Pan Asia Corporation Ltd

ABN 45 098 448 269

Financial Statements

For the Half-Year Ended

31 December 2012

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DIRECTORS' REPORT

The directors of Pan Asia Corporation Limited ("Pan Asia or 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 2012 (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	
Mitch Jakeman	Non-Executive Director	Appointed 27 November 2012

Company Secretary

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

Jason Campbell	Company Secretary

Operating Results

During the period, Pan Asia Corporation Limited made a loss of $1,973,982 (2011: $962,942).

Review of Operations

Pan Asia had a very productive second half of 2012 achieving a number of key milestones on its flagship high CV thermal coal project "TCM". The most significant milestone was the completion of the next stage of drilling at TCM north resulting in an increase in total JORC resource to ~178mt. The JORC from economically mineable seams increased 77% to ~128mt.

Following completion of the TCM North drilling program that resulted in the JORC upgrade, the Kopex Group advised the Company that after a review of its worldwide operations, they would be limiting their operations in Asia near term. With that, Kopex advised the Company that they were at this time unlikely to become a potential long term partner in the TCM Project. Both Kopex and the Company agreed on a commercial arrangement for Pan Asia to repay loan funds to Kopex which had been provided by Kopex to fund part of the TCM Project's drilling and a feasibility study through the exploration stage. The Company has retained the Kopex competent person to work in our Jakarta office in 2013. Pan Asia has since set about realigning its strategy to attract a new major partner into the project as well as developing a plan for development over the next twelve months.

In November, the Company was very pleased to be able to appoint a very experienced coal industry professional as a director to the board, Mitch Jakeman. Mitch became a shareholder in Pan Asia earlier on when he identified the potential of the TCM Project. Mitch has already visited the TCM Project and provided valuable input and direction into the Company's plans for 2013/2014. The Company is looking forward to progressing and implementing these plans as it moves through to development.

In December 2012, Pan Asia completed a small placement to existing shareholders to fund project and working capital commitments. To show support for the Company and its plans, Mitch applied for shares in the placement. The issue of shares to Mitch as a director will be put to shareholders for approval at a general meeting of shareholders to be held in April 2013.

DIRECTORS' REPORT (continued)
Review of Operations (continued)

JORC Resources Statement at 31 October 2012

Measured Resources (current statement 31 October 2012)

The Measured Resources are summarised below and are reported in accordance with the requirements of the JORC Code (2004).

Seam	Area	Thickness	Tonnes
	[m^2]	[m]	[T]
S1	0.00	0.00	0.000
S2	1,775,771	0.27	649,236
S3U	6,781,597	0.27	2,311,800
S3L	2,669,699	0.23	830,755
S4 (SR)	6,575,827	0.91	8,149,454
S5 (SU)	7,589,922	1.93	20,434,284
S6 (SM)	7,586,310	1.63	17,193,018
S6L (SL-1)	5,093,965	0.53	3,702,516
S7 (SL-2)	307,631	0.33	138,327
Total		**6.10**	**53,409,390**

Indicated Resources (current statement 31 October 2012)

The Indicated Resources are summarised below and are reported in accordance with the requirements of the JORC Code (2004).

Seam	Area	Thickness	Tonnes
	[m^2]	[m]	[T]
S1	142,229	0.22	43,979
S2	1,416,997	0.29	546,640
S3U	4,533,838	0.25	1,429,688
S3L	2,025,453	0.26	702,488
S4 (SR)	4,879,595	0.89	5,918,608
S5 (SU)	4,768,483	1.86	12,248,984
S6 (SM)	4,762,871	1.86	12,221,817
S6L (SL-1)	4,108,149	0.38	2,157,367
S7 (SL-2)	366,204	0.29	146,596
Total		**6.30**	**35,416,167**

Inferred Resources (current statement 31 October 2012)

The Inferred Resources are summarised below and are reported in accordance with the requirements of the JORC Code (2004).

