

30 April 2012

## MARCH 2012 QUARTERLY ACTIVITIES REPORT

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### **HIGHLIGHTS:**

#### **OPERATIONAL**

##### **TCM Project (114Mt JORC, 6500 - 6800 adb CV)**

- 4 exploratory drill holes in the North confirm coal seams continue from the South.
- Commissioned additional drill programme in North , targeting 200Mt to 220 Mt total resource
- Feasibility Study nearing completion; expected next month and to now include consideration of potential additional resource in north.

##### **Ranrich**

- Restructured arrangements with Ranrich
  - Pan Asia was repaid USD 4.5m cash
  - Pan Asia to receive royalty on BCKP project up to USD 15m
  - Ranrich to deliver remaining ~ 170,000 tonnes of coal to Noble

##### **Other**

- CEO Alan Hopkins presented the TCM project at the Asia Mining Congress in Singapore where the Company was a sponsor of this large regional event.
- Progressed discussions on additional project opportunities and also with potential development partners for the TCM project.

Pan Asia CEO Alan Hopkins said *“It has been a really good quarter for us, with the TCM project showing potential to double in size and the Ranrich restructuring allowing the Company to focus on adding value to the flagship TCM project. With the feasibility study out shortly, we are poised to really add some value this year”*.

## Operations

### Flagship Pre Development Project - TCM – South Kalimantan, Indonesia (75% interest)

#### 4 Exploratory Drill holes in Northern Part of Concession

During the quarter, the Company announced it had completed drill core and geophysical logging from 4 exploration drill holes (TCM 051 – TCM 054) in the north of the TCM concession identifying the continuation of coal seams from the south of the deposit (See Table 1 for seam depth and thickness correlated from drill logs and geophysics for TCM 051 – TCM 054).

The 4 drill holes in the north identified the SU and SM seams (targeted for underground exploitation) as being shallower than expected with the parting between the seams narrowing to the north. This leads to the possibility of either extending the current TCM mine plan and design to the north and / or a second independent underground mine development plan for the northern section.

The spacing of these drill holes extended ~1.5 kilometers north from the previously drilled limit of the TCM South deposit and it remains open for another ~4 kilometers to the north.

**Table 1: Coal intervals for 4 additional exploratory drill holes TCM 051 – TCM 054**

Seam ID	TCM_051			Seam ID	TCM_052		
	Depth from	Depth to	Thickness		Depth from	Depth to	Thickness
S1	14.10	14.50	0.40	S1	-	-	-
S2	54.80	55.10	0.30	S2	81.75	82.05	0.30
S3U	102.20	102.60	0.40	S3U	111.15	111.60	0.45
S3L	104.15	104.35	0.20	S3L	113.20	113.45	0.25
S4 (SR)	173.10	173.70	0.60	S4 (SR)	181.70	182.75	1.05
S5 (SU)	180.90	183.45	2.55	S5 (SU)	191.00	193.20	2.20
S6 (SM)	184.10	185.85	1.75	S6 (SM)	193.85	195.70	1.85
S6L (SL)	186.30	186.65	0.35	S6L	-	-	-
S7	186.95	187.20	0.25	S7	-	-	-
				S5 (SU) II	196.60	201.20	4.60
				S6 (SM) II	202.20	205.00	2.80
				S6L (SL) II	205.70	206.10	0.40
				S7 II	206.90	207.70	0.80
				S6 (SM) III	209.40	211.10	1.70
				S6L (SL) III	211.30	211.70	0.40
				S7 III	212.00	212.30	0.30
<b>Total Thickness of coal</b>			<b>6.80</b>	<b>Total Thickness of coal</b>			<b>17.10</b>

**Table 2: Proposed Holes (TCM055-TCM060)**

Seam ID	TCM_053			Seam ID	TCM_054		
	Depth from	Depth to	Thickness		Depth from	Depth to	Thickness
S1	-	-	-	S1	-	-	-
S2	-	-	-	S2	-	-	-
S3U	191.20	191.50	0.30	S3U	-	-	-
S3L	-	-	-	S3L	-	-	-
S4 (SR)	259.25	260.30	1.05	S4 (SR)	271.40	272.10	0.70
S5 (SU)	268.25	270.50	2.25	S5 (SU)	280.00	281.10	1.10
S6 (SM)	270.50	272.90	2.40	S6 (SM)	281.90	283.70	1.80
S6L (SL)	273.80	274.20	0.40	S6L (SL)	284.00	284.80	0.80
S7	-	-	-	S7	-	-	-
<b>Total Thickness of coal</b>			<b>6.40</b>	<b>Total Thickness of coal</b>			<b>4.40</b>

