



ABN 45 098 448 269

**Financial Statements**  
**For the Half-Year Ended**  
**31 December 2011**

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## DIRECTORS' REPORT

The directors of Pan Asia Corporation Limited (the Company) submit the financial statements of the consolidated entity of which the Company is the ultimate parent for the half-year ended 31 December 2011 (the period). In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of directors who held office during or since the end of the period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Domenic Martino	Non-Executive Chairman
Luke Martino	Non-Executive Director
Michael Pixley	Non-Executive Director
Honardy Boentario	Non-Executive Director

### Company Secretary

The names of the company secretaries who held office during the period and until the date of this report are noted below.

Luke Martino	Company Secretary	Resigned 11 October 2011
Jason Campbell	Company Secretary	Appointed 11 October 2011

### Operating Results

During the period, Pan Asia Corporation Limited made a loss of \$962,942 (2010: \$2,826,585).

### Review of Operations

During the six months ending 31 December 2011, the Company continued with its intensive drilling program at TCM Project, designed to enable the completion of the Final Feasibility Study in April 2012. In October 2011, the Company was very pleased to announce that its initial JORC resource of ~53MT had been upgraded to ~114.6MT, an increase of 116%, at this high CV project. Importantly, 35.6MT was identified in the measured resource category. The JORC upgrade in October 2011 was announced on the completion of 35 boreholes. All drilling required (completion of a total of 50 boreholes) to finalise the final feasibility study was completed in early January 2012. The Company is expecting the Final Feasibility Study to be completed by the end of April 2012.

Pan Asia has been fortunate to have a dedicated team of professionals and Indonesian partners who have worked hard to get the flagship TCM Project to the point of the upcoming final feasibility study. In addition to this, our ability to appoint world class partners, namely PT Kopex Contractors Indonesia, a subsidiary of the Warsaw Stock Exchange listed parent Kopex Group, has enabled the Company to meet its deadlines and progress the final feasibility at the TCM Project in line with expectations.

While the Company has been happy with the progress on the TCM Project, the coal deliveries expected from the Ranrich financing and offtake arrangements fell significantly short of contracted deliveries. As a result, the Company recently restructured these arrangements where it is now to be repaid the balance of its investment (USD 4.5 million) on March 14<sup>th</sup> 2012 and additionally retain a free carried royalty interest on the BCKP exploration prospect to a limit of US \$15m.

This half-year has been an extremely busy & productive period for the Company with its flagship project advancing well. The coming half-year will see the completion of the feasibility study for the TCM project which holds much promise to be the foundation for the Company to achieve significant growth over the coming years.

## DIRECTORS' REPORT (continued)

### Review of Operations (continued)

#### JORC RESOURCES AT TCM PROJECT<sup>1</sup>

In October 2011, the Company upgraded its initial JORC Resource at the TCM Project to 114.6MT in the following categories:

CATEGORY	JORC TONNES	DRILL SPACING
MEASURED (tonnes)	35,602,319	<500m
INDICATED (tonnes)	35,109,149	500-1000m
INFERRED (tonnes)	43,910,420	1000m-2000m
<b>TOTAL (tonnes)</b>	<b>114,621,889</b>	

#### Coal Quality Resource Summary

Seam ID	TM	IM	Ash	VM	FC	TS	CV (ar)	CV (adb)	CV (daf)	RD
	(% ar)	(% adb)	(% adb)	(% adb)	(% adb)	(% adb)	(Kcal/kg)	(Kcal/kg)	(Kcal/kg)	g/Cc
S4 (SR)	6.10	4.49	9.88	42.42	43.04	3.08	6,704	6,819	7,977	1.34
S5 (SU)	6.24	4.34	13.85	41.96	39.53	1.88	6,402	6,529	8,004	1.38
S6 (SM)	6.73	4.25	13.75	41.80	39.86	0.37	6,342	6,513	7,967	1.38
Weight average	6.41	4.33	13.52	41.97	40.18	1.52	6,425	6,566	7,986	1.37

The coal quality model will be further updated when all the coal quality results are finalised. Washability tests and subsequent analysis of the results have been undertaken on a 500kg bulk sample to develop a conceptual Coal Handling and Preparation Plant design. Further test work and analysis of all the quality data will lead to a specification of a saleable product.

