/091/IUP-OP/D.PE/2010 "APPROVAL OF MINING PERMITS OPERATIONS PRODUCTION". The concession area, as issued, covers approximately 3,440 ha. A separate "Clean and Clear" certificate, dated 18 June, 2013, provides verification that an IUP that has been validly issued and does not overlap with other mining permits, has been issued by the relevant authorities.

Project	IUP No	Owner	Grant Date	Expiry Date	Area ha	Mineral	Interest %
Mantewe U/G	545/091/IUP OP/D.PE/2010	PT TCM	28-April-2010	28-April-2025	3440	Coal	75

Table 3: Pan Asia IUP Licence Details

4.2 Geological Setting

4.2.1 Regional Geology

Indonesia is the largest archipelago in the world, comprising five major islands and 300 smaller island groups. There are some 18,000 islands in total of which 6,000 are inhabited. The archipelago is situated where the Pacific and Indian Oceans join. Tectonically, the country is bounded by the south-eastern extension of the

Eurasian Plate, to the south and west by the Indian Ocean Plate and to the east by the Philippine Sea and Pacific Plates (Fig 3).

The margins of these Plates are colliding, resulting in the consumption of plates along subduction zones, the creation of volcanic arcs and formation of compressional and oblique slip structures.

The physiographic setting of the Indonesian archipelago is dominated by two continental shelves. The Sunda Shelf lies to the west and the Sahul Shelf lies to the east, separated by a geologically complex region of deep sea basins and island arcs. The Banda Arc, a west facing horse-shore shaped arc in eastern Indonesia, defines the locus of the three converging and colliding major plates.

Splinters of the Mesozoic southern Tethyan crust now form the base of the Banda Sea and on the surrounding islands, dismembered ophiolites can be found in high mountains. The Banda Terrane is regard as a dismembered, high level nappe consisting of forearc basin and volcanic arc lithologies.

During the early mid Miocene period, a volcanic island arc of basaltic volcanoes emerged as a result of the subduction of part of the Pacific oceanic plate beneath the Eurasian continental plate. Pillow lavas on Timor represent a late stage of this volcanism.

Sedimentation in restricted offshore and onshore basins gave rise to calc-arenites and marls. During the late Miocene, a new period of volcanism commenced with magmas of andesitic composition. Eruptions were violent, with large blocks and lapilli-crystal lithic tuffs being ejected and falling into onshore and offshore sedimentary basins.

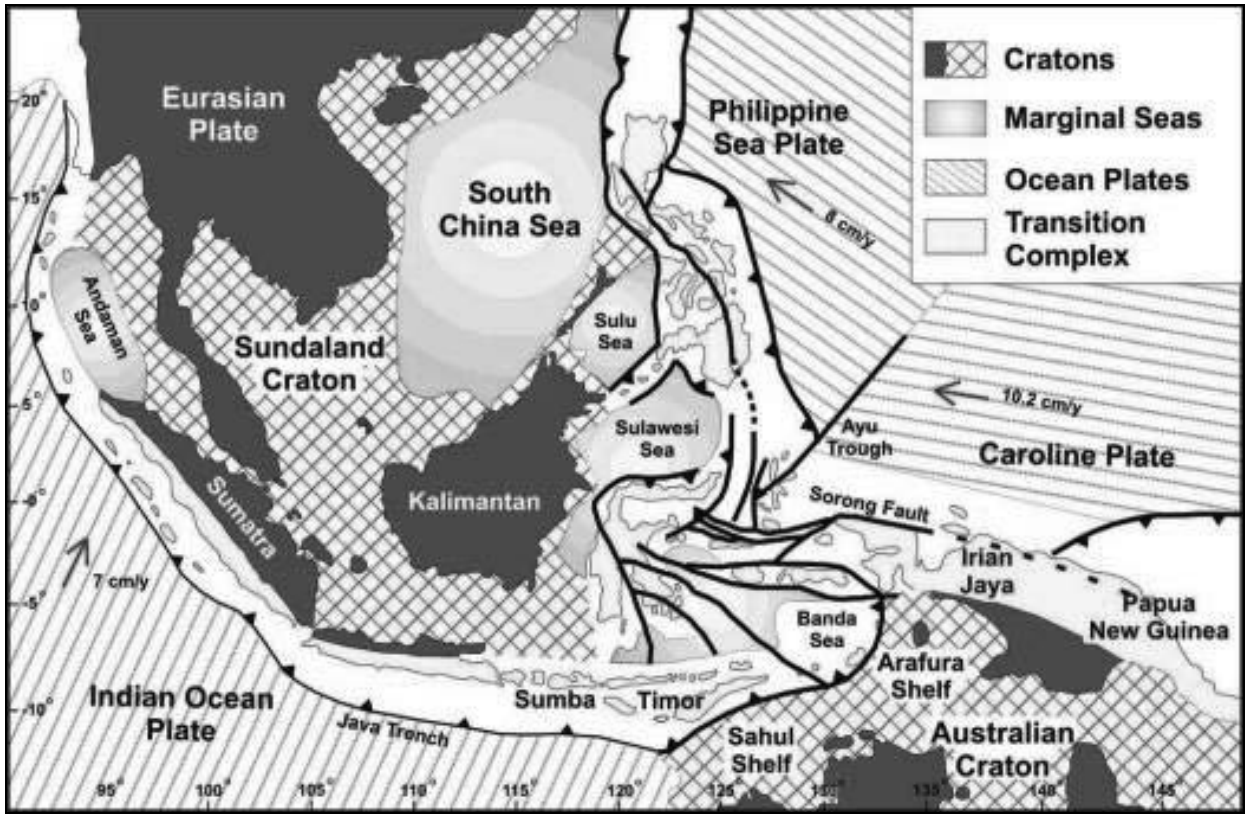


Figure 4: Tectonic setting of Indonesia.

Fringing coral reefs began to form in the early Pliocene period, to be followed by a major event in Indonesia geological history, namely the reaction between the Indian, Pacific and Eurasian plates. Uplift of at least 300m

occurred and the orientation of the outcrops of the district was set with NW trending and shallow NE dipping beds. These landforms have been recently modified by Quaternary erosion.

The TCM deposit lies in the Asam-Asam Tertiary Basin which forms a part of the large sedimentary structure called the Barito Basin. The Barito Basin commenced sedimentation during the Late Cretaceous, following a micro-continental collision between the Paternoster and SW Borneo micro-continents. Early Tertiary extensional deformation occurred as a tectonic consequence of that oblique convergence. This produced a series of NW – SE trending rifts that became accommodation space for alluvial fan and lacustrine sediments of the Lower Tanjung Formation, derived from horst areas.

In the early-Middle Eocene, as the result of a marine transgression, the rift sediments became more fluvio-deltaic and eventually marine, as transgression proceeded during the deposition of the Middle Tanjung Formation. The marine transgression subsequently submerged the rifts in late Eocene – earliest Oligocene, resulting in the deposition of widespread marine claystone of the Upper Tanjung Formation. After a short-lived marine regression in the Middle Oligocene the development of a sag basin caused renewed marine transgression.

The Late Oligocene is characterized by the deposition of platform carbonates of the Berai Formation. Carbonate deposition continued into the Early Miocene, when it was terminated by increasing clastic input from the west that resulted in the deposition of the eastwards-prograding deltaic sediments of the Warukin Formation. In the late Miocene the Meratus Mountains re-emerged, followed by the isostatic subsidence of the basin which was situated in a foreland position in relation to the rising mountains.

Sediments shed from this uplift were deposited in the subsiding basin, resulting in the deposition of thousands of meters of the Warukin Formation. The uplift of the Meratus Mountains continued into the Pleistocene and resulted in the deposition of the molassic-deltaic sediments of the Pliocene Dahor Formation. This structural and depositional regime still exists today.

The western and southern part of the Barito Basin was mildly tectonised and shows almost no deformation structures. Thin-skinned tectonic manifestations, represented by decollement and ramp anticlines are only vaguely identifiable in this portion of the basin.

4.2.2 Batulicin District Geology

The TCM Mantewe deposit lies in 1,000 m thick Tanjung Formation (Tet) (the oldest sedimentary formation known within the Asam Asam Basin as part of the Barito Basin) and lies immediately on the basement rocks in the area, presumed to be part of the Cretaceous basement rocks. The formation comprises fine quartz sandstone beds 0.50-1.50 m in thickness with parallel and cross laminations. The sandstone contains intercalations of claystone, locally shale claystone and coal seams. The formation also contains beds of brown-grey limestone.

The coal seams in the Tanjung Formation range between 0.50 and 7.00 m in thickness and are black and shiny to glassy in lustre, brittle and contain a strong cleat. Based on the foraminifera content, such as Nummulites javanus and Heterostegina sp., in addition to the Miliolidae family, the Tanjung Formation is categorised to be of Eocene age and was deposited in a paralic to neritic environment.

The Tanjung Formation covers most of the concession area and extends west from the concession boundary into the ATA concession area, where the major coal seams crop out.

The Tanjung Formation is covered by younger strata of the Berai Formation (Tomb) that comprises well-bedded (0.20 -2.0 m) and comprises white to grey limestone, in places with abundant corals, foraminifera and algae, interbedded with claystone, marl and coal (Figures 5 & 6).

The lower part is characterized by marl and shale, the middle and upper parts by limestone. The marl contains abundant planktonic foraminifera. The formation reaches a thickness of 1,250 m and conformably overlies the Tanjung Formation. Large foraminifera in the limestone indicate deposition during the Early Oligocene to Early Miocene. Planktonic foraminifera within the marl and claystone are Oligocene in age. Deposition occurred in a shallow marine (neritic) environment.

