Pacific American Coal Limited

ABN 83 127 131 604

and its Controlled Entities

Consolidated Financial Report for the Four Months Ended 31 December 2015*

* The Company has changed its financial reporting year from a 31 August to a 31 December year-end. As a result, the financial period that is the subject of this Annual Report is the four-month period from 1 September 2015 to 31 December 2015. Each further financial year will be for a full 12 month period ending 31 December.

DIRECTORY

CORPORATE INFORMATION

Registered Office

Level 14, 52 Phillip Street
Sydney, NSW, 2000
Telephone: +61 2 9252-5300
Facsimile: +61 2 9252-8400
Website: www.pacoal.com.au

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney, NSW, 2000
Telephone: +61 2 9290-9600
Facsimile: +61 2 9279-0664
Website: www.boardroomlimited.com.au

Directors

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

Bankers

Bank of Queensland – Australia
Westpac Banking Corporation

Principal Place of Business

Level 14, 52 Phillip Street
Sydney, NSW, 2000
Telephone: +61 2 9252-5300
Facsimile: +61 2 9252-8400

Auditor

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

Solicitors

HWL Ebsworth Lawyers
Level 14
Australia Square
264-278 George Street
Sydney NSW 2000
Telephone: +61 2 9334 8555
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Investor enquires

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Sydney, NSW, 2000
GPO 3486, Sydney, NSW, 2001
Telephone: +61 2 9252-5300
Facsimile: +61 2 9252-8400
Website: www.pacoal.com.au

Chief Executive Officer

Mark Sykes

Company Secretary

Ian Morgan

DIRECTORS' REPORT

Your directors present their report, together with the financial statements, on the consolidated entity (**Consolidated Entity**) consisting of Pacific American Coal Limited (**Company** or **PAK)** and the entities it controlled at the end of, or during, the four months ended 31 December 2015.

1. DIRECTORS

The Directors of the Company during the year and until the date of this report are:

NAME AND POSITION	QUALIFICATIONS, EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
Geoffrey Hill Non-Executive Chairman Appointed Director 18 October 2007 and Chairman 18 December 2008	Geoff Hill BEcon (Syd), MBA (NSW), FFIN, FCPA, FAICD is a merchant banker and Director with over 30 years of international experience. He is the Founder of Bancorp Holdings Limited, a former MD of Morgan Grenfell Australia and a former Director of Morgan Grenfell PLC. Mr. Hill was also the founding Partner and Managing Director of Pitt Capital Partners in Australia and a former Chairman of Pitt Capital Partners Asia Limited (HK). He is the Executive Chairman of International Pacific Securities Limited Group and Chairman of Hong Kong Administrative Services Limited, a Partner of Hill Sherlock and Willis [Sydney] and was Chairman of Australasian Investment Holdings Limited [Singapore]. A Director and Founder of Asian Property Services Limited and Asian Property Investments Limited, he is also the Non-Executive Chairman of Parry International Trading. Mr Hill is the Hong Kong Representative of Lagerkvist & Partners, Sweden. An experienced Company Director for over 30 years, current public company boards include Chairman Texas & Oklahoma Coal Company Inc. Geoff is a former director of: • Broken Hill Prospecting Limited (February 1989 to June 2014) • Heritage Gold NZ Limited (July 1999 to April 2012) • Mount Gibson Iron Limited (May 2011 to April 2014) A current member of RHKYC and WPO Hong Kong Chapter in Hong Kong, Mr Hill is a member of the Australian Union, Royal Sydney Yacht Squadron and CYCA in Sydney.
Simon Bird Independent Non-Executive Director Appointed 13 July 2010	Simon Bird B.Compt (University of South Africa), B.Compt (Hons) (University of South Africa), FCPA, FAICD is a Non-Executive Director and Chairman of the Audit Committee (since 13 July 2010). Simon's 30 year professional career in Australia, Africa and Europe includes six years with PricewaterhouseCoopers and senior roles in the resources, financial services, property, infrastructure and agricultural sectors. His time in Australia includes terms as Chief Financial Officer with Stockland Limited, GrainCorp Limited and the Wizard Mortgage Corporation as well as Chief Executive Officer of ASX listed mining company King Island Scheelite Limited and Chairman of ASX listed oil and gas company Rawson Resources Limited (ceased 30 September 2015). He is currently Non-Executive Director and Chairman of the Audit Committee of ASX listed Mount Gibson Iron Limited [ASX: MGX] (appointed 23 February 2012). His former public company directorships include King Island Scheelite Limited [ASX:KIS] (ceased August 2013), CPA Australia Limited, Kosciusko Alpine Club Limited and Sovereign Gold Company Limited [ASX:SOC] (ceased February 2016).
Paul Chappell Independent Non-Executive Director Appointed 27 January 2015	Paul Chappell B Com (Newcastle), FCPA, MAICD is a non-executive director. Paul has over 20 years' experience as a commodity trader in international markets. He has an in-depth knowledge of the coat sector, with a focus on the downstream application of metallurgical and thermal coat and the value-in-use of coal products to end-user customers. Paul has held executive and Board level positions with operating coal companies and commodity trading groups. He has served on the Board of ASX listed Cockatoo Coal Ltd (ASX:COK) and the international coal trading company SSM Coal B.V, which was acquired by Oxbow Carbon & Minerals LLC in 2007. Paul is the Principal of Peragis Pty Ltd, providing consulting services to the resource industry on sourcing, exporting and marketing commodities. Mr Chappell focuses particularly on soldi fuels sector and has extensive international experience.
Matthew Hill Alternate Director for Geoffrey Hill Appointed 23	Matthew Hill MBA MAICD FINSIA is Chief Executive Officer of ASX listed mining company New Talisman Gold Mines Limited (ASX: NTL). Matt is an experienced merchant banker having worked previously at Potter Warburg; Eventures (a joint venture between News Corp and Softbank); Pitt Capital and Souls Private Equity Limited. He specializes in resources and company listings and holds an authorized Financial Services

NAME AND POSITION	QUALIFICATIONS, EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
June 2014	Licence in Australia and Fiji. He has previously advised a number of multinational companies in Australia, India and China. Mr Hill is currently Executive Director of ASX listed New Talisman Gold Mines Limited (ASX: NTL) (appointed 10 October 2006), Non-Executive Director of ASX listed Broken Hill Prospecting Limited (ASX: BPL) (appointed 6 June 2014), a Director of International Pacific Capital, Managing Director of So Co Limited (an unlisted public resources company).

All Directors shown were in office from the beginning of the period until the date of this report, unless otherwise stated.

2. CHIEF EXECUTIVE OFFICER

Mark Sykes – appointed 1 May 2013

Mark Sykes B.Eng (Mining) (WASM), Masters Minerals and Energy Economics (Macquarie University) is an experienced Mining Engineer with a wealth of operations and business development experience, during a career of some 23 years. Mark's career includes time with BHP in an operational capacity and with Mitsubishi Development in a senior corporate investment role. Mark has exposure to a broad range of commodities including coal, uranium, iron ore, platinum group metals and other minerals. Mark brings exceptional experience in areas of corporate and strategic development, transactional due diligence, operations, technical engineering and project management.

