



13 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 Financial Condition Query dated 7 May 2024 and, using the numbering contained in the letter, we respond as follows:

1. In the Directors' opinion, the Annual Report complies with the relevant Accounting Standards; and gives a true and fair view of PAM's financial performance and position.
2. PAM considers that its financial condition is sufficient to warrant the continued quotation of its securities and continued listing as required under Listing Rule 12.2
3. As at 31 December 2023, PAM's cash and cash equivalents were US\$120,138, its working capital deficit was US\$1.3 million and its loss for the year before tax was US\$3.3million.

Liabilities include: i advances for Director share purchases of US\$445k, ii. other advances of US\$57k, and iii. salaries and Director's fees payable to current Directors of US\$278k, for a total of US\$780k. Approval to issue shares to directors was received at the AGM held 6 May 2024. The US\$445k (i above) will be converted to equity on issue. The other funds (ii and iii above) are not payable to third parties and the Directors will not call these amounts until such time that the Company has sufficient funds for payment.

Subsequent to the year-end, other liabilities payable to suppliers totaling US\$199k (A\$302k) were settled via the issue of Convertible Notes by the Company. The Convertible Notes are repayable 12 months from issue unless converted into shares at the Noteholders election.

Excluding amounts convertible into equity, owed to Directors and supplier liabilities settled via the issue of Convertible Notes, the total adjusted deficit as at 31 December, 2023, is US\$332k. During quarter ended 31 March, 2024, the company raised cash of US\$366k (equiv. A\$560k) from the issuance of convertible notes, which has helped to further reduce the deficit as of 31 December 2023.

The loss of US\$3.3m as at 31 December, 2023, relates to PAM's investment of capital into exploration and feasibility work on its lithium projects, which has been expensed. Capital investment of this nature is normal for exploration companies like PAM.

The increased cash position of US\$167k as reported in the March 31 Quarterly Report reflects excess cash after expenses and the cash contribution from the issue of the Convertible Note.

PAM had 0.49 quarters funded as at March 31. This ratio will increase in excess of 2.0x due to the following funding commitments:

PAN ASIA METALS LIMITED

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- i. PAM has been conducting a capital raising, and has thus far received firm commitments for \$1.1m at \$0.13 per share. The capital raising closes at 5.00pm AEST Monday 13 May, 2024. An ASX announcement is expected to be released pre-open on Tuesday 14 May confirming the total firm commitments received.
- ii. PAM has received an offer from Alpha Investment Partners to enter into a \$10 million 'At-the Market' (ATM) funding facility. This is subject to Board approval and signing. A Board meeting is scheduled for the evening of Monday 13 May, 2024. If approved, an ASX announcement will be released pre-open on Tuesday 14 May.

In the Board's opinion, the capital raised, together with the funds that can be realised from the equity line, if approved, will provide PAM sufficient funds to meet the working capital requirements of the Company for at least 12 months.

4. N/A
5. PAM's Board considers there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, given the recent capital raise and equity line availability.
6. PAM has prepared a cleansing prospectus to cleanse the market following its suspension.
7. PAM did not receive cash of A\$852,219 from the issue of Convertible Notes.
8. 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.
9. N/A
10. PAM entered into voluntary suspension based on advanced discussions with a potential strategic partner involving the use of processing residues from lithium chemical processing from its RK Lithium Project as an input for one of their products. These discussions have been delayed.

During this period PAM and IRPC, its MOU counterparty to its RK Lithium Project in Thailand, advanced discussions with a second potential strategic partner, an Asian based lithium chemicals processor, and PAM expects to be in a position to announce results in the coming weeks. PAM is also in discussions with four other Asian based chemical and battery producers, these discussions are progressing.

11. PAM confirms that it is complying with the Listing Rules and in particular, Listing Rule 3.1.
12. PAM 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



7 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'): Financial Condition Query

ASX refers to the following:

- A. PAM's request for a trading halt on 30 January 2024, pending a proposed capital raise via a share placement.
- B. PAM's subsequent request for a suspension of its securities from quotation on 1 February 2024, pending discussions with a strategic investor regarding the proposed capital raise, and the announcements dated 2 February 2024, 8 February 2024, 15 February 2024, 22 February 2024, 7 March 2024, 21 March 2024, 4 April 2024, 18 April 2024 and 3 May 2024 regarding the continuation of the suspension.