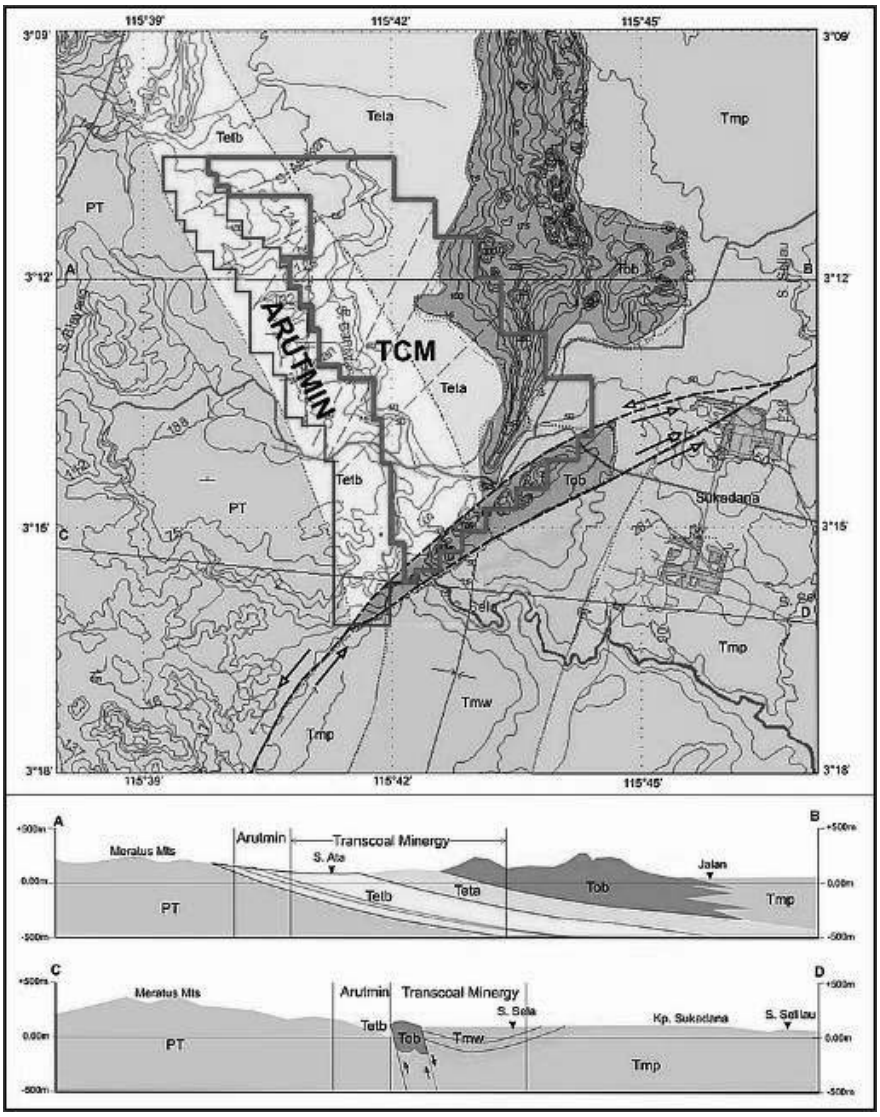


Figure 5: TCM Mantewe Project Local Geology.

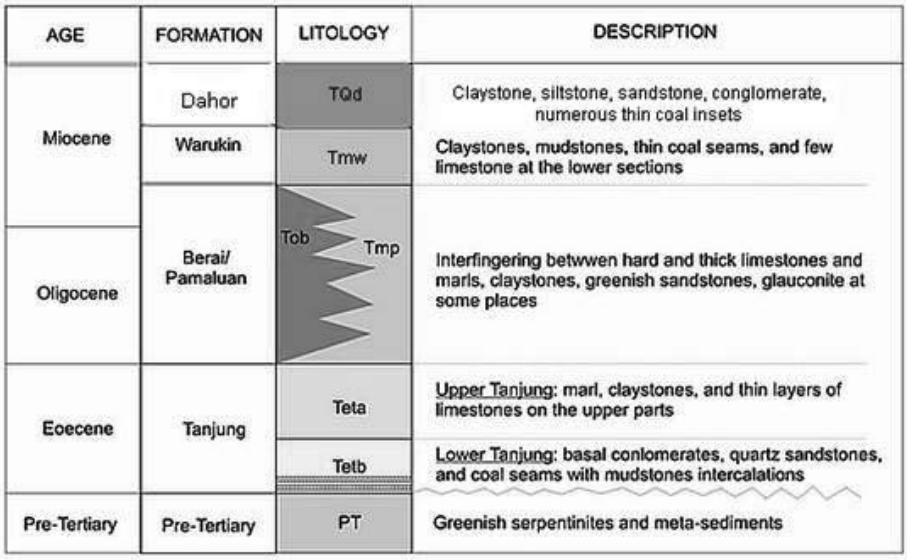


Figure 6: Batulicin District Stratigraphical Table of Tertiary Age Sediments.

4.2.3 Mantewe Site Details

The depositional geology is a western flank of a syncline striking northeast to southwest with its axis located east outside the TCM concession area. The limb of the syncline generally tends to steepen in the easterly direction. For most of the area, seams dips do not exceed 15^{o} and in much of the area appear to dip at less than 12^{o}. In the central part of the study area the dip reduces to 3^{0} which implies some structural complication as faulting or deformation.

Interpretation of the drill intercepts over the TCM Mantewe deposit identified eight coal seams but only three contribute a significant amount to total resources inventory and only two meet the criteria for underground exploitation. The rest of coal seams are omitted form this analysis due to the seam thickness not exceeding an underground exploitable thickness of +1.0 m.

Indications of regional structures throughout the project area are difficult to locate. In general, based on the tectonic framework of the Asam Asam Basin in the area, the main structural trend is northeast-southwest to north-south, influenced by the Meratus Range to the northwest. The boundary of the subsiding basin is marked by a number of normal faults with the same orientation.

The younger sediments form a gently dipping blanket of sediments against the southern side of the Meratus Mountains and obscure many of the deep-seated structural elements resulting from the uplift of the Meratus Range. Minor folding of the younger sediments may also occur but the exact location and geometry of this folding are not clear from the data available. Some indication of folding was interpreted between holes TCM_025, 011, 032 and 048.

The main faults in the area are also inferred to trend northeast-southwest to north-south. Locally, the Batulicin Fault trends northeast-southwest and is located in the southern portion of the concession area, truncating the Tanjung Formation coal seams against the Berai Formation in the south. This implies the Batulicin fault is a normal fault with the southern block downthrown. The Batulicin Fault was intersected in boreholes TCM_040 and 041. An isopach (line of equal thickness) map of seam S6 (SM), including coal thickness is shown on Figure 5.

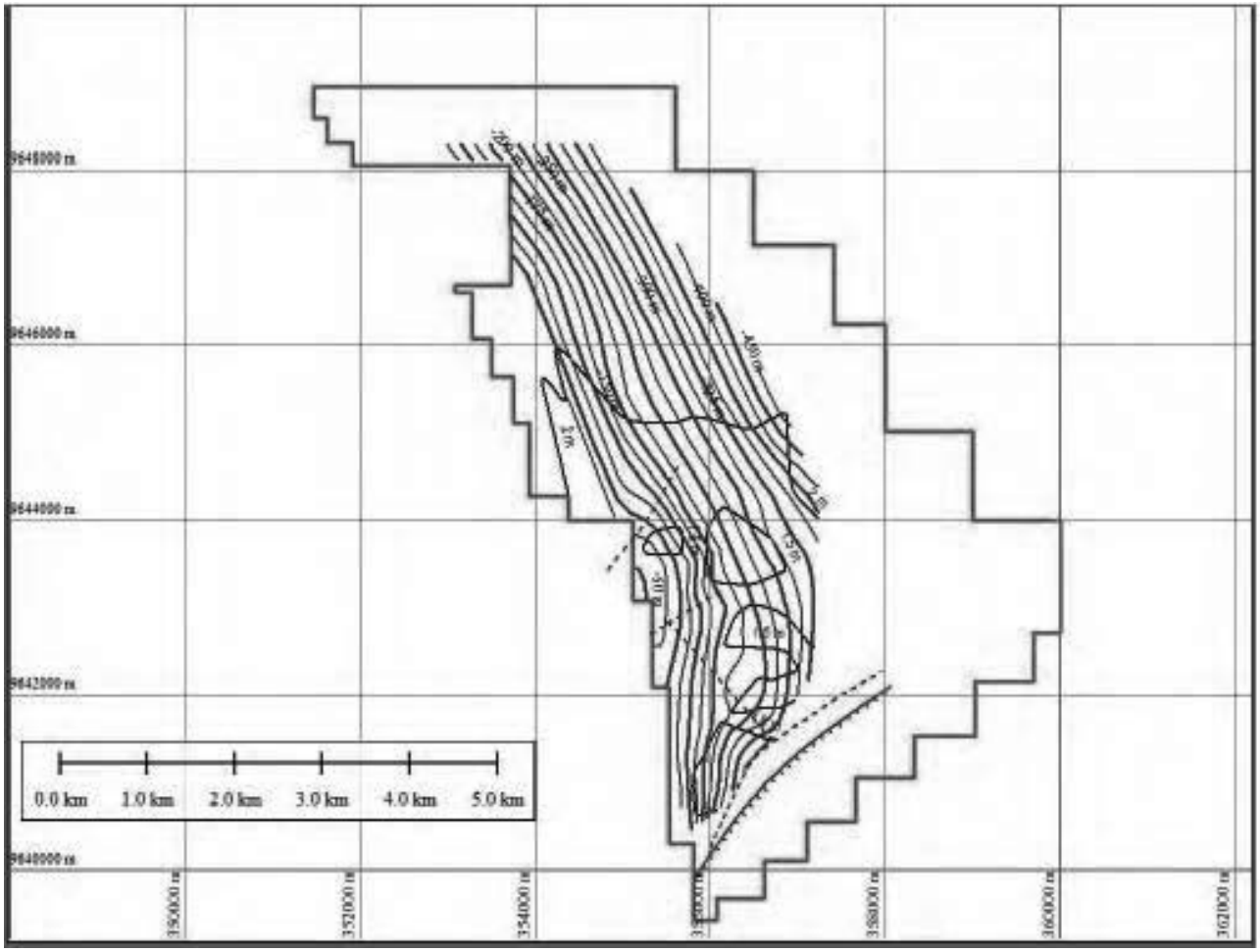


Figure 7: Mantewe Project Seam S6(SM) Isopachs

4.3 Resource estimates

Four phases of drilling incorporated 64 holes, including two re-drills, for 18,793.5 m with 2,970.9 m cored (15.81%) and 15,822.50 m (84.19 %) as open hole using PT Maxidrill Indonesia MD-410 and MD-420 man-portable drill rigs. All holes are vertical and were geophysical logged at the completion of each hole (Figure 8).

The seams intersected are listed in Table 3. Individual seam intercepts recorded ranged from 0.10 m up to 2.70 m and confirmed that the coal seams exposed within the up-dip open pit area continue into the concession. Four drill holes located on the southern side of the Batulicin Fault did not intercept any coal seams but instead sequences of calcareous sediments inferred to be part of the Berai Formation. This fault provides a natural southern boundary to the Resource with other boundaries described in Section 4.4.

