Pan Asia
Corporation Ltd

ABN 45 098 448 269

# Annual Financial Report

## For the Year Ended

## 30 June 2016

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# CORPORATE INFORMATION

**Directors**

| | |
|---|---|
| Domenic Martino | Chairman |
| Luke Martino | Non-Executive Director |
| Michael Pixley | Non-Executive Director |
| Chin Chee Lee | Non-Executive Director |

**Senior Executive Team**

| | |
|---|---|
| Alan Hopkins | Chief Executive Officer |
| Jason Campbell | Company Secretary / Chief Financial Officer |
| Robert Bradley | Project Manager |

**Australian Business Number**

45 098 448 269

**Principal Registered Address**

311-313 Hay Street
Subiaco WA 6008
Australia
Telephone: +61 (0) 8 6489 0600
Facsimile: +61 (0) 8 9388 3701

**Postal Address**

PO Box 8282
Subiaco East WA 6008

**Website**

www.panasiacorp.com.au

**Auditor**

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000
Telephone: +61 (8) 9227 7500
Facsimile: +61 (8) 9227 7533

**Share Registry**

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Level 4, 152 St Georges Terrace
Perth WA 6000
Telephone: 1300 554 474
Email:
registrars@linkmarketservices.com.au
Website:
www.linkmarketservices.com.au

**Lawyers**

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Perth WA 6000
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Christian Teo Purwono & Partners
Indonesian Stock Exchange Building
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Sudirman Central Business District
Jl. Jend.Surdiman Kav 52-53
Jakarta 12190, INDONESIA

**ASX Code**

PZC

# REVIEW OF OPERATIONS

## Highlights for the Year

- **Proposed acquisition of sizeable QLD Coal Assets**
- **Progressed the sale of interest in TCM Project**

### Overview

### Focus on new assets

The Company is focused on acquiring a sizeable coal operation comprising conventional coal exploration and pre-development projects in the Bowen Basin in Queensland Australia from United Queensland Resources Pty Ltd (UQR) and its wholly owned subsidiary New Emerald Coal (NEC), as announced on 10 December 2015.

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

The board considered that a substantial counter cyclical high quality coal acquisition (especially in Australia with exchange rate benefits for the coal price) has significant merit. The recent substantial rise in the international coal price is supportive of these assets having the potential to reposition the Company going forward.

Due diligence is ongoing but the Company is working towards bringing this transaction to shareholders in the near future.

### Progress on sale on interest in TCM Project

Pan Asia entered into an exclusive Heads of Agreement with Universal Coal Resources Pte Ltd (“Universal”) for the commercial sale of the Company’s 75% interest in TCM. Universal agreed to purchase a 100% interest in the Company’s 100% owned Singapore subsidiary, Innovation West Mantewe Pte Ltd (“IWMPL”) owner of the 75% interest in the TCM project (the “Transaction”). Universal is planning to undertake an SGX Catalist listing with Pan Asia, upon completion of the successful listing, to receive shares in Universal to the value of SGD $30m at the IPO issue price.

To facilitate the Transaction, on May 9$^{th}$ 2016, Pan Asia entered into a share sale and purchase agreement (“SPA”) with Universal Coal Resources Pte Ltd (“Universal”) for the 100% sale of IWMPL which owns Pan Asia’s 75% interest in TCM. The actual transfer of the asset will occur upon the Company gaining shareholder approval. In the meantime, the Company has executed a share pledge agreement (“SPA”) with Universal pledging the shares on IWMPL prior to shareholder approval being obtained.

The intended commercial outcome of entering into the SSPA and SPA to transfer the TCM asset is to assist Universal obtain a $5m funding facility to fund the undertaking of key value adds, obtain relevant approvals for the TCM asset as well as acquire additional assets to form part of the Universal listing process on SGX, and as a result, realize Pan Asia’s TCM sale proceeds.

The Company entered into the SSPA subject to the following conditions:

- The directors and shareholders passing the requisite resolutions approving the sale and transfer of IWMPL;
- Universal assuming all liabilities in respect of the TCM asset;
- All approvals, consents, licences, permits, waivers and exemptions for the sale and transfer of shares being granted by any relevant third party;

The SSPA includes a Call Option clause with call option default events that will allow the Company to purchase back the TCM asset for SGD$1.00. These default events include:

- If the listing does not take place on SGX by 31 December 2017;
- If the Buyer fails to complete the IPO Sponsor CP's prior to the listing deadline;
- If the Buyer fails to comply with any rules and regulations in respect of the Listing;
- If any condition subsequent is not fulfilled;
- If the Buyer fails to raise at least SGD $20m prior to the listing deadline; or prior to receiving an in-principal approval for the listing;
- If the Buyer breaches any of its warranties, undertakings or covenants in the SSPA;
- If the Buyer breaches any material term of the SSPA;
- If the Buyer is deemed or becomes insolvent, or ceases to be a going concern or is deemed by auditors a risk to continue as a going concern; and
- If the Buyer breaches any term of the share pledge

The Company shall have the ability to waive any term of provision of the agreement.

The last few years have been extremely difficult for junior coal companies, however we believe the recent gains in coal prices combined with quality Australian coal assets can reposition the Company for a significant rebound in prospects. The board thanks all stakeholders for their support through this ongoing process.

# DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2016.

The names of Directors of the Company at any time during or since the end of the financial year are:

| | | |
|---|---|---|
| **Domenic Martino** | Non-Executive Chairman | |
| **Luke Martino** | Non-Executive Director | |
| **Michael Pixley** | Non-Executive Director | |
| **Lee Chin Cheh** | Non-Executive Director | Appointed 21 March 2016 |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## PARTICULARS OF DIRECTORS AND COMPANY SECRETARY

***Domenic Martino*** *(Non- Executive Chairman)*

**Qualifications**

- Bachelor of Business
- Fellow, Chartered Accountants Australia & New Zealand (FCA)
- Fellow, Australian Society of Certified Practising Accountants (FCPA)
- Fellow, Australian Institute of Company Directors (FAICD)

**Experience**

Domenic was appointed as a Director of Pan Asia Corporation on 24 December 2010 and became Chairman of the Company on 1 March 2011. Domenic is a Chartered Accountant by profession and a former Chief Executive Officer of Deloitte Touche Tohmatsu in Australia. Domenic specialises in the resources and energy sector, including mergers and acquisitions, initial public offerings and strategic opportunities.

***Luke Martino*** *(Non-Executive Director)*

**Qualifications & Affiliations**

- Bachelor of Commerce
- Fellow, Chartered Accountants Australia & New Zealand (FCA)
- Member, Australian Society of Certified Practicing Accountants (CPA)
- Fellow, Australian Institute of Company Directors (FAICD)

**Experience**

Luke was appointed as a Non-Executive Director on 4 March 2010.

Luke has spent over 20 years at Partner and board level encompassing leadership roles with Deloitte and other major accounting firms. He is a Director of several large private and public listed companies. Luke has lead numerous corporate transactions including public listings and equity raising for mining projects in Canadian and Australian security markets. He is currently the Managing Director of Indian Ocean Corporate.

***Michael Pixley*** *(Non-Executive Director)*

**Qualifications**

- Bachelor of Business

**Experience**

Michael has worked as a merchant banker specialising in strategic corporate development, joint ventures and acquisitions. He has over 20 years experience in the Asian business sector, and has extensive networks and relationships with key personnel in the government, corporate and private business sectors, in the Asia Pacific region.

***Lee Chin Cheh (Non-Executive Director)***

**Qualifications**

- Law Degree University of Wolverhampton UK
- Certificate of Legal Practice - Legal Profession Qualifying Board Malaysia

**Experience**

Mr Lee was called to the Malaysian Bar in 1996 and is now the principal partner of Messrs Lee Ong & Partners in Malaysia. Mr Lee is primarily engaged in corporate and commercial matters covering consultancy, documentation and litigation. Mr Lee is actively involved in community services and is presently on the boards of various trade and community non-governmental organisations as executive member or advisor. He has also served as a State Assemblyman in the Selangor State Legislative Assembly, Malaysia, and was a member of the Selangor State Public Accounts Committee.

