



PACIFIC AMERICAN COAL LIMITED ABN 83 127 131 604

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 28 FEBRUARY 2015

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CORPORATE INFORMATION

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Directors

Geoff Hill (Chairman)
Simon Bird (Non-Executive Director)
Paul Chappell (Non-Executive Director)

Principal Place of Business

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Telephone: +61 2 9252-5300
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Company Secretary

Ian Morgan

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney, NSW, 2000

Bankers

Westpac Banking Corporation

Auditor

BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane, QLD 4000

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28 February 2015

DIRECTORS' REPORT

The Directors of Pacific American Coal Limited (formerly Metals Finance Limited), ASX code: **PAK** or '**the Company**' present their report for the half-year ended 28 February 2015. The Directors report as follows:

1. Directors

The names of the Directors of the Company during the half-year and up to the date of this report are:

Geoff Hill (Chairman) Appointed 9 March 2007

Simon Bird (Non-Executive Director) Appointed 13 July 2010

Paul Chappell (Non-Executive Director) Appointed 27 January 2015

Richard Anthon (Non-Executive Director) Appointed 7 October 2009, Resigned 23 February 2015.

2. State of Affairs

On 28 October 2014 at the Company's Annual General Meeting, the shareholders approved the acquisition of Texas and Oklahoma Coal Co Limited ('TOCC'). At the same meeting, shareholders also approved changing the name of the Company from Metals Finance Limited to Pacific American Coal Limited which signifies the Company's focus to deliver to shareholders, high value metallurgical coal opportunities in the United States and Canada.

TOCC holds Coal Licences for exploration in the coking coal regions of Kootenay in British Columbia and applications for exploration licences in Peace River in British Columbia, the Raton Basin in Colorado and the metallurgical coal region of the Arkoma Basin in Oklahoma.

TOCC also held an option to acquire up to 80% of Georges Colliers Inc ('GCI'). Following completion of the acquisition of TOCC and a related capital raising, PAK exercised a portion of the option and acquired 30% of GCI. This investment is treated as an Investment in an Associate on the balance sheet. TOCC continues to hold the option to acquire a further 50% interest in GCI, and is currently evaluating its plans in relation to this.

3. Review and Results of Operations

The consolidated net loss after income tax for the half-year ended 28 February 2015 was \$1,756,444 (2014: \$506,390), which included a deemed non-cash acquisition cost totalling \$1,326,382. On a comparable basis, the net operating loss after income tax for the 6 months was \$430,062.

The Company successfully implemented all changes proposed by Directors and approved at the Company's general meeting of shareholders held on 28 October 2014. The activities over the past half year have enabled transformational change of the Company, as it focuses on the strategic development and exploration of metallurgical coal assets in North America.

Key activities facilitating the transformational change include successful completion of:

- \$3.8 million capital raising
- Maiden coal production
- TOCC Acquisition
- Exploration activity commences on 100% owned coal leases
- GCI Acquisition
- Investigations to acquire undervalued assets
- Reinstatement of ASX quotation

During the half year ended 28 February 2015, PAK's operating cash payments totalled \$428,063 (2014 \$502,188).

Cash costs associated with the \$3,801,600 capital raising totalled \$277,029, being 7.3% of capital raised. Refer to Note 6 of the attached financial statements.

28 February 2015

4. Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The auditor's independence declaration pursuant to Section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors.



Simon Bird
Director
Sydney
14 May 2015

DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF PACIFIC AMERICAN COAL LIMITED

As lead auditor for the review of Pacific American Coal Limited for the half-year ended 28 February 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pacific American Coal Limited and the entities it controlled during the period.



C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 14 May 2015

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the Half-Year Ended 28 February 2015

	Note	Consolidated Entity Half-Year Ended	
		28 February 2015	28 February 2014
		\$	\$
Other revenue			
Share of profit of equity accounted investments		15,075	-
Expenses			
Employee expenses		(106,276)	(230,912)
Project and feasibility costs		(17,934)	(184,168)
Administration		(320,927)	(91,310)
Deemed consideration less net assets acquired	3	(1,326,382)	-
Loss before income tax		<u>(1,756,444)</u>	<u>(506,390)</u>
Income tax expense		-	-
Loss after income tax		<u>(1,756,444)</u>	<u>(506,390)</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		168,509	-
Total other comprehensive income		<u>168,509</u>	<u>-</u>
Total comprehensive income		<u><u>(1,587,935)</u></u>	<u><u>(506,390)</u></u>
		Cents per share	Cents per share
Loss per share:			
Basic loss	8	(2.62)	(0.90)
Diluted loss	8	(2.62)	(0.90)