Seam	Area	Thickness	Tonnes
	[m^2]	[m]	[T]
S1	2,355,891	0.22	711,325
S2	1,913,745	0.29	752,891
S3U	7,496,110	0.27	2,525,904
S3L	5,450,753	0.27	1,944,154
S4 (SR)	12,291,619	0.86	14,288,472
S5 (SU)	12,262,375	1.90	32,032,238
S6 (SM)	12,225,738	2.10	35,035,142
S6L (SL-1)	3,033,355	0.28	1,151,117
S7 (SL-2)	0	0.00	0
Total		**6.19**	**88,441,243**

DIRECTORS' REPORT (continued)
Review of Operations (continued)

Coal Quality Resource Summary

Two hundred and twenty (226) samples were analysed to confirm the coal quality data.

Average Coal Quality

Seam ID	TM	IM	Ash	VM	FC	TS	CV (adb)	RD
	(% ar)	**(% adb)**	**(% adb)**	**(% adb)**	**(% adb)**	**(% adb)**	**(Kcal/kg)**	**g/Cc**
S4 (SR)	5.7	4.3	8.7	43.3	43.8	2.64	6,991	1.34
S5 (SU)	5.2	3.9	12.8	41.7	41.6	1.65	6,655	1.36
S6 (SM)	5.0	3.6	12.7	42.3	41.5	0.39	6,705	1.36
S6L(SL1)	5.1	3.7	12.25	42.9	41.0	0.41	6,718	1.35
Average Value	**5.2**	**3.8**	**11.7**	**42.6**	**42.0**	**1.27**	**6,767**	**1.35**
Parting b/w S5&S6	2.7	1.6	77.5	15.1	5.8	0.25	1,061	2.09
Weighted Avg value S5&S6	**5.10**	**3.75**	**12.75**	**42.00**	**41.55**	**1.02**	**6680**	**1.36**

PARAMETERS USED IN JORC STATEMENT 31 OCTOBER 2012

1. Completed 64 boreholes (typically >200m depth);
2. All finished boreholes were drilled vertically and geophysically logged at the completion of the each borehole;
3. Phase 1 & 2 drilling used touch coring method, while Phase 3 & 4 drilling adopted full coring through target seams;
4. All borehole locations have been surveyed;
5. Profiles, logs of boreholes, seams correlation and collar co-ordinates completed;
6. Laboratory testing: quality, geotech, gas methane completed;
7. All data was put into an electronic database;
8. Minimum thickness of 0.20m coal is reported within the model;
9. Maximum thickness of parting included in seam thickness is 0.10m;
10. Minimum thickness of 1.00m is established for resources dedicated for potentially underground exploitation.

Based on the level of complexity of the TCM deposit, Kopex sub-divided resources into categories based on the following drill spacing: **Measured <500m/ Indicated 500 - 1000m / Inferred 1,000 - 2,000m**

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.

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

DIRECTORS' REPORT (continued)

Subsequent Events

There were no subsequent events following the end of the period to the date of this report.

Dividends Paid or Recommended

No dividends were paid or proposed during the half-year ended 31 December 2012.

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 5 and forms part of this directors' report for the half-year ended 31 December 2012.

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.

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Luke Martino

Director

6 March 2013

HLB Mann Judd
Accountants | Business and Financial Advisers

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 2012, 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
6 March 2013

N G NEILL
Partner, HLB Mann Judd

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 December 2012

	Notes	Consolidated 31 December 2012 $	Consolidated 31 December 2011 $
Continuing operations			
Other income	2(a)	1,261	177,696
Loss on disposal of subsidiaries	2(b)/ 9	(1,229,502)	-
Accounting and legal fees		(78,763)	(130,309)
Management, corporate advisory and consulting expense		(107,765)	(514,536)
Depreciation and amortisation		(9,796)	(4,471)
Employee benefits expense		(204,665)	(139,377)
Securities exchange expenses		(45,541)	(50,944)
Other expenses	2(c)	(299,211)	(301,001)
Loss before income tax expense		**(1,973,982)**	**(962,942)**
Income tax expense		-	-
Net loss for the period		**(1,973,982)**	**(962,942)**
Other comprehensive income for the period			
Items which may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(68,346)	101,897
Exchange differences arising on disposal		5,243	-
Total comprehensive loss for the period		**(2,037,085)**	**(861,045)**
The net loss for the period is attributable to:			
Owners of the parent		(1,917,974)	(1,204,113)
Non-controlling interest		(58,815)	241,171
		(1,976,789)	**(962,942)**
Total comprehensive loss for the period is attributable to:			
Owners of the parent		(2,004,189)	(847,143)
Non-controlling interest		(32,896)	(13,902)
		(2,037,085)	**(861,045)**
Basic loss per share from continuing operation (cents per share)		**(1.67)**	**(0.82)**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2012