***Jason Campbell*** *(Chief Financial Officer & Company Secretary)*

**Qualifications**

- Bachelor of Business
- Member of CPA Australia
- Diploma in Applied Corporate Governance with Chartered Secretaries Australia

**Experience**

Jason commenced with the Company in March 2011 as Chief Financial Officer and Commercial Manager. He was appointed Company Secretary in October 2011. Prior to joining Pan Asia, Jason spent 7 years at Argonaut Limited, an Investment Banking and Corporate Stocking business in Perth.

## OTHER CURRENT DIRECTORSHIPS

| | |
|---|---|
| **Domenic Martino** | Cokal Limited (Director), Australasian Resources Limited (Chairman), ORH Limited (Chairman), Gladstone Pacific Nickel Limited (Director), Synergy Plus Limited (Chairman), South Pacific Resources Limited (Executive Director), Skyland Petroleum Limited (Director) |
| **Luke Martino** | Nil |
| **Michael Pixley** | Story-I Limited (Director) |

## PREVIOUS DIRECTORSHIPS IN THE LAST 3 YEARS

| | |
|---|---|
| **Domenic Martino** | The Food Revolution Group Limited (Director) |
| **Luke Martino** | Central Asia Resources Limited (Director) |
| **Michael Pixley** | OKLO Resources Limited (Director) |

## DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

| Director | Shares Held | | Performance Shares Held | | Options Held | |
|---|---|---|---|---|---|---|
| | Directly | Indirectly | Directly | Indirectly | Directly | Indirectly |
| Mr Domenic Martino* | - | 7,450,000 | - | - | - | - |
| Mr Lee Chin Cheh | - | - | - | - | - | - |
| Mr Luke Martino ** | - | 6,035,410 | - | - | - | - |
| Mr Michael Pixley | - | - | - | - | - | - |

*Indirect interests are held via Domenal Enterprises Pty Ltd, Impact Nominees Pty Ltd and Indian West Pty Ltd. 1,000,000 of these Shares included above are held indirectly but Domenic Martino has no beneficial interest in the same.

** Indirect interests are held via LJM Capital Corporation Pty Ltd.

## DIRECTORS' MEETINGS

During the financial year, two (2) meetings of Directors were held. Attendances by each Director during the year were:

| | Directors' Meetings | | Audit & Risk | | Remuneration | |
|---|---|---|---|---|---|---|
| | Number of meetings eligible to attend | Number attended | Number of meetings eligible to attend | Number attended | Number of meetings eligible to attend | Number attended |
| Domenic Martino | 3 | 3 | - | - | - | - |
| Luke Martino | 3 | 3 | - | - | - | - |
| Michael Pixley | 3 | 3 | - | - | - | - |
| Lee Chin Cheh | 2 | 2 | - | - | - | - |

## DIVIDENDS

No dividends were paid or recommended during the year.

## OPERATING RESULTS

For the financial year, the consolidated entity incurred a consolidated loss after tax from ordinary activities of $660,671 (2015: $1,011,233).

## PRINCIPAL ACTIVITIES

Pan Asia owns a 75% interest in its flagship underground high CV thermal coal project, the PT Transcoal Minergy Project in South Kalimantan, Indonesia. An exploration drilling programme has been completed on the concession to date resulting in a total JORC resource of 177 Mt. The JORC Resource from mineable seams is 129Mt.

## LIKELY DEVELOPMENTS AND FUTURE RESULTS

In June 2015, the Company entered into an agreement to sell its 75% interest in the TCM Coal Project to Universal Coal Resources Pte Ltd ("Universal") for SGD $30m in Universal shares, conditional upon Universal raising a minimum of SGD$ 20m via a successful IPO listing on the Singapore Stock Exchange. The Company expects this IPO listing to take some time to complete. The Company has continued to look at acquiring other assets, and has identified a sizeable coal operation comprising conventional coal exploration and pre-development projects in the Bowen Basin in QLD.

The Company announced in December 2015 that it had entered into a binding but conditional term sheet with United Queensland Resources for the acquisition. The acquisition is still pending and due diligence is ongoing.

It is not possible to estimate the future results at this stage.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report other than as has been disclosed in this report.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Company has received $180,000 post the balance date from Coleman Ventures Limited for and it has been agreed that this will be treated as an advance on the first full note to be drawn down under the Convertible Note Agreement at a future date.

No other matter or circumstance has arisen since 30 June 2016 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years the Group's operations, the results of those operations, or the Group's state of affairs.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is not subject to any environmental regulations or licences.

## SHARE OPTIONS

As at the date of this report, the Company has no options on issue.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company established insurance covers in respect of the Directors of the Company (as named in this report), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. As per usual with such cover, the contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel ("KMP") of Pan Asia Corporation Limited. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

The following persons acted as KMP during or since the end of the financial year:

- Domenic Martino (Non-Executive Chairman)
- Luke Martino (Non-Executive Director)
- Michael Pixley (Non-Executive Director)
- Lee Chin Cheh (Non- Executive Director)
- Alan Hopkins (Chief Executive Officer)
- Jason Campbell (Chief Financial Officer & Company Secretary)

**Remuneration Philosophy**

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

**Remuneration Committee**

The Company has a formal Remuneration Committee. The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing the compensation arrangements for the Directors and executive management team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and the executive management team.

**Remuneration Structure**

In accordance with the best practice Corporate Governance, the structure of the non-executive Directors and executives of the Company is separate and distinct.

**Non-Executive Director Remuneration**

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The level of fees is not linked to the Directors’ or the Company’s performance.

The ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at an Annual General Meeting when shareholders approved an aggregate remuneration of $250,000 per year. Further, shareholders must approve the framework for any equity schemes. If a Director is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Company. An additional fee may also be paid for each Board committee, where warranted, on which a Director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by Directors who serve on one or more sub committees.

**Senior Manager and Executive Director Remuneration**

Remuneration consists of fixed remuneration.

*Fixed Remuneration*

Fixed remuneration is reviewed by the Board where applicable. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary. The Chairman’s remuneration is currently $3,000 per month and non-executive directors are paid $2,000 per month.

The CEO Alan Hopkins, through his Company, Ridgescan Pty Ltd, previously provided services via his Consultancy Agreement which expired in April 2015. Since then he continues to provide the services on a monthly basis where applicable at a reduced rate . There is currently no service agreement in place.

## REMUNERATION REPORT

**Remuneration of Key Management Personnel**

**Table 1: Directors' remuneration for the years ended 30 June 2016 and 30 June 2015:**

| | | Primary Benefits | | | | | Post Employment | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees | Cash STI $ | LTI $ | Non Monetary Benefits $ | Equity Options $ | Superannuation $ | Retirement $ | Other $ | Total $ | % Performance Related |
| **D Martino** | 2015 | 36,000 | - | - | - | - | - | - | - | 36,000 | - |
| **Non Executive Chairman** | **2016** | **36,000** | - | - | - | - | - | - | - | **36,000** | - |
| **L Martino** | 2015 | 24,000 | - | - | - | - | - | - | - | 24,000 | - |
| **Non Executive Director** | **2016** | **24,000** | - | - | - | - | - | - | - | **24,000** | - |
| **M Pixley** | 2015 | 24,000 | - | - | - | - | - | - | - | 24,000 | - |
| **Non Executive Director** | **2016** | **24,000** | - | - | - | - | - | - | - | **24,000** | - |
| **L Chin Cheh** | 2015 | - | - | - | - | - | - | - | - | - | - |
| **Non Executive Director** | 2016 | 6,000 | - | - | - | - | - | - | - | **6,000** | - |
| **Total** | 2015 | 84,000 | - | - | - | - | - | - | - | 84,000 | - |
| | **2016** | **90,000** | - | - | - | - | - | - | - | **90,000** | - |

(i) The Company owed $46,400 to Directors as at 30 June 2016 (2015: $70,000)

## REMUNERATION REPORT (continued)

**Remuneration of Key Management Personnel (continued)**

**Table 2: Senior Management and Executives' remuneration for the years ended 30 June 2016 and 30 June 2015:**

| | | Primary Benefits | | | | | Post Employment | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees $ | Cash STI $ | LTI $ | Non Monetary Benefits $ | Equity Options $ | Superannuation $ | Retirement $ | Other $ | Total $ | % Performance Related |
| **A Hopkins** | 2015 | 235,000 | - | - | 15,703 | - | - | - | - | 250,703 | - |
| **CEO** | **2016** | **140,000** | - | - | **8,519** | **-** | - | - | - | **148,519** | - |
| **J Campbell (i)** | 2015 | 180,000 | - | - | - | - | 17,100 | - | - | 197,100 | - |
| **Company Sec** | **2016** | **119,556** | - | - | - | **-** | **11,358** | - | - | **130,914** | - |
| **Total** | 2015 | 415,000 | - | - | 15,703 | - | 17,100 | - | - | 447,803 | - |
| | **2016** | **259,556** | **-** | **-** | **8,519** | **-** | **11,358** | **-** | - | **279,433** | - |

(i) J Campbell ceased as an employee on 8 October 2015, however continues to provide the services of Company Secretary through a company that he is related to.