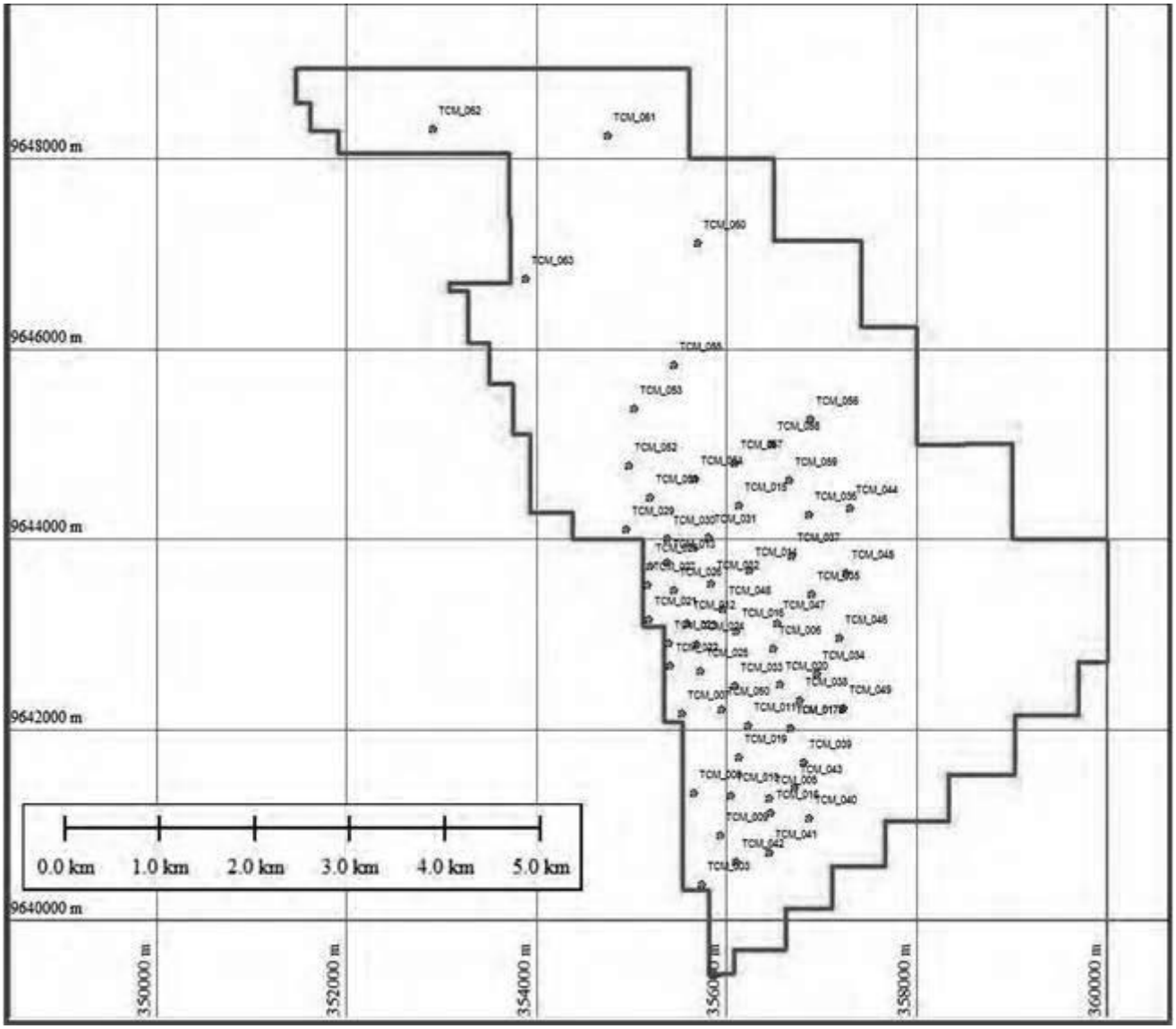


Figure 8: TCM Mantewe Drillhole Locations.

Seam	Thickness			Lithology	Description	TM	ASH	TS	CV (adb)	SG
	Min.	Max.	Average			(%, ar)	(%, air)	(%, ar)	Cal/g	G/Cc
Overburden	11.92	369.50	149.66		Dominantly claystone with fine grained sandstone intercalation					
S1	**0.10**	**0.45**	**0.23**		**Coal**	No tests				
Interburden	14.84	54.10	25.92		Dominantly claystone					
S2	**0.10**	**0.52**	**0.25**		**Coal**	No tests				
Interburden	12.30	62.60	28.77		Dominantly claystone					
S3U	**0.10**	**0.45**	**0.28**		**Coal, brownish black**	**3.81**	**22.76**	**0.67**	**5929**	**-**
Interburden	1.20	4.10	1.79		Dominantly claystone					
S3L	**0.10**	**0.40**	**0.21**		**Coal, brownish black**	**5.07**	**19.01**	**0.41**	**6173**	**1.42**
Interburden	56.82	114.70	69.56		Dominantly claystone					
S4 SR	**0.30**	**1.75**	**0.97**		**Coal, bright, black, contains pyrite**	**5.78**	**11.96**	**2.32**	**6714**	**1.37**
Interburden	1.42	15.70	6.82		Dominantly claystone, inetercalated with thin beds fine grained sandstone					
S5 SU	**1.15**	**2.50**	**2.00**		**Coal, black, lustrous, contains pyrite and resin**	**5.82**	**13.00**	**1.70**	**6638**	**1.37**
Parting	0.00	1.10	0.78		Claystone					
S6 SM	**1.03**	**2.40**	**1.62**		**Coal, black, clean without parting bends**	**6.37**	**13.06**	**0.36**	**6638**	**1.37**
Interburden	0.40	3.30	1.36		Dominantly claystone/mudstone					
S6L SL-1	**0.22**	**1.00**	**0.57**		**Coal, black, lustrous**	**5.28**	**12.66**	**0.41**	**6717**	**1.35**
Interburden	0.55	5.82	2.41		Dominantly claystone/mudstone					
S7 SL-2	**0.10**	**0.92**	**0.38**		**Coal, black, dull with parting bends**	**5.16**	**15.00**	**0.48**	**6439**	**-**
Interburden	-	-	-		Dominantly claystone/mudstone	-	-	-	-	-
Tot. OB	**42.73**	**630.92**	**287.07**		Conglomerates, quartz sandstone, carbonaceous claystone.					
Tot. Coal	**3.20**	**10.39**	**6.51**							
Tot. Dep.	***45.93***	***641.31***	***293.58***							

Table 4: Summary of Seam Intersections for TCM Mantewe Project.

**Lithology Bar is Diagrammatic and not to scale.*

Figure 9: Main Seams S5 (SU) and S6 (SM) for proposed underground mining (View of up-dip neighbouring Arutmin Pit Highwall).

The in situ coal from the S5 and S6 seams proposed for underground mining is a high bituminous thermal grade coal with the following weighted average quality values; Calorific Value 6,680 kcal/kg adb, moisture of 5.1% (TM), Ash 12.75% and a sulphur content of 1.02%.

TCM product coal is characterised as a High Volatile C Bituminous Coal in accordance with ASTM D388-05. All thermal properties associated with TCM products are highly suited to power generation, cement manufacture or general industry. The coal has low chemical impurities making it environmentally suitable for export.

Ash fusion temperatures are very high for Indonesian coal and are in line with Australian thermal coal products. TCM coal has low slagging and fouling index and this is highly beneficial in boiler performance and fly ash recoveries.

Phase 1 and 2 drillholes used the “touch coring” method while Phase 3 and 4 drillholes used full coring through the target seams. Samples were analysed for Total Moisture, Proximate Analysis, Total Sulphur, Calorific Value and Relative Density laboratory tests. The thin seams S1 and S2 which are of sporadic occurrence were not sampled. The sporadically occurring seams S3U, S3L and S7 were sampled. The waste parting between seams S5 and S6 was routinely sampled and quality tested.

Geophysical logging in all drill holes at this site, includes natural gamma, in situ rock density and calliper (borehole diameter). Interpretation of data includes seam depth and thickness, seam partings, indicative seam quality (ash), seam correlations and fault interpretation. Holes are up to 561.45 m deep and include open hole non-cored “touch” combined with full coring of intersected coal seams. This methodology is acceptable to provide reliable seam data, subject to the following observations:

- open hole drilling supplemented by geophysical logging provides a sufficient order of accuracy for Coal Resource estimation and this methodology is widely applied in the coal industry,
- geophysical logging through steel casing of a significant number of holes attenuates log signals which has reduced the reliability of logs for thin, higher ash seams in particular,
- open hole and geophysical log data is calibrated by selected coal quality coring for coal analyses,
- open hole data supplemented by "touch "or full coring for coal analyses is widely used in the Indonesian coal industry, and this methodology is generally acceptable when core recoveries exceed 90%
- there is an adequate coal quality database from cored drill holes
- a detailed topographic survey has been conducted over the study area and all drill holes have been surveyed using a Total Station survey instrument.

4.3.1 Resource Estimates Observations

There has been no additional Feasibility Study work performed since May, 2012 however, for the reasons set out in the Executive Summary, AM&A is of the view and opinion that the Study data remains acceptable for valuation purposes. The following Study observations, with which AM&A concurs, were made in relation to the level of confidence of the database and model and are repeated here:

- There is insufficient borehole density to identify individual structures,
- Thickness interpretation of thin upper seams is of lower confidence than lower seams however these seams have been excluded from the underground Study reserve estimates,
- Some of the coal quality data has been obtained from boreholes with less than 95% linear recovery. Generally core recoveries from Indonesian coal drilling are often below those achieved in Australia, and actual linear sample recoveries are often not well recorded. The lower core recoveries typically result from the weak, brittle nature of Indonesian coals, high vitrinite contents and drilling techniques used. Coal quality contour plans indicate a relatively consistent spatial distribution of key quality parameters and the low degree of spatial variability is typical of the Tanjung Formation seams. Statistical analysis of geological data illustrates that the quality values fall within expected ranges and that sampling bias has not affected holes with less than 95% recovery. The coal quality data for thin coal seams is limited.

For resource categorisation the following drill spacing was applied:

- Measured <500 m
- Indicated 500 -1,000m
- Inferred 1,000 – 2,000 m

Gas desorption tests on six drillholes indicate methane flow rates between 1.1 to 6.3 m^3/t with an average of 3.89 m^3/t; this is manageable but implies that good ventilation with high flow rates is required. Water inflow has been detected by piezometer testing on several drillholes but there is currently insufficient data to estimate accurate flow rates, volumes, however, are low and will not present problems for an underground mining scenario.