#### PARAMETERS USED IN JORC RESOURCES

1. A total of 35 boreholes drilled for the current resource estimation;
2. All finished boreholes were geophysically logged, samples taken and sent to laboratories;
3. Profiles, logs of boreholes and seam correlations have been completed;
4. Collar coordinates have been completed;
5. Laboratory testing: quality, Geotech, gas methane- not yet completed but underway;
6. Quality model still to be updated once all quality results received;
7. Full version of resource statements to be elaborated after all drilling and laboratory testing completed.

#### Subsequent Events

In February 2012, 5,600,000 Options were issued to employees of the Company under the Company's Employee Share Option Plan approved at the Company's meeting of Shareholders in November 2011.

Pan Asia entered into a Memorandum of Agreement on 29 February 2012 with Ranrich Investments Limited whereby Innovation West Pty Ltd (a wholly owned subsidiary of the Company) will be repaid an amount of US \$4.5m on or before 14 March 2012. Once the funds have been received, consideration will be given to payout the Noble Resources loan and other liabilities. The royalty receivable for coal shipped recorded as part of the purchase of Innovation West Ltd will now not be received. Honardy Boentario, a director of Ranrich, will tender his resignation as a director of Pan Asia on settlement of the US \$4.5m.

## DIRECTORS' REPORT (continued)

### Dividends Paid or Recommended

No dividends were paid or proposed during the half-year ended 31 December 2011.

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial statements. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.



.....  
**Michael Pixley**

Director

13 March 2012

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### <sup>1</sup>**Competent Persons' Statement**

*The information in this release that relates to the Coal Resources of PT. Transcoal Minergy ("TCM") is based on information compiled and reviewed by Mr. Marek Rosa, who is a Member of the Australasian Institute of Mining and Metallurgy (The AusIMM) and works full time for PT Kopex Mining Contractors based in Jakarta, Indonesia (Member of Kopex Group Poland).*

*Mr Rosa is a qualified geologist who has more than 20 years of relevant mining and geological experience in coal, working for major mining companies in Poland (17 years) and in Indonesia (4 years) as a consultant. He has National Polish geological license No II-1140 for research, exploration, resource and reserve estimation of deposits of basic minerals and coal bed gas methane. During this time he has either managed or contributed significantly to numerous mining studies related to the estimation, assessment, evaluation and economic extraction of coal in Poland and Indonesia. He has sufficient experience which is relevant to the style and type of deposit under consideration especially for Underground Mining and to the activity he is undertaking to qualify him as a Competent Person for Reporting of Exploration Results, Mineral Resources and Ore Reserves.*

*The estimates of Coal Resources have been carried out in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (December,2004) and Mr Rosa consents to the inclusion in this release of the Mineral Resources in the form and content in which it appears.*



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**MAREK ROSA** M.Sc. (Geology), MAusIMM

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Pan Asia Corporation Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia  
13 March 2012

**N G NEILL**  
Partner, HLB Mann Judd

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Notes	Consolidated 31 December 2011 \$	Consolidated 31 December 2010 \$
<b>Continuing operations</b>			
Other income	2(a)	177,696	58,106
Accounting and legal fees		(130,309)	(485,879)
Management, corporate advisory and consulting expense		(514,536)	(904,735)
Depreciation and amortisation		(4,471)	(2,421)
Employee benefits expense		(139,377)	(33,349)
Securities exchange expenses		(28,207)	(85,093)
Other expenses	2(b)	(323,738)	(1,373,214)
		<b>(962,942)</b>	<b>(2,826,585)</b>
<b>Loss before income tax expense</b>			
Income tax expense		-	-
		<b>(962,942)</b>	<b>(2,826,585)</b>
<b>Other comprehensive income for the period</b>			
Exchange differences on translation of foreign operations		101,897	(75,616)
<b>Total comprehensive loss for the period</b>		<b>(861,045)</b>	<b>(2,902,201)</b>
<b>The net loss for the period is attributable to:</b>			
Owners of the parent		(1,204,113)	(2,826,585)
Non-controlling interest		241,171	-
		<b>(962,942)</b>	<b>(2,826,585)</b>
<b>Total comprehensive loss for the period is attributable to:</b>			
Owners of the parent		(847,143)	(2,909,153)
Non-controlling interest		(13,902)	6,952
		<b>(861,045)</b>	<b>(2,902,201)</b>
		<b>(0.82)</b>	<b>(4.55)</b>
Basic loss per share (cents per share)			

