17 May 2024

Mr. Sam Dorland
Adviser, Listings Compliance (Perth)
ASX Compliance Pty Ltd

Via Email: ListingsCompliancePerth@asx.com.au

Dear Sam

Pan Asia Metals Limited ('PAM'): Financial Condition Query

We refer to ASX's Query dated 16 May 2024 and, using the numbering contained in the letter, we respond as follows:

1. On reflection, the Appendix 3B notifying the proposed issue of shares should have had two different allocations, shares to be issued for cash and shares to be issued in consideration for services provided. PAM will update the Appendix 3B for the proposed issue.
2. Yes, PAM considered its disclosure in relation to the Convertible Notes to be accurate, complete and not misleading. PAM received cash of A$560,000 from the issue of Convertible Notes. The remaining Notes (equivalent to A$292,219) were issued in settlement of outstanding liabilities. However, on reflection and for the avoidance of doubt, PAM will provide an update to the market clarifying that Convertible Notes with a face value of $292,219 were issued to trade creditors in consideration for liabilities owed.
3. The Convertible Notes issued to settle outstanding liabilities were issued to three services providers. One was for drilling services, one for consulting services related to chemical and process engineering, and the other for investor relations services.
4. Yes, PAM considers the Convertible Notes issued to settle outstanding liabilities were issued to creditors who are also now investors in the Company.
5. n/a
6. PAM considered the trade creditors to be 'other investors'. The Trade Creditors invested in the Company and now hold Convertible Notes in the Company.

   However, for the avoidance of doubt, PAM will call another shareholder meeting and put the Convertible Note resolution to shareholders again, specifying the Convertible Notes that were issued to settle trade creditors and the parties involved.
7. The Convertible Notes were not issued under another agreement other than the Convertible Note Deed and the original contract for services.
8. N/A.

9. The creditors agreed to take Convertible Notes in the Company and for their investments in the Company to be off-set against their outstanding liabilities. There were no separate settlement or other agreement.

10. Yes, similar to a Placement the purpose of the Convertible Note was to raise funds for working capital. The trade creditor offsets were in essence a solution to satisfy PAM's working capital requirements. PAM will revise the Appendix 3B for clarity.

11. N/A

12. PAM believes the AGM NOM contained sufficient information to allow shareholders to make a properly informed judgement on resolution 14 as contained in the AGM NOM:

    - Notwithstanding that each individual holder of each Convertible Note was not identified in the NOM, they were all professional, sophisticated or other investors as described in the NOM.

    - Funds raised were used for working capital purposes notwithstanding that some were issued to settled outstanding creditors (in effect, the Convertible Note holder could have paid for their Convertible Notes in cash and then the Company could have repaid the cash back to the Note Holder to settle their outstanding liability. PAM chose to eliminate this step to simplify the administration procedure and to reduce associated bank fees and charges incurred on the transfer of funds offshore).

    - The Convertible Notes were not issued under an agreement other than the Convertible Note Deeds although the original services were provided under agreement.

13. For the avoidance of doubt, PAM will seek further ratification of the issue of Convertible Notes by Shareholders at a further Shareholder meeting.

14. PAM will put the revised resolution to shareholders at another Shareholder meeting.

15. The Directors believe the Company is in compliance with the Listing rules and in particular Listing rule 3.1.

16. PAM's responses to the above questions have been authorised and approved by the Board of PAM.

Yours sincerely
PAN ASIA METALS LIMITED

Elissa Hansen
Company Secretary

16 May 2024

Reference: 93738

Ms Elissa Hansen
Company Secretary
Pan Asia Metals Limited

By email: elissa.hansen@cosecservices.com.au

Dear Ms Hansen

Pan Asia Metals Limited ('PAM'): ASX Query Letter

ASX refers to the following:

A. ASX's financial condition query letter issued to PAM dated 7 May 2024 (**'Letter'**), and the matters referred to therein.

B. PAM's response to the Letter dated 13 May 2024 released to the ASX Market Announcements Platform ('MAP') on 13 May 2024 (**'Response'**).