The Consolidated Interim Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED INTERIM BALANCE SHEET

As at 28 February 2015

	Note	Consolidated Entity 28 February 2015 \$	31 August 2014 \$
Current Assets			
Cash and cash equivalents		2,303,789	63,573
Trade and other receivables		22,697	-
Other assets		40,027	18,916
Total Current Assets		<u>2,366,513</u>	<u>82,489</u>
Non-Current Assets			
Fixed assets		2,075	1,876
Investments accounted for using the equity method	5	926,974	-
Deferred exploration and evaluation costs	1	<u>1,187,906</u>	<u>1,016,873</u>
Total Non-Current Assets		<u>2,116,955</u>	<u>1,018,749</u>
Total Assets		<u>4,483,468</u>	<u>1,101,238</u>
Current Liabilities			
Trade and other payables		<u>425,752</u>	<u>113,357</u>
Total Current Liabilities		<u>425,752</u>	<u>113,357</u>
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
Total Liabilities		<u>425,752</u>	<u>113,357</u>
Net Assets		<u>4,057,716</u>	<u>987,881</u>
Equity			
Contributed equity	6	8,288,959	3,631,189
Reserves		165,060	(3,449)
Accumulated losses		<u>(4,396,303)</u>	<u>(2,639,859)</u>
Total Equity		<u>4,057,716</u>	<u>987,881</u>

The Consolidated Interim Balance Sheet is to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 28 February 2015

	Contributed Equity \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 September 2013	3,069,632	-	(2,366,001)	703,631
Issue of shares net of costs	475,019	-	-	475,019
	3,544,651	-	(2,366,001)	1,178,650
Loss after tax	-	-	(506,390)	(506,390)
	3,544,651	-	(2,872,391)	672,260
Other comprehensive income	-	-	-	-
Balance at 28 February 2014	3,544,651	-	(2,872,391)	672,260
Balance at 1 September 2014	3,631,189	(3,449)	(2,639,859)	987,881
Deemed non-cash issue of share capital	1,133,199	-	-	1,133,199
Issue of share capital	3,801,600	-	-	3,801,600
Share issue costs	(277,029)	-	-	(277,029)
	8,288,959	(3,449)	(2,639,859)	5,645,651
Comprehensive income				
Loss after tax	-	-	(1,756,444)	(1,756,444)
Foreign currency translation differences	-	168,509	-	168,509
Total comprehensive income for the half-year	-	168,509	(1,756,444)	(1,587,935)
Balance at 28 February 2015	8,288,959	165,060	(4,396,303)	4,057,716

The Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the Half-Year Ended 28 February 2015

	Note	Consolidated Entity Half-Year Ended 28 February 2015 \$	28 February 2014 \$
Cash Flows Used In Operating Activities			
Cash receipts in the course of operations		-	-
Cash payments in the course of operations		(428,063)	(502,188)
Net Cash used in Operating Activities		(428,063)	(502,188)
Cash Flows Used In Investing Activities			
Payment for investment	5	(911,899)	-
Cash acquired on acquisition of controlled entity		39,459	-
Net Cash used in Investing Activities		(872,440)	-
Cash Flows from Financing Activities			
Proceeds from the issue of securities		3,801,600	475,019
Costs associated with the issue of securities		(277,029)	-
Proceeds from the issue of convertible notes		-	111,769
Net Cash from Financing Activities		3,524,571	586,788
Net decrease in cash and cash equivalents		2,224,068	84,600
Net foreign exchange differences		16,148	-
Cash and cash equivalents at beginning of financial period		63,573	186,031
Cash and cash equivalents at end of financial period		2,303,789	270,631

The Consolidated Interim Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

Reporting Entity

Pacific American Coal Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year ended 28 February 2015 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity"). At the Company's general meeting of shareholders held on 28 October 2014, shareholders approved the change of the Company's name to Pacific American Coal Limited.

Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 31 August 2014.

This consolidated interim financial report was approved by the Board of Directors on 14 May 2015.

Basis of Preparation

As a result of the acquisition of Texas and Oklahoma Coal Co Limited ('TOCC') (as discussed in Note 3) this financial report represents a continuation of the financial statement of TOCC being the accounting parent entity of the Consolidated Entity.

Comparative information presented for the previous reporting period are based on the financial statements of TOCC.

Going Concern

The Consolidated Entity incurred a net loss of \$1,756,444 for the half-year ended 28 February 2015. As at 28 February 2015 the Consolidated Entity has cash and cash equivalents of \$2,303,789, net current assets of \$1,940,761 and net assets of \$4,057,716.

