



PACIFIC AMERICAN COAL LIMITED

18 March 2016

ASX Announcement – For immediate release

PAK to buy into leading advanced carbon technology and graphene specialist

The directors of Pacific American Coal Limited (“PAK”) are pleased to announce that PAK has entered into a Heads of Agreement (“HoA”) to become the largest shareholder in Imagine Intelligent Materials Pty Ltd (“Imagine IM”), a company that develops commercial applications for graphene and associated advanced carbon based materials (“Proposed Transaction”).

About Imagine IM

Imagine IM is the leading Australian developer of graphene-based coatings for industrial textiles and fibres. It was founded in 2014 by a group of scientists led by Chris Gilbey and Phil Aitchison, with a vision to create disruptive products and solutions that use graphene. Imagine IM has developed a licensing and certification model to ensure that participants in the supply chain are required to meet a set of standards of materials quality. Imagine IM is the first company in the world to develop conductive geomaterials using functionalised graphene.

About Graphene

Graphene is the first two dimensional material and is classed as a “super-material” offering extremely high electrical and thermal conductivity, hydrophobicity, strength, and impermeability to all gases. Graphene’s discoverers were awarded the Nobel Prize in 2010.

About Imagine IM's Executive Team

Chris Gilbey is the CEO of Imagine IM. He has led businesses driven by monetizing intellectual property for over 35 years. As CEO of Lake Technology Limited (ASX), he led the company from being research-focused to becoming a product manufacturing and licensing business. This resulted in the company being acquired by Dolby Laboratories Inc. He joined Dolby and developed and executed a strategy to grow Dolby’s key licensing markets in consumer electronics in Korea, Japan and China. This created a substantial increase in margin contribution in the next 24 months synchronous with Dolby’s IPO. After leaving Dolby he became Entrepreneur in Residence at the ARC Centre of Excellence for Electromaterials Science at the University of Wollongong. While there he developed a strategy to spin out a novel water splitting technology which led to the formation of Aquahydrax, which was funded by a US venture capital firm. Prior to being involved in technology businesses, Chris Gilbey was an entrepreneur in the music industry, and was involved in launching the careers of a number of globally successful artistes including AC/DC, Keith Urban and INXS. He was awarded the Order of Australia for his services to the Australian music industry and charity. He is an Honorary Principal Fellow at the Sydney Business School.

Phil Aitchison is Head of R&D and Chief Operating Officer of Imagine IM. He is a research executive with over 20 years experience in applied materials science, intellectual property, manufacturing, licensing and technology commercialisation. His main fields of success have been in energy storage, notably lithium-ion batteries and supercapacitors where nano-materials and carbon composites play a key role. In 2014 Phil joined with Chris Gilbey to co-found Imagine IM. Prior to this Phil was Vice President of Research and Development at CAP-XX, an Australian supercapacitor developer and manufacturer, which gave the world the highest power supercapacitors, the value of which was recognised by the license to Murata of Japan, one of the world’s leading semiconductor manufacturers. Previously, Phillip developed revolutionary



lithium-ion battery technology and manufacturing processes at Pacific Lithium in New Zealand, technology that was acquired by 3M (USA). He has a Doctorate in Chemistry awarded jointly in 1998 by the University of Montpellier, France and Victoria University of Wellington, New Zealand. He is routinely invited to give international conference presentations in energy storage, nanotechnology and technology commercialisation. He is the author of a dozen patents, international scientific publications and has been a supervisor and mentor to dozens of students.

Proposed Transaction

The key terms of the HoA are as follows:

- PAK will undertake an underwritten cash placement of 33 million new shares in PAK at an issue price of 4.8c, to raise \$1.58m to sophisticated and professional investors ("PAK Placement") to fund the Initial Acquisition and the costs of the underwritten placement.
- PAK will initially acquire 833,000 shares in Imagine IM at an issue price of \$1.50 per Imagine IM share, comprising 20% of the issued capital of Imagine IM ("Initial Acquisition") in consideration for a cash payment of \$1.25m.
- The parties will enter into full form documents to document the terms of the transactions contemplated by the HoA.
- Completion of the Initial Acquisition is subject to a number of conditions precedent, including the completion of due diligence to the satisfaction of the parties, the passing of such resolutions as may be necessary to give effect to the Proposed Transaction, including shareholder approval and the receipt of all necessary ASIC, ASX and other regulatory approvals.
- PAK will be entitled to nominate a director to the board of Imagine IM on completion of the Initial Acquisition.
- Following completion of the Initial Acquisition, PAK will acquire shares in Imagine IM, comprising a further 20% of Imagine IM, from Imagine IM's existing shareholders ("Vendors") in consideration for the issue of PAK shares to the Vendors ("Share Exchange").
- Upon completion of the Share Exchange, PAK will be entitled to nominate a second director to the board of Imagine IM.
- Completion of the Initial Acquisition and the Share Exchange must occur on or before 30 June 2016.



