



# PACIFIC AMERICAN COAL LIMITED

(Formerly Metals Finance Limited)

## ASX RELEASE

Friday 31<sup>st</sup> July 2015

## ASX CODE

PAK, PAKO

## CAPITAL STRUCTURE

Quoted Shares	58,892,600
Quoted Options	26,818,980

## ABOUT

Pacific American Coal Limited (formerly Metals Finance Limited) is focused on the production, development and exploration of metallurgical coal assets in North America. The Company holds a 30% equity interest in the P8N underground operating coal mine in Oklahoma, 100% ownership in 8 Coal Leases in the Kootenay and Peace River Coal Fields in British Columbia - Canada and tenements in application in low volatile bituminous region of the Arkoma coal basin in Oklahoma and the Raton coal basin in Colorado.

## Board

Non-Executive Chairman – Geoff Hill  
Non-Executive Director – Simon Bird  
Non-Executive Director – Paul Chappell  
Alternate Director – Matt Hill

## Company Secretary

Ian Morgan

## Management

Chief Executive Officer – Mark Sykes  
Business Development – Dom Hill

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## QUARTERLY REPORT FOR THE PERIOD TO

### 30<sup>th</sup> June 2015

Pacific American Coal Limited (ASX: PAK) is pleased to provide its Quarterly Activities Report for the three months ended 30<sup>th</sup> June 2015.

As announced on 3<sup>rd</sup> June 2015, PAK advised a change to the Company's financial year-end from 31 August to 31 December. Correspondingly the Company's quarterly activity reporting period has been amended. This Quarterly Activities Report covers the period from 1<sup>st</sup> April 2015 to 30<sup>th</sup> June 2015 and should be read in conjunction with PAK's Quarterly Activities Report dated 30<sup>th</sup> June 2015.

Key activities the Company engaged during the period included:

- **Changes to Quarterly Reporting Periods**
- **P8N Coal Production and Equipment Upgrade**
- **Strategic Review**
- **Elko Project**
- **Elko Exploration Plan**
- **Cash Management**

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## Changes to Quarterly Reporting Periods

As announced on 3rd June 2015, PAK advised a change to the Company's financial year-end from 31 August to 31 December. Correspondingly the Company's quarterly activity reporting periods have changed, and are listed below:

Period	Old	New
<b>Financial Year</b>		
	Sept 1 – Aug 31	Jan 1 – Dec 31
<b>Quarterly Report</b>		
<b>Q1</b>	Sept – Nov	Jan – Mar
<b>Q2</b>	Dec – Feb	Apr – Jun
<b>Q3</b>	Mar – May	Jul – Sept
<b>Q4</b>	Jun – Aug	Oct – Dec

In the period of transition from the 31 Aug 2015 year-end to 31 Dec 2015 year-end, PAK will lodge a 16 month Audited Financial Statement by 31 March 2016. Subsequent Audited Financial Statements will cover the 12 month period ending 31 Dec.

## P8N Coal Production and Equipment Upgrade

P8N is located in the low volatile bituminous region of the Arkoma Basin in Oklahoma. P8N produces approximately 400,000 tonnes of coal per year sold under long-term contract to the local power utility.

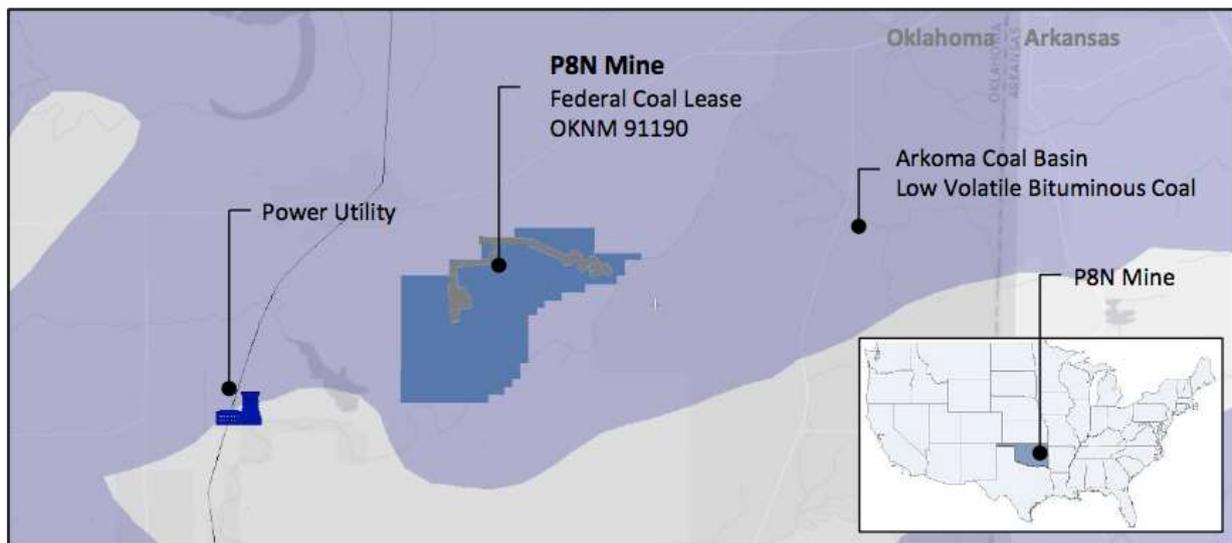


Figure 1 - Location of P8N in the Arkoma Basin

During the period GCI took receipt of a new Joy 14CM15 Continuous Miner on site. The Continuous Miner replaces an existing aged unit that was experience high downtime and production delays resulting in increased maintenance costs and loss of production tonnage. The new Continuous Miner commences production in early July, and once fully operable GCI anticipates improved safety, costs and production performance at P8N.

