
ASX ANNOUNCEMENT / MEDIA RELEASE

Friday, 29 March 2019

December 2018 QUARTERLY ACTIVITIES REPORT

Pan Asia Corporation Limited (ASX:) ("Pan Asia" or the "Company") is pleased to report on its activities for the quarter ending 30 March 2019 (the Quarter).

HIGHLIGHTS:

- **Finalisation of TCM sale**
- **Completion to be voted on by shareholders in the upcoming AGM**
- **Significant reduction in purchase price achieved in negotiation on the possible acquisition of New Emerald Coal Ltd (NEC).**

Potential TCM Sale

Overview

In May 2017 the Company announced that it had entered into a Heads of Agreement with Glory Merry Limited (**GM**) for the potential sale of the Company's 100% owned subsidiary, Innovation West Mantewe Pte Limited, which has a 75% interest in PT. Transcoal Minergy, the registered holder of production operation mining business license No. 545/091/IUP-OP/D.PE/2010 (the **TCM Project**).

The Transaction

With improving coal prices, the Company has been approached to sell its 100% owned subsidiary, Innovation West Mantewe Pte Limited (IWM), which holds 75% interest in the TCM Project for cash (the Transaction). The board has been investigating this pathway in parallel with other established arrangements.

A heads of agreement has been entered in to with GM, a private business group. GM is active across various sectors in Asia, especially China, Taiwan, Thailand, Malaysia, Indonesia and Cambodia.

GM's operations primarily include Investment, Property, Construction, Palm Oil Plantation, Timber Trading, Agriculture and Fisheries, Bauxite and Nickel Ore Mining, and recently an aggressive expansion into the Coal Mining Sector.

The Heads of Agreement includes the following terms:

1. USD 1 million to be paid in accordance with the following:
 - a. USD 500,000 paid to the Company; and
 - b. USD 500,000 paid to an independent consultant to carry out an updated feasibility study on the TCM Project;

2. The Execution of a Share Purchase Agreement and the completion of all conditions within that agreement; these conditions are extensive and include full due diligence, approvals from Pan Asia shareholders, any necessary approvals from all regulatory and other bodies involved, and the project and IWM being cleared of any liabilities or claims.

Should the transaction not proceed after the due diligence period, GM will receive a 20% interest in the TCM Project in respect of the USD 1 million invested and in the event that this cannot be provided by Pan Asia, it shall be provided from the Indonesian project partners who will then receive 73,599,685 shares in the Company.

The agreement on the sale price as previously announced required that Pan Asia was to procure the Forestry Licence and mining access approvals to the TCM project/tenement as a condition precedent. Pan Asia and our TCM local partners expended considerable cost and time to securing these licences and approvals during 2018 but found that with the National elections and significant changes to leadership, at a provincial Government level Pan Asia was, as a foreign company, unable to achieve these licences and approvals.

Glory Merry, although satisfied with their geological and project technical due diligence, had strong concerns as to the costs and time to achieve these necessary licences and approvals. The likely costs had a significant reduction on the project economics and hence value of TCM. Pan Asia decided to negotiate a sale of TCM without these approvals and Government licences therefor moving to a sale of TCM without vendor conditions precedent at a substantial price reduction.

The final negotiated price was agreed at USD 3.6 million which when combined with the USD 500,000 received and the USD 500,000 spent by Glory Merry on the project brings the total sale price to USD 4.6 million. Pan Asia owning 75% of TCM then agreed with its Indonesian partners to take over their 25% by the issuing 30 million PZC shares (subject to shareholder approval) at a deemed value of AU\$0.003. As such Pan Asia would receive the full value of the TCM sale consideration of USD 4.6 million.

A Sale and Purchase agreement between Glory Merry's TCM project subsidiary TopPlus Ltd was entered into during the Quarter. The agreement stipulated that a USD 2 million deposit is to be paid in advance of a shareholder meeting to consider the sale of TCM and further that if the sale was not approved that the USD 2 million would remain as a loan to Pan Asia bearing an 8% interest rate for 12 months. If the transaction is approved by shareholders, the USD 2 million would form part of the consideration and that the balance USD 1.6 million would become due and payable by TopPlus to complete the sale of TCM.

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 of conventional coal exploration and pre-development projects in the Bowen Basin in Queensland Australia, from New Emerald Coal Pty Limited (NEC). The Pan Asia executive team is in constant negotiation with NEC on advancing the previously announced possible transaction. Pan Asia has previously made available a secured loan of Au\$1,068,915 bearing an interest rate of 12% to further this transaction.

During the quarter and using the loan from TopPlus, Pan Asia further secured its security over both the shares and all the assets of NEC. A further secured loan of USD 1.5 million was advanced to NEC. The Loan Amounts (AU\$ 1,068,915 and US\$1.5 million) now bear an interest rate of 8%. Pan Asia also secured its interest with a general security interest over the shares and assets of NEC and further entered in to a Deed of Priority with the existing creditors of NEC, giving Pan Asia the 1st ranking security over the assets and shares of NEC.

In addition to making the loan available for the specific purpose of discharging the Gladstone Port debt and paying the individual tenement rentals, Pan Asia secured a new purchase price binding on NEC of AUD 40 million, down from the previously negotiated and announced AUD 75 million. The Teresa Coal Project (owned 15% by NEC) is the first of NEC's assets being upgraded via external investment and with the current drilling planned, its value is expected to be further significantly enhanced, targeting coking coal under the existing thermal coal seam.

Mining Tenements 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.