

31 October 2016

SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

Pan Asia Corporation Limited (ASX: **PZC**) (the Company) is pleased to report on its activities for the quarter ending 30 September 2016 (the Quarter).

HIGHLIGHTS

- **Review of Possible Acquisition of NEC Assets**
- **Review of Universal SGX listing of TCM Project**

Possible Acquisition of NEC Assets

The Company previously announced that it had entered into a binding but conditional term sheet to acquire a sizeable coal operation comprising conventional coal exploration and pre-development projects in the Bowen Basin in Queensland Australia from United Queensland Resources Pty Ltd (“UQR”) and its wholly owned subsidiary New Emerald Coal Limited (NEC).

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

Please refer to both the ASX announcement on 10 December 2015 and 14 December 2015 for details.

This possible acquisition is currently under review with the Company evaluating all its options. The board expects to make a decision on this in November 2016.

Drawdown on Convertible Note

The Company has drawn down some funds from this facility during the quarter & subsequently in October. It plans to further drawdown from this facility in the coming quarter.

Universal SGX listing of TCM Project

In early June 2015, Pan Asia announced it had 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 and Pan Asia, upon completion of the successful listing, will receive shares in Universal to the value of SGD \$30m at the IPO issue price.

To facilitate the Transaction, on May 9th, 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.

Commercial Arrangements:

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.

However, with the improving coal price, the Company has been approached to sell its interest in the project for cash. The board is considering this alternative pathway in parallel with assessing progress by Universal.

ENDS

Mining Tenement Details

The Company owns a 75% interest in PT Transcoal Minergy, the owner of mining operation production licence 545/091/IUP-OP/D.PE/2010 dated 28 April 2010, located in the Tanah Bumbu Province in the Regency of South Kalimantan, Indonesia

About Pan Asia

Pan Asia Corporation Limited aims to be a supplier of key energy resources into the expanding Asian markets. Our flagship TCM Project is a high CV thermal coal project in South Kalimantan. The Company seeks to generate significant projects, de-risking them ready for development partners / offtake agreements with quality, life of mine partners.

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