

6 September 2010

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Dear Shareholders

Update on Acquisition of Innovation West Pty Ltd

Further to the previous announcements made by **Pan Asia Corporation Limited (ASX: PZC) (Pan Asia or the Company)**, the Company provides the following information by way of update regarding Pan Asia's proposed acquisition of an interest in certain coal projects in Indonesia through the purchase of all of the issued capital of Innovation West Pty Ltd (**Innovation West or IW**) (**Acquisition**).

1. Innovation West

As previously announced, Innovation West is an Australian company which has an interest in a number of coal projects in Indonesia. Upon completion of the Acquisition of Innovation West, the Company will acquire a significant and balanced package of coal assets. Details of the asset package and key commercial points are summarised in this release.

Pan Asia's Board and management are very enthusiastic as to the quality and prospectivity of these interests and are committed to completing the Acquisition as soon as is practicable.

The projects being acquired provide:

- Immediate cashflow via a financing provided for the expansion of production (Nadvara)
- A flagship project that is in pre-development stage (TCM)
- A flagship exploration project (BCKP / SIM)
- A number of exploration projects & a pipeline of additional project opportunities

The Company believes this combination of assets provides the Company with the platform to achieve its initial goal of becoming a significant supplier of competitively priced energy to Asia.

The projects that Pan Asia gains access to via the Acquisition of Innovation West are detailed in Attachment A but are overviewed below:

Immediate Cashflow Project –Financing Provided for Expansion of Production – Thermal Coal, East Kalimantan

★ Nadvara (“NAD”) – financing and offtake rights

- Current production ramping up to 1.2 Mt per annum & then 1.8Mt per annum.
- Calorific Value averages 5,300 kcal / kg (adb).
- Excellent location with haulage road, stockyard and conveyor loading jetty all operational.
- JORC reserve of 5.84 Mt and Measured and Indicated resource of 19.63 Mt with additional potential.
- USD 5 M advance already provided for expansion of production, repayable to IW from production plus royalty.
- Offtake rights - first 4.8 million tonnes of coal sold to Noble Resources (“Noble”).

Flagship Project - Pre Development – Thermal Coal, South Kalimantan

- ★ *Transcoal Minergy (“TCM”) – 75% interest*
 - Targeting long life underground operations
 - Possible initial open pit.
 - Calorific Value of ~6,500 – 6,800+ kcal / kg (adb).
 - Maiden JORC resource of 19.75Mt (Indicated) and 11Mt (Inferred).
 - Additional drilling now targeting 50Mt to 60Mt Exploration Target¹.
 - MOA’s signed with significant international underground coal mining groups with existing operations in Indonesia.

Flagship Exploration Project – Thermal Coal, East Kalimantan

- ★ *Baramega Citra Kutim Permai and Surya Ibrahim (“BCKP & SIM”) – right to earn a 50% interest*
 - 32,307 Ha with coal outcrops of significant thickness.
 - Calorific Value expected between ~5,400-5,800 kcal / kg (adb). Historic exploration with 27 holes drilled.
 - Initial exploration target of 50 to 70 Mt¹.

Exploration Projects – Thermal Coal - East Kalimantan except where stated

- ★ *Jaya Kanigara (“JK”) – 80% interest South Sumatra*
 - 4,500 Ha concession, highly prospective for large coal deposits.
 - Initial Exploration target of 10 to 20 Mt¹.
- ★ *Ratu Ayu (“RAY”) – right to earn a 50% interest*
 - 1,508 Ha adjacent to concessions hosting large tonnage of coal
 - Potential to form part of large regional project
 - Exploration target of 10 to 15 Mt¹.

Project Pipeline

- ★ *Perdana Maju Utama (“PMU”) – Financing & offtake rights*
 - Right to offtake a portion of production via a pre-financing.
 - Possible Q4 2010 development.
 - Calorific Value of ~5,200 - 5,700 kcal / kg (adb).
- ★ *Permata Buana, Seka Prima Energy and Sena Mediatama (“PB, SPE & SM”) – 80% interest*
 - 3,177 Ha + with coal outcrop identified over 6 km of strike length.
 - Calorific Value expected between ~4,800-5,800 kcal / kg (adb).
 - Potential to form part of large regional project in Bangalon area
 - Exploration target of 20 to 30 Mt.¹
- ★ *The upgraded asset portfolio has been negotiated by IW with various Indonesian groups, one of which is led by Mr Honardy Boentario (proposed director of Pan Asia as IW nominee upon completion of Acquisition). Under the agreement with Mr Honardy Boentario, IW also has rights to additional coal projects held and being acquired by Mr Honardy Boentario located in East Kalimantan and the Berau coal producing area.*

