

31 January 2017

DECEMBER 2016 QUARTERLY ACTIVITIES REPORT

Pan Asia Corporation Limited (ASX: **PZC**) (the Company) is pleased to report on its activities for the quarter ending 31st December 2016 (the Quarter).

HIGHLIGHTS

- **Ongoing Review of Possible Acquisition of NEC Assets**
- **Detailed 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 it’s 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 the ASX announcements made on 10 December 2015 and 14 December 2015 for details.

This possible acquisition is still under detailed consideration with the Company reviewing all its options. The board now expects to make a decision on this 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 planned 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 2016, Pan Asia entered into a share sale and purchase agreement (“SSPA”) 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.

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

The SPA shall be included in a schedule that forms part of the SSPA.

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

The Board anticipates the coming quarters to be a watershed period where the improved sentiment for commodities should assist the Company move forward.

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