(ii) The Company owed $55,000 to Senior Management and Executives as at 30 June 2016 (2015: $88,000)

## REMUNERATION REPORT (continued)

### Shareholdings of Key Management Personnel

Shares held in the Company (number)

| 30 June 2016 | Balance at beginning of period | Exercised Options | Net change Other | Balance at end of period |
|---|---|---|---|---|
| D.Martino | 7,450,000 | - | - | 7,450,000 |
| M.Pixley | - | - | - | - |
| L.Martino | 6,035,410 | - | - | 6,035,410 |
| L Chin Cheh* | - | - | - | - |
| A.Hopkins | 5,821,000 | - | - | 5,821,000 |
| J.Campbell | - | - | - | - |
| **Total** | 19,306,410 | - | - | 19,306,410 |

*Appointed 21 March 2016

| 30 June 2015 | Balance at beginning of period | Exercised Options | Net change Other | Balance at end of period |
|---|---|---|---|---|
| D.Martino | 7,450,000 | - | - | 7,450,000 |
| M.Pixley | - | - | - | - |
| L.Martino | 6,035,410 | - | - | 6,035,410 |
| T.Gazzard* | - | - | - | - |
| A.Hopkins | 5,821,000 | - | - | 5,821,000 |
| J.Campbell | - | - | - | |
| **Total** | 19,306,410 | - | - | 19,306,410 |

* Resigned 9 September 2014

### Option holdings of Key Management Personnel

No options were held by Key Management Personnel during the current year or previous year.

During the reporting period, fees for administrative, accounting and consulting fees of $107,242 (excluding GST) were changed by Indian Ocean Advisory Group Pty Ltd. These services were provided on normal commercial terms and conditions and at market rates. Mr Luke Martino is a Director of Indian Ocean Advisory Group Pty Ltd. The amount outstanding at year end is $94,983.

## End of Remuneration Report

## CORPORATE GOVERNANCE

The Directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standards of corporate behaviour and accountability. Please refer to the Corporate Governance Statement that is available on the Company's website at www.panasiacorp.com.au.

## PROCEEDINGS ON BEHALF OF 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 purpose 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.

## AUDITORS' INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 15 and forms part of this Directors' report for the year ended 30 June 2016.

## NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided by the auditor are outlined in Note 21 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the Directors

**Luke Martino**
Director

Dated 30 September 2016

**HLB Mann Judd**

Accountants | Business and Financial Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Pan Asia Corporation Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

**Perth, Western Australia**
**30 September 2016**

**L Di Giallonardo**
**Partner**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
**Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.**
**Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au**

# STATEMENT OF COMPREHENSIVE INCOME

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | **2016** | **2015** |
| | | **$** | **$** |
| Revenue | 3(a) | 429 | 1,114 |
| Other expenses | 3(b) | (661,100) | (1,012,347) |
| **Loss before income tax** | | (660,671) | (1,011,233) |
| Income tax benefit | 4 | - | - |
| **Net loss for the period** | | (660,671) | (1,011,233) |
| | | | |
| **Other comprehensive income for the period** | | | |
| *Items that may be classified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | 210,838 | 1,214,752 |
| Income tax relating to these items | | - | - |
| Other comprehensive income for the year, net of tax | | 210,838 | 1,214,752 |
| | | | |
| **Total comprehensive income/ (loss) for the period** | | (449,833) | 203,519 |
| | | | |
| **The net loss for the period is attributable to:** | | | |
| Owners of the parent | | (660,596) | (1,009,260) |
| Non-controlling interest | | (75) | (1,973) |
| | | (660,671) | (1,011,233) |
| **The total comprehensive income / (loss) for the period is attributable to:** | | | |
| Owners of the parent | | (453,071) | 185,065 |
| Non-controlling interest | | 3,238 | 18,454 |
| | | (449,833) | 203,519 |
| | | | |
| Basic loss per share | 5 | (0.14) | (0.25) |

The statement of comprehensive income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | 2016 | 2015 |
| **ASSETS** | | $ | $ |
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 5,298 | 135,985 |
| Trade and other receivables | 7 | 10,585 | 13,642 |
| Prepayments | | 21,017 | 24,421 |
| Other financial assets | 8 | - | 2,083 |
| **Total Current Assets** | | 36,900 | 176,131 |
| **Non-Current Assets** | | | |
| Plant and equipment | 10 | 48,203 | 63,585 |
| Deferred exploration expenditure | 11 | 19,311,753 | 18,821,917 |
| Loans to other entities | 9(a) | 144,203 | 144,203 |
| **Total Non-Current Assets** | | 19,504,159 | 19,029,705 |
| **TOTAL ASSETS** | | 19,541,059 | 19,205,836 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 1,140,817 | 1,369,897 |
| Borrowings | 14(a) | 16,270 | 12,534 |
| Loans from other entities | 13 | 3,600,126 | 3,494,271 |
| **Total Current Liabilities** | | 4,757,213 | 4,876,702 |
| **Non-Current Liabilities** | | | |
| Borrowings | 14(b) | 44,212 | 58,296 |
| Deferred tax liability | | 2,315,499 | 2,315,499 |
| **Total Non-Current Liabilities** | | 2,359,711 | 2,373,795 |
| **TOTAL LIABILITIES** | | 7,116,924 | 7,250,497 |
| **NET ASSETS** | | 12,424,135 | 11,955,339 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 16 | 59,394,571 | 58,475,942 |
| Reserves | 17 | 1,592,369 | 1,384,844 |
| Accumulated losses | | (50,019,892) | (49,359,296) |
| Parent entity interest | | 10,967,048 | 10,501,490 |
| Non-controlling interest | | 1,457,087 | 1,453,849 |
| **TOTAL EQUITY** | | 12,424,135 | 11,955,339 |

The statement of financial position should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

| | Issued Capital<br>$ | Share based Payments Reserve<br>$ | Foreign Currency Translation Reserve<br>$ | Accumulated Losses<br>$ | Non-controlling Interest<br>$ | Total Equity<br>$ |
|---|---|---|---|---|---|---|
| **Balance at 30 June 2014** | **56,181,091** | **191,305** | **190,519** | **(48,541,341)** | **1,435,395** | **9,456,969** |
| Loss for the year | - | - | - | (1,009,260) | (1,973) | **(1,011,233)** |
| Exchange differences arising on translation of foreign operations | - | - | 1,194,325 | - | 20,427 | **1,214,752** |
| Total comprehensive loss | **-** | **-** | **1,194,325** | **(1,009,260)** | **18,454** | **203,519** |
| Shares issued during the year (net of share issue costs) | 2,294,851 | - | - | - | - | **2,294,851** |
| Options expired during the year | - | (191,305) | - | 191,305 | - | **-** |
| **Balance at 30 June 2015** | **58,475,942** | **-** | **1,384,844** | **(49,359,296)** | **1,453,849** | **11,955,339** |
| Loss for the year | - | - | - | (660,596) | (75) | **(660,671)** |
| Exchange differences arising on translation of foreign operations | - | - | 207,525 | - | 3,313 | **210,838** |
| Total comprehensive loss | **-** | **-** | **207,525** | **(660,596)** | **3,238** | **(449,833)** |
| Shares issued during the year (net of share issue costs) | 918,629 | - | - | - | - | **918,629** |
| **Balance at 30 June 2016** | **59,394,571** | **-** | **1,592,369** | **(50,019,892)** | **1,457,087** | **12,424,135** |