¹Exploration Targets:

It is common practice for a company to comment on and discuss its exploration and development in terms of target size and type. The information included in this announcement relating to the production, development or exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource or Reserve. It is uncertain if further exploration will result in the determination of a Mineral Resource or Reserve. The current interpretation remains preliminary and is based on exploration, evaluation and resource definition work performed by the current owners

Offtake Rights

★ *Offtake rights for production from NAD, PMU, BCKP & SIM and RAY.*

A key part of the Company's strategy is to acquire the offtake rights of projects in which it is involved. To this end, it has formed a relationship with Rockfield Resources as an adviser in the handling of these offtakes. The first completed offtake for 4.8 million tonnes of coal from Nadvara with Noble was recently announced (refer ASX announcement 23 August 2010).

Pursuant to this arrangement, IW has entered into a coal purchase agreement with Noble, with coal deliveries to commence September 2010. Noble has provided finance of \$2 million to IW and Pan Asia has agreed to provide a corporate guarantee to Noble in connection with this financing.

A thorough legal due diligence process over the major rights being acquired (NAD and TCM) has been completed and is in the final stages of completion on the secondary assets. The due diligence for acquiring IW has been satisfied as the Board considers the major rights (NAD and TCM) being acquired are more than sufficient to proceed with the Acquisition. The Company is well advanced now with the preparation of the Notice of General Meeting for seeking shareholder approval for the Acquisition of IW (refer section 5 of this update for indicative timing).

2. Confirmation of Terms of the Acquisition

As previously advised, the material terms of the Acquisition are as follows:

- (a) Pan Asia will acquire all of the abovementioned interests by purchasing all of the issued capital of Innovation West.
- (b) The consideration to be paid to the vendors of Innovation West (**Vendors**) will be 655,000,000 fully paid ordinary shares in the capital of Pan Asia (noting that 25,000,000 performance shares were initially provided for with a performance hurdle to conversion which has now been achieved upon the signing of the offtake agreement with Noble Resources. These will now be issued as fully paid ordinary shares).
- (c) Pan Asia will reimburse Innovation West for all expenses incurred in relation to Innovation West's own legal, financial and technical due diligence enquiries in respect of the coal projects which it has acquired an interest in.
- (d) Pan Asia has agreed to make loans available to Innovation West to assist Innovation West secure the rights in relation to the coal projects. These loans are to be repaid by Innovation West.
- (e) The Vendors will be entitled to nominate 2 new members to the Board of Pan Asia.
- (f) Completion of the Acquisition is subject to certain conditions (usually seen in these type of acquisitions), the key condition being the Company obtaining all necessary shareholder and other approvals for the Acquisition pursuant to the Corporations Act and the ASX Listing Rules.

3. Confirmation of ASX Requirements

ASX has confirmed that in order for Pan Asia to complete the Acquisition, it will be required to obtain shareholder approval for the change of nature and scale of Pan Asia's activities arising from the Acquisition in accordance with Listing Rule 11.1.2 and comply with Chapters 1 and 2 of the Listing Rules, as if Pan Asia was applying to admission to the official list of ASX.

If shareholders approve the Acquisition, trading in Pan Asia's securities will be suspended from the date of the shareholder meeting until such time as Pan Asia has complied with the applicable Listing Rules (including execution and delivery of any applicable Vendor escrow agreements). Pan Asia will endeavour to have these requirements satisfied shortly after the shareholder meeting.

4. Consolidation, Capital Raising and Proforma Balance Sheet

Shareholders should also note that Pan Asia will need to consolidate its capital for the purposes of re-compliance with Chapters 1 and 2 of the ASX Listing Rules, namely the requirement to have its shares quoted at the required listing admission price. The final ratio for the consolidation is currently under consideration by Pan Asia and will be advised in due course. Outlined below is the capital structure of Pan Asia assuming completion of the Acquisition and a consolidation on a 20 for 1 basis (noting actual final consolidation ratio will be set at the appropriate time):

Ordinary shares

Current shares on issue	1,228,460,832
Post consolidation 20:1	61,423,042

Acquisition consideration	32,750,000
Proposed maximum capital raising	5,000,000 ¹
Total ordinary shares on issue	99,173,042²

Performance shares

Current performance shares on issue	150,000,000
Post consolidation 20:1	7,500,000

Acquisition consideration	0
Total performance shares on issue	7,500,000

Options

Current options on issue	315,552,485
Post consolidation 20:1	15,777,625

Acquisition consideration	0
Total options on issue	15,777,625

Notes:

1. It is noted that a capital raising on terms to be determined and pursuant to a Prospectus will occur concurrently with completion of the Acquisition. At present, it is anticipated that the Company will raise a maximum of \$1 million with a minimum subscription of \$200,000. The above assumes maximum capital raising.
2. Assumes no further issue of shares in Pan Asia prior to implementation of the Acquisition, including no prior conversion of performance shares or options currently on issue.