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Figure 2 - New Continuous Miner Joy 14CM15 being commissioned on site at P8N

Over the period, the group through its associate GCI produced 92,000 tonnes of coal.

Year to Date (YTD) production of 185,000 tonnes is 92% of target.

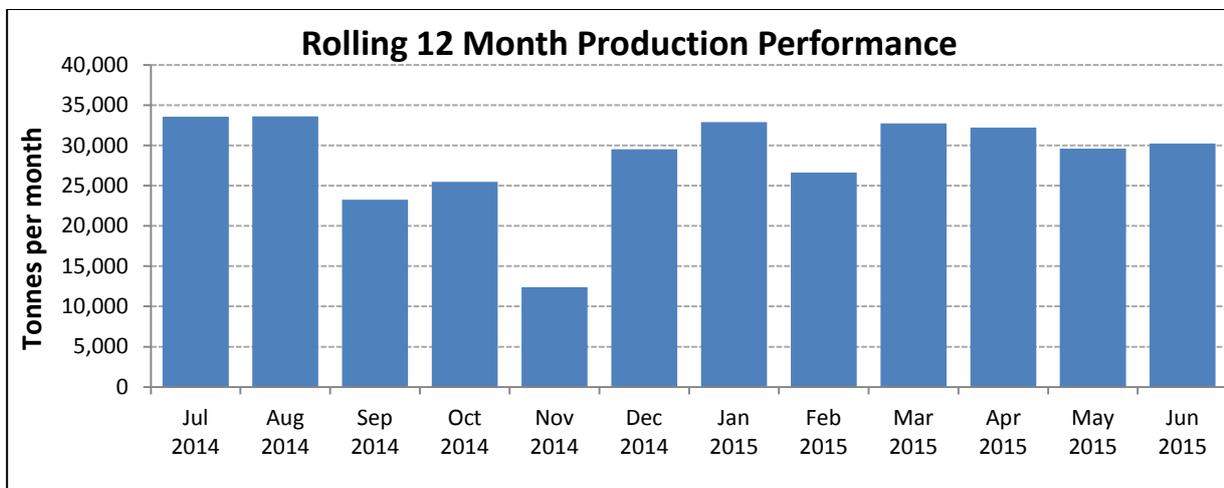


Figure 3 - Production Statistics from P8N

## Strategic Review

During the period PAK underwent a strategic review of its asset portfolio. The company has prioritised activity and expenditure on assets that contain the greatest potential to deliver shareholder value in the short term. The company took into consideration the long term trend of coking coal prices and the potential resource base attributable to each of the project areas.

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The company noted that while the spot prices for low volatile hard coking coal had reached a low point in mid-May of US\$81.15 per tonne (refer Figure 4), the longer term trend and negative market sentiment means only PAK's highest quality asset should be funded and advanced.

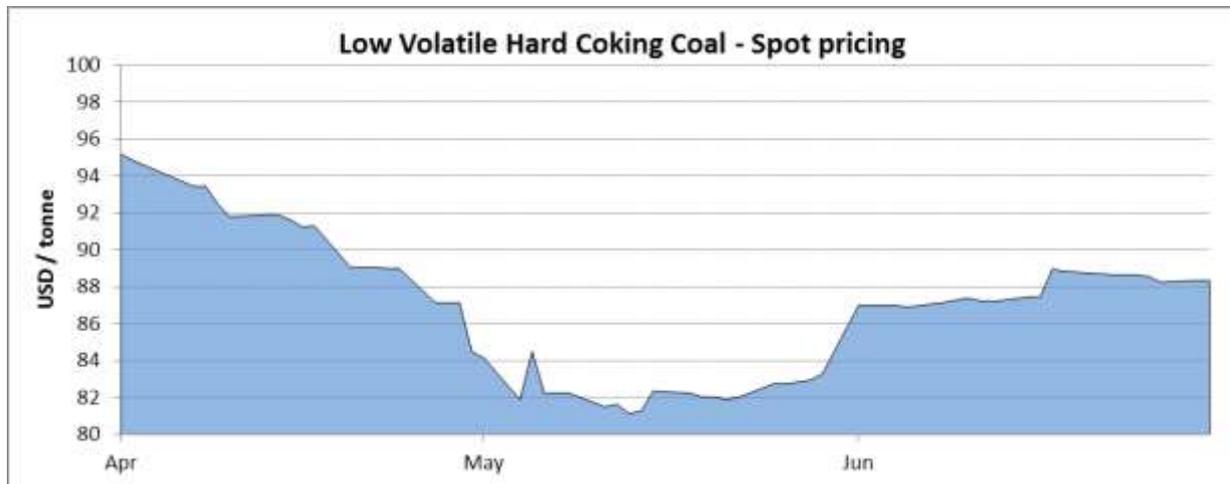


Figure 4 -Three month Low Volatile Coking Coal Spot Price

PAK's 100% owned asset that exhibits the characteristics and criteria set out in the strategic review was the Elko Project. The Board has subsequently approved the allocation of funding towards the project, with initial exploration confirmed to commence in July 2015.

