

30 April 2015

MARCH 2015 QUARTERLY ACTIVITIES REPORT

Pan Asia Corporation Limited (ASX: **PZC**) (the **Company**) is pleased to report on its activities for the quarter ending 31 March 2015 (the **Quarter**).

HIGHLIGHTS

- **Rights Issue for up to \$2M announced**
- **Convertible Note Financing Facility for up to \$5M re established**
- **Meetings held with Longmei in China**

Rights Issue

The Company resolved to offer shareholders the ability to participate in a rights issue in the Company on the basis of 4 new shares for every 5 shares held @ \$0.007 per to raise approximately \$2m ("**Rights Issue**"). The Rights Issue is being offered at the same price as the conversion price for the convertible notes under the Convertible Note Facility (see following section). The Company intends to reduce its drawdown of the notes under the Convertible Note Facility by the amount taken up under the rights issue, to potentially reduce the effect of dilution on existing shareholders caused by the Facility. The Company intends to have the Rights Issue documentation prepared and sent to shareholders at its earliest opportunity.

Convertible Note Facility

Background:

In November 2014, the Company established a convertible note financing with an offshore investment company in Singapore. A condition of the convertible note was to seek shareholder approval for the issue of notes to the noteholder and to issue shares and conversion options under the convertible note agreement. To do this the Company was required to commission an independent expert reports ("IER") which in turn included an independent technical report on the Company's TCM asset. The IER is to be included in the shareholder meeting documents to be sent to shareholders to allow them to consider all information available to make enable an informed decision to vote at the meeting.

The Company encountered delays for approval by the regulator in respect of the independent technical report (and thus delaying the Company's ability to hold a shareholder meeting).

Once approval was received, the 3 month termination period for receiving shareholder approval for the convertible note had expired, allowing the potential future convertible noteholder to terminate the convertible noteholder agreement.

In the meantime, the Company's share price had fallen sharply, prompting the potential convertible noteholder to reset the conversion price of the shares and options closer to market.

Facility Reset:

In April 2015, the Company agreed to new terms and executed a new convertible agreement.

The key terms of the new convertible note are as follows:

1. Total amount able to be drawn down under the facility: AUD \$5 million;
2. Condition and Waiver: The right to drawdown the convertible note is conditional upon the Company obtaining shareholder approval for the purposes of item 7 of section 611 of the Corporations Act. However this condition can be waived by Coleman, wholly or partially, such that the Noteholder may agree to make the whole or part of the \$5 million available to the Company without the Company first having satisfied the condition;
3. Limits of Drawdown: Unless otherwise agreed between the parties, AUD \$2m can be drawdown in the first year of becoming available and a further AUD \$3m during the second year of becoming available. The Convertible Note becomes available on the condition being satisfied or waived and ends on the date 2 years after that date;
4. Drawdown Amounts: 10 notes of AUD \$500,000 each;
5. Conversion Price of Notes to shares in PZC: \$0.007 per share
6. Early Conversion: In the event that Coleman elects to convert the loan note to shares within 6 months of making the advance, it shall be entitled to receive one option exercisable at \$0.01 per share for every two shares in PZC subject to conversion.

The Company is now in the process of updating all the meeting documents to reflect the above changes and once finalised and approved for distribution will call a meeting of shareholders to consider.

Kopex update

The Company is guarantor for a loan from Kopex to TCM in Indonesia. In November 2014, the Company renegotiated re-payment terms with Kopex for the total amount of USD 2,767,500.

To allow the Company to meet the renegotiated payment terms, which included the Company making a first payment instalment of USD \$1,500,000 to Kopex by 15 January 2015 (and the remaining USD \$1,267,500 + interest of 15% pa (for 6 months on USD \$1,267,500) due on 15 June 2015), the Company was reliant on the original convertible note being approved by shareholders (as outlined above). Unfortunately the Company was delayed through the convertible note process and as a result was unable to make a payment to Kopex on the agreed due date.

The Company is currently in contact with Kopex to seek a revised arrangement for this amount.

Longmei

The Company's team met again with leading China underground Mining Contractor Longmei and progressed potential detailed arrangements to update the Company's current Feasibility Study, once funding has been established to do so.

The Company also met with China equipment suppliers who could potentially participate in the development funding of the TCM project.

The Company continues to actively progress a development pathway for this project that could facilitate all the requirements to move this project 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

About Pan Asia

Pan Asia Corporation Limited flagship project ("TCM") is a high CV thermal coal project in South Kalimantan in which PZC owns a 75% interest.

Pan Asia seeks to build significant projects; de-risking them ready for development partnership / offtake agreements with quality, life of mine partners.

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