Based on the above, the Vendors of Innovation West will in aggregate acquire approximately 33% of Pan Asia's issued share capital on an undiluted basis and approximately 27% on a fully diluted basis.

A proforma balance sheet of the Company assuming completion of the Acquisition is set out in Attachment B.

5. Further information and Timing Update

To satisfy the ASX requirements as set out above, Pan Asia is currently finalising the preparation of a Notice of General Meeting (including an Independent Technical Report on Innovation West's coal interests in Indonesia) (**Meeting Materials**) for the purpose of seeking the shareholder approvals set out herein. These documents will contain further detailed disclosure regarding the Acquisition and Innovation West.

The anticipated timing for the release of these documents and other key events is set out in the indicative timetable below:

Event	Anticipated Date*
Despatch of Meeting Materials to shareholders	22 September 2010
Lodge Prospectus	4 October 2010
Company's securities are suspended from quotation	27 October 2010
General meeting of shareholders to approve the Acquisition	27 October 2010
Complete capital raising and Acquisition	5 November 2010
Company confirms with ASX that it has complied with the Chapters 1 and 2 of the Listing Rules	10 November 2010
Securities reinstated to quotation on ASX	12 November 2010

* These dates are indicative only and are subject to adjustment by the Company.

Pan Asia is pleased that this Company transforming acquisition is now nearing completion and looks forward to a dynamic growth period for the Company based on the new assets being acquired.

Yours faithfully



ALAN G. HOPKINS
Chief Executive Officer

ATTACHMENT A

SUMMARY OF COAL PROJECT PORTFOLIO:

The Company has been undertaking thorough, detailed legal due diligence of the assets to be acquired. Based on the preliminary results of this process and active negotiation with the Indonesian parties, the Company reconfirms its intention to acquire IW.

The following are the preliminary details of the upgraded project portfolio to be acquired under the Acquisition. Some of these details have been provided by the parties controlling these projects and therefore may be subject to change in the course of the completion of trailing legal and technical due diligence.

As detailed on page 4 above, the Company is in the process of finalising its Notice of Meeting which will include a more detailed Independent Technical Report on Innovation West's coal interests in Indonesia. However, the following summary provides an initial overview.

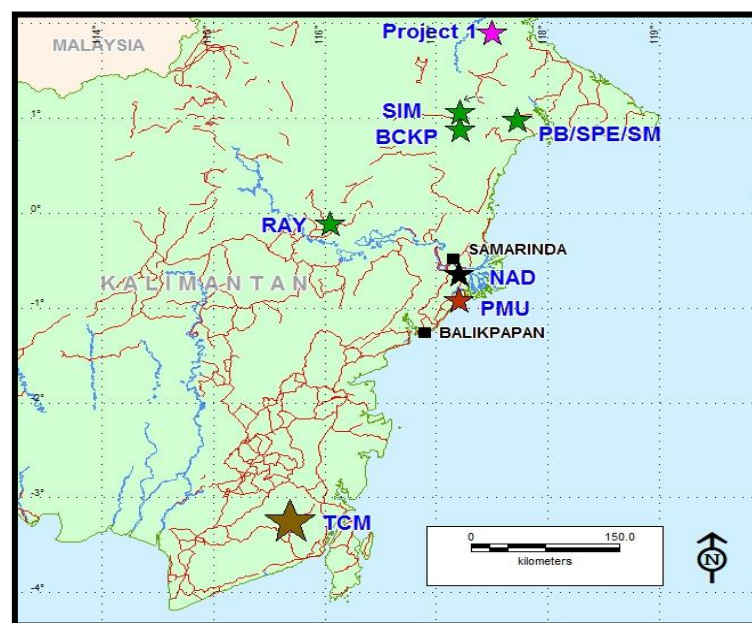


Figure 1 - Location of Projects (East Kalimantan)

PROJECT DETAILS:

Nadvara Thermal Coal Project (“NAD”), East Kalimantan: *Immediate Cashflow via a Financing to Expand Production.*

The NAD project is located near the mouth of the Mahakam River, approx 15km SE of Samarinda in East Kalimantan. The concession held by PT Nadvara covers 657 Ha, with two open pits currently producing at the rate up to 1 Mt of thermal coal per annum from seams up to 15-20 m thick. The Calorific Value of coal produced at NAD is typically 5,200 - 5,500 kcal / kg (adb), averaging 5,300 kcal / kg (adb). Coal production is currently being ramped up to in excess of 1.2Mtpa and targeting 1.8mtpa.