	Note	Consolidated 31 December 2012 $	Consolidated 30 June 2012 $
Assets			
Current assets			
Cash and cash equivalents		622,837	1,288,357
Trade and other receivables	3	3,607	25,301
Prepayments		16,380	19,640
Other financial assets	4(a)	31,870	34,000
Loans to other entities	6(a)	232,824	472,735
Total current assets		**907,518**	**1,840,033**
Non-current assets			
Property, plant and equipment		165,341	174,283
Deferred exploration and evaluation expenditure	5	13,923,739	14,395,370
Other financial assets	4(b)	-	13,561
Loans to other entities	6(b)	144,203	144,203
Total non-current Assets		**14,233,283**	**14,727,417**
Total assets		**15,140,801**	**16,567,450**
Liabilities			
Current liabilities			
Trade and other payables		447,658	347,966
Borrowings	7(a)	7,323	7,033
Loans from other entities	8(a)	3,026,389	2,928,149
Total current liabilities		**3,481,370**	**3,283,148**
Non-current liabilities			
Borrowings	7(b)	82,082	85,818
Deferred tax liabilities		2,315,499	2,315,499
Total non-current liabilities		**2,397,581**	**2,401,317**
Total liabilities		**5,878,951**	**5,684,465**
Net assets		**9,261,850**	**10,882,985**
Equity			
Issued capital	10	54,114,657	53,698,707
Reserves	11	282,055	974,055
Accumulated losses		(46,568,792)	(45,190,811)
Parent entity interest		7,827,920	9,481,951
Non-controlling interest		1,433,930	1,401,034
Total equity		**9,261,850**	**10,882,985**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 December 2012

	Issued Capital	Accumulated Losses	Option Reserve	Share Based Payments Reserve	Foreign Exchange Reserve	Non-Controlling Interest	Total
	$	$	$	$	$	$	$
Balance at 1 July 2011	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
Total comprehensive income for the period	-	(1,204,113)	-	-	356,970	(13,902)	(861,045)
Balance at 31 December 2011	**53,663,707**	**(42,473,153)**	**100,000**	**739,101**	**69,644**	**1,250,158**	**13,349,457**
Balance at 1 July 2012	53,698,707	(45,190,811)	-	910,406	63,649	1,401,034	10,882,985
Loss for the period	-	(1,917,974)	-	-	-	(58,815)	(1,976,789)
Reclassification of non-controlling interests on disposal	-	(56,007)	-	-	22,783	36,031	2,807
Exchange differences arising on translation of foreign operations	-	-	-	-	(124,026)	55,680	(68,346)
Exchange differences arising on disposal	-	-	-	-	5,243	-	5,243
Total comprehensive income for the period	-	(1,973,981)	-	-	(96,000)	32,896	(2,037,085)
Shares issued during the half-year	438,000	-	-	-	-	-	438,000
Share issue costs for the half-year	(22,050)	-	-	-	-	-	(22,050)
Options expired during the half-year	-	596,000	-	(596,000)	-	-	-
Balance at 31 December 2012	**54,114,657**	**(46,568,792)**	**-**	**314,406**	**(32,351)**	**1,433,930**	**9,261,850**

The accompanying notes form part of these financial statements.