## Elko Project

Elko has the potential to be a Tier 1 asset based on the stated Exploration Target of between 224Mt and 336Mt. All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code. As such, targets are conceptual in nature and there has been insufficient exploration drilling to define a coal resource on the licence, it is uncertain if further exploration will result in discovery of a coal resource on the licence.

The Company's view that Elko is a Tier 1 asset is based on:

- A comparison of competitor resource statements holding Coal Licenses in the Kootenay Basin, indicates that Elko would be the 2<sup>nd</sup> largest resource in the Basin, should the project confirm a resource tonnage at the lower end of expectations.
- The completion of a Japanese lead feasibility study of a potential 1Mtpa underground operation within 5km of Elko. The 1968 feasibility study<sup>1</sup> states coal from the proposed Fernie mine was tested by Japanese steel mills who wished to purchase the coal and that the coal was marketable as a coking coal.
- Within 20km by public road to the rail network servicing the export bulk port at Vancouver.
- Limited opportunities remaining due to declared wilderness areas and Federal owned land.
- Approximately 8km of outcropping coal mapped within the Elko Coal Licenses.

<sup>1</sup> <http://www.em.gov.bc.ca/DL/COALReports/0293.pdf>

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Figure 5 - Location of Elko project to rail infrastructure and the export coal terminals located at Vancouver.

## Elko Exploration Plan

In preparation of a Q3 exploration program at Elko, the company has:

- Engaged Highland GeoComputing to lead the exploration program and geological modelling
- Engaged with First Nations and secured a local guide to facilitate exploration activity and ensure sites of cultural and spiritual significance are preserved and recorded
- Engaged with local land holders to gain access to all surface areas
- Procured safety and technical equipment
- Complete all ground logistics to complete the exploration program.

The objective of the Q3 program is to define a JORC Inferred Resource that the Company plans to announce in the H2 2015. In addition, during the exploration program the company seeks to establish the foundation for long term positive relationships with stakeholders including First Nation groups. The exploration tasks required to achieve the company's exploration objective are:

Elko Exploration Objectives
Develop Geological model of the deposit to an Inferred Resource status
Map coal seam outcrops, geological outcrops, faults, measured sections. Mapping will record GPS Coordinates, strike-dip, geological descriptions
Acquire GPS coordinates of existing Adit locations and exploration drill holes
Identify locations for future trenches and drill holes
Gain detailed topographic knowledge to locate minesite infrastructure and access routes

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Figure 6 - Outcrop Coal Band at Elko



Figure 7 – Coal located at boundary of Elko project

## Cash Management

In view of the difficult market conditions discussed highlighted in the “Strategic Review”, the Board is implementing a structured plan that will efficiently and effectively manage the Company while providing an annual cost saving of \$250,000 per year.

The Company’s focus is on delivering the significant potential at the Elko Project. Consequently, expenditure on all other PAK 100% owned British Columbian coal licences, has been limited until further notice. The Company’s exploration coal tenements in Oklahoma and Colorado are in the application phase and do not require addition funding to retain this status.

The Company’s investment in the GCI operating assets located in Oklahoma remains at 30%. GCI is both profitable and cash flow positive. GCI’s need for additional capital expenditure to improve production has been, and will continue to be sourced from the current cash flow, with PAK supporting equipment financing requirements and the sale of surplus assets.

Having reviewed the 12 month budget, the Board has agreed to reduce expenditure in all areas of administration. The Board has reduced the workforce requirements to 1 full time equivalent employee and will rationalise the back office functions and office requirements of both the Australian and North American offices including limiting travel expenditure. The Board has agreed to eliminate all but essential expenditure. These measures will enhance the Company’s cash position during these adverse market conditions.

The Board looks forward to updating shareholders on the developments at Elko over the coming weeks as findings from the exploration program are confirmed and finalised.

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## FOR FURTHER INFORMATION CONTACT:

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More details are available on PAK's website

[www.pamcoal.com](http://www.pamcoal.com)

## COMPETENT PERSON'S STATEMENT

### *Previously Released Information*

This ASX announcement refers to information extracted from the following report, which is available for viewing on the Company's website [www.pamcoal.com](http://www.pamcoal.com)

- 16.06.2014 TOCC Assets Independent Review

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcement, and, in the case of exploration targets, that all material assumptions and technical parameters underpinning the exploration targets in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings presented have not been materially modified from the original market announcement.