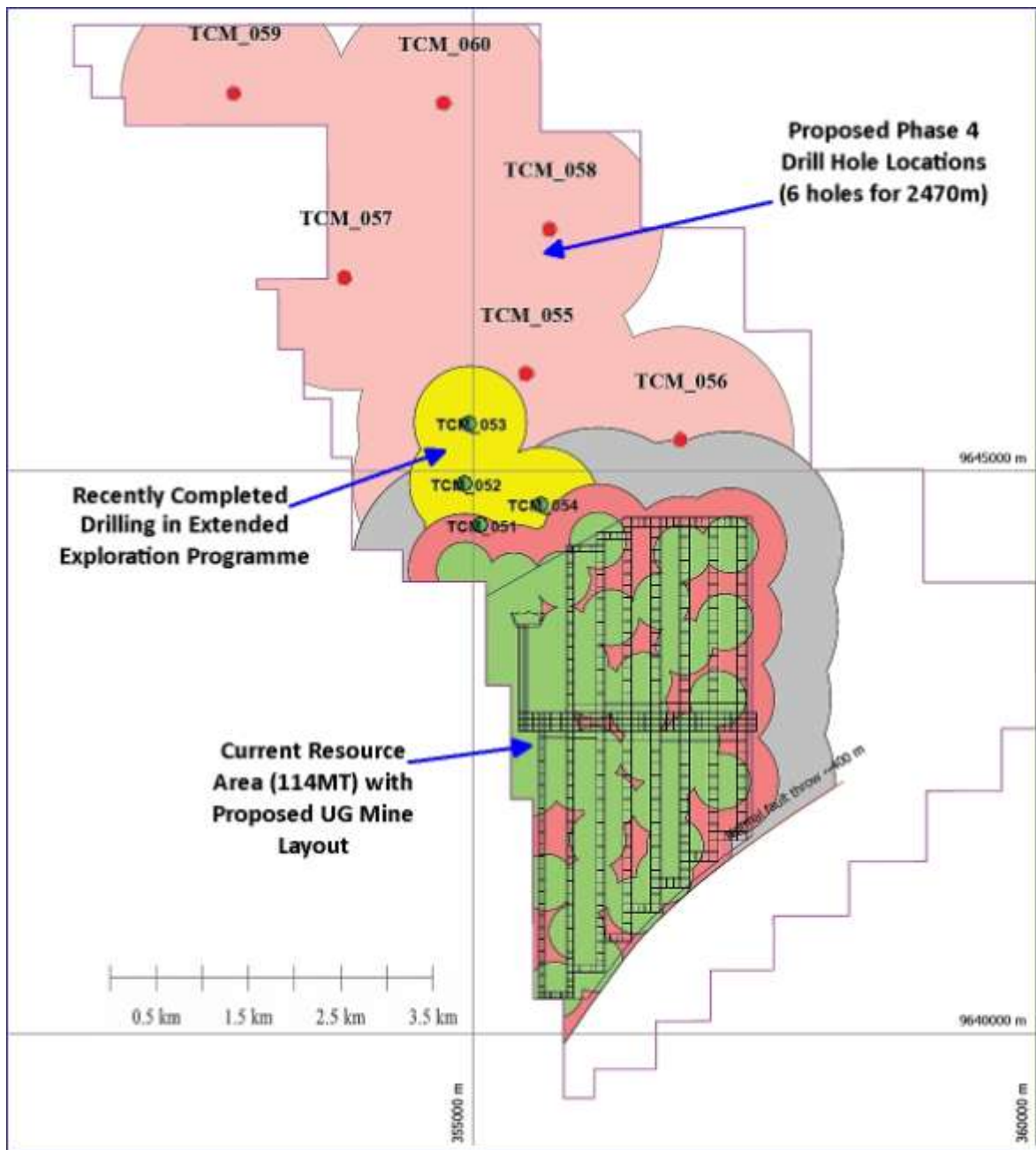
**Extended Drill Programme – Targeting 200Mt to 220Mt**

As a result of the positive results from the initial 4 exploratory drill holes in the northern part of the TCM concession, the Company commenced a further wide spaced drill programme covering all of the concession.

Initially, a drill programme comprising 6 holes and 2470 m has been planned (see Table 2, Phase 4, Proposed Holes TCM 055 – TCM 060) to test the extent of the coal seams in this northern area. It is estimated that these 6 holes will take about ten weeks to complete.