Current operating cash inflows are not sufficient to continue to fund ongoing administration without a capital raising in the forecast period. Management anticipates that a capital raising will be required to continue to fund ongoing operations.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Consolidated Entity to raise additional capital in the form of equity;
- the continued support of current shareholders; and
- the ability to successfully develop and extract value from its projects that are under development.

These conditions give rise to a material uncertainty over the Consolidated Entity's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Consolidated Entity has funded its activities through issuance of equity securities and it is expected that the Consolidated Entity will be able to fund its future activities through further issuances of equity securities; and
- The directors believe there is sufficient cash available for the Consolidated Entity to continue operating until it can raise sufficient further capital to fund its ongoing activities within the forecast period.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

1. Statement of Significant Accounting Policies (continued)

Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 31 August 2014 with the exception of the accounting policies listed below:

Associates

Associates are all entities over which the Consolidated Entity has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Consolidated Entity's investment in associates includes any goodwill identified on acquisition.

The Consolidated Entity's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Any dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Any unrealised gains on transactions between the Consolidated Entity and its associates are eliminated to the extent of the Consolidated Entity's interest in the associates. Any unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Deferred Exploration and Evaluation Costs

Exploration and evaluation costs related to an area of interest are written off as incurred except they are carried forward as an asset in the statement of financial position where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively be its sale.

Capital costs include costs directly related to exploration and evaluation activities in the relevant area of interest.

General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Identifiable exploration assets acquired are recognised as assets at their fair value.

Exploration and evaluation expenditure incurred subsequent to the acquisition of an exploration asset in a business combination is accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of consolidated group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

1. Statement of Significant Accounting Policies (continued)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

Acquisition of Texas and Oklahoma Coal Co Limited

Refer to Note 3 for the accounting policy applied to the acquisition of Texas and Oklahoma Coal Co Limited ('TOCC').

New and Revised Standards

New and revised standards have been issued by the AASB and are effective for the half-year; however there are no material changes to the policies that affect the recognition and measurement of the results or financial position of the Consolidated Entity.

Fair Values

The fair values of Consolidated Entity's financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

2. Dividends

During the half year, no dividends were paid or provided for (2014: \$Nil).

3. Acquisition accounting and share based payment expense

On 28 October 2014 at the Company's Annual General Meeting, the shareholders approved the acquisition of Texas and Oklahoma Coal Co Limited ('TOCC'). At the same meeting, shareholders also approved changing the name of the Company from Metals Finance Limited to Pacific American Coal Limited, which signifies the Company's focus to deliver to shareholders, high value metallurgical coal opportunities in the United States and Canada.

At the date of the transaction, Geoff Hill was a director of both TOCC and PAK. As he did not have control or Joint Control of TOCC, the transaction is not considered a related party transaction in accordance with *Australian Accounting Standard AASB 124 Related Party Disclosures*.

The acquisition of TOCC resulted in TOCC shareholders holding a controlling interest in Pacific American Coal Limited after the transaction. This transaction did not meet the definition of a business combination in *Australian Accounting Standard AASB 3 Business Combinations*. The transaction has therefore been accounted in accordance with *Australian Accounting Standard AASB 2 Share-based Payment* and has been accounted for as a continuation of the financial statements of TOCC together with a deemed issue of shares. The deemed issue of shares is, in effect, a share-based payment transaction whereby TOCC is deemed to have received the net assets of PAK, together with the ASX listing status of PAK.

Because the financial statements represents a continuation of the financial statements of TOCC, the principles and guidance on the preparation and presentation of the financial statements in a reverse acquisition set out in AASB 3 have been applied as follows:

- fair value adjustments arising at reverse acquisition were made to PAK's assets and liabilities, not those of TOCC. As the carrying value of all assets and liabilities held by PAK at acquisition date approximated their fair value, no adjustments were required;
- the equity structure (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of PAK, including the equity instruments issued to effect the acquisition;
- Accumulated losses and other equity balances at acquisition date are those of TOCC;
- the results for the half year ended 28 February 2015 comprise the consolidated results for the half year of TOCC together with the results of PAK from 1 December 2014;

Notes to the Financial Statements (continued)

3. Acquisition accounting and share based payment expense (continued)

- the comparative results represent the consolidated results of TOCC only;
- the cost of the acquisition, and amount recognised as contributed equity to affect the transaction, is based on the deemed number of shares that TOCC would have needed to issue to give the shareholders of PAK the same shareholding percentage in the Combined Entity that results from the transaction; and
- a share-based payment transaction arises whereby TOCC is deemed to have issued shares in exchange for the net assets of PAK together with the ASX listing status of PAK. The ASX listing status does not qualify for recognition as an intangible asset and the relevant deemed expense is a non-cash reverse acquisition expense.