The immediate production areas have a previously reported JORC Proven and Probable reserve of 5.9 Mt, with an additional JORC Measured and Indicated resource of 19.6 Mt still to be developed (total reserve and resource of 25.5 Mt). Based on this, mine life is currently estimated to be in excess of 8 years. Additional drilling and mining studies are planned in the existing mining areas to determine if extra tonnage and mine life can be added and/or if further mine optimisation is required.

All transport and loading infrastructure is in place and fully operational, including a 9 km haul road to a large stockyard containing four mobile crushing units. The stockyard is immediately adjacent to a loading conveyor capable of loading 320ft barges. The loading capacity of existing infrastructure is currently 2.4 Mt per annum. The project enjoys an excellent location bordering the delta near the mouth of the Mahakam River resulting in a very short barge sailing time to the mother vessel.

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The owners of NAD have committed to providing coal sales from NAD at a rate of ~50,000 tonnes per month (tpm) for the initial three months, followed by ~100,000 tpm thereafter for an initial offtake period of 4 years, renewable.

IW committed to fund USD 5 Million to facilitate the above production expansion, to be paid in 2 instalments. The first instalment of USD 3.5 Million was funded by a loan from Pan Asia with the second instalment of USD 1.5 million to be settled as part of the current Noble project financing. The USD 5 million loan advanced for the NAD expansion is to be repaid to IW / PZC at the rate of USD 2/ t plus a royalty of USD 60cpt. In addition, IW has the offtake rights for the above production, and receives an offtake margin for facilitating the offtake. The royalty continues beyond the loan repayment period for as long as IW facilitates an offtake for the production. The first completed offtake for 4.8 million tonnes of coal from NAD with Noble was recently announced (refer ASX announcement 23 August 2010). Pursuant to this arrangement, IW has entered into a coal purchase agreement with Noble, with coal deliveries to commence September 2010. Noble has provided prepayment finance of \$2 million to IW and Pan Asia has agreed to provide a corporate guarantee to Noble in connection with this financing (with a fee payable to Pan Asia by IW if the Acquisition were not to proceed).

Resources									
Measured (tonnes)	Indicated (tonnes)	Total (tonnes)	TM (%ar)	IM (%arb)	Ash (%adb)	VM (%adb)	FC (%adb)	TS (%adb)	GCV (kcal/kg, adb)
12.47	7.16	19.63	26.84	17.3	3.4	40.0	39.3	0.24	5332
Reserves									
Proven (tonnes)	Probable (tonnes)	Total (tonnes)	TM (%ar)	IM (%arb)	Ash (%adb)	VM (%adb)	FC (%adb)	TS (%adb)	GCV (kcal/kg, adb)
3.12	2.72	5.84	25.95	17.2	3.66	40.13	39.01	0.24	5331

Table 1 – JORC reserves and resources for Nadvara.



Figure 2 – Current coal mining operations at NAD.

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Figure 3 – Current haul road infrastructure at NAD.



Figure 4 – Current conveyor loading operations for NAD.

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Transcoal Minery (“TCM”), South Kalimantan: Flagship Project *Pre-Development – High CV*

Pan Asia will acquire (through the Innovation West Acquisition) a 75% interest in the Transcoal Minery (TCM) Coal Project located in South Kalimantan, Indonesia. The 3,440Ha TCM concession is held by PT Transcoal Minery and has recently been upgraded to Exploitation status. It is located immediately adjacent to the ATA open pit thermal coal mine currently owned and operated by PT Arutmin Indonesia (part of PT Bumi Resources Tbk Group) at an annual rate of 2Mtpa. The coal seams being mined in the ATA pit dip at a shallow angle (~6-10°) into the TCM concession area and have been the target of exploration activities performed by IW. The current high-wall of the ATA pit has reached the western TCM boundary thus limiting future expansion potential. The coal-bearing sequence features four main coal seams of economic thickness, with some variation in coal quality across these seams. IW have identified two potential options to exploit the coal within TCM and are continuing to actively explore both these options with the aim of initiating coal production within the coming two years. To date, IW has signed Memorandum of Understanding with two specialist underground mining contractors with proven experience in developing and operating underground coal mines in Indonesia. Drilling undertaken by IW on approximately 18% of the exploitation concession area has delineated 19.75Mt (Indicated Resource) and an additional 11Mt (Inferred Resource) of high-quality bituminous thermal coal. Drilling is continuing and an Exploration Target of 50 MT to 60MT is now expected from this concession.