If this programme confirms that the recent positive results achieved from the first 4 exploratory holes continue to the boundary of the concession, then the Company has an exploration target of 200 to 220 million tonnes of 6500 – 6800 CV (adb) coal for the TCM project (including the current JORC resource for the TCM coal project of 114Mt). The basis for this target is that the current JORC Resource of 114Mt has been based on drilling only a portion of the southern concession, with 50% of the concession area yet to be explored. The potential quantity & quality target is however currently conceptual in nature with insufficient exploration undertaken to define a mineral resource and it is uncertain if further exploration will result in a mineral resource.

The Company expects that the coal quality results from the extended drilling will be similar to the coal quality that has been recorded for the current 114Mt JORC resource. The Company is currently awaiting the results of the first 4 holes from the laboratory.



### TCM Feasibility Study Update

In January 2012, the Company completed the Phase 3 drilling programme required for the Feasibility Study. In mid-February drilling re-commenced in the north of the concession to test the extension of coal seams outside of the Study Area. A total of 4 drill holes for 997m were drilled. These holes have identified that the coal seams targeted for underground exploitation are shallower than expected and the parting between the coal seams narrows. Further drilling is required to confirm and expand the current findings for possible inclusion of this area in the current Feasibility Study.

As a priority, and in addition to the wide spaced 6 hole Phase 4 drilling programme announced on 12 April 2012, 2 - 4 more holes are planned to be added to this programme. If drilling is as expected this has the potential to extend the mine design up to 1000m to the north adding further value to the current Feasibility Study.

With the 4 holes for 997m drilled in the March quarter, drilling to date on the TCM concession amounts to a total of 54 drill holes, with a total advance of 15,371m

Further work in the March 2012 quarter included:

- A detailed geotechnical assessment carried out by Golder Rock Mechanics Technology (RMT). RMT are considered industry leaders in rock mechanics and have worked on projects in 120 countries. They are based in the UK and are a subsidiary of Golder Associates. RMT have issued a draft detailed geotechnical report including underground mine design parameters. These design parameters include rock-bolt support, roadway design, panel and pillar widths.
- It can be seen in the data that the strata at TCM is stronger than that encountered at the Indominco underground coal mine in Bontang East Kalimantan operated by Kopex. RMT has stated; “Despite the weak rock and low corresponding modulus (i.e. the relationship between stress and strain of the material), the average modulus ratio at TCM is comparable to the UK.” This can be seen in Table 3 below.

**Table 3: UCS and Modulus Comparison**

	Claystone			Sandstone			Siltstone		
	UCS (MPa)	E (GPa)	Modulus Ratio	UCS (MPa)	E (GPa)	Modulus Ratio	UCS (MPa)	E (GPa)	Modulus Ratio
TCM Concession	10.0	3.2	0.32	23.4	6.3	0.26	18.8	9.2	0.49
Indominco East Kalimantan	5.0	0.5	0.1	8.6	1.4	0.16	7.3	1.4	0.19
Satui South Kalimantan	11.9	1.08	0.9	-	-		-	-	
Ombilin West Sumatra	23.0	4.2	0.18	43.2	4.6	0.1	36.4	5.3	0.14
Typical UK Mines	48.1	17.4	0.36	74.7	22.0	0.29	62.6	21.7	0.35

- The final “Coal Seam Gas Content and Composition Analysis” report has been received from CSL Energy, New Zealand. CRL Energy concluded “coal sampled by this exploration programme has low to medium, methane rich, gas content”. Kopex have modeled a detailed ventilation and gas drainage design based on this analysis.
- A civil engineering company was enlisted to undertake a detailed site survey for placement of surface infrastructure including coal handling and preparation plant, power station, workers village, offices, workshop, drainage, roads, stockpiles and waste dumps. An initial plan has been received and is currently being finalized.

- All initial capital and operating cost estimates for the Feasibility Study have been received and reviewed. Further comparison quotes will be sort prior to any procurement activity.
- Initial detailed mine design and life of mine (LOM) schedule is close to being finalized and will be available in May 2012. This may be further developed and refined with further drilling results and the sensitivity analysis of the base case feasibility will incorporate provision for further positive results from this drilling. This may add significant additional value to the project, prior to closing commercial arrangements with development partners.

The Company expects to receive the draft feasibility study in mid May for internal and then independent peer review prior to being available for release.

While the feasibility study will then still be subject to optimization going forward (especially factoring in potential additional resources in the northern part of the concession), this will provide a strong basis for putting in place optimum development arrangements for the project.

