Pan Asia
Corporation Ltd

ABN 45 098 448 269

Financial Statements

For the Half-Year Ended
31 December 2015

311 – 313 Hay Street
SUBIACO WA 6008
P: + 61 8 6489 0600 F: + 61 8 9388 3701

www.panasiacorp.com.au

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DIRECTORS' REPORT

The directors of Pan Asia Corporation Limited ("Pan Asia or the Company") submit the financial statements of the Group of which the Company is the ultimate parent for the half-year ended 31 December 2015 (the period). In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

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

Company Secretary

The name of the company secretary who held office during the period and until the date of this report is noted below.

Jason Campbell	Company Secretary

Operating Results

During the period, Pan Asia Corporation Limited recorded a loss of $427,578 (2014: $510,623).

Review of Operations

Highlights for the Period

- Convertible Note Financing for up to $5m was approved at the Company's AGM
- An Agreement was entered into to acquire the substantial New Emerald Coal Limited (NEC) Asset portfolio

Overview

The extended down cycle for commodities continued with coal prices & equity market support for junior resource companies remaining weak in the second half of the year. In this challenging environment for funding, the Company received shareholder approval for a substantial convertible note facility to enable the Company to move forward.

Approved Convertible Note Details:

The convertible note facility was established with a Malaysian funding group Coleman Ventures Ltd ("Coleman") for up to $5m. The key terms of this facility are as follows:

The key terms of the convertible note executed with Coleman are as follows:

1. Total amount able to be drawn down under the facility : AUD $5 million;
2. Limits of Drawdown: Unless otherwise agreed between the parties, AUD $2m can be drawn down in the first year of becoming available and a further AUD $3m during the second year of becoming available. The Convertible Note becomes available on the condition of shareholders approval being satisfied and ends on the date 2 years after that date;
3. Drawdown Amounts: 10 notes of AUD $500,000 each;
4. Conversion Price of Notes to shares in PZC: $0.007 per share;
5. Early Conversion: In the event that Coleman elects to convert the notes to shares within 6 months of making the advance, it shall be entitled to receive one option exercisable at $0.01 per share for every two shares in PZC subject to conversion.

Proposed Acquisition of NEC Assets

On 10 December 2015, the Company announced that it had entered into a binding but conditional term sheet to acquire a sizeable coal operation comprising conventional coal exploration and pre-development projects in the Bowen Basin in Queensland Australia from United Queensland Resources Pty Ltd and its wholly owned subsidiary NEC.

The proposed acquisition includes a 100% interest in the Teresa Coal Project, a 100% interest in advanced exploration projects including the Pentland and Dalby Projects and 100% in exploration permits including the Great Northern Leases, Biloela, Drummond and Wilkie. The assets are strategically located with many key infrastructure arrangements in place.

Please refer to the announcements of 10 December 2015 and 14 December 2015.

While the board considers that a substantial counter cyclical acquisition (especially in Australia with exchange rate benefits for the coal price,) has merit, due diligence on the assets to be acquired is ongoing.

The board thanks all stakeholders for their support during these challenging times and looks forward to improving prospects in the coming year.

Subsequent Events

There have been no subsequent events since 31 December 2015.

Dividends Paid or Recommended

No dividends were paid or proposed during the half-year ended 31 December 2015.

Auditor’s Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial statements. This Independence Declaration is set out on page 4 and forms part of this directors’ report for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

....

Luke Martino

Director

14 March 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Pan Asia Corporation Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia	**L Di Giallonardo**
14 March 2016	**Partner**