3. COMPANY SECRETARY

Ian Morgan

Ian Morgan B Bus (UTS), MComLaw (Macquarie University), Grad Dip App Fin (FINSIA), CA, ACIS, ACSA, MAICD, F Fin, was appointed Company Secretary on 11 March 2010.

Ian is a qualified Company Secretary and Chartered Accountant with over 30 years of experience in businesses operating in Australia and overseas. Ian holds a Bachelor of Business from the NSW Institute of Technology (now University of Technology, Sydney), a Master of Commercial Law from Macquarie University, and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia (now FINSIA). He is an Associate Member of the Institute of Chartered Accountants in Australia, an Associate Member of Chartered Secretaries Australia, a Member of the Australian Institute of Company Directors, and a Fellow of the Financial Services Institute of Australasia (FINSIA).

Ian's experience includes:

- Thirteen years as an independent specialist consultant supplying company secretarial services to clients, including effective management of compliance to enable Australian listed public companies to comply with Australian law, including ASIC and ASX requirements;
- Seven years as Managing Director of Corporate and Administrative Services and Financial Controller / Company Secretary of the Republic Group, a boutique merchant bank;
- Eight years as Group Financial Controller / Financial Accountant for various listed and other public companies including Green's Foods Limited, Foxtel and AKZO Chemicals Limited; and
- Seven years as a professional chartered accountant, including three years with a major international accounting firm.

4. MEETINGS OF DIRECTORS AND COMMITTEES OF BOARD

The number of meetings held (including Meetings of Directors) and the number of meetings attended during the financial period are:

Directors	Board Meetings Eligible to Attend	Board Meetings Attended	Audit Committee Meetings Eligible to Attend	Audit Committee Meetings Attended
G Hill	2	2	-	-
S Bird	2	2	-	-
P Chappell	2	2	-	-

During the period, the Board met to independently consider that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear. No separate Remuneration Committee meetings were held during the period.

5. PRINCIPAL ACTIVITIES

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 ("PAK") 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 consolidated statement of financial position. Refer to 'Matters Subsequent To The End Of The Financial Year' below for further detail in relation to the option.

6. REVIEW OF OPERATIONS

The consolidated loss after income tax for the Consolidated Entity was $218,860 (August 2015: $2,024,902). The operation for 12 months to August 2015 included a deemed non-cash acquisition cost totalling $1,326,382. On a comparable basis, the net operating loss after income tax for the year ended 31 August 2015 was $698,520.

Summary of activities during the period include:

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 period 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:

- Exploration activity continued on 100% owned coal leases
- Investigations to acquire undervalued assets

7. CAPITAL EXPENDITURE

There were no capital expenditures for the 4 months to December 2015 (2015: $Nil)

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial period other than as stated in this report.

9. DIVIDENDS

There were no dividends paid or declared by the Consolidated Entity (2015: $Nil).

10. ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to environmental regulations under relevant local laws, council policies and state and federal government legislation in relation to operating activities.

Operations are closely monitored in accordance with operating procedures to ensure that the potential for environmental contamination is minimised.

The Directors are not aware of any significant breaches in environmental regulations during the period covered by this report.

11. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No matter or circumstance has arisen since 31 December 2015, that has significantly affected, or, may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in years subsequent to 31 December 2015, except for as follows:

The Company has decided not to increase its holding in GCI from 30% to 80% and with the lapse of the GCI option, the Company is preparing to implement an exit strategy from its operating mine, rather than remain as a minority shareholder. While aware of the long term potential of the mine, the Company is working with GCI's major shareholder to exit the business through a workable solution for both parties at the earliest opportunity.

The current proposal under discussion is a selective GCI share buy-back over time to the value of approximately AUD 1 million.

On 18 March 2016, the Company entered into a Heads of Agreement ("HoA") to become the largest shareholder in Imagine Intelligent Materials Pty Ltd ("Imagine IM"), a company that develops commercials applications for graphene and associated advanced carbon based materials.

The key terms of the HoA are:

- PAK will undertake an underwritten cash placement of 33 million new shares in PAK at an issue price of 4.8c, to raise $1.58m to sophisticated and professional investors ("PAK Placement") to fund the Initial Acquisition and the costs of the underwritten placement.
- PAK will initially acquire 833,000 shares in Imagine IM at an issue price of $1.50 per Imagine IM share, comprising 20% of the issued capital of Imagine IM ("Initial Acquisition") in consideration for a cash payment of $1.25m.
- The parties will enter into full form documents to document the terms of the transactions contemplated by the HoA.
- Completion of the Initial Acquisition is subject to a number of conditions precedent, including the completion of due diligence to the satisfaction of the parties, the passing of such resolutions as may be necessary to give effect to the proposed transaction, including shareholder approval and the receipt of all necessary ASIC, ASX and other regulatory approvals.
- PAK will be entitled to nominate a director to the board of Imagine IM on completion of the Initial Acquisition.
- Following completion of the Initial Acquisition, PAK will acquire shares in Imagine IM, comprising a further 20% of Imagine IM, from Imagine IM's existing shareholders ("Vendors") in consideration for the issue of PAK shares to the Vendors ("Share Exchange").
- Upon completion of Share Exchange, PAK will be entitled to nominate a second director to the board of Imagine IM.
- Completion of the Initial Acquisition and the Share Exchange must occur on or before 30 June 2016.

12. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Due to the weakness in current and expected market and business conditions, the sustained difficulty in attracting sufficient project funding and the general weakness in equity markets, the Board has decided that it is prudent to reduce non-essential project, corporate and administration expenditure to conserve cash. The Board will revisit this decision once it has either secured funding or any new project that might take the company further in creating wealth for its shareholders. Whilst the Board has taken this decision to conserve cash, the company is continuing to identify, pursue and explore new opportunities together with procuring funding for its existing projects.

With the acquisition of Texas and Oklahoma Coal Co Limited (TOCC) completed November 2014, this has provided the Consolidated Entity with a coal producing asset in Oklahoma (through its 30% interest in GCI) and exploration projects in Oklahoma and British Columbia in Canada.

The company will continue actively seek new project and investment opportunities whist procuring funding for its existing projects.

13. DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options issued by the Company, as notified by the Directors to the Australian Securities Exchange ('ASX') in accordance with Section 205G(1) of the *Corporations Act 2001*, at the date of this Directors' Report is as follows:

	Ordinary Shares	Options
G Hill [1]	16,279,224	6,712,103
S Bird [1]	255,834	255,834
P Chappell [1]	1,670,557	581,668
M Hill[2]	20,000	20,000

[1] Held directly and indirectly

[2] Alternate Director for G Hill

14. AUDITOR'S INDEPENDENCE DECLARATION

We confirm that we have obtained the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* which is set out on page 12.

15. AUDITOR

BDO Audit Pty Ltd is appointed auditor in office in accordance with section 327 of the *Corporations Act 2001*.

16. SHARES UNDER OPTION

At the date of this report there are 53,383,589 unissued ordinary shares of the Company under option.

17. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND AUDITORS

Indemnification

Under the Company's Constitution, the Company indemnifies each Director, Officer and Agent of the Company ('Officer') against:

- any liability incurred by that Officer as such in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the Officer or which are discontinued, withdrawn, dismissed or struck out, or in which the Officer is acquitted, or in connection with any application in relation to those proceedings in which relief is granted to the Officer by the Court; and
- any liability incurred by an Officer in carrying out the business or exercising the powers of the Company which does not involve any negligence, default, breach of duty or breach of trust by the Officer in relation to the Company.

Insurance Premiums

Each of the Directors of the Company have entered into an Indemnity Agreement with the Company whereby the Company has agreed at the Company's discretion, to effect and maintain insurance in respect of directors and officers liability. The Company has also agreed to provide certain indemnities to each of the Directors, to the fullest extent permitted by law.

Since the end of the period, the Company has paid insurance premiums of $8,575 (2015: $8,515) in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former Officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant Officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual Officers.

18. NON-AUDIT SERVICES

There were no non-audit services provided by BDO Audit Pty Ltd, its related practices and non-related audit firms in the December 2015 financial period.

19. REMUNERATION REPORT - AUDITED

The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors of the Company and of other executives of the Consolidated Entity. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the remuneration committee during the year were:

- Paul Chappell (Chairman) – Non-Executive Director
- Geoff Hill – Non-Executive Board Chairman

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for security holders. The remuneration structures take into account a range of factors, including the following:

- the capability and experience of the key management personnel;
- the requirement to utilise those skills in the furtherance of the Consolidated Entity's strategic objectives;
- the performance of the key management in their particular role;
- the Consolidated Entity's overall performance;
- the remuneration levels being paid by competitors for similar positions; and
- the need to ensure continuity of executive talent and smooth succession planning.

In assessing the performance of a particular executive, consideration of various other aspects are taken into account regardless of only the immediate profit and loss performance. The nature of the Consolidated Entity's operations and investment is such that decisions are constantly being taken that will not have profit repercussions for several years. Moreover, the evaluation of executive performance also has regard to the Executive's effectiveness in developing a capable support team and in showing leadership qualities and instilling positive cultural values within the Consolidated Entity.

Remuneration packages included fixed remuneration only for the past financial year, but a revision of a performance bonus structure is under consideration. There was no performance-based remuneration in either the current or the prior financial year. Equity-based remuneration is detailed below.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles, car parking and other specified benefits), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers the factors outlined above.

Non-executive Directors

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No remuneration consultants were used in the 2015 financial year. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. On 16 December 2008, shareholders last approved a maximum aggregate amount totalling $250,000. Fees for Non-Executive Directors are not linked to the performance of the Consolidated Entity. However, to align Non-Executive Directors' interests with shareholders' interests, the Non-Executive Directors are encouraged to hold shares in the Consolidated Entity and may receive options as long-term incentive remuneration.

Executives

Executive Directors and other Company executives (Executives) receive either a salary plus superannuation guarantee contributions as required by law, currently set at 9.25% and 9.50% as from 1 July 2014, or provide their services via a consultancy arrangement. Individuals may elect to sacrifice part of their salary to increase payments towards superannuation. Bonus payments are at the discretion of the Board and based on an Executive's performance.

Base Salary

Structured as a total employment cost package comprising cash, leave benefits and superannuation, Executives' remuneration is reviewed annually for competitiveness and performance. There are no guaranteed salary increases fixed in any Executives' contract.

Benefits

Executives may receive reimbursement for out-of-pocket expenses incurred in undertaking their duties, including reasonable travel, accommodation and entertainment expenses.

When considering the relationship between the Consolidated Entity's Remuneration Policy and the performance of the Consolidated Entity and Executives and the subsequent benefits the performance had on shareholders' wealth, the Remuneration Committee had regard to the following:

	4 months to December 2015	**2015**	**2014[1] (restated)**	**2013**	**2012**
Net loss ($)	(218,860)	(2,024,902)	(273,858)	(1,022,332)	(7,721,774)
Loss per share (cents)	(0.27)	(2.71)	(0.49)	(1.40)	(10.56)
Dividends / distributions ($)	-	-	-	-	-
Share price at year end (cents)	0.053	0.036	0.008	1.0	2.3
Market capitalisation ($)	4,365,483	2,965,234	584,877	731,096	1,681,520
Director & Key Management Personnel remuneration ($)	95,329	313,996	511,095	602,429	755,021

The Remuneration Committee considers that the Consolidated Entity's remuneration policy is appropriate.

[1] Following the reverse acquisition of Texas and Oklahoma Coal Company Ltd ("TOCC") in December 2014, the result of 2014 was restated to reflect the transaction, which consists of trading operations of TOCC only.

Employment Contracts

No director or key management personnel are employed under an official contract of service as at 31 December 2015.

Details of Key Management Personnel

(i) *Directors*

Name	**Position**
G Hill	Non-Executive Chairman
S Bird	Non-Executive Director
P Chappell	Non-Executive Director (appointed 27 January 2015)
M Hill	Alternate Director for G Hill

(ii) *Other Key Management Personnel*

Name	**Position**
M Sykes	Chief Executive Officer
I Morgan	Chief Financial Officer /Company Secretary

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Company and the Consolidated Entity.

Details of the nature and amount of each element of the remuneration of Directors and other Key Management Personnel of the Company during the financial year are:

Key Management Personnel	Year	Short-Term Employee Benefits Salary & Fees $	Bonus $	Non-Monetary Benefits $	Post-Employment Super-annuation Benefits $	Share Based Payments Options $	Total $	Performance Related %	% Consisting of Options
Directors									
Non-executive Directors									
G Hill	**December 2015**	**22,500**	**-**	**-**	**-**	**-**	**22,500**	**-**	**-**
	August 2015	50,625	-	-	-	-	50,625	-	-
S Bird	**December 2015**	**10,900**	**-**	**-**	**-**	**-**	**10,900**	**-**	**-**
	August 2015	24,525	-	-	-	-	24,525	-	-
P Chappell	**December 2015**	**10,000**	**-**	**-**	**-**	**-**	**10,000**	**-**	**-**
	August 2015	17,500	-	-	-	-	17,500	-	-
M Hill[1]	**December 2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	August 2015	-	-	-	-	-	-	-	-
R Anthon[2]	**December 2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	August 2015	2,500	-	-	-	-	2,500	-	-
Executives (Other)									
M Sykes[3]	**December 2015**	**47,169**	**-**	**-**	**-**	**-**	**47,169**	**-**	**-**
	August 2015	147,138	-	-	-	-	147,138	**-**	**-**
I Morgan	**December 2015**	**4,760**	**-**	**-**	**-**	**-**	**4,760**	**-**	**-**
	August 2015	71,708	-	-	-	-	71,708	-	-
Total	**December 2015**	**95,329**	-	-	**-**	**-**	**95,329**	**-**	**-**
	August 2015	313,996	-	-	-	-	313,996	-	-

[1]M Hill was appointed alternate Director for G Hill on 23 June 2014.

[2]R Anthon resigned as Director on 23 February 2015.

[3]M Sykes earned the fees shown above through Larkin Sykes Pty Ltd of which he is a Director.

No termination payments, bonuses or long-term benefits have been paid or accrued for any director or key management personnel in the year ended 31 December 2015 (August 2015: $Nil).