Pan Asia Corporation Ltd

CONDENSED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 December 2012

	Consolidated 31 December 2012 $	Consolidated 31 December 2011 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	-	214,190
Interest received	1,261	3,599
Payments to suppliers and employees	(518,409)	(672,257)
Mining tenement expenditure	(927,610)	(1,555,787)
Interest and income taxes paid	(9,232)	(4,996)
Net cash provided by / (used in) operating activities	**(1,453,990)**	**(2,015,251)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,533)	(4,220)
Funds advanced to / (received) from non-related parties	352,897	1,551,779
Net cash provided by / (used in) investing activities	**351,364**	**1,547,559**
Cash flows from financing activities		
Proceeds from issue of shares (net of share issue costs)	438,000	(33,750)
Net cash provided by / (used in) financing activities	**438,000**	**(33,750)**
Net increase / (decrease) in cash held	**(664,626)**	**(501,442)**
Cash and cash equivalents at the beginning of the period	1,288,357	1,091,031
Exchange rate fluctuations on cash held	(894)	6,274
Cash and cash equivalents at the end of the period	**622,837**	**595,863**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2012

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 2012 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 2012.

Adoption of New and Revised Accounting Standards

In the half-year ended 31 December 2012, the Directors have 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 2012.

It has been determined by the Directors 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 Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. 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.

Going Concern

In the half-year ended 31 December 2012, the Company recorded a net loss of $1,973,982 and a net operating cash outflow of $664,626. The Company has a working capital deficiency of $2,573,852 at 31 December 2012, due to recognition of a loan with Kopex of US$2,530,000 for the feasibility study and drilling activities in the TCM Project. As outlined in note 8, the Company is required to repay the loan in cash by 30 November 2013 if Kopex does not exercise its right to convert the loan to shares in the Company between 1 October 2013 and 30 November 2013.

Notwithstanding the above, the financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business and on the assumption of sufficient funds becoming available for the operations of the entity and its subsidiaries.

The Board considers that the Company is a going concern and recognises that additional funding will be required to ensure that the Company can continue to fund its and the consolidated entity's operations and further develop its resource assets during the

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern (continued)

twelve month period from the date of this financial report. Such additional funding can be derived by raising additional equity as demonstrated during the Period (Note 10) or the partial sell down of its assets.

In the event that the Company is unsuccessful in generating future cash flows by raising additional equity or a potential sell down of assets, this would cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTE 2: OTHER INCOME AND EXPENSES

	Consolidated 31 December 2012 $	Consolidated 31 December 2011 $
(a) Other Income		
Interest income	1,261	132,532
Off-take margin & other income	-	45,164
Total Other Income	**1,261**	**177,696**
(b) Loss on disposal of subsidiaries		
Disposal of PT Kusan Persada and PT Roda Niaga	1,229,502	-
	1,229,502	**-**
(c) Other expenses		
Bank charges	3,945	4,620
Interest expense	8	68,868
Corporate and administration fees	104,046	122,762
Travel and accommodation expenses	72,157	186,850
Rent	36,022	30,340
Insurance	6,083	10,524
Foreign exchange (gain) / loss - unrealised	23,442	(200,241)
GST (recovered) / expensed	3,028	2,677
Other	50,480	74,601
Total Other Expenses	**299,211**	**301,001**

NOTE 3: TRADE AND OTHER RECEIVABLES

	Consolidated 31 December 2012 $	Consolidated 30 June 2012 $
Current		
Trade receivables (i)	3,607	25,301
Total trade and other receivables	**3,607**	**25,301**

(i) Trade receivables are non-interest bearing.

NOTE 4: OTHER FINANCIAL ASSETS

	Consolidated 31 December 2012 $	Consolidated 30 June 2012 $
(a) Current		
Cash advance (i)	-	4,537
Security deposit (ii)	31,870	29,463
Total other financial assets	**31,870**	**34,000**
(b) Non Current		
Deposit paid (iii)	-	13,561
Total other financial assets	**-**	**13,561**

(i) Cash advance of US$4,623 was paid by PT Maxidrill Indonesia for drilling services provided.

(ii) A security deposit was required as part of the sublease agreement for the Jakarta offices and apartments.

(iii) 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 2012 $	Consolidated 30 June 2012 $
Balance at beginning of period	14,395,370	10,336,873
Exploration expenditure disposed (i)	(1,241,065)	-
Expenditure incurred (ii)	845,743	3,942,972
Foreign currency translation movement	(76,309)	115,525
Balance at end of period	**13,923,739**	**14,395,370**

(i) Expenditure written off with the disposal of PT Kusan Persada and PT Roda Niaga.

(ii) 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).