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
Continuing operations			
Other income	2(a)	258	824
Accounting and legal fees		(93,611)	(77,604)
Management, corporate advisory and consulting expense		(62,703)	(109,570)
Depreciation and amortisation		(8,452)	(10,559)
Employee benefits expense		(123,503)	(105,842)
Securities exchange expenses		(30,530)	(50,294)
Other expenses	2(b)	(109,037)	(157,578)
Loss before income tax expense		**(427,578)**	**(510,623)**
Income tax expense		-	-
Net loss for the period		**(427,578)**	**(510,623)**
Other comprehensive income for the period			
Items which may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		361,411	783,138
Total comprehensive income/(loss) for the period		**(66,167)**	**272,515**
The net loss for the period is attributable to:			
Owners of the parent		(427,544)	(508,777)
Non-controlling interest		(34)	(1,846)
		(427,578)	**(510,623)**
Total comprehensive income/(loss) for the period is attributable to:			
Owners of the parent		(71,413)	260,616
Non-controlling interest		5,246	11,899
		(66,167)	**272,515**
Basic loss per share from continuing operation (cents per share)		**(0.10)**	**(0.19)**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
Assets			
Current assets			
Cash and cash equivalents		33,583	135,985
Trade and other receivables	3	13,674	13,642
Prepayments		18,478	24,421
Other financial assets		-	2,083
Total current assets		**65,735**	**176,131**
Non-current assets			
Property, plant and equipment		56,513	63,585
Deferred exploration and evaluation expenditure	4	19,536,142	18,821,917
Loans to other entities	5	144,203	144,203
Total non-current assets		**19,736,858**	**19,029,705**
Total assets		**19,802,593**	**19,205,836**
Liabilities			
Current liabilities			
Trade and other payables		951,629	1,369,897
Borrowings	6(a)	6,461	12,534
Loans from other entities	7	3,662,907	3,494,271
Total current liabilities		**4,620,997**	**4,876,702**
Non-current liabilities			
Borrowings	6(b)	58,296	58,296
Deferred tax liabilities		2,315,499	2,315,499
Total non-current liabilities		**2,373,795**	**2,373,795**
Total liabilities		**6,994,792**	**7,250,497**
Net assets		**12,807,801**	**11,955,339**
Equity			
Issued capital	8	59,394,571	58,475,942
Reserves	9	1,740,975	1,384,844
Accumulated losses		(49,786,840)	(49,359,296)
Parent entity interest		11,348,706	10,501,490
Non-controlling interest		1,459,095	1,453,849
Total equity		**12,807,801**	**11,955,339**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Foreign Currency Translation Reserve	Non-Controlling Interest	Total
	$	$	$	$	$	$
Balance at 1 July 2014	56,181,091	(48,541,341)	191,305	190,519	1,435,395	9,456,969
Loss for the period	-	(508,777)	-	-	(1,846)	(510,623)
Exchange differences arising on translation of foreign operations	-	-	-	769,393	13,745	783,138
Total comprehensive income for the period	-	(508,777)	-	769,393	11,899	272,515
Shares issued during the half-year	2,106,186	-	-	-	-	2,106,186
Share issue costs for the half-year	(81,434)	-	-	-	-	(81,434)
Options expired during half-year	-	10,000	(10,000)	-	-	-
Balance at 31 December 2014	**58,205,843**	**(49,040,118)**	**181,305**	**959,912**	**1,447,294**	**11,754,236**
Balance at 1 July 2015	58,475,942	(49,359,296)	-	1,384,844	1,453,849	11,955,339
Loss for the period	-	(427,544)	-	-	(34)	(427,578)
Exchange differences arising on translation of foreign operations	-	-	-	356,131	5,280	361,411
Total comprehensive loss for the period	-	(427,544)	-	356,131	5,246	(66,167)
Shares issued during the half-year	920,386	-	-	-	-	920,386
Share issue costs for the half-year	(1,757)	-	-	-	-	(1,757)
Balance at 31 December 2015	**59,394,571**	**(49,786,840)**	**-**	**1,740,975**	**1,459,095**	**12,807,801**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Interest received	258	824
Payments to suppliers and employees	(753,676)	(843,702)
Mining tenement expenditure	(260,530)	(680,759)
Interest and income taxes paid	(163)	(17)
Net cash (used in) operating activities	**(1,014,111)**	**(1,523,654)**
Cash flows from investing activities		
(Purchase) of property, plant and equipment	(1,020)	(8,888)
Funds (repaid to) related parties	(6,073)	(640,410)
Net cash (used in) investing activities	**(7,093)**	**(649,298)**
Cash flows from financing activities		
Proceeds from issue of shares (net of share issue costs)	918,629	2,042,711
Net cash provided by financing activities	**918,629**	**2,042,711**
Net (decrease) in cash held	**(102,575)**	**(130,241)**
Cash and cash equivalents at the beginning of the period	135,985	200,600
Exchange rate fluctuations on cash held	173	1,348
Cash and cash equivalents at the end of the period	**33,583**	**71,707**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

These condensed half-year financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, they cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Pan Asia Corporation Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Basis of Preparation

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

Significant Accounting Judgements and Key Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-year financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of the estimation of uncertainty were the same as those that applied to the financial report for the year ended 30 June 2015.