Compensation options: Granted and vested during the year

No options were issued during the year to Directors or key management personnel as part of their remuneration.

Equity Instruments held by Key Management Personnel

The number of shares and options over shares in the Company held during the financial year by each Director of and each of the other key management personnel, including their personally related entities, are set out below:

(i) *Movement in Share holdings held by Key Management Personnel*

	Held at 1 September 2015	Shares granted as remuneration	Other Changes During the Year	Held at 31 December 2015
2015				
Directors				
G Hill[1]	16,279,224	-	-	**16,279,224**
S Bird[1]	255,834	-	-	**255,834**
P Chappell[1,2]	1,670,557	-	-	**1,670,557**
M Hill[3]	20,000	-	-	**20,000**
Executives				
M Sykes[1]	135,000	-	-	**135,000**
I Morgan	17,452	-	-	**17,452**
Total	**18,378,067**	**-**	**-**	**18,378,067**

[1] Held directly and indirectly
[2] P Chappell was appointed Director on 27 January 2015
[3] M Hill was appointed as alternate Director for G Hill on 23 June 2014

No shares were granted as remuneration in 2015.

(ii) *Movement in Option holdings held by Key Management Personnel*

	Held at 1 September 2015	Options granted	Options Exercised	Net Change Other	Held at 31 August 2015	Total Vested and Exercisable
Directors						
G Hill	6,712,103	-	-	-	**6,712,103**	**6,712,103**
S Bird	255,834	-	-	-	**255,834**	**255,834**
P Chappell[1]	581,668	-	-	-	**581,668**	**581,668**
M Hill[2]	20,000	-	-	-	**20,000**	**20,000**
Executives						
M Sykes	135,000	-	-	-	**135,000**	**135,000**
I Morgan	17,452	-	-	-	**17,452**	**17,452**
Total	**7,722,057**	**-**	**-**	**-**	**7,722,057**	**7,722,057**

[1] P Chappell was appointed Director on 27 January 2015
[2] M Hill was appointed as alternate Director for G Hill on 23 June 2014

No options were granted as remuneration in 2015.

Loans to Key Management Personnel

There were no loans to key management personnel during the year.

Transactions with Related Entities

(a) ***Professional Services – Geoffrey Hill***

Hong Kong Administrative Services Ltd, a firm related to a non-executive Director (G Hill) provides administrative services to the Consolidated Entity. The cost of these services, aggregating $1,261 (31 August 2015: $10,921) was charged to administrative expenses. These transactions are in the normal course of operations and are measured at the exchange amount of the consideration established and agreed to by the related parties.

END - REMUNERATION REPORT – AUDITED

20. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

21. ROUNDING OF AMOUNTS

Amounts in the financial report and Directors' Report are rounded off to the nearest dollar, unless otherwise stated.

Signed in accordance with a resolution of the Directors

Director

Sydney, 31 March 2016

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Australia

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

As lead auditor of Pacific American Coal Limited for the four month period ended 31 December 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 31 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Period Ended 31 December 2015

	Note	**4 months to 31 December 2015 $**	12 months to 31 August 2015 $
Other revenue:			
Share of profit of equity accounted investments	8	**82,868**	144,267
Interest income		**280**	2,682
Foreign currency exchange difference		**-**	104,578
		83,148	251,527
Expenses:			
Employee expenses		**(103,466)**	(249,670)
Project and feasibility costs		**(6,490)**	(50,142)
Administration		**(151,854)**	(650,235)
Foreign currency exchange difference		**(40,198)**	-
Exploration and evaluation costs impaired	9	**-**	-
Deemed consideration less net assets acquired	1(b)	**-**	(1,326,382)
Loss before income tax		**(218,860)**	(2,024,902)
Income tax expense	2	-	-
Loss after income tax		**(218,860)**	(2,024,902)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		**(83,998)**	398,036
Total other comprehensive income		**(83,998)**	398,036
Total comprehensive income		**(302,858)**	(1,626,866)
		Cents	Cents
Loss per share:			
Basic loss	3	**(0.27)**	**(2.71)**
Diluted loss	3	**(0.27)**	**(2.71)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Note	31 December 2015 $	31 August 2015 $
Current Assets:			
Cash and cash equivalents	4	**1,291,338**	1,641,491
Trade and other receivables	5	**9,839**	7,221
Other assets	6	**18,637**	17,793
Total Current Assets		**1,319,814**	1,666,505
Non-Current Assets:			
Plant and equipment	7	**2,401**	2,453
Investments accounted for using equity method	8	**1,436,779**	1,433,169
Deferred exploration and evaluation costs	9	**433,572**	392,053
Total Non-Current Assets		**1,872,752**	1,827,675
Total Assets		**3,192,566**	3,494,180
Current Liabilities:			
Trade and other payables	10	**195,674**	194,430
Total Current Liabilities		**195,674**	194,430
Non-Current Liabilities			
Trade and other payables		**-**	-
Total Non-Current Liabilities		**-**	-
Total Liabilities		**195,674**	194,430
Net Assets		**2,996,892**	3,299,750
Equity:			
Contributed equity	11	**8,288,959**	8,288,959
Reserves	12	**310,589**	394,587
Accumulated losses		**(5,602,656)**	(5,383,796)
Total equity attributable to the equity holders of the Company		**2,996,892**	3,299,750

The Consolidated Statement of financial position to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Period Ended 31 December 2015

	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 September 2014	3,631,189	(3,449)	(3,358,894)	268,846
Transactions with owners in their capacity as owners				
Deemed non-cash issue of share	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)	(3,358,894)	4,926,616
Comprehensive income				
Loss after tax for the year	-	-	(2,024,902)	(2,024,902)
Foreign currency translation differences for foreign operations	-	398,036	-	398,036
Total comprehensive income for the period	-	398,036	(2,024,902)	(1,626,866)
Balance at 31 August 2015	8,288,959	394,587	(5,383,796)	3,299,750
Comprehensive income				
Loss after income tax for the period	-	-	(218,860)	(218,860)
Foreign currency translation differences for foreign operations	-	(83,998)	-	(83,998)
Total comprehensive income for the period	-	(83,998)	(218,860)	(302,858)
Balance at 31 December 2015	**8,288,959**	**310,589**	**(5,602,656)**	**2,996,892**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Period Ended 31 December 2015

	Note	4 months to 31 December 2015 $	12 months to 31 August 2015 $
Cash Flows from Operating Activities:			
Cash receipts in the course of operations		**-**	-
Interest received		**280**	2,682
Cash payments in the course of operations		**(264,068)**	(1,162,211)
Net Cash Used In Operating Activities	15	**(263,788)**	(1,159,529)
Cash Flows from Investing Activities:			
Payment for investment		**-**	(925,919)
Payment for exploration and evaluation costs		**(49,944)**	(37,612)
Cash acquired on acquisition of controlled entity		**-**	39,459
Net Cash Used In Investing Activities		**(49,944)**	(924,072)
Cash Flows from Financing Activities:			
Proceeds from the issue of securities		**-**	3,801,600
Costs associated with the issue of securities		**-**	(277,029)
Net Cash from Financing Activities		**-**	3,524,571
Net (decrease)/ increase in cash and cash equivalents		**(313,732)**	1,440,970
Net foreign exchange differences		**(36,421)**	136,948
Cash and cash equivalents at beginning of period		**1,641,491**	63,573
Cash and Cash Equivalents at End of Period	4	**1,291,338**	1,641,491

The 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

(a) Introduction

This financial report covers the Consolidated Entity of Pacific American Coal Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). Pacific American Coal Limited is a listed public company, incorporated and domiciled in Australia.