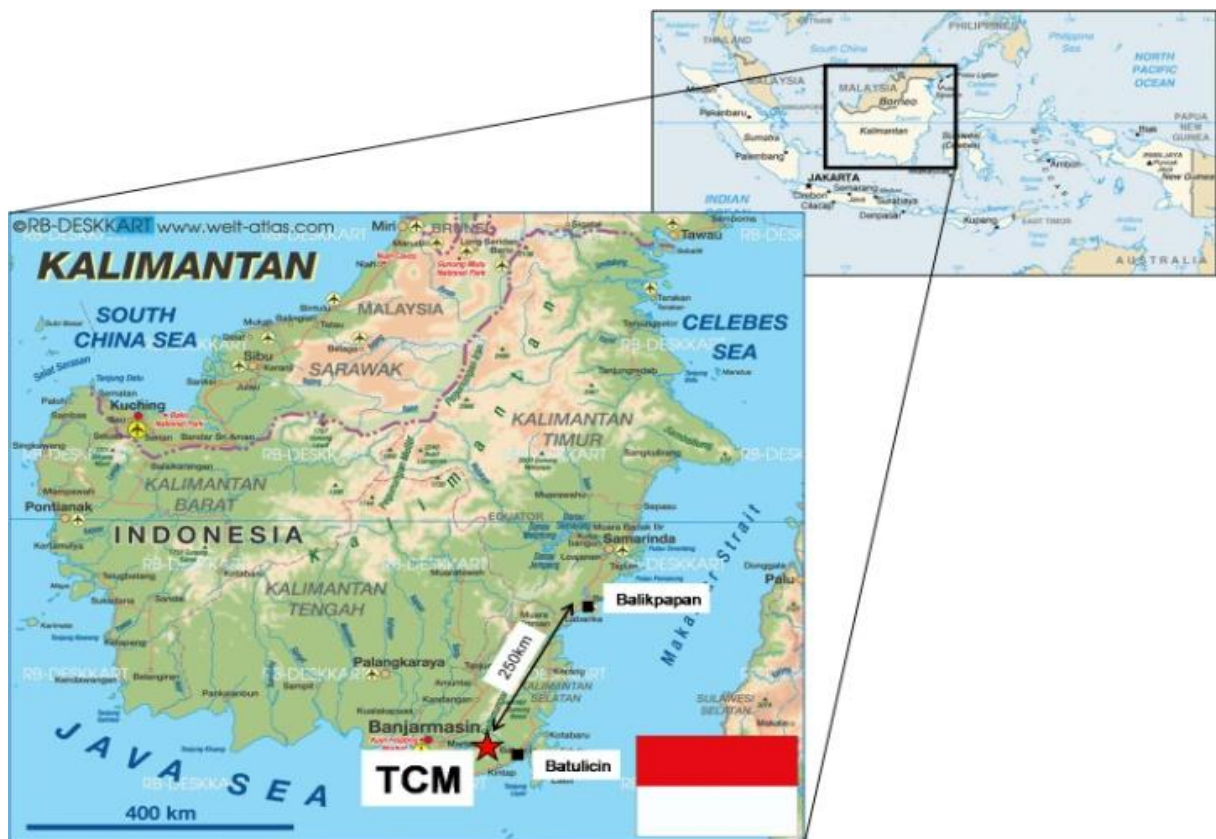


Figure 5 - Location of TCM in South Kalimantan.

	JORC-compliant Coal Resources								
	TONNAGE	TM (%)	IM (%)	ASH (%)	VM (%)	FC (%)	S (%)	GCV (adb)	CV (daf)
Indicated	19,745,000	4.64	5.28	12.09	42.66	41.09	1.83	6682	7984
Inferred	11,000,000	3.90	5.47	11.58	43.10	41.36	1.74	6749	7974

Table 2 - Indicated and inferred coal resources defined in the southern part of the TCM concession.