All drilling data including drill logs, coal quality and survey data were input into an electronic database and using Rockworks and Global Mapper software first and finally 'Mincom Minescape' modelling software where a 3D "surface" model of the deposit was created.

The parameters applied in the estimation of coal resources by KMC are as follows:

- The resource is bounded by the concession boundary to the west and the interpreted position of the Batulicin Fault in the south; this has been partially defined by drilling but is also interpreted from the geology (Figure 10 and 11),
- No geological losses have been applied although there is evidence of some splitting in this deposit but the data density is insufficient to clearly define these areas – losses would likely be minimal,
- Minimum thickness of 0.20 m coal is reported within the model,
- Maximum thickness of parting included in seam thickness is 0.10 m and
- Minimum thickness of 1.00 m is established for resources designed for underground exploitation.
- Current maximum underground exploitation depth of 450 m is based on the geotechnical assessment.

A summary of the KMC Measured, Indicated and Inferred Resources is presented in Table 4 and KMC reported in accordance with the requirements of the JORC Code (2004). There has been no subsequent Technical Study work performed. AM&A has accepted the Technical Study findings and concludes that the resources are acceptable for this valuation report.

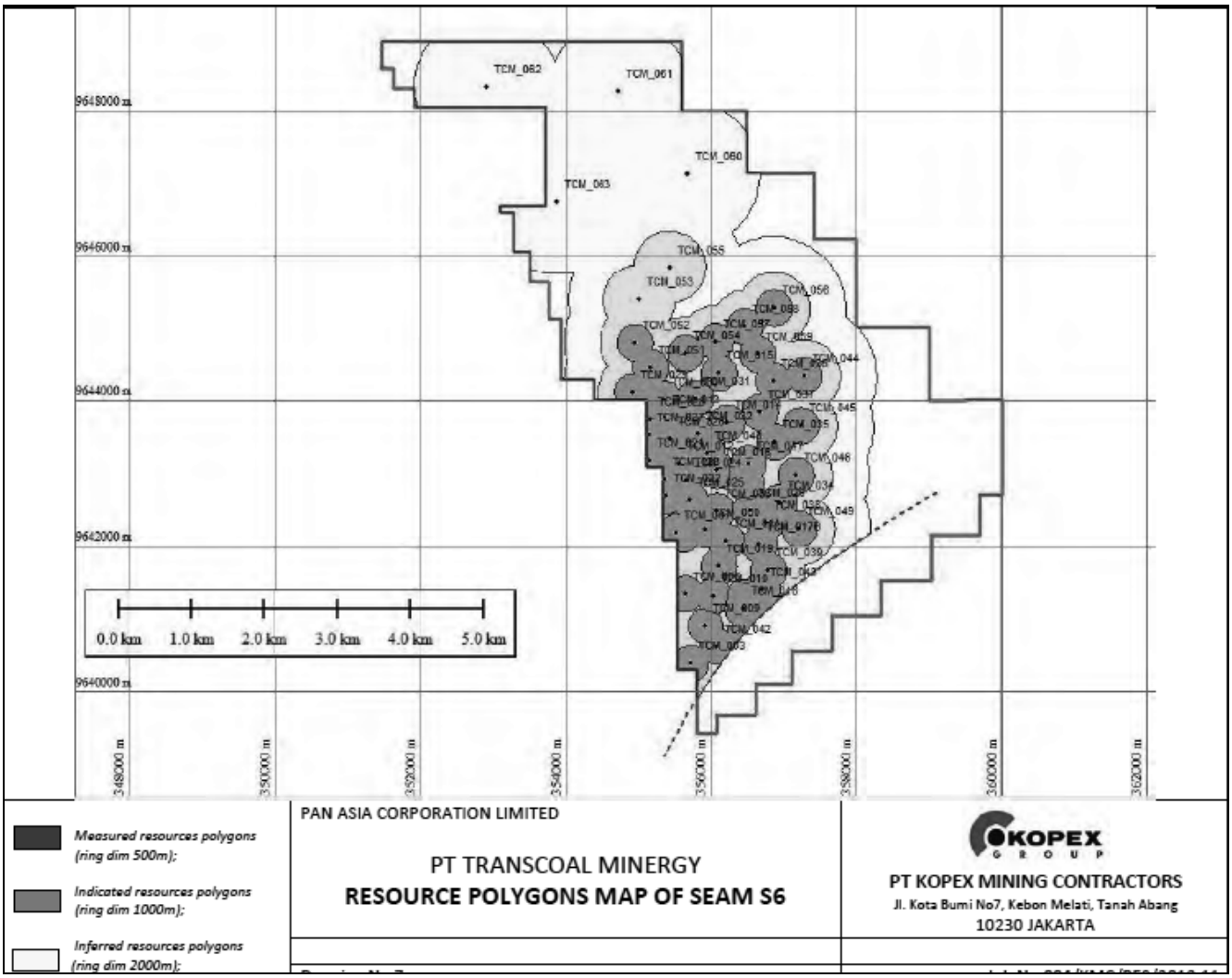


Figure 10: Resource Polygons for Seam S6 Mantewe Project.

Seam	Measured (t)	Indicated (t)	Inferred (t)	Points	Thickness (m)
S1U				1	
S1		43,979	711,325	<4	
S1L				1	
S2	649,236	546,640	752,891	<4	
S3U	2,311,800	1,429,688	2,525,904	<4	
S3L	830,755	702,488	1,944,154	<4	
S4U				2	
S4	8,149,454		14,288,472		
S4L					<0.2
S5U				1	
S5	20,434,284	12,248,984	32,032,238		
S6	17,193,018	12,221,817	35,035,142		
S6L	3,7022,516		1,151,117		
S7	138,327	146,596		<4	

S8				1	
Total	**53,409,394**	**35,416,171**	**88,441,246**		

Table 5: JORC Code (2004) Compliant Study Resources declared by KMC

KMC considered the two combined coal seams S5 (SU) and S6 (SM) with widths >1.0 m as suitable for underground mining from within the total quantity of resources listed in Table 5 and AM&A concurs with this selection.

Seam	Measured (t)	Indicated (t)	Inferred (t)	
S5	20,434,284	12,248,984	32,032,238	64,715,506
S6	17,193,018	12,221,817	35,035,142	64,449,977
Totals	37,627,302	24,470,801	67,067,380	129,165,483

Table 6: JORC Code (2004) Resources available for Underground Mining

KMC selected only seams S5+S6 together, including the parting between the seams, as the only subset of seams thick enough to constitute resources for underground mining (Table 5). The parting between SU5 and SU6 from Table 3 has a range in thickness from 0 to a maximum of 1.10 m with a mean of 0.78m that Kopex stated results in a 32.6% dilution of the combined package. As a final step towards the KMC Feasibility study a smaller area in the southern portion of the concession and using only Measured and Indicated Resources was selected for a potential underground mining analysis, the residual resource estimates in this reduced area are presented in Table 6 and shown in Figure 11.

Seam ID	Measured Resource (MT)	Indicated Resource (MT)	Inferred Resource (MT)	Total Resource (MT)
S5 (SU)	17.94	11.56	12.24	41.74
S6 (SM)	14.74	9.16	9.92	33.82
Total	**32.68**	**20.72**	**22.16**	**75.56**

Table 7: JORC Code (2004) Resources in Target Seams (SU and SM) Considered for Underground Exploitation.

Two hundred and twenty six samples were analysed for the coal and parting quality data. The analyses show that the coal is a low moisture high calorie coal with variable sulphur between 0.02 and 6.46%. Total moisture ranges between 3.56% and 12.00% with a variable ash content ranging between 4.85 and 35.29% (parting <0.10 m included).

The average quality of the coal pre-washing to remove the parting is 5.2% TM, 11.7% Ash, 1.27% sulphur and a CV of 6,767kcal/kg (adb). There has been no additional Study work performed however AM&A views these resources as acceptable for the valuation.

It is understood that Pan Asia intends to ensure that coal washing, as outlined and used in the Technical Study, will be undertaken by PT TCM to result in an approximate 75% product yield and an as received product of 14% ash, 1% total Sulphur and a CV of 6,200.

4.4 Underground Potential

A key area was established for the design of an underground exploitation study which covers 7.48 km^2 and is bounded by (Figure 11):

- To the north, by a normal fault with throw 35 m and the limit of longwall length to 1500 m recommended in the geotechnical assessment;
- To the east a maximum depth of mining set as 450 m; To the south, a large normal fault with throw of over 400 m;
- To the west, administrative boundary of the concession.

The subset of resources within the area selected for the mining study are summarised in Table 7 with 78.8% reporting as Measured and 21.2% as Indicated Resources.

Seam	**Measured (Mt)**	**Indicated (Mt)**	**Total** (Mt)
S5	15.89	4.57	20.46
S6	13.20	3.26	16.46
Totals	**29.09**	**7.83**	**36.92**
%	78.8	21.2	100

Table 8: Resources in Underground Study Area.