The Consolidated Entity has changed its financial year-end from 31 August to 31 December to better align the income for the year with income from US operations to improve transparency of reporting. The amounts presented in the financial statements are not entirely comparable as the periods differ.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities:

The principal activity of the Consolidated Entity is coal exploration, extraction, recovery and processing from raw materials.

Currency:

The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Parent Entity.

Authorisation of financial report:

The financial report was authorised for issue on 31 March 2016.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Pacific American Coal Limited is a for-profit entity for the purpose of preparing the financial statements.

<u>Accounting Policies</u>

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated financial report are the same as those applied by the Consolidated Entity in the previous financial year and corresponding reporting period.

The Consolidated Entity adopted all new Accounting Standards and Interpretations effective for the period ended 31 December 2015. There were no material impacts on the financial statements of the Consolidated Entity as a result of adopting these standards.

Acquisition accounting and share based payment expense – prior period

On 28 October 2014 at the Company's Annual General Meeting, the shareholders approved the acquisition of Texas and Oklahoma Coal Co Limited ('TOCC'). 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, Geoffrey 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 AASB124 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 year ended 31 August 2015 comprise the consolidated results for the year of TOCC together with the results of PAK from 1 December 2014;

- **Acquisition accounting and share based payment expense –prior period (continued)**
- 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:	
Liabilities	
Trade and other payables	273,306
Other liabilities	54,498
Total liabilities	327,804
Less Assets	
Cash and cash equivalents	39,459
Other current assets	95,161
Total assets	134,620
Net assets deficiency	193,184
Fair value of notional shares issued to affect the transaction	1,133,198
Deemed consideration less net assets acquired	**1,326,382**

Derivative Financial Instrument

On acquisition TOCC held an option to acquire up to 80% of George Colliers Inc, ("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 31 December 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. An increase in the profitability or net assets of GCI would result in an increase in the value of the option.

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

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

Compliance with IFRS

The consolidated financial statements of the Consolidated Entity also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below.

Key estimates – impairment

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Recoverable amount of investment in George Colliers Inc

The directors have assessed that the investment in George Colliers Inc ("GCI") of $1,436,779 is recoverable based on an assessment of the value of GCI and the negotiations that are occurring subsequent to year end in relation to the Group's intention to exit the investment. If the financial results of GCI deteriorate or the value that agreed for the Group's exit from its investment in GCI decreases an impairment of the value recorded may be required.

Key judgements – exploration & evaluation assets

The Consolidated Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

Going Concern

The Consolidated Entity incurred a net loss of $218,860 for the 4 months ended 31 December 2015. As at 31 December 2015 the Consolidated Entity has cash and cash equivalents of $1,291,338, net current assets of $1,124,140 and net assets of $2,996,892.

Management has implemented plans to minimise operating costs to preserve operating cash. However, 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.

On 18 March 2016, the Company entered into a Heads of Agreement ("HoA") to become the largest shareholder in Imagine Intelligent Materials Pty Ltd ("Imagine IM"), a company that develops commercials applications for graphene and associated advanced carbon based materials. Refer to note 21 for further details.

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 through development and/or sale of 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

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Pacific American Coal Limited and its subsidiaries at 31 December 2015 each year ("the group"). Subsidiaries are entities (including structured entities) over which the group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases.

Where controlled entities have entered or left the Consolidated Entity during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 23 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Consolidated Entity have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is re-measured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the consolidated statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Joint Ventures

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint ventures are included in the appropriate items of the consolidated financial statements.

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 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. 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.

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. 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.

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.

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.

(d) Income tax

The income tax benefit (expense) for the year comprises current income tax benefit (expense) and deferred tax benefit (expense). Current income tax benefit (expense) credited (charged) to profit or loss is the tax receivable (payable) on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

The credit (charge) for current income tax benefit (expense) is based on the profit (loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the reporting date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a re-valued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer below for details of impairment).

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset is:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(f) Deferred Exploration and Evaluation Costs

Exploration and evaluation assets incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(g) Leases

Leases where the Consolidated Entity assumes all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(h) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Consolidated Entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Consolidated Entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature during the period commencing 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold during the period commencing 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: *Revenue*. Where the Consolidated Entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(i) Impairment of assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a re-valued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a re-valued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Employee benefits

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The volatility input in the pricing model is determined by the historical volatility of the Company's share price over a similar period to the exercise period. Where applicable, the number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(n) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Earnings per share

The Consolidated Entity presents basic and diluted earnings (loss) per share (EPS) data for the Parent's ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted as appropriate. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(p) Comparative figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures have also been changed where classifications of income and expenditure items have been altered from the prior year as a result of a review by directors. The new classifications have been made to reflect a more accurate view of the Consolidated Entity's operations.

(q) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 August 2015 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity has not yet evaluated the impact adoption of this standard will have.

(r) Research and development

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the development of mining projects) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

Currently all of the Consolidated Entity's projects have not yet reached the stage where costs are capitalised.

2. INCOME TAX

(a) Income Tax Benefit

	4 months to 31 December 2015 $	12 months to 31 August 2015 $
Current tax:		
Current tax year movement	**-**	-
Deferred tax:		
Current tax year movement	**-**	-
Income Tax Benefit	**-**	-

(b) Reconciliation of Income Tax Benefit to Loss Before Income Tax

Loss before income tax	**(218,860)**	(2,024,902)
Tax at the Australian tax rate of 30%	**(65,658)**	(607,471)
Non-deductible expenses	**(450)**	380,138
Deferred tax assets not recognised	**66,108**	227,333
Income Tax Benefit	**-**	-

(a) Deferred Tax Assets

Recognised deferred tax assets		
Unused tax losses	**130,072**	117,616
Deductible temporary differences	-	-
	130,072	117,616
Recognised deferred tax liabilities		
Assessable temporary differences	**130,072**	117,616
	130,072	117,616
Net deferred tax recognised	-	-

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At 31 December 2015 the Consolidated Entity had Australian tax losses of $13,831,602 (31 August 2015: $13,691,849) which may be carried forward and used to reduce certain taxable income in future years. The Australian losses carry forward indefinitely.

No tax benefit has been recognised at reporting date as the Directors of the Company believe it is too uncertain to determine whether sufficient taxable income will be generated in future periods to utilise these tax losses.

3. LOSS PER SHARE

a. Basic and Diluted Loss per Share

	4 months to 31 December 2015 $	12 months to 31 August 2015 $
Loss used to calculate basic and diluted EPS	**218,860**	2,024,902

b. Weighted Average Number of Shares and options

	31 December 2015 Number	31 August 2015 Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	**82,367,602**	74,733,961
Number of options excluded from the diluted loss per share calculation because they are anti-dilutive	**53,383,589**	53,383,589

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.