Adoption of New and Revised Accounting Standards

In the half-year ended 31 December 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

In the half-year ended 31 December 2015, the Company recorded a net loss of $427,578 and a net cash outflow of $102,575. The Company has a working capital deficiency of $4,555,262 at 31 December 2015, due principally to the current nature of the loan owed by PT Transcoal Minergy to Kopex of USD $2,530,000 for which the Company has entered into a guarantee and indemnity to guarantee the performance of TCM to repay the loan.

On 30 November 2015, shareholder approval was granted for a convertible note facility provided by Coleman Ventures Limited to the Company for AUD $5m. A maximum of AUD $2m is available to be drawndown in the first 12 months with a further AUD $3m available in the second year. This will allow the Company to access working capital funds where and when required.

As announced in the 2015 financial year 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 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. If the sale of the TCM Project does not complete or if the Company is otherwise required to repay the Kopex Loan itself, then it may be required to draw down funds under the Convertible Note. Alternatively, the Company may be required to seek additional funding in order to repay the Kopex Loan. There is a risk that such funding will not be available to the Company on reasonable terms or at all.

The Company and Kopex are in continuing correspondence regarding repayment of the Kopex debt as Kopex dispute that the Kopex Loan should be repaid from proceeds of the sale of the TCM Project to Universal. Kopex have most recently, through their lawyers, have been seeking the debt to be repaid to the amount of USD 3,457,874 (which includes the principal amount plus claimed interest by Kopex to March 2016) through several demand for payment letters. As per the agreement executed with Kopex on 26 November 2014, the amount outstanding at that time was USD 2,767,600. At the date of this report the matter remains unresolved. Although the Company is hopeful that an amicable solution can be reached, Shareholders must be aware that if repayment terms for the Kopex Loan cannot be agreed then the matter may be referred to arbitration and the Company could face insolvency in the event of an adverse ruling or settlement.

Notwithstanding the above, the financial statements have been prepared on a going concern basis, which contemplates continuity of normal business and the realisation of assets and liabilities in the ordinary course of business and on the assumption of sufficient funds becoming available for the operations of the Group.

The Board considers the Group is a going concern but recognises that additional funding, with the possibility of a drawn down on the Convertible Note, will be required to ensure that the Group can continue to funds its operations at least for the next 12 months from the date of this report. Beyond that, the Group will be required to raise additional funding in order that the convertible note (if drawn down) can be repaid in due course if repayment is sought by Coleman.

Since 1 July 2014, the Board has been successful in seeking the following financing opportunities for the Group:

- 9 September 2014 - Raised $1.6m in an underwritten rights issue;
- 16 March 2015 - Placement of 54,000,000 shares at $0.005, to raise $270,000 to sophisticated investor Select Equity Growth Limited;
- 6 August 2015 - Successfully closed Entitlements Issue raising of $920,000 at $0.007 per share.
- 30 November 2015 - Shareholder approval granted for Convertible Note Agreement for $5m with Coleman Ventures Limited, convertible at $0.007 per share with $2m drawn down for year 1 and a further $3m available to be drawn down in year 2. Coupon rate is 3% per annum;

The Directors will continually review a number of funding options as and when required. In the event that the Company is unsuccessful in generating sufficient future cash flows by raising additional equity, loan funds or a potential sell-down of assets, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset and liability amounts that might be necessary should the Group not continue as a going concern.

NOTE 2: OTHER INCOME AND EXPENSES

	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
(a) Other Income		
Interest income	258	824
Total Other Income	**258**	**824**
(b) Other expenses		
Bank charges	1,552	2,781
Interest expense	164	-
Corporate and administration fees	23,598	46,789
Travel and accommodation expenses	13,102	29,854
Rent	8,000	21,000
Foreign exchange loss - unrealised	13,990	10,599
GST (recovered) / expensed	675	888
Director fees	42,000	41,600
Other	5,956	4,067
Total Other Expenses	**109,037**	**157,578**

NOTE 3: TRADE AND OTHER RECEIVABLES

	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
Current		
Trade receivables (i)	13,674	13,642
Total trade and other receivables	**13,674**	**13,642**

(i) Trade receivables are non-interest bearing.