C. The following sections of PAM's Response:

   (a) Q7: *Did PAM receive cash of at least AUD$852,219 from the issue of the Convertible Notes as disclosed in the: Convertible Note Announcement, Note 1 contained in the Annual Report and the reference to Convertible Note funding received during the March 2024 quarter contained in PAM's March quarter Activities Report?*

   A: *PAM did not receive cash of A$852,219 from the issue of Convertible Notes.*

   (b) Q8*: If the answer to question 7 is 'no', what cash was received by PAM during the quarter ended 31 March 2024 from the issue of the Convertible Notes? Please specify the amount.*

   A*: PAM received cash of A$560,000 from the issue of Convertible Notes. The remaining Notes (equivalent to A$292,219) were issued in settlement of outstanding liabilities.*

<u>Convertible Note</u>

D. PAM's announcement entitled 'Convertible Note Funding' marked as price sensitive and released on MAP on 28 March 2024 ('**Convertible Note Announcement**') disclosing, among other things, the following:

   'PAM receives commitments of $894,619 before costs for its Convertible Note'

   'Funds raised will be used for working capital prior to the completion of a larger capital raise'

   ('**Convertible Notes**')

E. PAM's Appendix 3B released on MAP on 28 March 2024, which indicated at Part 7B of the Appendix 3B Form that the Convertible Notes were issued for cash consideration, please see relevant except of the Appendix 3B Form prepared and released by PAM below:

ASX +security code and description
PAM : ORDINARY FULLY PAID

Number of +securities proposed to be issued
5,964,127

Offer price details

Are the +securities proposed to be issued being issued for a cash consideration?
Yes

The Annual Report

F. PAM's Annual Report for period ending 31 December 2023 released on MAP on 2 April 2024, which disclosed in relation to the Convertible Notes:

(i) Note 1 of the Annual Report at page 37:

subsequent to the year end on 2 January 2024, the Company raised approximately AUD 895,000 (equivalent to USD 580,000) via Convertible notes as announced on ASX on 28 March 2024. (Emphasis added)

'…Funds raised will be used for working capital prior to the completion of a larger raise.'

Quarterly Activities Report

G. PAM's Quarterly Activities report for the quarter ending 31 March 2024 released on MAP on 30 April 2024 and which disclosed, in relation to the Convertible Notes the following - '*During the Quarter, PAM raised AUD$934,619 (before costs) by way of convertible note placed to new and existing sophisticated and institutional shareholders*' (Emphasis added)

Notice of Meeting

H. PAM's Notice of Annual General Meeting released on MAP on 11 April 2024 ('**Notice of Meeting**') which included the following information in relation to Resolution 14, seeking PAM shareholder approval to ratify the issue of the Convertible Notes:

General

10.1 '*On 28 March 2024, PAM advised the issue of Convertible Notes with a face value of A$892,219 to raise interim funding for working capital.'* (Emphasis added).

Technical information required by ASX Listing Rule 7.5

10.4(a) '*The Convertible Notes were issued to professional, sophisticates and other investors who fall within the exemptions under 708 of the Corporations Act who are not related parties or substantial shareholders of the Company or associates of these parties*.'

10.4(b) *'PAM issued Convertible Notes with total face value of A$892,219 on successively to 28 March 2024 on the terms and conditions as set out in the Convertible Note Deeds'*

10.4(f) *'Funds raised from the issue of Convertible Notes is being used for general working capital purposes.'*

The ASX Listing Rules

I. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

J. The definition of 'aware' in Chapter 19 of the Listing Rules, which states that:

'an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."'

K. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

'3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.'

L. Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* which sets out:

(i) at section 4.15, guidelines on the contents of announcements under Listing Rule 3.1, including:

(1) '*Wherever possible, an announcement under Listing Rule 3.1 should contain sufficient detail for investors or their professional advisers to understand its ramifications and to assess its impact on the price or value of the entity's securities.*'

(2) *'An announcement under Listing Rule 3.1 must be accurate, complete and not misleading.*'; and

(3) *'…"Complete" in this context means not omitting material information*.'

M. Listing Rule 7.5, which states the following:

For the holders to approve the issue or agreement subsequently under rule 7.4, the notice of meeting must include each of the following.

7.5.1 The names of the persons to whom the entity issued or agreed to issue the +securities or the basis on which those persons were identified or selected.

7.5.2 The number and class of +securities the entity issued or agreed to issue.

7.5.3 If the +securities are not fully paid +ordinary securities, a summary of the material terms of the +securities.

7.5.4 The date or dates on which the +securities were or will be issued. If the securities have not yet been issued, the date of issue must be no later than 3 months after the date of the meeting.