Ongoing technical work for the coming quarter will include:

- Priority drilling to extend the immediate mine plan to the north
- Drilling the entire concession area targeting 200MT-220Mt resource
- Environmental baseline sampling by leading environmental consultancy group Hatfield over the concession area and surrounding communities for inclusion in an updated Amdal incorporating the Feasibility Study outcomes
- Ongoing review of capital and operating costs
- Re-run geological model with latest drilling results and update resources
- Revise mine design/planning and input into LOM schedule

### **Ranrich Projects (cashflow from loan repayments, royalty & offtake)**

During the quarter the Company restructured its arrangements with Ranrich Investments Limited (RRI). A Memorandum of Agreement was executed in the presence of a Notary in Jakarta on with the parties agreeing to the following material terms:

- Repayment to Pan Asia of the amount outstanding of US\$4.5m;
- Pan Asia exchanged its right to earn a 50% interest in BCKP for a royalty of US\$1 per tonne on all coal sold from the BCKP IUP, limited to a total of US\$15m;
- Ranrich has undertaken to deliver its current outstanding contracted shipments of ~220,000Mt of coal to Pan Asia's designated buyer (now 170,000 tonnes).
- Pan Asia paid back its outstanding loan to Noble in March of AUD \$1.821m.

## Background

Ranrich Investments Limited, (a company controlled by Honardy Boentario) and Innovation West Pty Ltd (IW), (a company wholly owned by Pan Asia Corporation Limited) originally entered into a Memorandum of Agreement in 2010 for the financing of and investment in various coal projects. The repayment of the finance was based on RRI making contracted coal shipments to a designated buyer arranged by IW. Since entering into the original financing arrangement, RRI struggled to provide the scheduled coal deliveries and as a result, Pan Asia sought to have the principal monies outstanding under the contract repaid.

## TCM JORC Statement

The current JORC resources at the TCM Project, following completion of 35 boreholes in October 2011, are:

	<b>17 OCTOBER 2011</b>	<b>31 JANUARY 2011</b>	<b>INCREASE</b>
<b>MEASURED (tonnes)</b>	35,602,319	No Estimate	<i>NEWLY IDENTIFIED</i>
<b>INDICATED (tonnes)</b>	35,109,149	22,418,736	56.61%
<b>INFERRED (tonnes)</b>	43,910,420	30,818,567	42.48%
<b>TOTAL (tonnes)</b>	<b>114,621,889</b>	<b>53,237,303</b>	<b>115.30%</b>

This JORC Resource calculation was undertaken by leading coal industry group Kopex Mining Contractors (part of the KOPEX Group).

## PARAMETERS USED IN JORC UPGRADE IN OCTOBER 2011

1. A total of 35 boreholes was used for the update of the resource estimation;
2. This preliminary resource update was made for the purpose of re-estimating the resource numbers and evaluating the tectonic structure of the rocks;
3. All finished boreholes were geophysically logged, samples taken and sent to laboratories;
4. Profiles, logs of boreholes and seam correlations were completed;
5. Collar coordinates have been completed;
6. Laboratory testing: quality, Geotech, gas methane completed;

## 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
<b>Weight average</b>	<b>6.41</b>	<b>4.33</b>	<b>13.52</b>	<b>41.97</b>	<b>40.18</b>	<b>1.52</b>	<b>6,425</b>	<b>6,566</b>	<b>7,986</b>	<b>1.37</b>

## **Fundamental Change in the Calculation of Resources**

Based on the better understanding of the complexity of the deposit achieved through the drill programme, Kopex sub-divided resources into categories based on the following drill spacing:


	<b>17 OCTOBER 2011</b>	<b>31 JANUARY 2011</b>
<b>MEASURED</b>	<500m	<250m
<b>INDICATED</b>	500-1000m	250-500m
<b>INFERRED</b>	1000m-2000m	500m-1000m

### **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 coalbed 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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### **Forward Looking Statements**

Statements regarding plans with respect to the Company's exploration properties are forward looking Statement. There can be no assurance that the Company's plans for development of its properties will proceed as currently expected. There can also be no assurance that the Company will be able to confirm the presence of additional deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on the Company's exploration property. Such information contained herein represents management's best judgment as of the date hereof based on information currently available. The Company does not assume the obligation to update any forward looking statement.

### **About Pan Asia**

Pan Asia Corporation Limited is a rapidly growing diversified resources company primary listed on the Australian Securities Exchange (ASX: PZC) and secondary listed on the Frankfurt Stock Exchange and with offices in Perth and Sydney, Australia and Jakarta, Indonesia.

The Company aims to be a major supplier of key resources into the expanding Asian markets. A strong local partner network will be the foundation for the Company's aim to become a significant resource company in Asia over the coming years. An extensive international financial network provides support for the Company's rapid growth plans. Pan Asia brings together an experienced Board and management team with a proven track record in the identification, funding and development of resources projects.

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