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 6 months ended 31 December 2015 $	Consolidated Year ended 30 June 2015 $
Exploration and evaluation phase:		
Balance at beginning of period	18,821,917	16,093,077
Expenditure incurred	146,130	761,796
Foreign currency translation movement	568,095	1,967,044
Balance at end of period	**19,536,142**	**18,821,917**

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE (continued)

(i) The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas. The Company has one project in, the pre-development TCM Project.

NOTE 5: LOANS TO OTHER ENTITIES

	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
Non Current		
Other loans	144,203	144,203
Total loans to other entities	**144,203**	**144,203**

NOTE 6: BORROWINGS

	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
(a) Current		
Motor vehicle hire purchase liability	6,461	12,534
Total borrowings	**6,461**	**12,534**
(b) Non Current		
Motor vehicle hire purchase liability	58,296	58,296
Total borrowings	**58,296**	**58,296**

NOTE 7: LOANS FROM OTHER ENTITIES

	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
(a) Current		
Loans payable to KOPEX Mining (i)	2,153,864	2,048,975
Loans payable to KOPEX Mining (ii)	1,309,043	1,245,296
Loans payable to other entities (iii)	200,000	200,000
Total loans from other entities	**3,662,907**	**3,494,271**

(i) Kopex funded US $1,573,613 in drilling costs associated with the drilling program on the TCM Coal Project. The amount provided by Kopex to fund the drilling costs was subject to a loan agreement executed in 2011*.

NOTE 7: LOANS FROM OTHER ENTITIES (continued)

(ii) Kopex has previously funded and carried out US $956,387 worth of feasibility study work on the TCM project. The amount provided by Kopex to fund the feasibility study costs was subject to a funding agreement executed in 2011*.

(iii) The Company has received a short-term loan for $200,000.

*On 26 November 2014, PT TCM (along with the Company) entered into a revised agreement with Kopex for the total repayment of of USD 2,767,600 (being USD $1,573,613 in 7(i)(a) above, USD $956,387 in 7(ii) above and USD $237,600 in other costs).

The total of USD 2,767,600 was to be repaid in two instalments- US $1,500,000 to be repaid by 15 January 2015 and the remaining US $1,267,600 plus interest at 15% per annum to be repaid by 15 June 2015. Since the revised agreement made with KOPEX on 26 November 2014, the Company has been unable to make the repayment amount of USD 2,767,600 and remains in negotiations with Kopex regarding the timing and amount of the loan repayment.

NOTE 8: ISSUED CAPITAL

	Consolidated 6 months ended 31 December 2015 $	Consolidated Year ended 30 June 2015 $
Ordinary shares		
Issued and fully paid	59,394,571	58,475,942

	No. of Shares	$	No. of Shares	$
Movements in ordinary shares on issue				
At start of period	359,180,859	58,475,942	204,886,286	56,181,091
- Rights issued to existing shareholder	131,483,708	920,386	775,233	16,280
- Shares issued to underwriter	-	-	75,519,340	1,585,906
- Shares issued under Placement	-	-	78,000,000	774,000
- Less share issue costs	-	(1,757)	-	(81,335)
At end of period	490,664,567	59,394,571	359,180,859	58,475,942

(i) The Company completed a fully underwritten non-renounceable rights issue in August 2015 to existing shareholders. The total number of new shares issued under the fully underwritten non-renounceable rights issue was 131,483,708 new shares at $0.007 per share to raise $920,386 before costs.

NOTE 9: RESERVES

	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
Foreign Currency Translation Reserve (a)	1,740,975	1,384,844
Total Reserves	**1,740,975**	**1,384,844**

NOTE 9: RESERVES (continued)

(a) Foreign Currency Translation Reserve

	Consolidated 6 months ended 31 December 2015 $	Consolidated Year ended 30 June 2015 $
Movements		
At start of period	1,384,844	190,519
- Exchange rate differences arising on translation of foreign currency	356,131	1,194,325
At end of period	**1,740,975**	**1,384,844**

NOTE 10: SEGMENT REPORTING

Segment Information

The following table presents revenue and results information and certain asset and liability information regarding the relevant segments for the half year ended 31 December 2015 for the consolidated entity.

The chief operating decision-maker has been identified as the Board of Pan Asia Corporation Limited.