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

	Note	Consolidated 31 December 2011 \$	Consolidated 30 June 2011 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		595,863	1,091,031
Trade and other receivables	3	22,242	14,655
Prepayments		13,304	17,488
Other financial assets	4(a)	742,956	1,139,557
Loans to other entities	6(a)	2,875,148	3,631,623
<b>Total current assets</b>		<b>4,249,513</b>	<b>5,894,354</b>
<b>Non-current assets</b>			
Deferred exploration and evaluation expenditure	5	11,631,921	10,336,873
Property, plant and equipment		49,529	47,729
Other financial assets	4(b)	1,234,077	1,061,372
Loans to other entities	6(b)	2,190,729	1,705,476
<b>Total non-current Assets</b>		<b>15,106,256</b>	<b>13,151,450</b>
<b>Total assets</b>		<b>19,355,769</b>	<b>19,045,804</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		647,296	488,805
Loans from other entities	7(a)	2,844,129	1,763,754
<b>Total current liabilities</b>		<b>3,491,425</b>	<b>2,252,559</b>
<b>Non-current liabilities</b>			
Loans from other entities	7(b)	199,388	267,244
Deferred tax liabilities		2,315,499	2,315,499
<b>Total non-current liabilities</b>		<b>2,514,887</b>	<b>2,582,743</b>
<b>Total liabilities</b>		<b>6,006,312</b>	<b>4,835,302</b>
<b>Net assets</b>		<b>13,349,457</b>	<b>14,210,502</b>
<b>Equity</b>			
Issued capital	9	53,663,707	53,663,707
Reserves	10	908,745	551,775
Accumulated losses		(42,473,153)	(41,269,040)
Parent entity interest		12,099,299	12,946,442
Non-controlling interest		1,250,158	1,264,060
<b>Total equity</b>		<b>13,349,457</b>	<b>14,210,502</b>

The accompanying notes form part of these financial statements.



**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Issued Capital	Accumulated Losses	Option Reserve	Share Based Payments Reserve	Foreign Exchange Reserve	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2010</b>	43,761,349	(36,841,681)	100,000	660,000	28,049	(43,083)	7,664,634
Loss for the period	-	(2,826,585)	-	-	-	-	(2,826,585)
Exchange differences arising on translation of foreign operations	-	-	-	-	(82,568)	6,952	(75,616)
<b>Total comprehensive income for the period</b>	-	(2,826,585)	-	-	(82,568)	6,952	(2,902,201)
Shares issued during the half-year	1,100,000	-	-	-	-	-	1,100,000
Share issue costs for the half-year	(193,687)	-	-	-	-	-	(193,687)
Shares issued as consideration on the acquisition of a subsidiary	5,895,000	-	-	-	-	-	5,895,000
Options converted during the half-year	1,361,139	-	-	-	-	-	1,361,139
Recognition of share based payments	-	-	-	79,101	-	-	79,101
Non-controlling interests arising on acquisition of a subsidiary	-	-	-	-	-	1,295,860	1,295,860
<b>Balance at 31 December 2010</b>	<b>51,923,801</b>	<b>(39,668,266)</b>	<b>100,000</b>	<b>739,101</b>	<b>(54,519)</b>	<b>1,259,729</b>	<b>14,299,846</b>
<b>Balance at 1 July 2011</b>	53,663,707	(41,269,040)	100,000	739,101	(287,326)	1,264,060	14,210,502
Loss for the period	-	(1,204,113)	-	-	-	241,171	(962,942)
Exchange differences arising on translation of foreign operations	-	-	-	-	356,970	(255,073)	101,897
<b>Total comprehensive income for the period</b>	-	(1,204,113)	-	-	356,970	(13,902)	(861,045)
<b>Balance at 31 December 2011</b>	<b>53,663,707</b>	<b>(42,473,153)</b>	<b>100,000</b>	<b>739,101</b>	<b>69,644</b>	<b>1,250,158</b>	<b>13,349,457</b>