Effect of the Proposed Transaction

	PAK Actual (Unaudited) \$000	Cash Placement ¹ \$000	Sub-total \$000	Placement to Vendors ² \$000	Total \$000
Total Assets as at 31 December 2015	3,740	1,457	5,197	1,250	6,447
Total Equity as at 31 December 2015	3,544	1,457	5,001	1,250	6,251
Expenditure for year ended 31 August 2015	2,310 ³	-	2,310	-	2,310
Expenditure for four (4) months ended 31 December 2015	353	-	353	-	353
Loss before income tax for year ended 31 August 2015	2,058	-	2,058	-	2,058
Loss before income tax for four (4) months ended 31 December 2015	270	-	270	-	270

While there will be no change in the nature of PAK's activities as a result of the Proposed Transaction, PAK has determined that the Proposed Transaction will have the effect of increasing the scale of PAK's activities.

	PAK's issued capital \$000	PAK's ordinary fully paid shares Number	PAK ownership %
Total prior to Proposed Transaction	8,289	82,367,602	58.3
Cash placement	1,473	33,000,000	23.3
	9,762	115,367,602	81.6
Placement to Vendors	1,250	26,041,667	18.4
TOTAL	11,012	141,409,269	100.0

¹ \$1,584,000 underwritten placement of 33 million new shares in PAK at 4.8 cents each, less issue costs (\$127,000) equals \$1,457,000.

² 833,000 new shares in Imagine at \$1.50 each equals \$1,250,000.

³ Includes deemed non-cash expense arising from Texas and Oklahoma Coal Co Limited ('TOCC') acquisition of PAK and ASX re-quotations totalling \$1,326,000.



The directors of PAK propose to convene a meeting of shareholders of PAK to obtain the approvals required to undertake Proposed Transaction, including the approval of shareholders:

- under ASX Listing Rule 7.1 for the PAK Placement,
- under ASX Listing Rule 7.1 for the Share Exchange; and
- under ASX Listing Rule 11.1.2 for the change in the scale of the activities of PAK.

No change is proposed to the board or senior management of PAK. On completion of the Proposed Transaction, PAK will have nominated two directors to the board of Imagine IM.

Summary

The board of PAK is positive about the direction in which PAK is headed, in particular about the acquisition of its significant interest in Imagine IM. Full details will be provided to shareholders with the notice of meeting and explanatory memorandum. The board looks forward to the support of shareholders in finalising the Proposed Transaction.

Proposed timetable

Date	Event
Friday 18 March 2016	Announce transaction to the ASX
Friday 18 March 2016	Individual due diligence commences
Thursday 31 March 2016	Finalise transaction documents
Thursday 31 March 2016	Collective due diligence finalised
Thursday 31 March 2016	Notice of meeting and explanatory memorandum finalised
Monday 4 April 2016	Despatch of notice of meeting and explanatory memorandum to PAK shareholders
Thursday 5 May 2016	PAK shareholders' meeting
Thursday 5 May 2016	PAK to undertake PAK Placement
Friday 17 June 2016	PAK to complete PAK Placement
Friday 17 June 2016	Completion of the Initial Transaction
Friday 24 June 2016	Completion of the Share Exchange

*Please note that the dates set out above are indicative only and may be subject to change at the discretion of the directors of PAK.



Elko Coking Coal Project

The board remains committed to retaining the Elko Coking Coal Project as a priority asset going forward. The board recognises the significant value potential at Elko, and has recently authorised expenditure to ensure the ongoing development of the project.

The board has approved expenditure for:

- the development of exploration plans for the purpose of improving JORC resource classification;
- the preparation of 'Notice of Works' documentation required for Permitting; and
- conceptual design for Minesite layout and infrastructure.

The board looks forward to sharing the outcome of these activities in the upcoming months.

About Pacific American Coal Limited

PAK will continue to pursue its North American coal interests with the most valuable asset being the Elko coking coal project in British Columbia. As previously announced, this comprises 254 million tonnes of coal, mostly of good coking coal quality, in the Measured, Indicated and Inferred categories (JORC). Although coal is not attracting much attention at present due to depressed commodity prices, the Directors believe that the market will better reflect the true value of this project at some point in the future. In the meantime PAK will seek to optimize potential project development parameters and engage in negotiations with industry operators with a view to eventually developing the project for sales into export markets, primarily in eastern Asia.

Competent Person's Statement

This announcement refers to information extracted from the report released 2 November 2015 and titled "Elko Project Maiden JORC Resource 257.5 Million Tonnes", which is 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 announcement and, in the case of estimates of Mineral Resources, that 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.

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