NOTE 6: LOANS TO OTHER ENTITIES

	Consolidated 31 December 2012 $	Consolidated 30 June 2012 $
(a) Current		
Loans made to Ranrich (i)	232,824	472,735
Total loans to other entities	**232,824**	**472,735**
(b) Non Current		
Loans made to Gerald Nirahuwa (ii)	912,728	912,728
Provision for loan made to Gerald Nirahuwa (ii)	(912,728)	(912,728)
Other loans	144,203	144,203
Total loans to other entities	**144,203**	**144,203**

(i) Under the terms of the Company's exchange of BCKP rights, Ranrich Investments Ltd is responsible for the non-delivery of two coal shipments to Noble Resources, valued at US$481,764. However, in the event Ranrich defaults, the Company will ultimately be liable for this amount due to Noble Resources. As at 31 December 2012, balance of US$241,764 remains outstanding.

(ii) A loan was given to Gerald Nirahuwa for planned acquisition of coal and manganese assets. The acquisition did not eventuate and although the Company continues to seek avenues to recovery, it has been unsuccessful to date. As a result, the amount has been impaired.

NOTE 7: BORROWINGS

	Consolidated 31 December 2012 $	Consolidated 30 June 2012 $
(a) Current		
Motor vehicle hire purchase liability	7,323	7,033
Total borrowings	**7,323**	**7,033**
(b) Non Current		
Motor vehicle hire purchase liability	82,082	85,818
Total borrowings	**82,082**	**85,818**

NOTE 8: LOANS FROM OTHER ENTITIES

	Consolidated 31 December 2012 $	Consolidated 30 June 2012 $
(a) Current		
Loans payable to Noble Resources (i)	463,948	472,735
Loans payable to KOPEX Mining (ii)	1,515,421	1,544,120
Loans payable to KOPEX Mining (iii)	921,020	911,294
Total loans from other entities	**3,026,389**	**2,928,149**

(i) As at 31 December 2012, balance of US$481,764 remains outstanding to Noble Resources.

(ii) An initial agreement was entered into with KOPEX to co-fund part of the drilling program on the TCM Coal Project. Under the agreement, KOPEX funded a total of US$1,600,000 in drilling costs. As at 31 December 2012, the loan amount advanced for drilling is US$1,573,613. The Company has decided to proceed with the Development and Production of the TCM Coal Project without Kopex and has entered into a Letter Agreement with Kopex to settle the loan advanced. Under the Letter of Agreement, the Company is required to repay the loan either in cash or shares but with payment deferred until 30 November 2013.

(iii) Kopex has funded and carried out US$956,387 worth of feasibility study work on the TCM project. This amount is the repayable by 30 November 2013 per Letter of Agreement entered on 30 November 2012 between the Company and Kopex.

NOTE 9: DISPOSAL OF SUBSIDIARIES

In September 2012, the Company decided not to proceed with the Indonesian requirement of a status conversion of its two dormant Indonesian subsidiaries, PT Kusan Persada and PT Roda Niaga, into a foreign investment company, resulting in a disposal of both subsidiaries.

The Company previously has 80% interest in PT Kusan Persada and PT Roda Niaga through a number of agreements via Triumph West Pty Ltd (a wholly owned subsidiary of the Company).

Consideration on disposal - Nil $
Cash inflow on disposal – Nil $

	$
Disposal consideration	-
Less: net assets disposed of	(1,224,259)
Less: foreign currency translation movement	(5,243)
Gain/(loss) on disposal	(1,229,502)

NOTE 9: DISPOSAL OF SUBSIDIARIES (continued)

Net assets at date of discontinued operation
The carrying amount of assets and liabilities at the date of disposal of subsidiaries were as follows:

	$
Other assets	27,603
Deferred exploration and evaluation expenditure	1,241,065
Trade payables	(8,378)
Net assets	1,260,290
Less: non-controlling interest	(36,031)
Net assets disposed	1,224,259

NOTE 10: ISSUED CAPITAL

	Consolidated 6 months ended 31 December 2012 $	Consolidated Year ended 30 June 2012 $
Ordinary shares		
Issued and fully paid	54,114,657	53,698,707