The statement of changes in equity should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | **2016** | **2015** |
| | | **$** | **$** |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | - | - |
| Interest received | | 429 | 1,114 |
| Payments to suppliers and employees | | (742,466) | (823,097) |
| Mining tenement expenditure | | (295,723) | (1,031,758) |
| Interest and income taxes paid | | (301) | (18) |
| **Net cash flows used in operating activities** | 6 | (1,038,061) | (1,853,759) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (1,019) | (9,398) |
| Repayments made to related parties | | (10,348) | (698,363) |
| Funds received from related parties | | - | 200,000 |
| **Net cash flows (used in) investing activities** | | (11,367) | (507,761) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares (net of share issue costs) | | 918,629 | 2,294,753 |
| **Net cash flows from financing activities** | | 918,629 | 2,294,753 |
| | | | |
| Net decrease in cash and cash equivalents | | (130,799) | (66,767) |
| Cash and cash equivalents at beginning of year | | 135,985 | 200,600 |
| Exchange rate fluctuations on cash held | | 112 | 2,152 |
| **Cash and cash equivalents at end of year** | 6 | 5,298 | 135,985 |

The statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The financial report is presented in Australian dollars.

The Company is a listed public Company incorporated in Australia. The principal activities of the entities in the Group are coal exploration and development in Indonesia.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

### (b) Adoption of new and revised standards

**Changes in accounting policies on the application of Accounting Standards**

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operation and effective for the current annual reporting period.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review, the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

### (c) Statement of Compliance

The financial report was authorised for issue on 30 September 2016.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Pan Asia Corporation Limited and the entities it controlled ("the Group") for the year ended 30 June 2016.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been fully eliminated.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Unrealised gains or transactions between the Group and its subsidiaries are eliminated to the extent of the Group's interests in the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the consolidated profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Pan Asia Corporation Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(d) Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, as discussed in Note 25.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 25.

**(e) Critical accounting judgements and key sources of estimation uncertainty (continued)**

*Exploration and evaluation costs carried forward*

The recoverability of the carrying amount of exploration and evaluation costs carried forward is dependent on the future successful outcome from exploration activities or alternatively the sale of the respective areas of interest. Where exploration results are unsuccessful, or no further work is to be undertaken, the Directors will then assess whether an impairment write-down is required, which will be recognised in the statement of comprehensive income.

**(f) Revenue recognition**

Revenues are stated net of the amount of goods and services tax (GST) payable to the taxation authority.

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Sale of goods

  Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

- Interest income

  Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

**(g) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(h) Income Tax**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to complete the amount are those that are enacted or substantially enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

**(h) Foreign currency translation**

Both the functional and presentation currency of Pan Asia Corporation Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

**(i) Foreign currency translation (continued)**

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations PT PZC Services and PT Transcoal Minergy, is United States dollars (US$).

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Pan Asia Corporation Limited at the rate of exchange ruling at balance date and income and expense items are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

**(j) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(k) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

**(k) Trade and other receivables (continued)**

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

**(l) Impairment of assets**

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(m) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

**(n) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

**(o) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i. the rights to tenure of the area of interest are current; and

ii. at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development, in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(q) Financial Assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition & Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The

Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

**(q) Financial Assets (continued)**

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**(r) Impairment of financial assets**

The Group assesses at each balance date whether a financial asset or Group of financial assets is impaired.

*Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Group of financial assets with similar credit risk characteristics and that Group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**(s) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – 1-5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*i. Impairment*

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-

**(s) Plant and equipment (continued)**

*i. Impairment (continued)*

tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income in the 'impairment of non-current assets' line item.

*ii. De-recognition and disposal*

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**(t) Share-based payment transactions**

*Equity settled transactions*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, further details of which are given in Note 25.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Pan Asia Corporation Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the

**(t) Share-based payment transactions (continued)**

share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings/loss per share (see Note 5).

Share based payments with parties other than employees and contractors acting in the capacity of employees is measured by reference to the fair value goods or services rendered at the date on which the Group obtains the goods or the counterparty renders services.

**(u) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Pan Asia Corporation Limited.

**(v) Earnings or loss per share**

Basic earnings or loss per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings or loss per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interests associated with dilutive potential ordinary shares that have been recognised as expenses; and

  other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(w) Going Concern**

In the year ended 30 June 2016, the Company recorded a net loss of $660,671 and a net operating cash outflow of $1,038,061. The Company has a working capital deficiency of $4,720,313 as at 30 June 2016, due principally to the current nature of the amount owing to KOPEX Mining of US$2,767,500 (comprising loans of US$2,530,000 and other payables of US$237,500) for the feasibility study and drilling activities relating to the TCM project ("Kopex Loan"). The Company has entered into a guarantee and indemnity to guarantee the performance of TCM to repay the loan. At the date of this report, the Kopex Loan remains outstanding.

As stated in the FY2015 annual report, the Company received a demand to repay the Kopex Loan prior to the 30 June 2015 financial year end. The Company disputed the having to repay the Kopex Loan by 30 June 2015 and during the year ended 30 June 2016, both Kopex and Pan Asia continued to correspond on the situation regarding the Kopex Loan. The Company maintains its stance as per agreement with Kopex on or about 26 November 2014, in that if the Company made an arrangement to sell at least 50% of the TCM Project prior to 15 June 2015 and the outstanding balance of the Kopex Loan is to be repaid from the proceeds of the sale, as agreed. In early June 2015, the Company entered into an agreement with Universal Coal Resources Pte Ltd ("Universal") to sell the Company's 75% interest in TCM for SGD $30m, with Pan Asia receiving the consideration for sale on a successful listing of the TCM project on the Singapore Stock Exchange (SGX) catalist listing ("Agreement"). The Agreement is conditional on a number of key matters including, but not limited to, Universal completing its IPO on the SGX, and Kopex and Universal agreeing to terms for the settlement of the Kopex Loan using proceeds from the IPO. The Company considers that, having entered into an arrangement to sell its interest in the TCM Project to Universal, the outstanding balance of the Kopex Loan should now be repaid through that transaction i.e. from funds raised by Universal in connection with its IPO.

The Company notes that there is a risk that if the dispute was not able to be amicable resolved in the future, an adjudicator may interpret the revised repayment terms as requiring the sale of the TCM Project to have completed by 15 June 2015, rather than an arrangement simply having been made. Although the Company is hopeful that an amicable solution can be reached, Shareholders must be aware that if repayment terms for the Kopex Loan cannot be agreed then the matter may be referred to arbitration or to a court of law and the Company could face insolvency in the event of an adverse ruling or settlement. If the sale of the TCM Project does not complete or if the Company is otherwise required to repay the Kopex Loan itself, then it may be required to draw down funds under the Convertible Note executed on 12 April 2015. Alternatively, the Company may be required to seek additional funding in order to repay the Kopex Loan. There is a risk that such funding will not be available to the Company on reasonable terms or at all.

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

The Board considers the Group is a going concern but recognises that additional funding, with the possibility of a drawn down on the Convertible Note, will be required to ensure that the Group can continue to funds its operations at least for the next 12 months from the date of this report.

In the past 24 months, the Board has been successful in seeking the following financing opportunities for the Group:

- 9 September 2014 - Raised $1.6m in an underwritten rights issue;
- 16 March 2015 - Placement of 54,000,000 shares at $0.005, to raise $270,000 to sophisticated investor Select Equity Growth Limited;
- 21 April 2015 - Executed Convertible Note Agreement for $5m with Coleman Ventures Limited, convertible at $0.007 per share with $2m drawn down for year 1 and a further $3m available to be drawn down in year 2. Coupon rate is 3% per annum;
- 6 August 2015 - Successfully closed Entitlements Issue raising of ~$918,000 at $0.007 per share.

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

## NOTE 2: SEGMENT REPORTING

**Segment Information**

The following table presents revenue and result information and certain asset and liability information regarding the relevant segments for the year ended 30 June 2016 for the consolidated entity.