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

Note	Consolidated 31 December 2011 \$	Consolidated 31 December 2010 \$
	Inflows/(Outflows)	
<b>Cash flows from operating activities</b>		
Receipts from customers	214,190	-
Interest received	3,599	3,096
Payments to suppliers and employees	(672,257)	(1,384,575)
Mining tenement expenditure	(1,555,787)	-
Interest and income taxes paid	(4,996)	(5,000)
<b>Net cash provided by / (used in) operating activities</b>	<b>(2,015,251)</b>	<b>(1,386,479)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,220)	(39,282)
Funds advanced to / (received) from non related parties	1,551,779	(92,597)
Cash acquired on acquisition of a subsidiary	-	10,452
<b>Net cash provided by / (used in) investing activities</b>	<b>1,547,559</b>	<b>(121,427)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares (net of share issue costs)	(33,750)	2,406,552
<b>Net cash provided by / (used in) financing activities</b>	<b>(33,750)</b>	<b>2,406,552</b>
<b>Net increase / (decrease) in cash held</b>	<b>(501,442)</b>	<b>898,646</b>
Cash and cash equivalents at the beginning of the period	1,091,031	217,415
Exchange rate fluctuations on cash held	6,274	(111)
<b>Cash and cash equivalents at the end of the period</b>	<b>595,863</b>	<b>1,115,950</b>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

These condensed half-year financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, they cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Pan Asia Corporation Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period.

#### Basis of Preparation

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

#### Significant Accounting Judgements and Key Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-year financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of the estimation of uncertainty were the same as those that applied to the financial report for the year ended 30 June 2011.

#### Adoption of New and Revised Accounting Standards

In the half-year ended 31 December 2011, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

## NOTE 2: OTHER INCOME AND EXPENSES

	Consolidated 31 December 2011 \$	Consolidated 31 December 2010 \$
<b>(a) Other Income</b>		
Interest income	132,532	3,096
Off-take margin & other income (i)	45,164	55,010
<b>Total Other Income</b>	<b>177,696</b>	<b>58,106</b>
<b>(b) Other expenses</b>		
Bank charges	4,620	3,402
Interest expense	68,868	5,000
Corporate and administration fees	122,762	61,535
Share registry fees	22,737	133,074
Travel and accommodation expenses	186,850	147,483
Rent	30,340	64,532
Insurance	10,524	10,201
Foreign exchange (gain) / loss - unrealised	(200,241)	1,013,578
GST (recovered) / expensed	2,677	(81,856)
Other	74,601	16,265
<b>Total Other Expenses</b>	<b>323,738</b>	<b>1,373,214</b>

- (i) Note the royalty portion of receipts on coal shipped has been recorded in the Statement of Financial Position against Royalty Receivable and not in the Statement of Comprehensive Income.

## NOTE 3: TRADE AND OTHER RECEIVABLES

	Consolidated 31 December 2011 \$	Consolidated 30 June 2011 \$
<b>Current</b>		
Trade receivables (i)	4,930	4,930
ATO receivable	17,312	9,725
	<b>22,242</b>	<b>14,655</b>
<b>Non Current</b>		
Unrelated party receivables	50,000	50,000
Allowance for doubtful debt	(50,000)	(50,000)
	-	-
<b>Total trade and other receivables</b>	<b>22,242</b>	<b>14,655</b>

- (i) Trade receivables are non-interest bearing.