	No. of Shares	$	No. of Shares	$
Movements in ordinary shares on issue				
At start of period	117,829,143	53,698,707	117,579,143	53,663,707
- Shares issued under Placement	6,257,143	438,000	-	-
- Shares issued in satisfaction of services	-	-	250,000	35,000
- Less share issue costs	-	(22,050)	-	-
At end of period	**124,086,286**	**54,114,657**	**117,829,143**	**53,698,707**

NOTE 11: RESERVES

(a) Option Reserve

	No. of Options	Consolidated 6 months ended 31 December 2012 $	No. of Options	Consolidated Year ended 30 June 2012 $
Movements in options over ordinary shares on issue				
At start of period	-	-	8,771,939	100,000
- Expiry of options	-	-	(8,771,939)	(100,000)
At end of period	**-**	**-**	**-**	**-**

(b) Share Based Payment Reserve

	No. of Options	Consolidated 6 months ended 31 December 2012 $	No. of Options	Consolidated Year ended 30 June 2012 $
Movements in share based payments				
At start of period	8,465,480	910,406	2,365,480	739,101
- Expiry of options	(2,065,480)	(596,000)	-	-
- Issue of options to management	-	-	500,000	10,000
- Issue of options to employees	-	-	5,600,000	161,305
At end of period	**6,400,000**	**314,406**	**8,465,480**	**910,406**

(c) Foreign Currency Reserve

	Consolidated 6 months ended 31 December 2012 $	Consolidated Year ended 30 June 2012 $
Movements in foreign currency reserve		
At start of period	63,649	(287,326)
- Exchange rate differences arising on translation of foreign currency	(124,026)	350,975
- Loss of control of subsidiary	28,026	-
At end of period	**(32,351)**	**63,649**

NOTE 12: SEGMENT REPORTING

Segment Information

The following table presents revenue and profit information and certain asset and liability information regarding the relevant segments for the half year ended 31 December 2012 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 PZC Services 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

Segment result

31 December 2012	**Australia $**	**Indonesia $**	**Total $**
Interest revenue	1,261	-	1,261
Total revenue	1,261	-	1,261
Management, corporate advisory and consulting expense	(112,371)	-	(112,371)
Depreciation	(6,536)	(3,260)	(9,796)
Segment result	(610,292)	(1,363,690)	(1,973,982)
31 December 2011			
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)

Segment assets and liabilities

31 December 2012	**Australia $**	**Indonesia $**	**Total $**
Property, plant and equipment	131,946	33,395	165,341
Deferred exploration expenditure	693,604	13,230,135	13,923,739
Loans to/(from) other entities	(357,124)	(2,292,238)	(2,649,362)
Segment assets	1,715,149	13,425,652	15,140,801
Segment liabilities	(751,093)	(5,127,858)	(5,878,951)

NOTE 12: SEGMENT REPORTING (continued)

Segment assets and liabilities			
30 June 2012			
Property, plant and equipment	137,827	36,456	174,283
Deferred exploration expenditure	830,359	13,565,011	14,395,370
Loans to/(from) other entities	144,203	(2,455,415)	(2,311,212)
Segment assets	3,519,560	13,047,890	16,567,450
Segment liabilities	(1,053,193)	(4,631,272)	(5,684,465)

NOTE 13: RELATED PARTY TRANSACTIONS

During the reporting period, fees for administrative, accounting and consulting of $64,195 (excluding GST) were incurred to Indian Ocean Advisory Group. These services were provided on normal commercial teams and conditions and at market rates. Mr Luke Martino is a director of Indian Ocean Advisory Group.

NOTE 14: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

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 2012 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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Luke Martino

Director

6 March 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2012, 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 internal control 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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*.

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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 consolidated entity for the half-year ended 31 December 2012 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 2012 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*.

Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicate that the Company will require additional sources of funding to enable it to continue to fund its and the consolidated entity's operations and further develop its resource asset during the twelve month period form the date of this financial report. In the event the Company is unable to generate additional cash flows, there would be a material uncertainty that may cast significant doubt whether the company would be able to continue as a going concern and therefore whether it would be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial statements.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

N G NEILL
Partner

Perth, Western Australia
6 March 2013