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

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

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

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

### 30 June 2016 segments

| | Australia<br>$ | Indonesia<br>$ | Total<br>$ |
|---|---|---|---|
| **Segment result** | | | |
| Other revenue | 429 | - | 429 |
| Supplier, consulting, investor relations and other | 154,005 | - | 154,005 |
| Employment and occupancy costs | 137,178 | 18,052 | 155,230 |
| Depreciation | 14,577 | 2,012 | 16,589 |
| Segment result | (637,635) | (23,036) | (660,671) |
| **Segment assets and liabilities** | | | |
| Property, plant and equipment | 43,182 | 5,021 | 48,203 |
| Deferred exploration expenditure | - | 19,311,753 | 19,311,753 |
| Loans to/(from) other entities | (55,817) | (3,400,126) | (3,455,923) |
| Segment assets | 213,484 | 19,327,575 | 19,541,059 |
| Segment liabilities | (2,985,262) | (4,131,661) | (7,116,924) |

## NOTE 2: SEGMENT REPORTING (continued)

### 30 June 2015 segments

| | Australia $ | Indonesia $ | Total $ |
|---|---|---|---|
| **Segment result** | | | |
| Other revenue | 1,114 | - | 1,114 |
| Supplier, consulting, investor relations and other | 192,717 | - | 192,717 |
| Employment and occupancy costs | 212,293 | - | 212,293 |
| Depreciation | 19,181 | 1,844 | 21,025 |
| Foreign exchange (gain) loss | 14,024 | 872 | 14,896 |
| Segment result | (1,007,899) | (3,334) | (1,011,233) |
| **Segment assets and liabilities** | | | |
| Property, plant and equipment | 56,740 | 6,845 | 63,585 |
| Deferred exploration expenditure | - | 18,821,917 | 18,821,917 |
| Loans to/(from) other entities | 144,203 | (3,494,271) | (3,350,068) |
| Segment assets | 361,387 | 18,844,449 | 19,205,836 |
| Segment liabilities | (3,231,001) | (4,019,496) | (7,250,497) |

## NOTE 3: REVENUES AND EXPENSES

**Revenue and Expenses from Continuing Operations**

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **2016** | **2015** |
| | | **$** | **$** |
| **(a)** | **Revenue** | | |
| | Interest income | 429 | 1,114 |
| | | **429** | **1,114** |
| **(b)** | **Other expenses** | | |
| | Accounting, audit and legal fees | 139,888 | 205,706 |
| | Bank charges | 2,695 | 4,258 |
| | Consulting, supplier, investor relations and other | 154,005 | 192,717 |
| | Corporate and other administration fees | 36,674 | 118,013 |
| | Directors' fees | 84,000 | 88,600 |
| | Interest | 301 | 2 |
| | Depreciation expense | 16,589 | 21,025 |
| | Employment and occupancy costs | 155,230 | 212,293 |
| | Stock exchange and share registry expenses | 37,013 | 82,510 |
| | Travel and accommodation expense | 17,770 | 54,499 |
| | Foreign exchange loss | - | 14,895 |
| | Other | 16,935 | 17,829 |
| | | **661,100** | **1,012,347** |

## NOTE 4: INCOME TAX BENEFIT

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:

| | CONSOLIDATED | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Operating loss before income tax | **(660,671)** | **(1,011,233)** |
| Prima facie benefit on loss from ordinary activities (30%) | **198,201** | **303,370** |
| Tax effect of amounts which are taxable (deductible) in calculating taxable income | | |
| - Non deductible expenditure | (12,223) | (24,855) |
| - Capitalised exploration expenditure | 16,561 | 51,339 |
| Deferred Tax Asset (DTA) on temporary differences and tax losses not brought to account | **202,539** | **329,854** |
| Income tax benefit for the year | - | - |
| ***Deferred tax assets not brought to account at balance date*** | | |
| Tax losses not brought to account | **20,149,826** | **19,474,695** |
| Potential tax benefit | **6,044,948** | **5,842,408** |
| Less: Potential deferred tax on exploration expenditure not brought to account | **(3,478,026)** | **(3,331,076)** |
| | **2,566,922** | **2,511,332** |

The DTA not brought to account will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in the income tax legislation adversely affect the Group in utilising the benefit.

## NOTE 5: LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Share options with an exercise price above the average market price during the period have been excluded from the calculation of the diluted earnings per share. Diluted earnings per share are not reflected as the result is anti-dilutive in nature.

## NOTE 5: LOSS PER SHARE (continued)

The following reflects the loss and weighted average number of ordinary shares used in the basic loss per share computations:

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Loss for the year | (660,596) | (1,009,260) |
| Weighted average number of ordinary shares for basic loss per share | 475,174,706 | 305,775,520 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the balance date and the date of completion of these financial statements.

## NOTE 6: CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Cash at bank and cash on hand | 5,298 | 135,985 |
| | 5,298 | 135,985 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The entity has no credit standby arrangements, loan or overdraft facilities for the periods ended 30 June 2015 and 30 June 2016.

The fair value of cash and cash equivalents is $5,298 (2015: $135,985).

At 30 June 2016, the Company had $5,000 included in the amount above, in a bank deposit that is held as collateral against a credit card facility.

## NOTE 6: CASH AND CASH EQUIVALENTS (continued)

Reconciliation of losses from ordinary activities after income tax to net cash flow from by operating activities

| | CONSOLIDATED | |
|---|---|---|
| | 2016<br>$ | 2015<br>$ |
| Loss from ordinary activities after income tax | (660,671) | (1,011,233) |
| Depreciation and amortisation of property, plant and equipment | 16,589 | 21,025 |
| (Increase)/decrease in capitalised exploration costs | (133,041) | (761,796) |
| (Increase)/decrease in receivables | 8,544 | (132,032) |
| (Decrease)/increase in payables | (269,482) | 25,339 |
| Foreign exchange (gain)/loss | - | 14,895 |
| (Increase)/decrease in other assets | - | (9,957) |
| **Net cash flows (used in) operating activities** | (1,038,061) | **(1,853,759)** |

## NOTE 7: TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | |
|---|---|---|
| | 2016<br>$ | 2015<br>$ |
| **(a) Current** | | |
| Trade receivables (i) | 10,585 | 13,642 |
| | 10,585 | 13,642 |

(i) Trade receivables are non-interest bearing.

## NOTE 8: OTHER FINANCIAL ASSETS

| | CONSOLIDATED | |
|---|---|---|
| | 2016<br>$ | 2015<br>$ |
| **(a) Current** | | |
| Security deposit | - | 2,083 |
| **Total other financial assets** | **-** | **2,083** |

## NOTE 9: LOANS TO OTHER ENTITIES

| | | CONSOLIDATED | |
|---|---|---|---|
| | | 2016<br>$ | 2015<br>$ |
| **(a)** | **Non Current** | | |
| | Other loans (i) | 144,203 | 144,203 |
| | **Total loans to other entities** | **144,203** | **144,203** |

(i) Unsecured interest-free loans to minority shareholders of PT Transcoal Minergy.

## NOTE 10: PLANT AND EQUIPMENT

| | CONSOLIDATED | |
|---|---|---|
| | 2016<br>$ | 2015<br>$ |
| At beginning of the year, net of accumulated depreciation and impairment | 63,585 | 75,224 |
| Additions | 1,207 | 9,627 |
| Disposals | - | (241) |
| Depreciation | (16,589) | (21,025) |
| At end of the year, net of accumulation depreciation and impairment | **48,203** | **63,585** |

| | |
|---|---|
| **At 30 June 2015** | |
| Cost at fair value | 171,156 |
| Accumulated depreciation and Impairment | (107,571) |
| Net carrying amount | **63,585** |
| **At 30 June 2016** | |
| Cost at fair value | 172,473 |
| Accumulated depreciation and Impairment | (124,270) |
| Net carrying amount | **48,203** |

## NOTE 11: DEFERRED EXPLORATION EXPENDITURE

| | CONSOLIDATED | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Exploration and evaluation phases: | | |
| **Balance at beginning of the year** | 18,821,917 | 16,093,077 |
| Expenditure incurred | 133,041 | 761,796 |
| Foreign currency translation movement | 356,795 | 1,967,044 |
| **Balance at end of the year** | **19,311,753** | **18,821,917** |

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

As announced to ASX on 4 June 2015, the Company has entered into a binding heads of agreement with Universal Coal Resources Pte Ltd (**Universal**) under which the Company proposes to sell its interest in the TCM Project for shares in Universal to the value of SG$30,000,000 (approximately AUD$30,378,000). The agreement is conditional on a number of key matters including, but not limited to, Universal completing its IPO on the Singapore Exchange (SGX). The Company believes that it may take at least a further 12 months for the transaction to complete given the processes involved in completing such a transaction. As a result, the Company does not believe that it is prudent to reclassify the carrying value of the TCM project as a current asset “Asset held for sale” in accordance with AASB 5 “Non-current Assets Held for Sale and Discontinued Operations”.