#### NOTE 4: OTHER FINANCIAL ASSETS

	Consolidated 31 December 2011 \$	Consolidated 30 June 2011 \$
<b>(a) Current</b>		
Cash advance (i)	4,552	4,305
Security deposit (ii)	29,463	29,463
Royalty receivable (iii)	708,941	1,105,789
<b>Total other financial assets</b>	<b>742,956</b>	<b>1,139,557</b>
<b>(b) Non Current</b>		
Deposit paid (iv)	13,607	12,868
Royalty receivable (iii)	1,220,470	1,048,504
<b>Total other financial assets</b>	<b>1,234,077</b>	<b>1,061,372</b>

- (i) Cash advance paid to PT Maxidrill Indonesia for drilling services provided.
- (ii) A security deposit was required as part of the sublease agreement for the Jakarta office and apartment.
- (iii) During the previous year, the Company purchased Innovation West Pty Ltd, which had entered into an agreement to receive a royalty for coal shipped. The discounted present value of the royalty receivable (fair value) at the time of acquisition was \$2,150,343. The Company receives royalty income from coal sales at an agreed rate per tonne. As part of the purchase of Innovation West Pty Ltd, \$2,150,343 was recorded as royalty receivable. The first \$2,150,343 received will reduce the royalty receivable rather than be recorded through the Statement of Comprehensive Income.
- (iv) A deposit was paid to a contractor for the construction of a drill rig which is to be used in the Company's exploration program.

#### NOTE 5: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2011 \$	Consolidated 30 June 2011 \$
Balance at beginning of period	10,336,873	1,278,146
Exploration expenditure acquired	-	8,841,683
Expenditure incurred	1,295,048	1,340,397
Foreign currency translation movement	-	(1,123,353)
<b>Balance at end of period</b>	<b>11,631,921</b>	<b>10,336,873</b>

#### NOTE 5: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE (continued)

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas. The Company has investments in Indonesia including a pre-development project (the TCM Project), an exploration project with large tonnage potential (BCKP and Angsana) and immediate cash flow via financing and off take arrangements provided to Ranrich for its producing projects.

#### NOTE 6: LOANS TO OTHER ENTITIES

	Consolidated 31 December 2011 \$	Consolidated 30 June 2011 \$
<b>(a) Current</b>		
Loans made to Ranrich (i)	2,875,148	3,631,623
<b>Total loans to other entities</b>	<b>2,875,148</b>	<b>3,631,623</b>
<b>(b) Non Current</b>		
Loans made to Ranrich (i)	1,076,905	652,119
Loans made to Gerald Nirahuwa (ii)	1,113,824	1,053,357
<b>Total loans to other entities</b>	<b>2,190,729</b>	<b>1,705,476</b>

- (i) A loan for US\$5,000,000 was given to Ranrich Investments under the agreement that the funds be used to further exploration. The loan principal is repayable at US\$2 per tonne of coal shipped from the Ranrich Projects. A binding agreement has been signed with Noble Resources for the delivery of 4.8 million tonnes from the Ranrich Projects.
- (ii) A loan was given to Gerald Nirahuwa for planned acquisition of coal and manganese assets. The acquisition did not eventuate and the Company is progressing with its recovery of the loan. The loan is secured over plant and equipment and personal guarantees are in place.

## NOTE 7: LOANS FROM OTHER ENTITIES

	Consolidated 31 December 2011 \$	Consolidated 30 June 2011 \$
<b>(a) Current</b>		
Loans payable to Noble Resources (i)	1,761,025	1,763,754
Loans payable to KOPEX Mining (ii)	1,083,104	-
<b>Total loans from other entities</b>	<b>2,844,129</b>	<b>1,763,754</b>
<b>(b) Non Current</b>		
Loans payable to KOPEX Mining (ii)	-	186,237
Loans payable to other non-related parties	199,388	81,007
<b>Total loans from other entities</b>	<b>199,388</b>	<b>267,244</b>

- (i) An amount of US\$2,000,000 was received from Noble as an advanced payment for coal shipments. This loan is repayable as coal is delivered from the Ranrich Projects.
- (ii) An agreement was entered into with KOPEX to co-fund a drilling programme on the TCM Coal Project in Kalimantan, Indonesia. Under the agreement, KOPEX will fund the first US\$600,000 with the ability to provide further funding. As at 31 December 2011, US\$1,100,000 has been advanced.