The reportable segments have been identified around geographical areas and regulatory environments. Operating segments have been aggregated. Specifically PT PZC Services and PT Transcoal Minergy have been aggregated in the Indonesian reporting segment.

The Australian reporting segment derives its revenues from its investments in the entities making up the Indonesian reporting segment and from interest on its cash deposit. It is intended that the Indonesian reporting segment will derive revenue from the exploration assets it currently holds.

Transactions between reportable segments are accounted for in the same manner as transactions with external parties.

Current Reporting Period Segments

Segment result

31 December 2015	**Australia** $	**Indonesia** $	**Total** $
Total revenue	258	-	258
Management, corporate advisory and consulting expense	(62,703)	-	(62,703)
Depreciation	(7,411)	(1,041)	(8,452)
Segment result	(424,167)	(3,411)	(427,578)

31 December 2014	**Australia** $	**Indonesia** $	**Total** $
Total revenue	824	-	824
Management, corporate advisory and consulting expense	(109,570)	-	(109,570)
Depreciation	(9,720)	(839)	(10,559)
Segment result	(509,522)	(1,101)	(510,623)

NOTE 10: SEGMENT REPORTING (continued)

Segment assets and liabilities

31 December 2015	**Australia** $	**Indonesia** $	**Total** $
Property, plant and equipment	50,349	6,164	56,513
Deferred exploration expenditure	-	19,536,142	19,536,142
Loans to/(from) other entities	144,203	(3,362,907)	(3,518,704)
Segment assets	247,763	19,554,830	19,802,593
Segment liabilities	2,757,006	4,237,786	6,994,792

30 June 2015	**Australia** $	**Indonesia** $	**Total** $
Property, plant and equipment	56,740	6,845	63,585
Deferred exploration expenditure	-	18,821,917	18,821,917
Loans to/(from) other entities	144,203	(3,494,271)	(3,350,068)
Segment assets	361,387	18,844,449	19,205,836
Segment liabilities	(3,231,001)	(4,019,496)	(7,250,497)

NOTE 11: RELATED PARTY TRANSACTIONS

During the reporting period, fees for administrative, accounting and consulting of $54,498 (excluding GST) were incurred to Indian Ocean Advisory Group. These services were provided on normal commercial teams and conditions and at market rates. Mr Luke Martino is a director of Indian Ocean Advisory Group.

NOTE 12: FINANCIAL INSTRUMENTS

The Directors consider that the carrying values of the financial assets and financial liabilities recognised in the condensed consolidated statement of financial position approximate their fair values.

NOTE 13: CONTINGENT LIABILITIES

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

The Company and Kopex are in continuing correspondence regarding repayment of the Kopex debt as Kopex dispute that the Kopex Loan should be repaid from proceeds of the sale of the TCM Project to Universal. Kopex have most recently, through their lawyers, have been seeking the debt to be repaid to the amount of USD 3,457,874 (which includes the principal amount plus claimed interest by Kopex to March 2016) through several demand for payment letters. As per the agreement executed with Kopex on 26 November 2014, the amount outstanding at that time was USD 2,767,600. At the date of this report the matter remains unresolved. Although the Company is hopeful that an amicable solution can be reached, Shareholders must be aware that if repayment terms for the Kopex Loan cannot be agreed then the matter may be referred to arbitration and the Company could face insolvency in the event of an adverse ruling or settlement.

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

There were no material events subsequent to the end of the reporting period that have not been reflected in this financial report.

NOTE 15: PROPOSED ACQUISITION OF NEC ASSETS

As announced on 10 November 2015, the Company has entered into a binding but conditional term sheet to acquire 100% of the issued shares in United Queensland Resources Pty Ltd which owns a sizeable coal operation in the Bowen Basin in Queensland. Consideration will be $200m via the issue of 10 billion shares in Pan Asia. The term sheet contains numerous conditions precedent which are not detailed in the announcement.

DIRECTORS' DECLARATION

In the opinion of the directors of Pan Asia Corporation Limited (the Company):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

    a. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year then ended.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

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Luke Martino

Director

14 March 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pan Asia Corporation Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pan Asia Corporation Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

Accountants | Business and Financial Advisers

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pan Asia Corporation Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the Group to continue as a going concern is principally dependent upon the success of various funding options. Should the Group be unsuccessful in generating the required funds from these sources, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

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L Di Giallonardo
Partner

Perth, Western Australia
14 March 2016