



PACIFIC AMERICAN COAL LIMITED

(Formerly Metals Finance Limited)

11 February 2016

Dear Shareholder,

NORTH AMERICAN BUSINESS UPDATE

In addition to the Company's December 2015 quarterly report, I'd like to update you on recent developments and strategic options the Company is considering as we plan our path forward.

ELKO Project

Our summer work program at the ELKO Project was rewarded with the announcement of our maiden JORC Resource of 257 Million tonnes. Identifying a coking coal resource of this size and quality, in a region known for producing premium coking coal products, confirms ELKO as the flagship asset within the PAK portfolio.

The ELKO Project offers our Shareholders significant future potential as the Company believes ELKO will be developed into a major coking coal operation once market conditions improve. PAK continues to work on advancing the ELKO Project with our next program of works focused on activities supporting the approvals process.

US Coal Downturn

On a less positive note, we have observed that over the past three quarters, the US coal sector has been severely impacted by a downturn in production and investment from the private sector. The US has seen coal production levels fall to their lowest levels since 1986. This has predominantly been due to lower natural gas prices, President Obama's anti coal policies, and demand for US coal internationally.

These and other factors have sent over 26 coal companies, including several majors, into Chapter 11 and in recent years, the closure of around 264 mines. The decline in US sector has led PAK to limit its investment in this sector, and to review all of its US projects to ensure the longer term viability of the company.

Oklahoma Coal Investment

While our investment in GCI remains cash positive, its potential over the past 12 months has failed to meet the expectations of the PAK Board. Disappointing financial performance, combined with outstanding GCI litigation matters lead the PAK Board to seek an extension of its option to acquire 80% of GCI by a further 12 months to Dec 2016. This negotiation was unsuccessful and consequently the GCI Option has lapsed.

Exit Strategy

Following PAK's decision not to increase its holding in GCI to 80% and the lapse of the GCI Option, the Company has decided to implement an exit strategy from its operating mine, rather than remain as a minority shareholder. While aware of the long term potential of the mine, PAK is working with GCI's major shareholder to exit the business through a workable solution for both parties, at the earliest opportunity.

The current proposal under discussion is a selective GCI share buy-back over time to the value of approximately AU\$1 million.



Administrative and Operating Costs

PAK has implemented the following to help reduce overheads and ensure the business can conserve cash to weather the downturn in the current market conditions:

Administrative Costs: With agreement, PAK has frozen salaries and bonuses for the immediate future. Travel expenses related to the business have also been frozen. PAK will internalise domestic and international accounting through its Australian accountants. The company's US office has been downgraded and savings realised. Legal costs have been drawn down to a minimum and the company will only engage legal counsel as required. The Company will only engage consultants where essential services are required, until market conditions improve.

Operating Expense: The Company elected not to renew its Peace River assets in British Columbia, due to their low resource prospectivity and size. For the foreseeable future PAK will only spend minimal cash on its other BC coal projects. There is currently no expenditure required to maintain the USA metallurgical coal license applications.

Carbon Value Based Technology Opportunities

Despite a negative outlook for carbon based commodities, like energy coal and oil, significant value added opportunities do exist in the processing of carbon material such as coking coal and graphite to produce nano-carbon or graphene products. The downturn in the coal sector has also led PAK to review carbon-based technologies in Australia and North America. Management are focusing on value-add based solutions that PAK can license or implement, with the purpose of delivering additional upside to our coal production.

PAK operates in the world's largest economic region of North America, and has its Business Development team based in Dallas, Texas. PAK has determined that investment in technology aimed at significantly increasing the value of processed carbon is a suitable strategic initiative for PAK to develop and seek opportunities in, while retaining its excellent long term coking coal assets.

The company is now investigating accessing a number of US technological breakthroughs that will improve the use of carbon based commodities and enhance the value and viability of the company.

We believe shareholders, and the investment market, will welcome these new initiatives to combine technological solutions to add value to our business base. We will provide shareholders with regular progress updates in the future.

Yours sincerely,

Geoffrey Hill
Chairman

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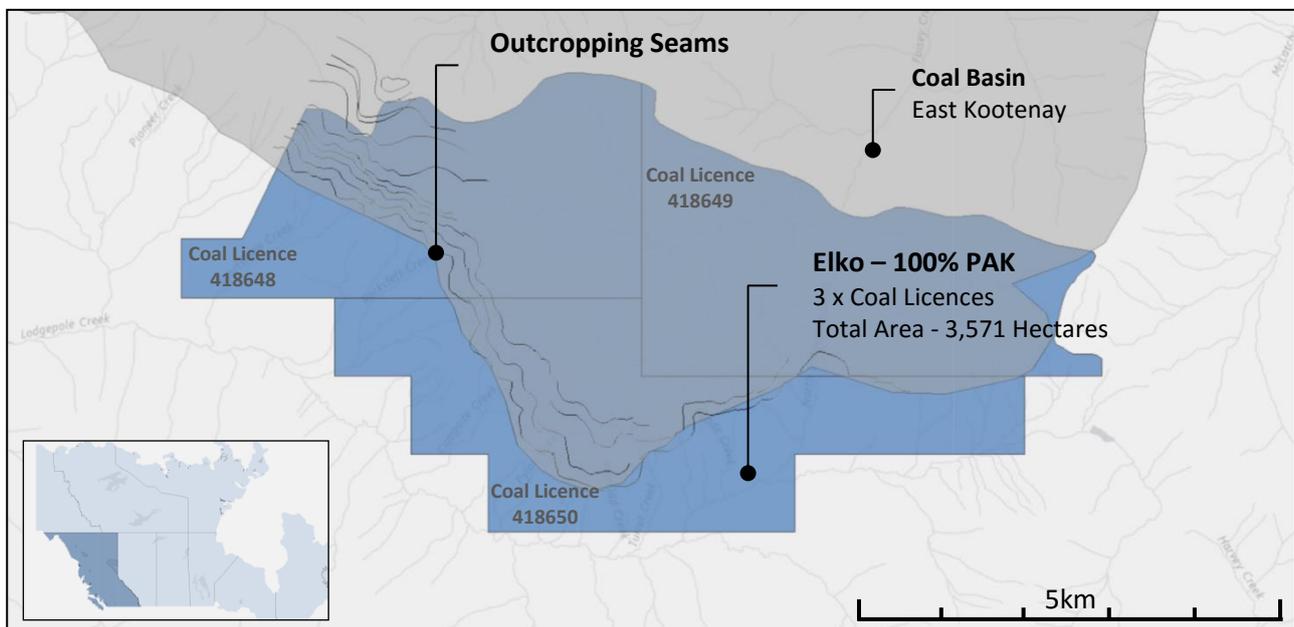
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About

Pacific American Coal Limited is focused on the production, development and exploration of metallurgical coal assets in North America. The Company's strategic focus is on the 100% owned Elko coking coal project in British Columbia. PAK has 100% ownership in a total of 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.

More details are available on PAK's website www.pamcoal.com

ELKO Project



Competent Person's Statement

This letter refers to information extracted from the reports released:

- 16 June 2014 "TOCC Assets Independent Review"
- 2 November 2015 "Elko Project Maiden JORC Resource 257.5 Million Tonnes",

which are available for viewing on PAK's website www.pamcoal.com.

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