## NOTE 12: TRADE AND OTHER PAYABLES

| | CONSOLIDATED | |
|---|---|---|
| | **2016** | **2015** |
| **Current Unsecured Liabilities:** | **$** | **$** |
| Trade payables (i) | 1,102,817 | 1,236,160 |
| Accrued expenses (ii) | 38,000 | 133,737 |
| **Total trade and other payables** | 1,140,817 | 1,369,897 |

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
(ii) Accrued expenses are non-interest bearing.

## NOTE 13: LOANS FROM OTHER ENTITIES

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| **Current** | $ | $ |
| Loan payable to KOPEX Mining (i) | 2,114,815 | 2,048,975 |
| Loan payable to KOPEX Mining (ii) | 1,285,311 | 1,245,296 |
| Loans payable to other parties (iii) | 200,000 | 200,000 |
| **Total loans from other entities** | 3,600,126 | 3,494,271 |

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

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

(iii) The Company has received a loan from Coleman Ventures Limited (CVL) for $200,000 and it has been agreed with CVL that it is an advance on the first full note to be drawn down under the Convertible Note Agreement at a future date.

*On 26 November 2014, PT TCM (along with the Company) entered into a revised agreement with Kopex for the total repayment of of USD 2,767,600 (being USD $1,573,613 in 13(i)(a) above, USD $956,387 in 13(ii) above and USD $237,600 in other costs).

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

## NOTE 14: BORROWINGS

| | CONSOLIDATED | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| **(a) Current** | | |
| Motor vehicle hire purchase liability | 16,270 | 12,534 |
| **Total borrowings** | **16,270** | **12,534** |
| **(b) Non Current** | | |
| Motor vehicle hire purchase liability | 44,212 | 58,296 |
| **Total borrowings** | **44,212** | **58,296** |

## NOTE 15: ACQUISITION / DISPOSAL OF SUBSIDARY

There were no acquisitions or disposals during the current year.

## NOTE 16: ISSUED CAPITAL

| | CONSOLIDATED | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Ordinary shares issued and fully paid | **59,394,571** | **58,475,942** |

| | **No. of Shares** | **2016 $** | **No. of Shares** | **2015 $** |
|---|---|---|---|---|
| *Movements in ordinary shares on issue* | | | | |
| At start of year | 359,180,859 | 58,475,942 | 204,886,286 | 56,181,091 |
| - Rights issued to existing shareholders | 131,483,708 | 920,386 | 775,233 | 16,280 |
| - Shares issued to underwriter | - | - | 75,519,340 | 1,585,906 |
| - Shares issued under Placement | - | - | 78,000,000 | 774,000 |
| - Less share issue costs | - | (1,757) | - | (81,335) |
| **At end of year** | 490,664,567 | 59,394,571 | 359,180,859 | 58,475,942 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

## NOTE 17: RESERVES

**(a) Share Based Payments Reserve**

*Movements in share based payments reserve*

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | | **2016** | | **2015** |
| | **No. Of Options** | **$** | **No. of Options** | **$** |
| At start of year | - | - | 6,100,000 | 191,305 |
| - Expiry of options | - | - | (6,100,000) | (191,305) |
| **At end of year** | **-** | **-** | **-** | **-** |

**(b) Foreign Currency Translation Reserve**

*Movements in foreign currency translation reserve*

| | CONSOLIDATED | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| At start of year | 1,384,844 | 190,519 |
| - Exchange rate differences arising on translation of foreign operations | 207,525 | 1,194,325 |
| **At end of year** | **1,592,369** | **1,384,844** |

**Nature and purpose of reserves**

*Share based payments reserve*

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration and to suppliers as payments for services. Details on share based payments are disclosed in Note 25.

*Foreign currency translation reserve*

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

## NOTE 18: FINANCIAL INSTRUMENTS

| | CONSOLIDATED | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| **Categories of financial instruments** | | |
| **Financial assets** | | |
| Cash and cash equivalents | 5,298 | 135,985 |
| Receivables | 10,585 | 13,642 |
| Other financial assets | - | 2,083 |
| Loans to other entities | 144,203 | 144,203 |
| | 160,086 | 295,913 |
| **Financial liabilities** | | |
| Trade and other payables | 1,140,817 | 1,369,897 |
| Borrowings | 60,482 | 70,831 |
| Loans from other entities | 3,600,126 | 3,494,271 |
| | 4,801,425 | 4,934,999 |

The Group’s principal financial instruments comprise of cash, short-term deposits, and loans from other entities.

The main purpose of these financial instruments is to finance the Group’s operations. The Group has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group’s financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The carrying amount of financial assets and financial liabilities in the financial statements approximate their fair value.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short-term deposits and interest bearing loans.

Credit risk

The Group's policy is to trade only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings/ accumulated losses.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Foreign Exchange Risk

The Company engages in a number of transactions, including some loans in and out, in US Dollars (USD). The Group undertakes certain transactions denominated in currencies, such as Indonesian Rupiah (IDR), hence there are further exposures to exchange rate fluctuations.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

| 30 June 2016 | Liabilities | Assets |
|---|---|---|
| US dollars | 3,400,126 | - |

- Foreign currency sensitivity analysis.

The Group is exposed to US Dollar currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the US dollar. The sensitivity analysis includes only outstanding US dollar denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis focuses on external loans where the denomination of the loan is in a currency other than the currency of the Group. A positive number indicates an increase in equity where the Australian Dollar strengthens against the US dollar. For a weakening of the

Australian Dollar against the US dollar there would be an equal and opposite impact on the equity and the balances below would be negative.

Foreign Exchange Risk (continued)

| | CONSOLIDATED |
|---|---|
| | **2016** |
| AUD/USD +10% | 345,592 |
| AUD/USD - 10% | (345,592) |

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility using bank overdrafts, bank and other loans and capital raisings.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's non-derivative financial liabilities.

| Year ended 30 June 2016 | <1 month $ | 1-3 months $ | 3 months-1year $ | 1-5 years $ | 5+ years $ | Total $ |
|---|---|---|---|---|---|---|
| **CONSOLIDATED** | | | | | | |
| Non-interest bearing liabilities | - | - | 3,600,126 | - | - | 3,600,126 |

| Year ended 30 June 2015 | <1 month $ | 1-3 months $ | 3 months-1year $ | 1-5 years $ | 5+ years $ | Total $ |
|---|---|---|---|---|---|---|
| **CONSOLIDATED** | | | | | | |
| Non-interest bearing liabilities | - | - | 3,494,271 | - | - | 3,494,271 |

## NOTE 19: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Pan Asia Corporation Limited and the controlled entities listed in the following table.

| | Country of incorporation | % Interest 30 June 2016 | % Interest 30 June 2015 |
|---|---|---|---|
| Innovation West Pty Ltd | Australia | 100 | 100 |
| Innovation West Mentewe Pte Ltd | Singapore | 100 | 100 |
| PT Transcoal Minergy | Indonesia | 75 | 75 |
| PT PZC Services | Indonesia | 100 | 100 |
| Triumph West Pty Ltd | Australia | 100 | 100 |

Innovation West Pty Ltd (a wholly owned subsidiary of the Company) has a 100% interest in Innovation West Mantewe Pte Ltd which holds a 75% interest in PT Transcoal Minergy.