4. CASH AND CASH EQUIVALENTS

	31 December 2015 $	31 August 2015 $
Cash at bank	**1,291,338**	1,641,491
Total Cash and Cash Equivalents	**1,291,338**	1,641,491

5. TRADE AND OTHER RECEIVABLES

	3 December 2015 $	31 August 2015 $
Current:		
Other receivables	**9,839**	7,221
Total Current Receivables	**9,839**	7,221

6. OTHER ASSETS

	31 December 2015 $	31 August 2015 $
Current:		
Prepayments	**18,637**	17,793
Total other assets	**18,637**	17,793

7. PROPERTY, PLANT AND EQUIPMENT

	31 December 2015 $	31 August 2015 $
Plant and equipment		
At cost	**25,012**	25,561
Accumulated depreciation	**(22,611)**	(23,108)
Total Plant and Equipment	**2,401**	2,453

Movements during the Year

	31 December 2015 $	31 August 2015 $
Plant and Equipment:		
Balance at beginning of year	**2,453**	1,876
Exchange difference	**(52)**	577
Balance at End of Year	**2,401**	2,453

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	31 December 2015 $	31 August 2015 $
Non-Current:		
Shares in associates	**1,436,779**	1,433,169
	1,436,779	1,433,169

Movements during the period		
Balance at the beginning	**1,433,169**	-
Additions	**-**	925,919
Share of profit of equity accounted investment	**82,868**	144,267
Share of other comprehensive income of equity accounted investment	**(79,258)**	362,983
Balance at end of period	**1,436,779**	1,433,169

Summarised financial information for associates

The table below provides summarised financial information for the associate that is material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not Pacific American Coal's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summary of financial information on associates		
Current assets	**4,923,242**	5,794,317
Total assets	**18,007,558**	17,224,345
Current liabilities	**4,388,211**	3,428,443
Total liabilities	**8,622,140**	7,909,804
Net assets	**9,385,418**	**9,314,541**
Total revenue	**9,330,234**	16,607,217
Profit for the financial period	**276,226**	480,891
Other comprehensive income	**(264,194)**	1,209,942
Total comprehensive income	**12,032**	1,690,833

Details of investments in associates at reporting date was:

				Beneficial interest %	
Entity	**Country of incorporation**	**Principal Activities**	**Balancing date**	**31 December 2015**	**31 August 2015**
George Collier Inc	United States of America	Coal Mining	31 December	30	30

The nature of the relationship with George Collier Inc. is an Associate and it is accounted for using the Equity method. There is no quoted price available.

The Consolidated Entity has a capital obligation to invest not less than USD400,000 within 12 months from 2nd January 2015, instead of direct capital obligation, the Consolidated Entity has offered a loan guarantee to George Collier Inc, refer to Note 14. The Consolidated Entity considers that it met the capital obligation already, given the 12-month period expired already.

Refer to note 25 for details of individually immaterial investments in associates.

9. DEFERRED EXPLORATION AND EVALUATION COSTS

	31 December 2015 $	31 August 2015 $
Deferred exploration and evaluation costs	**433,572**	392,053
Movements during the period		
Balance at the beginning	**392,053**	297,838
Additions	**49,944**	37,612
Amount impaired	**-**	-
Foreign currency difference to Exchange Reserve	**(8,425)**	56,603
Balance at end of period	**433,572**	392,053

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of areas of interest, and the sale of minerals or the sale of the respective areas of interest.

10. TRADE AND OTHER PAYABLES

	31 December 2015 $	31 August 2015 $
Current:		
Trade payables	**66,558**	94,828
Other creditors and accruals	**129,116**	99,602
Total Current Trade and Other Payables	**195,674**	194,430

Trade payables are usually due within 30 days.

Secured Amounts Payable

None of the payables are secured.

11. CONTRIBUTED EQUITY

	31 December 2015	31 August 2015
Issued Capital - Number of shares	**82,367,602**	82,367,602
Value of Issued Capital	**8,288,959**	8,288,959

Movement in contributed equity during the period:

	31 December 2015		31 August 2015	
Share Capital Movements during the year	**Number**	**$**	Number	$
Fully paid ordinary shares at beginning	**82,367,602**	**8,288,959**	67,258,330	3,631,189
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[1]	**-**	**-**	56,048,622	1,133,199
PAK prospectus capital raising	**-**	**-**	19,008,000	3,801,600
TOCC shares issued[2]	**-**	**-**	-	-
Share issue costs	**-**	**-**	-	(277,029)
Total fully paid ordinary shares at end of year	**82,367,602**	**8,288,959**	82,367,602	8,288,959

[1] *56,048,622 shares issued to TOCC vendors on acquisition (refer to Note 1(b))*
[2] ***Shares issued for US$0.15 (A$0.16) each***

Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Capital Management

Management controls the capital of the Company in order to provide capital growth to shareholders and ensure the Company can fund its operations and continue as a going concern. The Company's capital includes ordinary share capital, reserves and retained losses as disclosed in the Statement of Financial Positon. There are no externally imposed capital requirements. Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of share issues.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

Options

As at 31 December 2015, there were 53,383,589 unissued ordinary shares under option (August 2015: 53,383,589). Details of options issued, exercised and expired during the financial year are set out below:

			Movements (number of options)			
Expiry Date	Exercise Price	1 September 2014	Issued	Exercised	Expired	**31 August 2015**
31 December 2017[1]	$0.25	26,564,609	-	-	-	**26,564,609**
31 December 201	$0.25	500,000	-	-	-	**500,000**
7[2]						
31 December 2017[3]	$0.25	7,310,980	-	-	-	**7,310,980**
31 December 2017[4]	$0.25	19,008,000	-	-	-	**19,008,000**
		53,383,589	-	-	-	**53,383,589**

[1] *Options granted to TOCC vendors on acquisition of TOCC.*
[2] *Options granted in payment of equity raising costs.*
[3] *Options granted (1 option for 1 share) on 19 December 2014 to PAK's shareholders, with 1 for 10 share consolidation*.
[4] *Options granted in conjunction with Prospectus capital raising*.

The Company also grants incentive stock options for the purchase of ordinary fully paid shares of the Company to its officers, directors, employees and consultants. The exercise price and vesting terms of the share options is determined by the board of directors of the Company at the time of the option grant.

Information relating to the Pacific American Coal Limited's Share Option Plan (ESOP), including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of financial year, is set out in Note 11.

12. RESERVES

	31 December 2015 $	31 August 2015 $
Foreign exchange translation reserve	**310,589**	394,587
Total Reserves	**310,589**	394,587

Movement in Reserves	**Foreign Exchange Translation**	
	31 December 2015	31 August 2015
	$	$
Balance at beginning	**394,587**	(3,449)
Foreign currency translation	**(83,998)**	398,036
Balance at end	**310,589**	394,587

Nature and purpose of reserves

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13. COMMITMENTS

(a) Operating Lease Commitments

The Consolidated Entity did not have any operating lease commitments in the current year and in the prior year.

(b) Finance Lease Payment Commitments

The Consolidated Entity did not have any finance lease commitments in the current year and in the prior year.