## NOTE 8: ACQUISITION OF SUBSIDIARY

### *Prior period*

On 24 December 2010, the Company acquired 100% of Innovation West Pty Ltd and its holding of 75% of PT Transcoal Minergy, an Indonesian coal company. Details of this business combination were disclosed in note 14 of the annual financial statements for the year ended 30 June 2011.

## NOTE 9: ISSUED CAPITAL

	Consolidated 31 December 2011 \$		Consolidated 30 June 2011 \$	
<i>Ordinary shares</i>				
Issued and fully paid		53,663,707		53,663,707
	<b>No. of Shares</b>	<b>\$</b>	<b>No. of Shares</b>	<b>\$</b>
<i>Movements in ordinary shares on issue</i>				
At start of period	117,579,143	53,663,707	1,210,460,832	43,761,349
- Shares issued under Prospectus	-	-	5,000,000	1,000,000
- Shares issued under Placement	-	-	22,000,000	1,900,000
- Conversion of options during the period	-	-	49,678,300	1,361,139
- Consolidation of shares 20 to 1	-	-	(1,202,309,989)	-
- Shares issued to Innovation West vendors	-	-	32,750,000	5,895,000
- Less share issue costs	-	-	-	(253,781)
<b>At end of period</b>	<b>117,579,143</b>	<b>53,663,707</b>	<b>117,579,143</b>	<b>53,663,707</b>

## NOTE 10: RESERVES

### (a) Option Reserve

	Consolidated 31 December 2011 \$		Consolidated 30 June 2011 \$	
	<b>No. of Options</b>	<b>\$</b>	<b>No. of Options</b>	<b>\$</b>
<i>Movements in options over ordinary shares on issue</i>				
At start of period	8,771,939	100,000	291,552,485	100,000
- Conversion of options to ordinary shares	-	-	(48,678,300)	-
- Consolidation of options 20 to 1	-	-	(234,102,246)	-
<b>At end of period</b>	<b>8,771,939</b>	<b>100,000</b>	<b>8,771,939</b>	<b>100,000</b>



**NOTE 10: RESERVES (Continued)**

## (b) Share Based Payment Reserve

	No. of Options	Consolidated 31 December 2011 \$	No. of Options	Consolidated 30 June 2011 \$
<i>Movements in share based payments</i>				
At start of period	2,365,480	739,101	42,000,000	660,000
- Conversion of options to ordinary shares	-	-	(1,000,000)	-
- Consolidation of options 20 to 1	-	-	(39,900,000)	-
- Issue of options for underwriting services	-	-	1,265,480	79,101
- Issue of options to employees	500,000	-	-	-
<b>At end of period</b>	<b>2,865,480</b>	<b>739,101</b>	<b>2,365,480</b>	<b>739,101</b>

## (c) Foreign Currency Reserve

	Consolidated 31 December 2011 \$	Consolidated 30 June 2011 \$
<i>Movements in foreign currency reserve</i>		
At start of period	(287,326)	28,049
- Exchange rate differences arising on translation of foreign currency	356,970	(315,326)
<b>At end of period</b>	<b>69,644</b>	<b>(287,277)</b>

## NOTE 11: SEGMENT REPORTING

### Segment Information

The following table presents revenue and profit information and certain asset and liability information regarding the relevant segments for the period ended 31 December 2011 for the consolidated entity.

The chief operating decision-maker has been identified as the Board of Pan Asia Corporation Limited.

The reportable segments have been identified around geographical areas and regulatory environments. Operating segments have been aggregated. Specifically PT Roda Niaga, PT Kusan Persada and PT Transcoal Minergy have been aggregated in the Indonesian reporting segment.