Pan Asia Corporation Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

During the reporting period, fees for administrative, accounting and consulting fees of $107,242 (excluding GST) were charged by Indian Ocean Advisory Group Pty Ltd. These services were provided on normal commercial terms and conditions and at market rates. Mr Luke Martino is a Director of Indian Ocean Advisory Group Pty Ltd. The amount outstanding at year end is $94,983 (2015: $90,531).

In addition, the company owed $48,400 (2015: $70,000) due to Directors and $55,000 (2015: $88,000) to Senior Management and Executives as at 30 June 2016.

## NOTE 20: EVENTS AFTER THE BALANCE DATE

The Company has received $180,000 post the balance date from Coleman Ventures Limited for and it has been agreed that this will be treated as an advance on the first full note to be drawn down under the Convertible Note Agreement at a future date.

No other matter or circumstance has arisen since 30 June 2016 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years the Group's operations, the results of those operations, or the Group's state of affairs.

## NOTE 21: AUDITORS' REMUNERATION

The auditor of Pan Asia Corporation Limited is HLB Mann Judd.

| | CONSOLIDATED | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Amounts due and received by the auditor for: | | |
| - audit or review of the financial report | 39,000 | 37,750 |
| - preparations of an independent expert's report | 13,000 | 20,000 |
| | 52,000 | 57,750 |

## NOTE 22: COMMITMENTS AND CONTINGENCIES

As at 30 June 2016, there are no commitments and contingent liabilities to be disclosed.

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

## NOTE 23: KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) remuneration has been included in the Remuneration Report Section of the Directors Report.

**KMP Compensation**

Refer to the Remuneration Report contained in the Directors' Report for the details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2016.

The totals of remuneration paid to KMP of the Group during the year are as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2016 $ | 2015 $ |
| Short term employee benefits | 349,556 | 499,000 |
| Post employment benefits | 11,358 | 17,100 |
| Non-monetary benefits | 8,519 | 15,703 |
| | 369,433 | 531,803 |

## NOTE 24: PARENT ENTITY DISCLOSURES

**Financial position**

| | 2016 $ | 2015 $ |
|---|---|---|
| **Assets** | | |
| Current assets | 7,141,798 | 6,895,260 |
| Non-current assets | 5,938,182 | 5,951,740 |
| Total assets | 13,079,980 | 12,847,000 |
| **Liabilities** | | |
| Current liabilities | 611,633 | 833,365 |
| Non-current liabilities | 44,212 | 58,296 |
| Total liabilities | 655,845 | 891,661 |
| **Equity** | | |
| Issued capital | 59,394,469 | 58,475,840 |
| Accumulated losses | (46,970,334) | (46,520,501) |
| Share based payments reserve | - | - |
| Total equity | 12,424,135 | 11,955,339 |

**Financial performance**

| | 2016 $ | 2015 $ |
|---|---|---|
| Loss for the year | (449,833) | 394,928 |
| Other comprehensive income | - | - |
| Total comprehensive loss | (449,833) | 394,928 |

## NOTE 25: SHARE BASED PAYMENTS

There were no share-based payment arrangements in place in the current year.

The following table illustrates the number (No.), weighted average exercise prices of, and movements in share options issued:

| | 2016 No. | 2016 Weighted average exercise price | 2015 No. | 2015 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at the beginning of the year | - | - | 6,100,000 | $0.25 |
| Granted during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | (6,100,000) | $0.25 |
| Outstanding at the end of the year | - | - | - | - |
| Exercisable at the end of the year | | | - | - |

The range in contractual life for the share options outstanding is NIL.

The fair value of the equity-settled share options granted to the other parties as consideration for services rendered is measured as at the date of grant using the fair value of the service received.

There were no options outstanding as at 30 June 2016.

# DIRECTORS' DECLARATION

1. In the opinion of the Directors of Pan Asia Corporation Limited (the 'Company'):

   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

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

   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

This declaration is signed in accordance with a resolution of the Board of Directors.

Luke Martino

Director

Dated 30 September 2016

HLB Mann Judd

## INDEPENDENT AUDITOR'S REPORT

To the members of Pan Asia Corporation Limited.

### Report on the Financial Report

We have audited the accompanying financial report of Pan Asia Corporation Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

***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(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated 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 Group'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 Group'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
**Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.**
**Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au**

HLB Mann Judd

*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report of Pan Asia Corporation Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the year 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(c).

*Emphasis of matter*

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

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

*Auditor's opinion*

In our opinion, the Remuneration Report of Pan Asia Corporation Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

Giallonardo.

**L Di Giallonardo**
**Partner**

**Perth, Western Australia**
**30 September 2016**

# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is complete up to 19 September 2016.

## (a) Ordinary Shares

i) Distribution of ordinary shares

- 490,664,567 fully paid shares held by 802 shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

ii) The number of shareholders, by size of holding, in each class is:

| | No of Holders |
|---|---|
| 1 – 1,000 | 117 |
| 1,001 – 5,000 | 98 |
| 5,001 – 10,000 | 58 |
| 10,001 – 100,000 | 364 |
| 100,001 and over | 165 |
| Holding less than a marketable parcel | 602 |

iii) Substantial Shareholders (fully paid shares)

There are four shareholders registered with 5% or more of the issued shares of the Company as of 19 September 2016.

| | Fully Paid Number | %IC |
|---|---|---|
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 286,445,743 | 58.38% |
| CITICORP NOMINEES PTY LIMITED | 39,100,807 | 7.97%% |
| ABN AMRO CLEARING SYDNEY NOMINEES LIMITED | 27,083,923 | 5.52% |

(iv) Twenty largest holders of quoted equity securities (fully paid shares)

| Name | Fully Paid Number | %IC |
|---|---|---|
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 286,445,743 | 58.38% |
| CITICORP NOMINEES PTY LIMITED | 39,100,807 | 7.97% |
| ABN AMRO CLEARING SYDENY NOMINEES PTY LTD | 27,083,923 | 5.52% |
| LANESBOROUGH INVESTMENT PTE LTD | 24,000,000 | 4.89% |
| NATIONAL NOMINEES LIMITED | 7,000,000 | 1.43% |
| RIDGESCAN PTY LTD | 5,821,000 | 1.19% |
| LJM ENTERPRISES (WA) PTY LTD | 5,000,000 | 1.02% |
| MONEX BOOM SECURITIES (HK) LTD | 3,270,000 | 0.67% |
| MR ANTHONY JOHN MORGAN | 3,000,000 | 0.61% |
| DOMENAL ENTERPRISES PTY LTD <DVM SUPER FUND A/C> | 2,500,000 | 0.51% |
| COMSEC NOMINEES PTY LIMITED | 2,389,083 | 0.49% |
| MRS KYUNG-HWA LEE & MR MICHAEL CHANG | 2,029,170 | 0.41% |
| MR JOHN DESMOND MARTIN | 2,000,000 | 0.41% |
| MR DAMIEN ALLEN | 2,000,000 | 0.41% |
| MS ANGELINA HUI-MIN TAN | 2,000,000 | 0.41% |
| OATSWORTH PTE LTD | 1,837,299 | 0.37% |

| | | |
|---|---|---|
| MR GREGORY MCDONALD BALL | 1,625,000 | 0.33% |
| MR GEORGE VINCENT ANTHONY TARANTO | 1,500,000 | 0.31% |
| MARK SOMMERS HILL | 1,500,000 | 0.31% |
| BNP PARIBAS NOMS PTY LTD | 1,458,334 | 0.30% |
| JOHN WARDMAN & ASSOCIATES PTY LTD | 1,424,577 | 0.29% |
| MR SAM FRANCIPANE | 1,276,367 | 0.26% |

## TCM Project (Production Mining Business Licence ("IUP") – South Kalimantan)

### Interest in Mining Tenements

| Holder | Production IUP | Location | % interest |
|---|---|---|---|
| PT Transcoal Minergy | Operation Production IUP | Mantewe District, Tanah Bumbu Regency, South Kalimantan Province, Indonesia | 75% |

The Company owns 75% of PT Transcoal Minergy, the owner of mining operation production licence 545/091/IUP-OP/D.PE/2010 dated 28 April 2010 and situated within the administrative boundaries of the Kecamantans of Mantewe and Batulicin, Kapupatan Tanah Bumbu Province of South Kalimantan, Indonesia. The area is approximately 125km east of Banjarmasin (the provincial capital of South Kalimantan) and approximately 40km northwest of Batulicin (the capital of the Kabupatan Tanah Bumbu). The concession is adjacent to the east of Arutmin's ATA open pit coalmine and as such, it benefits from having well known high CV coal quality and good established infrastructure.