14. CONTINGENT LIABILITIES

Details of guarantee provided by the Consolidated Entity and outstanding as of 31 December 2015 was:

Entity	Lending bank	Borrower	Amount
Texas and Oklahoma Coal Company (USA) LLC	First Pryority Bank	George Colliers, Inc.	USD274,600

15. CASH FLOW INFORMATION

	4 months to 31 December 2015 $	12 months to 31 August 2015 $
Loss after income tax	**(218,860)**	(2,024,902)
Add / (less) non-cash items:		
Deemed consideration less assets acquired	**-**	1,326,382
Share of profit of equity accounted investments	**(82,868)**	(144,267)
Foreign exchange	**40,198**	(104,578)
Change in operating assets and liabilities		
(Increase)/decrease in other receivables	**(2,618)**	17,653
(Increase)/decrease in other assets	**(884)**	16,913
Increase/(decrease) in trade and other payables	**1,244**	(246,730)
Net Cash Used In Operating Activities	**(263,788)**	(1,159,529)

Non-cash Investing Activities

There were no non-cash financing activities in the current financial year.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation

	31 December 2015 $	31 August 2015 $
Short-term benefits	**95,329**	313,996
Post-employment superannuation benefits	**-**	-
	95,329	313,996

(b) Loans to Key Management Personnel

There were no loans to key management personnel during the period.

17. RELATED PARTIES

Transactions with Related Entities

(a) ***Professional Services – Geoffrey Hill***

Hong Kong Administrative Services Ltd, a firm related to a non-executive Director (G Hill) provides administrative services to the Consolidated Entity. The cost of these services, aggregating $1,261 (31 August 2015: $10,921) was charged to administrative expenses. These transactions are in the normal course of operations and are measured at the exchange amount of the consideration established and agreed to by the related parties.

18. AUDITOR'S REMUNERATION

	31 December 2015 $	31 August 2015 $
Audit of the Consolidated Entity		
BDO Audit Pty Ltd:		
Audit and review of Financial Reports	**18,000**	38,058
	-	-
Non-Audit Services:		
BDO (Qld) Pty Ltd:		
Taxation services	**-**	-
	18,000	38,058

19. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise deposits with banks, accounts receivable and payable, investments and borrowings. The main purpose of these financial instruments is to raise cash for the Consolidated Entity's operations. The Consolidated Entity's policy is to manage its finance costs using a mix of fixed and variable rate debt. Borrowings are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Consolidated Entity's attempt to manage its cash flow volatility arising from interest rate changes.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the directors of the Consolidated Entity. They review and agree to policies for managing each of the risks identified below, including limits for approved instruments, transaction values, tenor and counterparties with whom the Consolidated Entity transacts. The Consolidated Entity does not enter into financial transactions for the purpose of short-term trading.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Consolidated Entity's income or the value of its instruments, and arises on floating rate instruments. The Consolidated Entity's exposure to market interest rates relates primarily to cash and cash equivalents.

At reporting date, the Consolidated Entity had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Note	31 December 2015 $	31 August 2015 $
Financial Assets:			
Cash assets	4	**1,291,338**	1,641,491
		1,291,338	1,641,491

Interest rates over the 12 month period were analysed and a sensitivity analysis determined to show the effect on profit and equity after tax if the interest rates at the reporting date had been 1.0% higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 31 August, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	31 December 2015 $	31 August 2015 $	31 December 2015 $	31 August 2015 $
Consolidated Entity				
+1.00%	**12,913**	16,415	**12,913**	16,415
- 1.00%	**(12,913)**	(16,415)	**(12,913)**	(16,415)

(b) Foreign currency risk

Foreign currency risk arises as a result of having instruments/cash flows denominated in a currency other than the functional currency. On balancing date, the Consolidated Entity had cash balances made up of Australian and United States Dollars as follows:

Currency	31 December 2015 $	31 August 2015 $
AUD	**57,758**	153,691
USD	**1,233,580**	1,487,800
	1,291,338	1,641,491

At 31 December, if USD exchange rate had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	31 December 2015 $	31 August 2015 $	31 December 2015 $	31 August 2015 $
Consolidated Entity				
+10.00%	**123,358**	148,780	**123,358**	148,780
- 10.00%	**(123,358)**	(148,780)	**(123,358)**	(148,780)

(c) Credit Risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet contractual obligations. The consolidated entity does not hold any collateral.

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents and trade and other receivables. The Consolidated Entity's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

At 31 December 2015 the Consolidated Entity had a concentration of credit risk relating to cash deposits totalling $1,291,338 (31 August 2015: $1,641,491). Cash deposits are only held with banks and financial institutions who are independently rated parties with a minimum rating of 'A'.

The Consolidated Entity had no other concentrations of credit risk with any single counterparty or group of counterparties.

(d) Liquidity Risk

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of convertible notes, related party loans and finance leases.

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 31 August 2014. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	≤ 6 months $	6-12 months $	1-2 years $	2-5 years $	5+ years $	Contractual cash flows $	Carrying Amount $
31 December 2015							
Financial Liabilities:							
Payables	195,674	-	-	-	-	195,674	195,674
	195,674	**-**	**-**	**-**	**-**	**195,674**	**195,674**
31 August 2015							
Financial Liabilities:							
Payables	194,430	-	-	-	-	194,430	194,430
	194,430	-	-	-	-	194,430	194,430

20. SEGMENT INFORMATION

Identification of reportable operating segments

The Consolidated Entity operates mainly in the United Sates with the head office located in Australia.

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 annual 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.

Consolidated December 2015	**USA**	**Australia**	**Total**
	$	$	**$**
Other revenue			
Share of profit of equity accounted investment	-	82,868	**82,868**
Interest income	-	280	**280**
	-	83,148	**83,148**
Expenses			
Employee expenses	(60,066)	(43,400)	**(103,466)**
Project and feasibility costs	(6,490)	-	**(6,490)**
Administration	(12,590)	(139,264)	**(151,854)**
Foreign currency exchange difference	(1,462)	(38,736)	**(40,198)**
Allocated	(80,608)	(138,252)	**(218,860)**
Unallocated:			
Deemed non-cash acquisition cost			**-**
Loss before income tax			**(218,860)**

Consolidated August 2015	USA $	Australia $	Total $
Other revenue			
Share of profit of equity accounted investment	-	144,267	144,267
Interest income	-	2,682	2,682
Foreign currency exchange difference	(432)	105,010	104,578
	(432)	251,959	251,527
Expenses			
Employee expenses	(154,520)	(95,150)	(249,670)
Project and feasibility costs	(48,642)	(1,500)	(50,142)
Administration	(155,590)	(494,645)	(650,235)
Allocated	(359,184)	(339,336)	(698,520)
Unallocated:			
Deemed non-cash acquisition cost			(1,326,382)
Loss before income tax			(2,024,902)

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

Consolidated December 2015	USA $	Australia $	**Total** **$**
Current assets	19,708	1,300,106	**1,319,814**
Non- current assets	542,736	1,330,016	**1,872,752**
Total assets	562,444	2,630,122	**3,192,566**
Current liabilities	99,068	96,606	**195,674**
Non-current liabilities	-	-	**-**
Total liabilities	99,068	96,606	**195,674**
Net segment assets	463,376	2,533,516	**2,996,892**

Consolidated August 2015			
Current assets	21,297	1,645,208	**1,666,505**
Non- current assets	503,613	1,324,062	**1,827,675**
Total assets	524,910	2,969,270	**3,494,180**
Current liabilities	145,174	49,256	**194,430**
Non-current liabilities	-	-	**-**
Total liabilities	145,174	49,256	**194,430**
Net segment assets	379,736	2,920,014	**3,299,750**

21. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2015, that has significantly affected, or, may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in financial years subsequent to 31 December 2015, except for as follows:

The Company has decided not to increase its holding in GCI from 30% to 80% and with the lapse of the GCI option, the Company is preparing to implement an exit strategy from its operating mine, rather than remain as a minority shareholder. While aware of the long term potential of the mine, the Company is working with GCI's major shareholder to exit the business through a workable solution for both parties at the earliest opportunity.