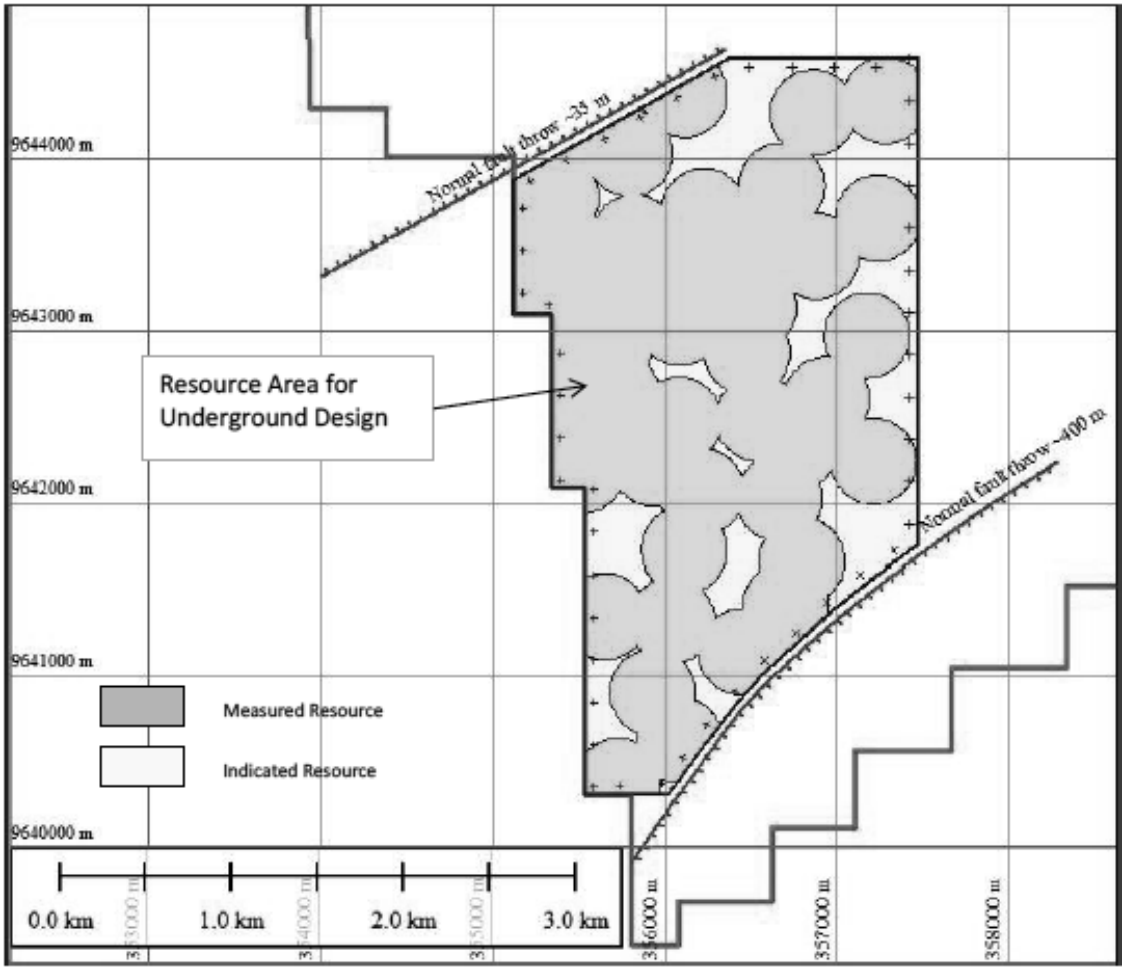


Figure 11: Resource Area Selected for Underground Mine Design.

The Resources presented in Table 7 exclude the intermediate parting that must be mined with both seams; the total tonnage including the parting becomes 48.97 Mt.

For the KMC Feasibility Study the Indicated Resources were included for reserve estimation. Both seams S5 and S6 will be mined including the parting and this potential Run of Mine ("ROM") material will be sent to a washing plant. KMC classified the Reserve as Probable for the following reasons:

- Calculation of the parting rock mass may be inconsistent because of the variable specific gravity of claystone separating coal seams S5 and S6 but is catered for within the AM&A valuation methodology.
- The PT TCM coal seams hosted in mudstones have not been mined before by underground methods at this site or elsewhere in Indonesia in general. However, the KMC experience gained at the nearby Bontang Coal Mine and their knowledge of the global ability to mine coal seams hosted in mudstones as a mining principle, are adequate to cover Mantewe underground mining scenario risks. The main additional confidence boost is the Bontang Mine development of a large scale underground coal mine some 50 km away which will exploit coal seams hosted in mudstones. For these reasons coupled with the reasons set out in the Executive Summary, it is AM&A's opinion that the Technical Study remains valid and contains sufficient data to complete a valuation.

- Estimates of coal recovery, ground support requirements and productivities have been based on experience at other mining operations in different geological and geotechnical conditions, which may not be representative of those at this site; AM&A concurs with this acceptable standard practice industry approach

Table 8 summarises the reserve estimation taking into account all factors affecting the production volumes for the assumed extraction method, for example safety and barrier pillars, parting dilution and mining losses (these numerical factors are not elucidated within the text of the KMC report but are described in words in the Study and are acceptable to AM&A as they equate to standard industry practice).

Probable (1)	Thickness	Air Dried Moisture Basis (2)					
Reserve Mt	S5+S6 +parting	H_2O (%)	Ash (%)	VM (%)	FC (%)	CV(kcal/kg	S (%)
24.66	4.40	5.15	31.52	28.40	38.53	5,044	0.88

Table 9: KMC JORC Code (2004) Reserve Estimate for Underground Mining Study Area.
(1) Includes dilution, additions and calculated mining losses.
(2) Coal Quality values include effects of parting dilution on quality values.

The recovery ratio of reserves from resources according to the proposed mine design and selected method of mining is 50.4% and does not affect the selection of the valuation method. In China some longwall underground operations claim to achieve up to 70% extraction in similar ground conditions while if room and pillar mine layout is required recovery can drop to 40% at best for these widths of openings.

The ground conditions at the TCM prospect site are likely to be challenging for underground coal mining; the main issue is that the stratigraphy comprises weak sediments which are water sensitive. However, the ability to develop underground operations has been demonstrated at other sites in the region in similar if not slightly worse conditions.

Continuous Longwall Mining operations can usually negotiate seam dips of less than 10 – 15^0 but in areas where the dip is greater than this working down dip may not be appropriate in all areas. Geotechnical computer modelling and experience suggests that it is possible to develop roadways provided the appropriate rockbolt and/or passive standing support remain in place.

However, experience to date in the local conditions only extends to less than 200 m depth and mining at the TCM site is planned to a depth in excess of 400 m. Computer modelling indicates this depth is achievable, although these simulations are based on drillhole data and rock mechanical properties alone.

KMC recommended that as mining ventures deeper, due care should be taken and the key to success may be to optimise roadway support design, panel layout and mining practice through additional analysis. Mining in weak sediments is not without risk or challenge, particularly with increasing depth of cover and there are many small undefined structural features at present, however the possibility of their existence does not affect the valuation conclusions.

Room and pillar mining, while capable in the right mining conditions of delivering well in excess of 1.5 Mtpa economically, is not considered ideal initially for TCM due to a possible low production scenario within the possible poor ground conditions (roof and floor), and moderate seam dips. KMC expects that it would be difficult using this method to achieve the desired production targets and would probably incur higher operating

costs. It is an attractive approach however from a capital requirement and may come back into consideration after further evaluation subject to:

- Existence of limited reserves with poor geometry for longwall methods,
- Geotechnical evaluations indicating better than the currently expected ground conditions, and/or
- Adequate reserves are found with seam thicknesses greater than 2 m with the ability to leave coal in the roof and floor to assist with strata control and operational considerations associated with a weak floor.

Numerous types of geological risks exist for the project. The highest potential risk to adversely affect the project is the interception of unidentified geological features including:

- Structural features such as faults and folds;
- Depositional features such as paleo channels with variable seam thickness;
- Intrusions such as sills and dykes;
- Geotechnical risk;
- Environmental risk.

Uncertainty associated with faults and folds, coal washouts and intrusions have widely recognised adverse impacts on the mining of underground coal deposits, especially longwall mining. Geological uncertainties may cause significant delays in production schedules, impose substantial changes to mine plans, reduce expected recoverable coal quantities, adversely affect safety, and heavily influence the financial viability of a mine. The impact of this could be minimal, or it may prevent production continuity for the development or extraction longwall panels. The likelihood of this type of occurrence can be reduced by in-seam drilling ahead of the actual mining process. This is likely to be difficult if rapid grade changes occur during the development of mine workings.

An alternative to in-seam drilling is to accept the risk that faulting and other geological features will impact mining and to use the continuous miner units as the main exploratory tools during development. This practice is not uncommon but it is also not ideal and can result in lower productivity as a result of the need for on-the-run planning. The longwall extraction method is less flexible but able to cope with inconsistent geological environments, albeit at the expense of resource recovery and production rates.

Geotechnical risks, such as problems with roof or floor conditions, seam grades or pillar stability problems can be mitigated in the design process, based on sufficient geotechnical testing across the mining area.

The fall-back position if longwall mining cannot be established is to use room and pillar extraction methods which are more flexible but at the expense of overall recovery and production rates.

4.5 TCM Mantewe Project Conclusions

The TCM Mantewe project presents a stratigraphic package of coal seams where high strip ratios preclude open pit exploitation. There is an opportunity, however, to mine and supply reasonable quantities of bituminous thermal coal from two closely situated seams from an underground mining operation where higher valued quality product will be produced by washing the mined material.

The initial Study, based on the southern area only, presents a near break-even scenario at October 2014 coal prices and volumes however the northern portion of the concession, excluded from the study, presents an

opportunity to double the life of the operation and significantly increase sale volumes, provided infill drilling continues to intersect similar quantities and quality of the S5 and S6 seams. When the northern area has had the proposed infill drilling undertaken a complete review of the project JORC Code compliant reserves will be possible.

There has been no additional Feasibility Study work performed so the basic two conclusions of the Technical Study are:

- Exploitation by underground mining is feasible
- There are 24.6 Mt of Probable Reserve in the southern portion

In addition confidence has been enhanced that the northern area's recent broadly spaced drilling indicates that significant contributions of similar amounts of Probable Reserves for underground exploitation are likely.

For the avoidance of doubt AM&A concludes that the comprehensive Technical Study remains valid and contains sufficient data to complete a valuation.

5.0 Valuation of the Projects

When valuing any mineral asset/project it is important to consider as many factors as possible that may either assist or impinge upon the cash value estimates of the mineral asset/project under consideration. In this Report AM&A considers the primary features to be taken into account are the Mineral Licence Security; Mineral Resource/Ore Reserve Estimates; Sovereign Risk; Available Infrastructure; Relevant Expenditure and the general geological setting.

Basically, these "Boxes are Ticked" as described above with regards to mineral licence security, convenient infrastructure, resources and reserves and a favourable geological environment.

5.1 Selection of Valuation Methods

The following valuation methods, as described in section 2, are not considered applicable for the respective reasons provided:

The 2012 KCM DCF analysis on the southern area only, is breakeven at June 2015 prices and did not have many assumptions actually confirmed by formal reliable quotes and as such is deemed by AM&A to really only roughly equate to a pre-feasibility study. The limited geotechnical data and materials for construction information, along with limited hydrological data prevented greater estimation accuracy for a number of the civil and structural elements required in the Technical Study. In order to improve their estimate accuracy to +/-15%, or better, it would be necessary to undertake the following activities;

- Geotechnical and foundation engineering in the relevant areas.
- Ground control survey for the mine entrance, transfer station, stacking conveyor, stockpile, industrial area, and all access and haul roads.
- Tendering and pro forma contracts for major equipment and vendor supply items.
- Detailed design, procurement, and construction schedules to tie together all activities.

It was recommended in the Study that these activities should be undertaken for the project to proceed. The operating and materials costs were based on supplier quotes and the KMC cost data base for similar scale underground coal mining projects elsewhere. The proposed 'longwalls' are inflexible with respect to mine layout, requiring seam continuity over areas that are relatively square with dimensions of at least 1.0 km wide and greater than 1.5 km in length.