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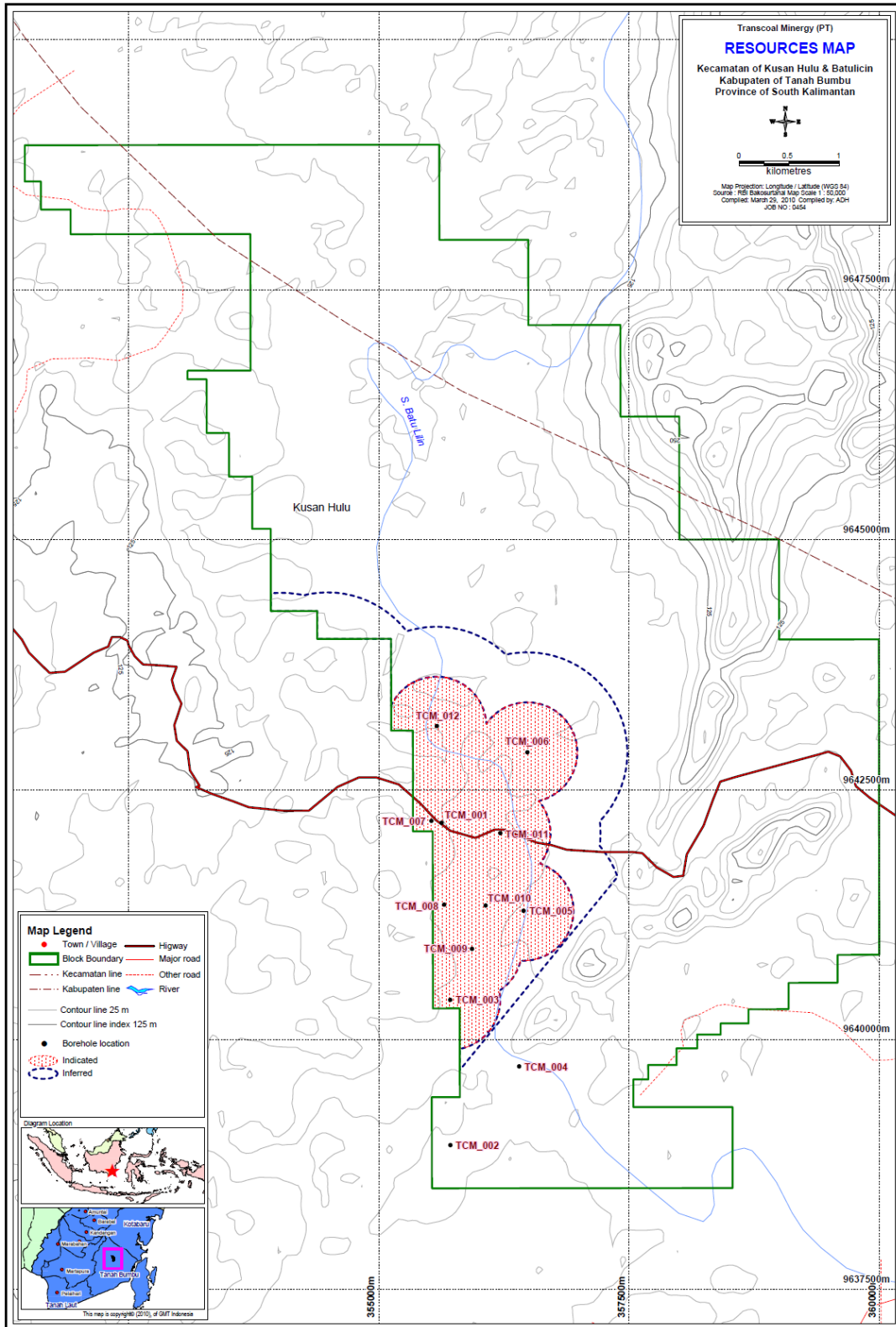


Figure 6 - Coal resource polygons within the TCM Exploration concession.

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Figure 7 – ATA open pit owned by PT Arutmin with the TCM concession located immediately adjacent.

BCKP and Surya Ibrahim (“BCKP & SIM”) projects, East Kalimantan: Flagship Exploration Project

The BKCP (held by PT Baramega Citra Kutim Permai) and SIM (held by PT Satria Ibrahim Mandiri) concession areas are large concessions in the Kabupaten of Kutai Timur in East Kalimantan. The BKCP concession covers an area of 14,015 hectares, while the SIM concession covers an area of 18,292 hectares. Both concessions are within the Kecamatan of Wahau, 60 kilometres north-northwest of the town of Sangatta, well known as being the main mining centre for PT Kaltim Prima Coal, one of Indonesia’s biggest coal mines.

The project areas contain coal outcrops mapped on surface and a total of 27 historic holes have been drilled. This drilling has indicated seam thicknesses varying from 0.6 m to 4.2 m, and with a Calorific Value expected to be 5,400-5,800 kcal / kg (adb). The initial Exploration Target for this project area is 50-70 Mt. PZC has (via the IW Acquisition) the right to earn a 50% interest in each of these concessions by financing all exploration up to decision to mine.

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Figure 8 – Coal outcrop at BCKP & SIM.

Jaya Kanigara (“JK”) project, South Sumatra: Exploration

This concession area is held by PT Jaya Kanigara and is located in the Kecamatan of Menggala, Kabupaten of Tulang Bawang, Province of Lampung in southern Sumatera. The concession area contains sediments belonging to the Muara Enim Formation, a well-known coal-bearing formation in Sumatera and hosting some very large deposits of coal (+100Mt). Exploration in this concession appears minimal to date and drilling would be the most effective exploration tool in this area as the coal seams dip shallowly and may not outcrop well. Logistically, the position is more favourable than some other deposits in the southern end of Sumatera.