The current proposal under discussion is a selective GCI share buy-back over time to the value of approximately AUD 1 million.

On 18 March 2016, the Company entered into a Heads of Agreement ("HoA") to become the largest shareholder in Imagine Intelligent Materials Pty Ltd ("Imagine IM"), a company that develops commercials applications for graphene and associated advanced carbon based materials.

The key terms of the HoA are:

- PAK will undertake an underwritten cash placement of 33 million new shares in PAK at an issue price of 4.8c, to raise $1.58m to sophisticated and professional investors ("PAK Placement") to fund the Initial Acquisition and the costs of the underwritten placement.
- PAK will initially acquire 833,000 shares in Imagine IM at an issue price of $1.50 per Imagine IM share, comprising 20% of the issued capital of Imagine IM ("Initial Acquisition") in consideration for a cash payment of $1.25m.
- The parties will enter into full form documents to document the terms of the transactions contemplated by the HoA.
- Completion of the Initial Acquisition is subject to a number of conditions precedent, including the completion of due diligence to the satisfaction of the parties, the passing of such resolutions as may be necessary to give effect to the proposed transaction, including shareholder approval and the receipt of all necessary ASIC, ASX and other regulatory approvals.
- PAK will be entitled to nominate a director to the board of Imagine IM on completion of the Initial Acquisition.
- Following completion of the Initial Acquisition, PAK will acquire shares in Imagine IM, comprising a further 20% of Imagine IM, from Imagine IM's existing shareholders ("Vendors") in consideration for the issue of PAK shares to the Vendors ("Share Exchange").
- Upon completion of Share Exchange, PAK will be entitled to nominate a second director to the board of Imagine IM.
- Completion of the Initial Acquisition and the Share Exchange must occur on or before 30 June 2016.

22. DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the financial year. There were no franking credits available to the shareholders of the Consolidated Entity.

23. PARENT ENTITY INFORMATION

The parent entity within the Consolidated Entity is Pacific American Coal Limited. The ultimate parent entity in Australia is Pacific American Coal Limited.

	31 December 2015 $	31 August 2015 $
Current assets	**1,299,357**	1,644,399
Non-current assets	**2,556,368**	2,385,036
Total assets	**3,855,725**	4,029,435
Current liabilities	**362,926**	315,577
Non-current liabilities	**-**	-
Total liabilities	**362,926**	315,577
Net assets	**3,492,799**	3,713,858
Contributed equity	**26,740,899**	26,740,899
Reserves	**266,594**	266,594
Accumulated losses	**(23,514,694)**	(23,293,635)
Total equity	**3,492,799**	3,713,858
Loss after income tax	**(221,059)**	(757,459)
Other comprehensive income	**-**	-
Total comprehensive income	**(221,059)**	(757,459)

(a) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees as at 31 December 2015 (31 August 2015: $Nil).

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2015 or 31 August 2015.

(c) Contractual commitments for acquisition of property, plant and equipment

As at 31 December 2015, the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

(d) Significant investment in subsidiaries:

Name	Formation / Incorporation	Class of Share	Interest Held % [1]	
			December 2015	August 2015
Texas and Oklahoma Coal Company (USA) LLC[4]	USA	Ordinary	100	100
Texas and Oklahoma Coal Company Ltd[2]	Bermuda	Ordinary	100	100
Texas and Oklahoma Coal Company(Canada) Ltd[2]	Canada	Ordinary	100	100
Texas and Oklahoma Coal Company Pickaxe Exploration LLC[2]	USA	Ordinary	100	100

[1] *Percentage of voting power is in proportion to ownership being a combined direct and indirect holding.*

[2] *These companies have a 30 June reporting date.*

24. SHARE BASED PAYMENTS

Equity based instruments – Options

Employee option plan

The Pacific American Coal Directors and Employee Option Incentive Plan ("the Employee Plan") was last approved by shareholders at the annual general meeting held 20th December 2012.

Options granted to Company employees are issued under the Employee Plan. Options are granted under the Employee Plan for no consideration and once capable of exercise entitle the holder to subscribe for one fully-paid ordinary share upon exercise at the exercise price.

Options granted under the Employee Plan that have not vested at the time an option holder becomes ineligible (i.e. no longer an employee), are forfeited and not capable of exercise. When an option holder becomes ineligible and the options have already vested then the option holder has 3 months to exercise or they expire. Options must be exercised by the expiry dates or they lapse.

At 31 December 2015, there were no employee options over ordinary shares outstanding.

25. INTERESTS IN OTHER ENTITIES

(a) Individually immaterial associates

The Consolidated Entity has an interest in Metals Finance Africa Ltd that is accounted for as an associate. No amounts are recognised in the accounts of the Consolidated Entity as the Consolidated Entity's interest has been reduced to zero and additional losses are not provided for as the consolidated entity has not incurred legal or constructive obligations or made payments on behalf of Metals Finance Africa Ltd.

Should Metals Finance Africa subsequently reports profits, the Consolidated Entity will resume recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the period ended on that date;

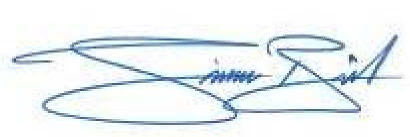
- the remuneration disclosures included in pages 7 to 10 of the directors' report (as part of audited Remuneration Report), for the year ended 31 December 2015, comply with section 300A of the *Corporations Act 2001;* and

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

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

Signed for and on behalf of the directors by:



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Director

Sydney, 31 March 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of Pacific American Coal Limited

Report on the Financial Report

We have audited the accompanying financial report of Pacific American Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four month period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independence

In conducting our audit, 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 report.

Basis for Qualified Opinion

Pacific American Coal Limited's 30% investment in George Collier Inc. (GCI), a foreign associate acquired during the year and accounted for by the equity method, is carried at $1,436,779 on the consolidated statement of financial position as at 31 December 2015, and Pacific American Coal Limited's share of GCI's net income of $82,868 is included in Pacific American Coal Limited's consolidated statement of comprehensive income for the four month period then ended. Notwithstanding we were given access to GCI's unaudited management accounts and limited supporting financial information, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of Pacific American Coal Limited's investment in GCI as at 31 December 2015 and Pacific American Coal Limited's share of GCI's net income for the period. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

(a) the financial report of Pacific American Coal Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the four month period ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without further modifying our opinion, we draw attention to Note 1(b) in the 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(b), 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the four month period ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Pacific American Coal Limited for the four month period ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 31 March 2016