Accordingly AM&A consider that this KMC Technical Study, based on the southern area only for a DCF approach, is unreliable. There has been no additional feasibility work performed since the date of the Technical Study so the AM&A view and opinions remain consistent with the Technical Study findings.

The following rejection comments apply for other valuation methods:

- The Kilburn 'prospectivity' method - as the range of values generated is too wide to be realistic ;
- Joint Venture Terms - as there are no external joint ventures in place;
- Comparable transactions – generally Indonesian vendors have recently had unrealistic deal aspirations in a falling price market so no completed comparable similar transactions for underground mining projects could be located.
- MEE methods have been superseded by the declaration of Probable Reserves however the results of this MEE analysis based on Mantewe audited expenditure to 2014 are presented in Appendix 3 as support for the ascribed value from the Empirical method. Following enquiries made of the Company and the Company's auditor, AM&A is of the view that the expenditure recorded in the Appendix 3 is valid and relevant to the Mantewe project.

Accordingly only the Empirical method is used for the reserves at the Project with various applicable factors used to estimate the value potential.

5.2 Valuation Method

The Empirical Method was selected as the basis for the valuation. The previous estimates of resources and reserves (The Technical Study) for the Mantewe Project were accepted and the following assumptions were then applied to these tonnage estimates (Appendices 1 and 2). Using straight-line relevant ratios from the southern area Probable Reserves the underground coal potential for the northern area was derived.

Three scenarios of mining method were considered; room and pillar, conventional longwall and a Chinese application of longwall mining which have applied overall mining recoveries of 40%, 50% and 60% respectively. The room and pillar tonnages are presented in the Appendix 2 table but since they produce an uneconomical scenario were not used in the valuation estimate. A range of insitu product prices were then applied to each potential ROM mining product from longwall mining scenarios in order to determine a low (50%), high (60%) and preferred (50%) value using coal prices that range from US$0.18 to US$0.50. The preferred value is based on the preferred longwall mining method selected by Kopex in its Study and with which we concur is most suitable.

The August 2105 coal price for saleable product is US$57.72 and this was reduced to 75% of that price to obtain the potential ROM available price. The insitu coal prices adopted for the valuation are based on AM&A's opinion of applicable discounts to derive value based on 1.0% of the insitu price at US$0.433 per tonne rounded to US$0.43. A range of values for low and high was then selected as US$0.36 to US$0.50. For the northern potential of similar area the insitu price was selected based on 0.5% of the insitu price at US$0.216 per tonne rounded to US$0.22 (as depicted in Figures 9 and 10). A range of values for low and high was then selected as US$0.18 to US$0.25. Finally a conversion rate of A$1.00=US$0.73 was applied where required.

The results of this determination, with the underlying facts and assumptions is summarised in Appendices 1 and 2.

5.3 Valuation Conclusions

AM&A has reviewed the initial Technical Study undertaken on the southern portion of the Project in conjunction with the drilling results in the northern portion, factored in August 2015 market conditions and concludes that the current cash value as presented in the attached worksheet for 100% of the Project is ascribed at US$16.2 million from within the range of US$13.4 million to US$22.4 million. Using a conversion rate of 1A$=US$0.73 this relates to A$22.2 million from within the range of A$18.4 million to A$30.7 million.

The Report also concludes that the October 2015 cash value of the Pan Asia 75% equity interest in the Project is ascribed at US$12.1 million from within the range of US$10.1 million to US$16.8 million. Using a conversion rate of 1A$=US$0.73 this value relates to A$17 million from within the range of A$14 million to A$23 million.

	US$M			Pan Asia %	US$M		
Project	**Low**	**High**	**Preferred**		**Low**	**High**	**Preferred**
KMC Study	8.81	14.69	10.53	75	6.61	11.02	7.90
Northern Potential	4.61	7.69	5.64	75	3.46	5.77	4.23
Totals	**13.4**	**22.4**	**16.2**	**75**	**10.07**	**16.78**	**12.12**
Totals A$M	**18**	**31**	**22**		**14**	**23**	**17**

Table 10: Summary Range of June 2015 Values.

Yours faithfully

Allen J. Maynard

BAppSc (Geol), MAIG, MAusIMM.

Brian J Varndell

BSc (SpecHonsGeol), FAusIMM

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7.0 Coal Information and Definitions

Types of coal

Coal can be broadly classified into two types based on application:

Thermal coal or **steaming coal**—principally used as a solid fuel to generate electricity and heat

Metallurgical coal or **coking coal**—used to produce coke, which is used as a fuel and reducing agent in the smelting of iron ore to produce steel.

Coal also comes in four main types or ranks, the characteristics of which are predominantly affected by moisture, volatile content and carbon content:

Anthracite: the most valuable coal type which is a hard black coal with a high carbon content (+75%) and high energy density.

Bituminous coal: a soft black coal that can be used for thermal or metallurgical applications.

Sub-bituminous coal: a soft black coal with an energy density lower than that of bituminous coal and the most common type of coal used for electricity generation.

Lignite: a brown coal with a high moisture content and low energy density, used almost exclusively for electricity generation.

Moisture (H_2o)

The moisture content of coal varies by type of coal, the region where it is mined and the location of coal within a seam. The moisture content of coal is related to the energy content. In general, high moisture content decreases the energy content and increases the weight of the coal, thereby making it more expensive to

transport. Moisture content in coal, as sold, can range from approximately 5–30% for bituminous and sub-bituminous coal to up to 45% for lignite.

Total moisture is analysed by loss of mass between an untreated sample and the sample once heated and analysed. When analysing a coal sample, the analysis results need to account for moisture content. Results are typically reported as either:

'as received' (**ar**)—as a percentage of the coal including the total moisture content; i.e. including both the surface and the air-dried moisture content of the coal;

'air dried basis' (**adb**)—as a percentage of the air-dried coal; i.e. including the air-dried moisture but not the surface moisture;

'dry basis' (**db** or **dry**)—as a percentage of the coal after all moisture has been removed; and

'dry ash-free' (**daf**)—as a percentage of the volatile matter and fixed carbon components of the coal, with moisture and ash removed.

Energy content (CV)

The energy content of coal is typically measured as the heat released on complete combustion in air or oxygen, expressed as the amount of heat per unit weight. It is usually expressed in units of kilocalories per kilogram (**kcal/kg**). Energy content is affected by moisture content. Generally a higher energy content means a higher economic value, particularly for thermal coal.

Volatile matter (Vol)

Volatile matter in coal refers to the components of coal (excluding water) that are liberated at high temperatures in the absence of air. This is usually a mixture of short and long chain hydrocarbons, aromatic hydrocarbons and some sulphur. The volatile matter of coal is determined by heating the coal sample under controlled conditions.

Ash content

Ash is the inorganic residue remaining after the combustion of coal. It is an important characteristic of coal because electricity generators must handle and dispose of ash following combustion. Coal with a lower ash content is therefore considered to be of higher quality. Analysis is fairly straightforward, with the coal thoroughly burnt and the ash material expressed as a percentage of the original weight.

Fixed carbon (FC)

The fixed carbon content of coal is the carbon remaining after volatile materials are driven off. This differs from ultimate carbon content because some carbon is lost with the volatile materials as hydrocarbons. Fixed carbon is used as an estimate of the amount of coke that will be yielded from a sample of coal. Fixed carbon is determined by subtracting the moisture, ash and volatile matter content from the original mass of the coal sample.

Sulphur content (S)

Low sulphur coal is generally characterised as coal with a sulphur content of 1% or less by weight. In many countries, environmental controls restrict sulphur emissions by electricity generators. Low sulphur coal therefore offers environmental and economic advantages over high sulphur coal and reduces the need for flue gas desulphurisation. Coking coal requires a maximum sulphur content of 0.8%, because higher values affect steel quality.

Proximate analysis

This is the determination of moisture, ash, volatile matter and fixed carbon and is quoted along with the gross calorific value (ad), total sulphur and sometimes the phosphorous content. The other key parameters of crucible swelling index, ash softening temperature, ash fusion temperature and Hardgrove Grindability Index ("HGI") are often analysed and quoted with proximate analysis results.

Ultimate Analysis

This entails determination on a daf basis of carbon, hydrogen, nitrogen, oxygen, carbonates, phosphorous and chlorine on a percentage basis.

Ash Constituents

This entails analysis on a percentage basis of SiO_2, Al_2O_3, Fe_2O_3, TiO_2, CaO, MgO, Na_2O, K_2O, P_2O_5, Mn_3O_4, SO_3, and the SiO_2: Al_2O_3 ratio.

Density

Is determined on an ad basis.

Petrographic Parameters – Maceral Analysis

This is a microscopic analysis to determine on a percentage basis the coal mineral components that are vitrinite, exinite, micrinite, semi-fusinite, fusinite, and mineral matter as well as quoting the reactives to inerts ratio.

8.0 Glossary of Technical Terms and Abbreviations

Aeromagnetic Survey	A survey made from the air for the purpose of recording magnetic characteristics of rocks.
Alluvial	Transported and deposited by water.
Complex	An assemblage of rocks or minerals intricately mixed or folded together.
Conformable	Beds deposited upon one another in uninterrupted sequence.
Conglomerate	Sedimentary rock formed by the cementing together of rounded water- worn pebbles, distinct from breccia.
Decollement	Gliding plane between two rock masses.
Diamond drill	Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock.
Dip	The angle at which a rock layer, fault of any other planar structure is inclined from the horizontal.
Dyke	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
Eocene	56 to 33.9 million years ago.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Felsic	Descriptive of an igneous rock which is predominantly of light coloured minerals (antonym: of mafic).

Footwall	Rocks underlying mineralisation.
Granite	A coarse grained igneous rock consisting essentially of quartz and more alkali feldspar than plagioclase.
Intercept	The length of rock or mineralisation traversed by a drillhole.
Isopach	A contour line of equal thickness over an area
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves.
Magnetic Survey	Systematic collection of readings of the earth's magnetic field.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Miocene	23 to 5.3 million years ago.
Neritic	Shallow-water marine sediments that form in the continental shelf when bottom waters are well aerated
Oligocene	33.9 million to 23 million years before the present.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Palaeochannel	A drainage channel of the geological past which may be buried.
Palaeozoic	A time period from approximately 590 to 225 million years ago.
Paralic	Describes deposits laid down on the landward side of a coast in shallow fresh water.
Pliocene	5.3 million to 2.58 million years before present.
Porphyry	A rock with conspicuous crystals in a fine-grained ground mass.
Primary	Mineralisation which has not been affected by near surface mineralisation oxidising process.
Quartz	A very common mineral composed of silicon dioxide-SiO_2.
Quaternary	A division of geological time ranging between 2.6 million years and the present.
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Recent	Geological age from about 20,000 years ago to present (synonym: Holocene).
Reconnaissance	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
Remote Sensing Imagery	Geophysical data obtained by satellites processed and presented as photographic images in real or false colour combinations.
Reserve	An In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.

Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Sandstone	A cemented or otherwise compacted detrital sediment composed predominantly of quartz grains.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Stratigraphy	The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
Subcrop	The surface expression of a mostly concealed rock layer.
Syncline	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
Touch core	Partial coring of only intercept of interest
Ultramafic content.	Igneous rock with a very low (<45%) silica content and high magnesium & iron
Unconformable	Descriptive of rocks on either side of an unconformity.
Unconformity	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
Volcanic	Relating to the eruption of a volcano.
Volcaniclastic	Describes clastic fragments of volcanic origin.

CHEMICAL SYMBOLS

Ag	Silver	Al	Aluminium
As	Arsenic	Au	Gold
Ca	Calcium	Cu	Copper
Fe	Iron	K	Potassium
Mg	Magnesium	Mn	Manganese
Mo	Molybdenum	Na	Sodium
Ni	Nickel	Pb	Lead
P	Phosphorus	Si	Silica
Ti	Titanium	Zn	Zinc

ABBREVIATIONS

B	billion	cm	centimetre
ha	hectare	km	kilometre

km^2	square kilometre	m	metre
m^2	square metre	m^3	cubic metre
mm	millimetre	M	million
t	tonne	tpa	tonnes per annum

UNITS OF CONCENTRATION

ppb	parts per billion	ppm	parts per million

Appendix 1: Valuation Estimate Workings Summary

Potential Run of Mine ("ROM") Resources South*	49Mt
Potential ROM Resources North**	51Mt
Total Potential Project ROM Resources* **	**100Mt**

* See Line 5 in Appendix 2

** See Line 8 in Appendix 2

*** ROM resources comprise the two chosen seams for mining (S5 & S6) plus the parting dilution between the two seams (all to be mined in one pass)

Potential ROM Tonnes after mining recoveries (using different mining approaches)

See Lines 15 through 20+ in Appendix 2

(A) Room and Pillar @ 40% = 40Mt

(B) KOPEX @ 50% = 50Mt

(C) Longwall China @ 60% = 60Mt

Valuation Basis

US$0.43/t **Southern Area**

US$0.22/t **Northern Area**

Actual full Valuation Table presented in Appendix 2 lines 18-27

Methodology is based on ROM tonnes X percentage of tonnes recovered (different mining methods) X Valuation / tonne.

Appendix 2: Valuation Estimate Workings

	Pan Asia - TMC Mantewe Coal Project Valuation Workings	**Line ID Functions**			Oct 14		Update 16Oct 2015		
Line ID	**Studies & Assumptions Used**	**Numbers are Row Numbers**	Mt						
1	Total Resources (All seams and categories)		126.60						
2	sub Total for u/g Resources (Meas+Ind+Inf) for Seams >1.0m - only S5 & S6		75.6						
3	7.48km2 southern mining area M+Ind Resources ex Study		36.9						
4	Unassigned Resource Balance for Nth area	2 subtract 3	38.6						
5	Mining add parting dilution brings study Total up by 32.6%	4 increased by 0.326	49.0						
6	Longwall Mining study extraction	Mining losses applied to 5	24.7						
7	U/g overall recovery from Prob Reserve 50% factor; Resources to Reserve factor	6 divided by 5 and 7 divided by 3	0.5		1.3				
8	Unassigned Resource add parting = ROM potential	4 times 7 R to R factor	51.3						
9	per Kopex current design would increase U/G potential by	8 times7 recovery factor	25.8						
	Basic Facts								
10	Coal Price 19th June 2015 US$57.72 for 14% ash product with CV 6200								57.7
11	ROM recovery in wash plant 75% with 31.5% ash and CV 5044								0.75
12	Insitu ROM value at 75% of Coal Price	10 times 11							43.3
	KOPEX study - Opex 38.24 - Capex 10.87 for average 49.11 is uneconomic						**US$**		
			%		**US$**		**Low**	**High**	**Pref**
13	Discounted insitu ROM price at 1%; then rounded	eg 12 times 0.01 rounded	0.010		0.433		0.36	0.50	0.43
14	Discounted North potential insitu price at 0.5%; then rounded	eg 12 times 0.005 rounded	0.005		0.216		0.18	0.25	0.22
15	Mining recoveries Kopex study 50.4%.								
16	Chinese Longwall (C-longwall) max 70% so use 60%								
17	Room and pillar (R&P) less than 50% - use 40%								
				M tonnes			**ROM feed US$M**		
	Valuation Workings (per 5.2 description)	**## Not used for Val- uneconomic**		R&P##	Kopex	C-longwall	**Low**	**High**	**Pref**
18	Mining method recovery percentage range	From 15, 16, 17		40%	50%	60%			
19	Potential ROM study feed	eg 19*Kop(Pref)*L13Low(0.36)	48.97	19.59	24.49	29.38	8.81	14.69	10.53
20	Northern Potential ROM feed	eg 20*Kop(Pref)*L14Low(0.18)	51.25	20.50	25.63	30.75	4.61	7.69	5.64
	Total ROM feed	**19+20**	100.22	40.09	50.11	60.13	**13.43**	**22.38**	**16.17**
		Rounding removes decimal places				**Rounded**	**13**	**22**	**16**
21	US$ 0.73 = A$1.00	Converts US$ to A$					**18.39**	**30.66**	**22.15**
22						**A$M**	**18**	**31**	**22**
23	**Pan Asia 75% share**						6.61	11.02	7.90
24							3.46	5.77	4.23
25							**10.07**	**16.78**	**12.12**
26						**Rounded**	10	17	12
27	Pan Asia @ 0.73 A$ Conversion						**13.79**	**22.99**	**16.61**
							14	**23**	**17**

Appendix 3: MEE Method Valuation Estimate Workings

Pan Asia - TMC Mantewe Coal Project Valuation Workings					
MULTIPLE OF EXPLORATION EXPENDITURE METHOD					
Audited Relevant Capitalised Exploration Costs A$9.22M				A$/t Cost	
All Categories Resources - 177Mt			All-in Cost per tonne	0.052	
		Mineable Seams cost per tonne		0.071	
COST		PEM Factor Range			
A$M	2.00	**2.50**	3.00	**Factor range justified by Exceptional Low Discovery Cost**	
9.22	18.44	**23.05**	27.66		
Val Range	Low	**Pref**	High		
75%	**13.8**	**17.3**	**20.7**		

Appendix 4: JORC Code, 2012 Edition – Table 1 Report

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	Commentary
Sampling techniques	• Core Sampling through the coal seams and claystone parting • Geophysical logging in all drill holes includes natural gamma, in situ rock density and caliper.
Drilling techniques	• HQ triple tube core using PT Maxidrill Indonesia MD-410 and MD-420 man-portable drill rigs
Drill sample recovery	• Some of the coal quality data has been obtained from boreholes with less than 95% linear recovery. The lower core recoveries typically result from the weak, brittle nature of Indonesian coals, high vitrinite contents and drilling techniques used. The removal of geotechnical samples from the coal seams has also affected sample recovery for coal quality test work in some boreholes. Coal quality contour plans indicate a relatively consistent spatial distribution of key quality parameters, including air-dried ash content and calorific value. The low degree of spatial variability is typical of the seams of the Tanjung Formation, which typically do not exhibit the degree of variability observed in many Australian coal formations. This has been further verified by statistical analysis of geological data over the TCM concession area, which has illustrated that the quality values are within expected ranges and have not been affected by boreholes with less than 95% recovery.
Logging	• All core (2970.95m) logged by geologists to a standard appropriate for JORC Code (2012) resource estimation, mining and metallurgical studies.
Sub-sampling techniques and sample preparation	• The full core sections of the S5, parting, S6 seams were sampled and sent for analysis. • Sample sections were immediately wrapped in plastic after being measured and photographed at the well site to preserve the total moisture of the coal. • This sampling method and size is representative of the core being sampled and appropriate for JORC Code (2012) resource estimation.

Quality of assay data and laboratory tests	• Quality Analysis by PT Geoservices and PT Intertek Indonesia to AS/ASTM standards comprised of:
	  • Proximate analysis 50 boreholes, 170 samples.
	  • Ultimate analysis 19 boreholes , 41 samples
	  • AFT analysis 19 boreholes, 41 samples
	  • Ash Analysis 19 boreholes, 41 samples
	  • Form of sulfur 18 boreholes, 49 samples
	  • Float-sink (washability tests), 2 test, 12 core samples and 1 (one) bulk sample.
	• Geotechnical test work by Institute of Technology Bandung Indonesia from 24 boreholes comprised of:
	  • Unconfined Compressive Strength = 256 tests
	  • Physical Properties = 537 tests
	  • Slake Durability = 194 tests
	• Gas content and composition tests by PT Geoservices Indonesia and supervised by CRL Energy Ltd, New Zealand comprised of:
	  • 29 canisters from 8 Boreholes,
	• Spontaneous combustion tests conducted by ALS Australia comprised:
	• 3 tests from 1 borehole.

Criteria	Commentary
Verification of sampling and assaying	• No holes have been twinned • All data is stored on TCM database and verified by Competent Person.
Location of data points	• All borehole collars have been surveyed using Total Station survey equipment. • LIDAR topographic survey was conducted over the entire concession based on geo-rectified WGS 84 system.

Data spacing and distribution	• Based on the level of complexity of the TCM deposit, the resources are sub-divided into categories based on the following drill spacing:
	  • Measured <500m
	  • Indicated 500 - 1,000m
	  • Inferred 1,000 - 2,000m
	• Taking into consideration the style, continuity and extent of the mineralisation being reported, the drill hole spacing is appropriate for these estimates.