PZC will acquire (via the IW Acquisition) an 80% interest in this concession, free carrying the 20% local interest.

Ratu Ayu (“RAY”) project, East Kalimantan: Exploration

The RAY concession controlled by Ranrich Investments covers 1,508 Ha in East Kalimantan. The area of the concession contains two rock formations, the Balikpapan Formation and Quaternary Alluvium. The coal-bearing formation in the area is the Balikpapan Formation, which also hosts a number of large deposits of sub-bituminous coal near to the RAY concession area. RAY concession is located adjacent to a number of these large tonnage deposits and provides the potential to form a large regional project for the production of thermal coal. The initial Exploration Target for this concession is 10-15Mt Mt.

The deposits of coal known in the area occur in thick seams, occasionally greater than 10 metres in thickness and the coal seams generally dip shallowly (often less than 10°). This often leads to large tonnages of coal close to the surface with low stripping ratios.

PZC has (via the IW Acquisition) the right to earn a 50% interest in this concession by financing all exploration up to decision to mine.

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Permata Buana, Seka Prima Energy and Sena Mediatama ("PB, SPE & SM"), East Kalimantan: Exploration

The PB, SPE & SM project covers an area of 3,177+ Ha in East Kalimantan, and has recently been surveyed by the Company's geological consultants. This survey identified coal outcrops spanning some 6 km of strike length with seams up to 2 m in thickness. The Calorific Value ranges between 4,800 – 5,800 kcal / kg (adb). Based on preliminary work, an initial Exploration Target of 20-30 Mt is expected, with the potential to increase as drilling is undertaken. The concessions are very well located near the coast, and are adjacent to an 8 Mt per annum thermal coal mine at Kaltim Prima's Bengalon concession and close to the 1.5 Mt per annum Perkasa Inakakerta operating coal mine. Technical due diligence is complete on this project but there are trailing legal due diligence items to be completed.

PZC will acquire (via the IW Acquisition) an 80% interest in each of these concessions, free carrying the 20% local interest.



Figure 9 – Coal exposed in a small excavation at PB, SPE & SM.



Figure 10 – Coal outcrop at PB, SPE & SM.

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Perdana Maju Utama Thermal Coal Project (“PMU”), East Kalimantan: **Financing & Offtake**

The PMU project is located in East Kalimantan, approximately 30 km to the south of NAD. The 4,700 Ha concession hosts the coal-bearing Balikpapan and Kampung Baru Formations, which have been the focus of 40 drill holes to date. Coal seams are near the surface and flat-lying, averaging ~1.4 m thick; however they can be up to 4.3 m in thickness in parts. The Calorific Value of coal at PMU is reported in the range 5,200 - 5,700 kcal / kg (adb), however this is in the process of being independently verified by PZC. The Exploration Target is 30-40 Mt.

The Indonesian interests are targeting production of up to 1.2 Mt per annum in 2011, with initial production planned to begin in late 2010 at a rate of approx 20,000-50,000 tpm. The project is fully permitted to begin production, with the IUP Operasi Produksi already granted. The Indonesian parties have initially secured the mining rights to at least 500Ha of this concession and trial deliveries are already underway, with IW having the offtake rights for 100,000tpm of coal produced from this part of the concession.

Some infrastructure is in place, with an existing haul road leading 3 km to a large stockyard area adjacent to a river with the capacity to accommodate 5,000 tonne barges. The project has been issued with a permit to build and operate a barge loading facility. The project is well located, with a relatively short barge sailing time to the mother vessel. In the shorter term, barge loading is possible through agreement with a neighbouring miner who is currently constructing barge loading facilities adjacent to PMU's planned stockyard area.

Once in full production, the Indonesian interests have committed to IW to produce a minimum of 50,000 tpm in the first three months, followed by 100,000tpm for each subsequent month. IW has the right to provide an offtake financing for this project.

OTHER RESOURCE PROJECTS:

In addition to the coal projects above, the Company has the rights to earn into further coal projects in other parts of Indonesia, pending further developments.

The details contained in this announcement supersede any and all details provided in previous announcements (excluding announcements made on the TCM Project) relating to the acquisition of IW.

Competent Person's Statement

The data in this report that relates to Exploration Results, Resources and Reserves is based on information reviewed and evaluated by Mr Brett Gunter who is a member of The Australian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”). Mr Gunter is a fulltime employee of GMT Indonesia and he consents to the inclusion in the report of the Exploration Results and/or Mineral Resource and/or Reserve in the form and context in which they appear.