The fair value of the deemed number of shares that TOCC would have needed to issue is estimated to be \$1,133,198. The fair value of PAK's net assets deficiency at the acquisition date was \$193,184. Adding this to the deemed consideration results in a deemed non-cash expense arising from TOCC's acquisition of PAK and ASX re-quotation totalling \$1,326,382.

The fair value of the transaction is as follows:

	1 December 2014
	\$
Assets and liabilities acquired:	
<i>Liabilities</i>	
Trade and other payables	273,306
Other liabilities	54,498
Total liabilities	<u>327,804</u>
<i>Less Assets</i>	
Cash and cash equivalents	39,459
Other current assets	95,161
Total assets	<u>134,620</u>
Net assets deficiency	193,184
Fair value of notional shares issued to affect the transaction	1,133,198
Deemed consideration less net assets acquired	<u>1,326,382</u>

The fair value of the shares was assessed on the basis of the market value of Pacific American Coal Limited's shares at acquisition date.

4. Derivative Financial Instrument

On acquisition TOCC held an option to acquire up to 80% of GCI based on a pro-rata amount of US\$1.95m. The option is valid until 31 December 2015. TOCC can extend this option on the same terms to 31 March 2016 for an additional fee of \$50,000 (which would also be deducted from the cost of exercising the option).

As at 28 February 2015 the fair value of the remaining option (to acquire a further 50% of GCI) has been assessed to be \$Nil.

Financial instruments carried at fair value are classified by valuation method using the fair value hierarchy. The different levels have been defined as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The option to acquire a further 50% interest in GCI is classified in Level 3 as the significant inputs into the valuation are considered to be unobservable. The significant inputs utilised include the results of GCI. There has been no impact on profit or loss for the period as a result of the measurements.

There have been no transfers between levels during the period and there were also no changes made to any of the valuation techniques applied.

5. Equity Accounted Investment

	28 February 2015	31 August 2014
	\$	\$
Shares in associate	<u>926,974</u>	-

Details of equity accounted investments are as follows:

	Ownership interest	Activity
GCI (Georges Colliers Inc)	30%	Mining and exploration

GCI has a 31 December 2014 year-end.

	28 February 2015	31 August 2014
	\$	\$
<i>Movements during the period</i>		
Balance at beginning of period	-	-
Additions	911,899	-
Share of profit of equity accounted investment	15,075	-
Balance at end of period	<u>926,974</u>	-

6. Contributed Equity

	28 February 2015	31 August 2014
Issued Capital - Number of shares	<u>82,367,602</u>	<u>67,258,330</u>
Value of Issued Capital	<u>\$8,288,959</u>	<u>\$3,631,189</u>

	28 February 2015 Number of shares	Year ended 31 August 2014 Number of shares	28 February 2015 \$	Year ended 31 August 2014 \$
<i>Movements during the period</i>				
Balance at beginning of period	67,258,330	63,758,329	3,631,189	3,069,632
Reversal of existing shares on acquisition	(67,258,330)			
PAK shares on acquisition of TOCC	7,310,980	-	-	-
Shares issued to TOCC vendors on acquisition (refer Note 3) ¹	56,048,622	-	1,133,199	-
PAK prospectus capital raising	19,008,000	-	3,801,600	-
TOCC shares issued ²	-	3,500,001	-	561,557
Share issue costs	-	-	(277,029)	-
Balance at end of period	<u>82,367,602</u>	<u>67,258,330</u>	<u>8,288,959</u>	<u>3,631,189</u>

¹ 56,048,622 shares issued to TOCC vendors on acquisition (refer Note 3).

² Shares issued for US\$ 0.15 (A\$ 0.16) each.