### TCM PROJECT JORC RESOURCES *

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

### Coal Quality Resource Summary of Underground Mineable Seams S5 + S6

| Seam ID | TM | IM | Ash | VM | FC | TS | CV (adb) | RD |
|---|---|---|---|---|---|---|---|---|
| | (% ar) | (% adb) | (% adb) | (% adb) | (% adb) | (% adb) | (Kcal/kg) | g/Cc |
| **S5** | 5.2 | 3.9 | 12.8 | 41.7 | 41.6 | 1.65 | 6,655 | 1.36 |
| **S6** | 5.0 | 3.6 | 12.7 | 42.3 | 41.5 | 0.39 | 6,705 | 1.36 |
| **Weighted average value for S5+S6** | **5.10** | **3.75** | **12.75** | **42.00** | **41.55** | **1.02** | **6680** | **1.36** |

**Indicative 14% Ash Coal Specification – After Washing**

| **Proximate Analysis** | | **14% Ash Spec** | |
|---|---|---|---|
| Total Moisture | ar | 8.5 | |
| Inherent Moisture | adb | 3.0 | |
| Ash content | ar | 14.0 | |
| Volatile Matter | ar | 38.1 | |
| | daf | 49.8 | |
| Fixed Carbon | | by difference | |
| Total Sulfur | ar | 1.00 | |
| Calorific Value | ar | 6200 | |
| | adb | 6600 | |
| | daf | 8000 | |
| **Ultimate Analysis - From F1.6 Analysis** | | | |
| Carbon | daf | 79.6 | |
| Hydrogen | daf | 6.05 | |
| Nitrogen | daf | 1.12 | |
| Total Sulfur | daf | 0.75 | |
| Oxygen + error | daf | 12.48 | |
| **Ash Fusion Temperature** | | | |
| | | Reducing Atmosphere | Oxidising Atmosphere |
| Deformation | ºC | >1600 | >1600 |
| Spherical | ºC | >1600 | >1600 |
| Hemispherical | ºC | >1600 | >1600 |
| Flow | ºC | >1600 | >1600 |
| **Ash Chemistry - From F1.60 coal analysis only** | | | |
| Silica as SiO2 | % | 51.4 | |
| Aluminium as Al2O3 | % | 31.0 | |
| Iron as Fe2O3 | % | 8.6 | |
| Calcium as CaO | % | 2.35 | |
| Magnesium as MgO | % | 0.50 | |
| Titanium as TiO2 | % | 3.05 | |
| Sodium as Na2O | % | 0.50 | |
| Potassium as K2O | % | 0.12 | |
| Manganese as Mn3O4 | % | 0.039 | |
| Phosporus as P2O5 | % | 0.221 | |
| Sulfur as SO3 | % | 1.15 | |
| Crucible Swelling Number | | - | |
| **Physical Properties** | | | |
| Hardgrove Grindability Index | | 45 | |
| Nominal Top Size | mm | 50 | |
| Minus 2mm | % | 15 | |
| **Estimated Yields** - Based on 3.63m of coal and 0.79m parting | | 78% | |

PARAMETERS USED IN JORC UPGRADE

1. A total of 64 boreholes was used for the update of the resource estimation;
2. All finished boreholes were geophysically logged, samples taken and sent to laboratories;
3. Profiles, logs of boreholes and seam correlations have been completed;
4. Collar coordinates have been completed;
5. Laboratory testing: quality, geotech, gas methane undertaken;

6. Some of the coal quality data has been obtained from boreholes with less than 95% linear recovery. The lower core recoveries typically result from the weak, brittle nature of Indonesian coals, high vitrinite contents and drilling techniques used. The removal of geotechnical samples from the coal seams has also affected sample recovery for coal quality test work in some boreholes. Coal quality contour plans indicate a relatively consistent spatial distribution of key quality parameters, including air-dried ash content and calorific value. The low degree of spatial variability is typical of the seams of the Tanjung Formation, which typically do not exhibit the degree of variability observed in many Australian coal formations. This has been further verified by statistical analysis of geological data over the TCM concession area, which has illustrated that the quality values are within expected ranges and have not been affected by boreholes with less than 95% recovery.
7. A full version of an updated resource statement has been elaborated with the recent drilling and laboratory testing completed.

Future resource statements will only report resources within the S5 and S6 seams as they are expected to be economically viable by underground mining methods. All other seams will be excluded.

The JORC Resource calculation was undertaken by European coal industry group Kopex Mining Contractors (part of the KOPEX Group) and is the fourth coal resources statement in the TCM concession. The latest JORC Statement is dated 31 October 2012 and was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The above-mentioned JORC Resources, Coal Quality and Specifications are unchanged from those reported in the previous year. The Company ensured that governance arrangements mineral resource estimates quoted were subject to governance arrangements and controls and a summary of the procedures and parameters for coal estimation is outlined as follows:

An “in situ” geological model was initially created by GMT geologists working on the TCM project using Mincon software. The final model after completion of drilling stages was built by Palaris Australia Consulting. The model had cut off criteria applied. The model and underlying raw data such as borehole logs, coal quality reports and geophysical logs were reviewed by Competent Person, Marek Rosa. First resources estimation was completed by the GMT geologist as at 31 May 2010 after completion of Drilling Phase 1. Drilling phase 2 was then subsequently completed, new exploration data was reviewed by Marek Rosa and correlated with previous data obtained to the end of May 2010. The geological model was updated and new structure/ quality/ thickness map and cross sections were prepared. The geological model was categorised into indicated and inferred confidence areas and then coal volumes, tonnages and qualities were estimated and reported in these categories. The second resource estimation was completed by Kopex as at 31 January 2011 based on exploration in drilling phases 1&2. The exploration Drilling Phase 3 began in June 2011 with a total of 34 boreholes supervised by Kopex geologists. This drilling program was designed to increase the level of confidence of resources and provide data required for designing of an underground mine. After completion of Drilling Phase 3 in March 2012 and laboratory testworks, all obtained to date geological data was re-examined. The geological model was categorised into measured, indicated and inferred confidence areas and then coal volumes, tonnages and qualities were estimated and reported in these categories. Cross sections, plans and deposit characteristics such as structure, number and thickness of seams were examined to decide on minimum seam thickness, coal quality and resources estimation. These factors were then used to update the in situ geological model dated 15 April 2012. Further boreholes were drilled through to 21 June 2012 which were reviewed and added to the final geological mode. Further review of 64 boreholes were undertaken and results documented in the latest JORC Resources Statement of 31 October 2012.

*The information was prepared and first disclosed under the JORC Code 2004. It has not been updated since, to comply with the JORC Code 2012, on the basis that the information has not materially changed since it was last reported.

**Competent Persons' Statement**

The information in this release that relates to the Coal Resources of PT. Transcoal Minergy ("TCM") is based on information compiled and reviewed by Mr. Marek Rosa, who is a Member of the Australasian Institute of Mining and Metallurgy (The AusIMM) and works full time for PT Kopex Mining Contractors based in Jakarta, Indonesia (Member of Kopex Group Poland).

Mr Rosa is a qualified geologist who has more than 20 years of relevant mining and geological experience in coal, working for major mining companies in Poland (17 years) and in Indonesia (4 years) as a consultant. He has National Polish geological license No II-1140 for research, exploration, resource and reserve estimation of deposits of basic minerals and coalbed gas methane. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, assessment, evaluation and economic extraction of coal in Poland and Indonesia. He has sufficient experience, which is relevant to the style and type of deposit under consideration especially for Underground Mining and to the activity he is undertaking to qualify him as a Competent Person for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The estimates of Coal Resources have been carried out in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (December,2004) and Mr Rosa consents to the inclusion in this release of the Mineral Resources in the form and content in which it appears.

**MAREK ROSA** M.Sc. (Geology), MAusIMM