Orientation of data in relation to geological structure	• Vertical drilling - Stratigraphic deposit
Sample security	• Samples were taken and sent as soon as possible to an accredited laboratory. • Considering the close correlation of coal quality between TCM data and the neighbouring ATA open pit quality data, it does not seem likely sample interference has occurred.
Audits or reviews	• Data and sampling techniques have been reviewed by PT GMT, PT KMC, Palaris and most recently for this report by Al Maynard and Associates.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	Commentary
Mineral tenement and land tenure status	• IUP Production Licence. No. 545/091/IUP OP/D.PE/2010 owned by PT TransCoal Minergy (TCM) • Pan Asia holds a 75% controlling shareholding in PT TCM, which owns the Mantewe Coal Project in South Kalimantan, Indonesia.
Exploration done by other parties	• None
Geology	• The TCM deposit lies in Tanjung Formation (Tet) (the oldest sedimentary formation known within the Asam Asam basin as part of Barito Basin) and lies immediately on the basement rocks in the area, presumed to be part of the Cretaceous basement rocks. The formation comprises fine quartz sandstone beds 0.50-1.50 m in thickness with parallel and cross laminations. The sandstone contains intercalations of claystone, locally shale claystone and coal seams. The formation also contains beds of brown-grey limestone. The coal seams in the Tanjung Formation range between 0.50 and 7.00 m in thickness and are black and shiny to glassy in lustre, brittle and contain a strong cleat. Based on the foraminifera content, such as Nummulites javanus and Heterostegina sp., in addition to the Miliolidae family, the Tanjung Formation is assumed to be of Eocene age and was deposited in a paralitic to neritic environment. The thickness of the formation is approximately 1,000 m. The Tanjung Formation, being the target formation for the drilling, covers most of the concession area and extends west from the concession boundary into the ATA concession area, where the major coal seams crop out.
Drill hole Information	• A total of 64 holes were drilled in 4 phases of exploration between January 2010 and June 2012 for 18, 793.45 m with 2,970.95 m cored (15.81%) and 15,822.50 m (84.19 %) as open hole using PT Maxidrill Indonesia MD-410 and MD-420 man-portable drill rigs. All holes are vertical and were geophysically logged at the completion of each hole. • Drill hole collar locations, down-hole surveys, sample logging and assays are of sufficient quality to be used for a JORC Code compliant M+I+I resource estimate.
Data aggregation methods	• Standard weighted averaging has been applied where applicable.
Relationship between mineralisation widths and intercept lengths	• Intersection widths approximate true widths since the target coal seams are tabular with very shallow dips.
Diagrams	• Appropriate maps and sections have been included in the main body of the report.
Balanced reporting	• Comprehensive reporting of all Exploration Results has been adhered to as standard practice..
Other substantive exploration data	• Other exploration completed includes: Geotechnical, hydrogeology, gas content/composition and spontaneous combustion.
Further work	• In 2015 Pan Asia intends to undertake infill drilling focused in the North of the concession to lift most of the inferred resources to Indicated category. After this drilling Pan Asia will commission a Feasibility Study over the entire concession area.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	Commentary
Database integrity	• The database was originally compiled by PT GMT who are a geological services company in Indonesia. PT GMT also completed the first JORC resource estimation of the area. PT KMC and Marek Rosa CP took over the database from PT GMT and have completed subsequent JORC resource estimations. The database has also been interrogated and validated by Palaris a specialist coal consulting company from Australia.
Site visits	• The author is familiar with the Batu Lucin district from previous visits and work in the area.
Geological interpretation	• The geology of the TCM coal deposit, a slightly dipping stratigraphic deposit with limited faulting, is simple and straight forward and no other valid interpretation would significantly affect the outcome of the resource estimate quoted in this report.
Dimensions	• The current resource area covers some 18 km^2 between depths ranging from approximately 100 m to a depth of 600 m.
Estimation and modelling techniques	• The coal quality model was developed in 3D using Minescape version 4.119. The quality model has been generated using Stratmodel. • No checks have been undertaken. • There are no by products or deleterious elements that will affect mining. • Not applicable for mining study at this stage.
Moisture	• All coal quality which has been modelled is on an air dried moisture basis. • Total Moisture as % ar tested to standard: ASTM D3302 • Moisture as % adb tested to standard: ASTM D3173

Cut-off parameters	• Limits applied:
	  • 600m depth cut-off
	  • 0.2m seam thickness cut-off
	  • Concession boundary
	  • Batulicin Fault
	  • Extent of seam

Mining factors or assumptions	• PT KMC completed a feasibility study in May 2012 and reported a Probable Reserve Estimate of 24.66Mt. All mining assumptions are contained within this report.
Metallurgical factors or assumptions	• Preliminary coal washing tests indicate a 75% wash product with 14% ash content.
Environmental factors or assumptions	• All environmental considerations taken into account • AMDEL (Indonesian equivalent of EIS) approved for production licence
Bulk density	• True Relative density of coal tested to standard: AS 1038.21.1.1 • ARD used for stone parting.
Classification	• Determination of “level of confidence” by KMC incorporated elements of the Indonesian National Standard for the Classification of Coal Resources and Reserves (1999). This system is based on defining coal deposits in terms of geological complexity to determine appropriate drill hole spacing for resource categories. The system identifies deposits as “simple”, “moderate” or “complex” based the following parameters: • variability of seam thickness (including seam splitting),

Criteria	Commentary
	• variability in coal quality parameters, and • structural complexity • summarized below as:

Parameter	Geological Conditions					
	Simple		Moderate		Complex	
I. Sedimentation factors						
1. Thickness variation	Less variation	x	Vary		More variation	
2. Seam continuity	Thousands meter	x	Hundreds meter		Tens meter	
3. Seam splitting	Less Splitting		Splitting	x	Very Splitting	
II. Tectonic factors						
1. Faultings	Very rare		Rare	x	Dense	
2. Foldings	Almost unfolded	x	Folded		Strong folded	
3. Igneous Intrusion	Not Influenced	x	Influenced		Strong influenced	
4. Dip	Gentle		Moderate	x	Steep	
III. Quality factors	Less variation		Vary	x	More variation	

Audits or reviews	• No audits or reviews yet undertaken.
Discussion of relative accuracy/ confidence	• No accuracy limits are described in the resource statement.

Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)

Criteria	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• Probable Reserves for only the S5 & S6 have been estimated for potential underground mining as a subset of the total resources.
Site visits	• As above.
Study status	• The KMC Study resulted in the estimation of Probable Reserves for underground mining..
Cut-off parameters	• Seam widths >1 m control resource estimates, not cut-off grades.
Mining factors or assumptions	• Underground longwall mining is the preferred extraction method with minimal dilution assumed in the KMC Study to estimate reserves after 50.4% recovery from resources.
Metallurgical factors or assumptions	• Standard coal washing has been selected that results in an approximate 75% product yield and an as received product of 14% ash, 1% total Sulfur and a CV of 6200.
Environmental	• A standard environmental study has already been accepted by the Indonesian Government.
Infrastructure	• All infrastructure to be erected upon completion of a definitive Feasibility Study.
Costs	• Quotes for all key capital items were obtained and operating costs were based on nearby similar operations. Standard quoted product prices and exchange rates from reputable sources were used. These will be updated in the proposed definitive feasibility study.
Revenue factors	• Quoted coal price of 14th Oct 2014 US$65.20 for 14% ash product with CV 6200 were applied.
Market assessment	• Potential customers have been identified.
Economic	• All factors were relevant at the reporting date of the KMC study.
Social	• Agreements with all local parties are in place.
Other	• To the extent possible risks pertinent to underground mining have been considered and are catered for in a reduction factor of the applicable price received in the valuation calculations..
Classification	• The resource and reserve classification categories are standard and acceptable to underground mining scenarios.
Audits or reviews	• No audits have been undertaken.
Discussion of relative accuracy/ confidence	• All relevant risks to the local estimate are discussed in the main body of the feasibility study.

Appendix 5: Kopex Group ("Kopex") Capabilities

Part of the Kopex Group ("Kopex"), based in Katowice, Poland, PT. Kopex Mining Contractors ("KMC"), was established as an Indonesian registered company in 2008. Kopex Is one of the World's biggest underground mining machinery manufacturers working in several countries and can provide all equipment, training and expertise required to establish and maintain successful underground operations.

Kopex offers the entire process of initial geological assessment, conceptual, pre feasibility and feasibility studies and underground mine design to provision of all mining equipment and underground mine construction and operation.

KMC is a local Indonesian company employing Expatriate and Indonesian mining staff working in the Asia Pacific region including many experienced geological consultants with experience in Feasibility studies focusing, for investors in Indonesia in particular, where the potential for underground mining is recognised.

KMC as a mining contractor, successfully operated an underground operation located near the town of Bontang in East Kalimantan, Indonesia and has gained extensive experience in the local underground mining conditions. The mining techniques employed had never previously been used in Indonesia. KMC, based on its Polish origins, also has the capability to design, plan, construct, develop and operate underground coal mines as well as offer professional consultancy services to the coal mining industry in the Asia Pacific region.

KMC successfully completed a pillar extraction panel and prepared expansion of the Bontang operation by developing main tunnels to access an area to the South for future pillar extraction panels. The underground project has already demonstrated a significant positive impact to mechanised underground coal mining knowledge in Indonesia. It has been demonstrated that the prevailing geological conditions in Kalimantan can be safely handled using correct techniques and a professional approach as adopted by KMC. It has also been demonstrated that underground operations can be successfully implemented in this part of the world and additionally that these operations can be conducted without having safety issues.

KMC also provided professional geological services to several other Indonesian companies and has prepared geological reports and conducted feasibility studies for other coal mine projects.

The KMC personnel have extensive experience in underground coal mining operations and as well as technical capability can offer extensive support in areas of safety and training – aspects of paramount importance for successful underground operations.

KMC COMPETENT PERSON STATEMENT

The information in the report, to which this statement is attached, that relates to the Coal Resources of PT. Transcoal Minergy is based on information compiled and reviewed by **Mr. Marek Rosa**, who is a Member of the Australasian Institute of Mining and Metallurgy (The AusIMM) and worked full time for PT Kopex Mining Contractors based in Jakarta, Indonesia (Member of Kopex Group Poland).

Marek Rosa, signing on behalf of PT Kopex Mining Contractors, is a qualified Geologist who has more than 20 years of relevant mining and geological experience in coal, working for major mining companies in Poland (17 years) and in Indonesia (5 years) as a consultant. Marek Rosa has National Polish geological license No II-1140 for research, exploration, resource and reserve estimation of deposits of basic minerals and coalbed gas methane. During this time he has either managed or contributed significantly to numerous mining studies related to the estimation, assessment, evaluation and economic extraction of coal in Poland and Indonesia. He has sufficient experience which is relevant to the style and type of deposit under consideration especially for Underground Mining and to the activity he is undertaking to qualify him as a Competent Person for Reporting of Exploration Results, Mineral Resources and Ore Reserves.