7.5.5 *The price or other consideration the entity has received or will receive for the issue.*

7.5.6 *The purpose of the issue, including the use or intended use of any funds raised by the issue.*

7.5.7 *If the +securities were or will be issued under an agreement, a summary of any other material terms of the agreement.*

N. Guidance Note 35, which provides:

'Some Listing Rules requiring a security holder resolution itemise the information that must be included in the notice of meeting proposing the resolution. If a rule does so, the notice of meeting must include all of that information or else the resolution will not be effective.

As a matter of general law, a notice of meeting must include such material as will fully and fairly inform security holders of the matters to be considered at the meeting and enable them to make a properly informed judgement on those matters. This applies even where the Listing Rules itemise information that must be included in the notice of meeting for a particular resolution. Hence, if there is additional information that is needed in an individual case to fully and fairly inform security holders and to enable them to make a properly informed judgement on whether or not to pass a resolution under the Listing Rules, that information must also be included in the notice, even though it is not itemised in the Listing Rule in question.'

Request for information

Having regard to the above, ASX asks PAM to respond separately to each of the following questions and requests for information:

Market Disclosure – Convertible Notes

1. Given PAM's response to questions 7 and 8 of the Letter, that $292,219 of the Convertible Notes were issued in satisfaction of settlement of outstanding liabilities and were not issued for cash, please explain why PAM indicated in the Appendix 3B that the issue of the Convertible Notes was for cash. In answering this question, please confirm whether PAM believes the Appendix 3B disclosure was '*accurate, complete and not misleading*'.
2. Does PAM believe its other disclosures in relation to the nature and purpose of the Convertible Notes, including the Convertible Note Announcement, the Annual Report and PAM's Quarterly Activities report is *accurate, complete and not misleading*? Please provide the basis for PAM's conclusion in answering this question.

AGM Notice of Meeting – Convertible Notes

3. In respect of the Convertible Notes issued by PAM to settle outstanding liabilities, please provide details as to the nature of the services or goods provided to PAM.
4. Does PAM consider the Convertible Notes issued to settle outstanding liabilities were issued to creditors of PAM?
5. If the answer to question 4 is 'no', please provide the basis for that view.
6. Does PAM consider its creditors as '*professional, sophisticates and other investors*' as described in the explanatory memorandum for resolution 14 of PAM's AGM Notice of Meeting? In answering this question, please provide the basis for that conclusion.
7. Were any of the Convertible Notes issued to settle outstanding liabilities issued under an agreement between PAM and the recipient of the Convertible Note?
8. If the answer to question 7 is 'yes', please provide details.

9. If the answer to question 7 is 'no', please explain the arrangements whereby PAM issued the Convertible Notes to creditors in satisfaction of outstanding liabilities.
10. Given PAM's response to Questions 7 and 8 of the Letter, and the disclosure contained in part 7B of the Appendix 3B, does PAM consider the purpose of the Convertible Note issue was to settle certain outstanding liabilities <u>and</u> to raise funds for working capital?
11. If the answer to Question 10 is 'no', please provide the basis for that conclusion.
12. Does PAM consider the AGM NOM contained information sufficient to allow shareholders to make a properly informed judgement on resolution 14 contained in the AGM NOM? In answering this question, please comment specifically on the information requirements prescribed by Listing Rules 7.5.1, 7.5.5, 7.5.6 and 7.5.7.
13. Does PAM consider Resolution 14 of its AGM was valid? Please consider the requirements noted in Guidance Note 35 in answering this question.
14. If the answer to question 13 is 'no', please explain why not, and outline what steps PAM intend to take to remedy the issue?
15. If the answer to question 13 is 'yes', please explain the basis for that conclusion and address each of the following matters separately regarding the disclosures in relation to:

    15.1 the parties to whom the Notice Convertible Notes were issued (required by Listing Rule 7.5.1), which did not include creditors of PAM

    15.2 the price or other consideration PAM received or was to receive for the issue (required by Listing Rule 7.5.5) which did not contemplate the issue of Convertible Notes in satisfaction of amounts owing for services or goods provided by PAM's creditors;

    15.3 the purpose of the issue (required by Listing Rule 7.5.6) which did not contemplate the issue of Convertible Notes in satisfaction of liabilities owing to PAM's creditors' and

    15.4 agreements or other arrangements pursuant to which the Convertible Notes were issued (required by Listing Rule 7.5.7).
16. Please confirm that PAM is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
17. Please confirm that PAM's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise approved by its board or an officer of PAM with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **2.00 PM AWST Tuesday, 21 May 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PAM's obligation is to disclose the information 'immediately'.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in PAM's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to PAM's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that PAM's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

ASX Compliance