Notes to the Financial Statements (continued)

7. Options

As at 28 February 2015 there were 53,383,589 unissued ordinary shares under option (August 2014: nil). The following options were issued during the period:

Details of options issued, exercised and expired during the financial period are set out below:

Expiry Date	Exercise Price	1 September 2014	Movements (number of options)			28 February 2015
			Issued	Exercised	Expired	
31 December 2017 ³	\$0.25	-	26,564,609	-	-	26,564,609
31 December 2017 ⁴	\$0.25	-	500,000	-	-	500,000
31 December 2017 ⁵	\$0.25	-	7,310,980	-	-	7,310,980
31 December 2017 ⁶	\$0.25	-	19,008,000	-	-	19,008,000
		-	53,383,589	-	-	53,383,589

8. Loss per share

	28 February 2015	28 February 2014
	\$	\$
Loss used to calculate basic and diluted EPS	1,756,444	506,390

Weighted average number of shares and options

	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding during the period, used in calculating basic loss per share	66,997,869	56,048,622
Weighted average number of dilutive options outstanding during the period	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the period, used in calculating diluted loss per share	66,997,869	56,048,622

Weighted average number of ordinary shares outstanding during the current period has been calculated using:

- The number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of TOCC (accounting acquirer) outstanding during the period multiplied by the exchange ratio of 67,258,330 TOCC shares to 56,048,622 Pacific American Coal Limited shares; and
- The number of ordinary shares outstanding from the acquisition date to the end of that period being the actual number of ordinary shares of Pacific American Coal Limited (the accounting acquiree) outstanding during the period.

The basic loss per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using TOCC's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio of 67,258,330 TOCC shares to 56,048,622 Pacific American Coal Limited shares.

Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

³ Options granted to TOCC vendors on acquisition of TOCC.

⁴ Options granted in payment of equity raising costs.

⁵ Options granted (1 option for 1 share) on 19 December 2014 to PAK's shareholders, with 1 for 10 share consolidation.

⁶ Options granted in conjunction with Prospectus capital raising.

9. Contingent Liabilities and Assets

The Consolidated Entity has no known contingent assets or contingent liabilities at 28 February 2015.

10. Subsequent Events

There has not arisen in the interval between the end of the interim period and the date of this review report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity.

11. Segment Reporting

Reportable Segments

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources. The Consolidated Entity does not yet have any products or services from which it derives an income.

Following the acquisition of a controlled entity in December 2014, treated as reverse acquisition as discussed in Note 1 to the interim financial report, management currently identifies the Consolidated Entity as having only two reportable segments, being the geographic location of assets in the USA and Australia.

Below is an analysis of the Consolidated Entity's revenue and operating results from reportable segments:

<i>Consolidated February 2015</i>	USA	Australia	Total
	\$	\$	\$
Other revenue			
Share of profit of equity accounted investment	-	15,075	15,075
Expenses			
Employee expenses	(76,226)	(30,050)	(106,276)
Project and feasibility costs	(16,434)	(1,500)	(17,934)
Administration	(55,941)	(264,986)	(320,927)
Allocated	<u>(148,601)</u>	<u>(281,461)</u>	<u>(430,062)</u>
Unallocated			
Deemed non-cash acquisition cost			(1,326,382)
Loss before income tax			<u>(1,756,444)</u>
 <i>Consolidated February 2014</i>			
Expenses			
Employee expenses	(230,912)	-	(230,912)
Project and feasibility costs	(184,168)	-	(184,168)
Administration	(91,310)	-	(91,310)
Loss before income tax	<u>(506,390)</u>	<u>-</u>	<u>(506,390)</u>

11. Segment Reporting (continued)

Below is an analysis of the Consolidated Entity's assets and liabilities from reportable segments:

Consolidated February 2015

	USA \$	Australia \$	Total \$
Current assets	45,263	2,321,250	2,366,513
Non- current assets	1,285,066	831,889	2,116,955
Total assets	1,330,329	3,153,139	4,483,468
Current liabilities	220,824	204,928	425,752
Non-current liabilities	-	-	-
Total liabilities	220,824	204,928	425,752
Net segment assets	1,109,505	2,948,211	4,057,716

Consolidated August 2014

Current assets	82,489	-	82,489
Non- current assets	1,018,749	-	1,018,749
Total assets	1,101,238	-	1,101,238
Current liabilities	113,357	-	113,357
Non-current liabilities	-	-	-
Total liabilities	113,357	-	113,357
Net segment assets	987,881	-	987,881

DIRECTORS' DECLARATION

For the half year ended 28 February 2015

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, *Australian Accounting Standard AASB 134 'Interim Financial Reporting'*, *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 28 February 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5) of the *Corporations Act 2001*.



Simon Bird
Director
Sydney
14 May 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pacific American Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pacific American Coal Limited, which comprises the consolidated interim balance sheet as at 28 February 2015, the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's 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 consolidated entity's financial position as at 28 February 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 Pacific American Coal Limited, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pacific American Coal Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Pacific American Coal Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 28 February 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 *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 consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit Pty Ltd



C R Jenkins
Director

Brisbane, 14 May 2015