The Australian reporting segment derives its revenues from its investments in the entities making up the Indonesian reporting segment and from interest on its cash deposit. It is intended that the Indonesian reporting segment will derive revenue from the exploration assets it currently holds and from royalty and off-take agreements currently in place.

Transactions between reportable segments are accounted for in the same manner as transactions with external parties.

### Current Reporting Period Segments

<b>Segment result</b>	<b>Australia \$</b>	<b>Indonesia \$</b>	<b>Total \$</b>
<b>31 December 2011</b>			
Interest revenue	132,532	-	132,532
Total revenue	177,696	-	177,696
Management, corporate advisory and consulting expense	(513,504)	-	(513,504)
Depreciation	(4,139)	(332)	(4,471)
Segment result	(927,730)	(35,212)	(962,942)
<b>31 December 2010</b>			
Interest revenue	3,096	-	3,096
Total revenue	24,464	33,642	58,106
Management, corporate advisory and consulting expense	(904,735)	-	(904,735)
Depreciation	(2,421)	-	(2,421)
Segment result	(2,860,227)	33,642	(2,826,585)
<b>Segment assets and liabilities</b>			
<b>31 December 2011</b>			
Property, plant and equipment	47,252	2,278	49,530
Segment assets	7,253,658	12,102,111	19,355,769
Segment liabilities	(2,057,954)	(3,948,358)	(6,006,312)
<b>30 June 2011</b>			
Property, plant and equipment	11,165	36,564	47,729
Segment assets	17,183,724	1,862,080	19,045,804
Segment liabilities	(2,184,128)	(2,651,174)	(4,835,302)

**NOTE 12: RELATED PARTY TRANSACTIONS**

During the reporting period, fees for administrative, accounting and consulting of \$64,905 (excluding GST) were incurred to Indian Ocean Advisory Group. These services were provided on normal commercial terms and conditions and at market rates. Mr Luke Martino is a director of Indian Ocean Advisory Group.

**NOTE 13: CONTINGENT LIABILITIES**

Noble Resources advanced US\$2 million to Innovation West under an agreement whereby the Company has guaranteed the delivery of 4.8 million tonnes of coal produced by PT Nadvara or other sources of equivalent coal. The Company may have an obligation to pay any amounts due on the loan payable by Innovation West (including interest and damages) should the delivery not be met by Ranrich but is indemnified for any such shortfall by Ranrich and Honardy Boentario.

As at 31 December 2011, Kopex has funded and carried out USD\$928,700 (VAT exclusive) worth of feasibility study on the mining concession of the Mentewe Project. While ownership and cost belongs exclusively to Kopex, PT Transcoal Minergy was granted the right to use the feasibility report at no cost. However, should PT Transcoal Minergy, after reviewing the feasibility report, determine not to proceed with the Mentewe Project, PT Transcoal Minergy is liable to pay the feasibility invoices in full (without interest).

**NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE**

In February 2012, 5,600,000 Options were issued to employees of the Company under the Company's Employee Share Option Plan approved at the Company's meeting of Shareholders in November 2011.

Pan Asia entered into a Memorandum of Agreement on 29 February 2012 with Ranrich Investments Limited whereby Innovation West Pty Ltd (a wholly owned subsidiary of the Company) will be repaid an amount of US \$4.5m on or before 14 March 2012. Once the funds have been received, consideration will be given to payout the Noble Resources loan and other liabilities. The royalty receivable for coal shipped recorded as part of the purchase of Innovation West Ltd will now not be received. Honardy Boentario, a director of Ranrich, will tender his resignation as a director of Pan Asia on settlement of the US \$4.5m.

## DIRECTORS' DECLARATION

In the opinion of the directors of Pan Asia Corporation Limited (the Company):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.



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Michael Pixley  
Director

13 March 2012

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pan Asia Corporation Limited

### Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pan Asia Corporation Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Matters relating to the electronic presentation of the reviewed half-year financial report*

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pan Asia Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*HLB Mann Judd*

**HLB MANN JUDD**  
**Chartered Accountants**

*Norman Neill*

**N G NEILL**  
**Partner**

**Perth, Western Australia**  
**13 March 2012**