Disclaimer:

The information concerning production targets in this announcement are not intended to be forecasts. They are internally generated goals set by the board of directors of Pan Asia Corp and to a large degree are based on information provided to the company by the Vendors. The ability of the company to achieve these targets will be largely determined by the company's completion of adequate due diligence, its ability to secure adequate funding, implementation of mining plans, resolution of logistical issues associated with mining and potential to enter into off take arrangements with reputable third parties.

Exploration Targets:

It is common practice for a company to comment on and discuss its exploration and development in terms of target size and type. The information included in this announcement relating to the production, development or exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource or Reserve. It is uncertain if further exploration will result in the determination of a Mineral Resource or Reserve.

Previous JORC Reports and Resources:

The project Vendors have made available reports containing Mineral Reserves and Resources which have been classified under the JORC code. These calculations and reports have been undertaken by a geological consulting group with no apparent affiliation to the Vendors and therefore they can be categorised as an independent party. The authors of these reports are quoted as being Competent Persons for the calculation and reporting of Mineral Resources and Reserves and are members of AusIMM. At the time of this announcement, the Company has made no attempt to independently verifying the Mineral Reserve and Resources presented in these reports.

ATTACHMENT B

Set out below is Pro Forma Unaudited Consolidated Statement of Financial Position of the Company assuming completion of the Acquisition and is based on the unaudited statement of financial position of the Company at 30 June 2010. It is recommended that the financial information be read in conjunction with the Company's preliminary 30 June 2010 Financial Statements and any public announcements made by the company in accordance with its continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules

The historical and pro forma information has not been audited or been subject to an independent review.

The Unaudited Pro Forma Consolidated Statement of Financial Position reflects the anticipated effects of the Nobel Coal Purchase & Finance Agreements as if they had been completed at 30 June 2010.

		A\$,000	A\$,000
		Unaudited Consolidated 30 June 2010	Unaudited Pro Forma Consolidated 30 June 2010
Current assets			
Cash and cash equivalents	Note 1	217	749
Trade and other receivables		18	18
Prepayments		10	10
Other financial assets		17	25
Royalty receivable	Note 2	-	640
Loans to other entities	Note 3	-	3,133
Total current assets		262	4,575
Non-current assets			
Property, plant and equipment		6	6
Royalty receivable	Note 2	-	1,810
Deferred Exploration & evaluation costs	Note 4	1,278	8,214
Other financial assets		16	16
Loans to other entities	Note 3	6,410	4,055
Total non-current assets		7,710	14,101
Total assets		7,972	18,676
Current liabilities			
Trade and other payables		228	228
Loans to other entities	Note 5	-	835
Accruals		79	79
Total current liabilities		307	1,142
Non-current liabilities			
Loans to other entities	Note 5	-	1,392
Total non-current liabilities		-	1,392
Total liabilities		307	2,534
Net assets		7,665	16,142
Equity			
Contributed equity	Note 6	43,761	52,276
Reserves		788	812
Non-controlling interest		(43)	(105)
Accumulated losses		(36,841)	(36,841)
Total equity		7,665	16,142

ATTACHMENT B

	Unaudited Consolidated 30 June 2010 \$'000	Unaudited Pro Forma Consolidated 30 June 2010 \$'000
Note 1: Cash and Cash Equivalents		
Cash assets	217	749
	217	749

Note 2: Royalty receivable

Current	-	640
Non-current	-	1,810
	-	2,450

This royalty receipt represents management's conservative valuation of royalties currently committed from the Nadvara project.

Note 3: Loans to Other Entities Receivable

Current Loans	-	4,073
Non-current Loans	6,410	3,115
	6,410	7,118

These loans relate to funding provided to Innovation West Pty Ltd and or the Group's Indonesian IUP holders to finance exploration and expansion of production.

Note 4: Exploration and Evaluation Expenditure

Balance per preliminary 30 June 2010 financial statements		1,278
Acquired exploration and evaluation expenditure		6,936
		8,214

Note 5: Loans to Other Entities Payable

Current Loans	-	835
Non-current Loans	-	1,392
	-	2,227

These loans represent loan repayments based on anticipated production from the Nadvara project.

	Number of Shares #	Issued Capital \$'000
Note 6: Issued Capital		
Number of shares at 30 June 2010	1,210,460,832	43,761
- Shares issued in acquisition of Innovation West	655,000,000	8,515
30 June 2010 pro forma	1,865,460,832	52,276

This pro forma assumes an Acquisition consideration share price based on the Company's current prevailing market share price. However, the actual Acquisition consideration price will ultimately be dependent on the prevailing market share price at the date of completion.