Convertible Note

- C. PAM's announcement entitled 'Convertible Note Funding' marked as price sensitive and released on the Market Announcements Platform ('MAP') on 28 March 2024 ('**Convertible Note Announcement**') disclosing, among other things, that:

'PAM has raised \$852,219 via the issue of Con Notes as interim funding'

('Convertible Notes')

- D. PAM's Appendix 3B lodged on MAP on 28 March 2024, which notes that the proposed issue of shares on conversion of the convertible notes and that the on-sale provision of the *Corporations Act 2001* (Cth) would be satisfied by publishing a cleansing notice.

The Annual Report

- E. PAM's Annual Report for period ending 31 December 2023 released on MAP on 2 April 2024, which discloses that:

(i) At 31 December 2023, PAM had:

- (1) cash and cash equivalents of USD\$120,138; and
- (2) a working capital deficit of USD\$1.311 million;

(ii) For the year ended 31 December 2023, PAM recorded a loss before tax of USD\$3.3 million

(iii) 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;

The Consolidated Entity is in advanced discussions with several leading lithium chemical and batteries producers in the Asian region for potential collaborations...

- (iv) The independent Auditor's Report attached to the Annual Report contains a paragraph on a material uncertainty regarding going concern:

We draw attention to Note 1 to the financial statements with respect to the Consolidated Entity's and the Company's ability to continue as going concerns. During the financial year ended 31 December 2023, the Consolidated Entity reported a net loss of US\$3,339,284 (2022: net loss of US\$2,046,517). As at 31 December 2023, the Consolidated Entity has cash at banks and deposits of US\$120,138 (2022: US\$970,098) and Consolidated Entity's current liabilities exceeded its current assets by US\$1,311,079.

These factors indicate the existence of a material uncertainty that may cast significant doubt on the Consolidated Entity's and the Company's ability to continue as going concerns. Nevertheless, for the reasons disclosed in Note 1 to the financial statements, the Directors are of the view that it is appropriate for the financial statements of the Consolidated Entity's and of the Company to be prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Quarterly Activities Report

- F. PAM's Quarterly Activities report for the quarter ending 31 March 2024 released on MAP on 30 April 2024 and disclosed 'During the Quarter, PAM raised AUD\$934,619 (before costs) by way of convertible notes'

Quarterly Activities Report

- G. PAM's Appendix 5B cash flow report for the quarter ended 31 March 2024, released on MAP on 30 April 2024, which disclosed the following:
- (i) At item 3.2 of the Appendix 5B, proceeds from the issue of the convertible debt securities was USD\$366,000, which equated to approx. AUD\$560,000 using a USD/AUD FX rate of \$USDS1 : \$AUD1.53 on 28 March 2024 (refer to page 10);
 - (ii) At item 5.5 of the Appendix 5B, PAM had USD\$167,000 cash on hand at the end of the quarter (refer to page 22);
 - (iii) At item 7 of the Appendix 5B, PAM had no borrowing or other financing facilities available at the end of the quarter (refer to page 25); and
 - (iv) At item 8.7 of the Appendix 5B, PAM had approx. 0.49 quarters funded at the end of the quarter (refer to page 25).

The ASX Listing Rules

- H. 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.
- I. 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."*
- J. 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."*

K. 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".*

L. Listing Rule 12.2 which states:

"An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing."

M. Listing Rule 19.11A which states:

"If a listing rule requires an entity to give ASX accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the accounts must be consolidated accounts.*
- (b) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the accounts must be consolidated accounts.*
- (c) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.*
- (d) If the listing rule requires audited accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (e) If the listing rule requires accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent*

accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a foreign entity, an overseas equivalent of a registered company auditor).

(f) If there is a directors' declaration that relates to the accounts, the directors' declaration must be given to ASX with the accounts.

(g) If there is a directors' report that relates to the period covered by the accounts, the directors' report must be given to ASX with the accounts."

N. Guidance Note 16 which sets out:

(i) at section 2.1, guidelines on when ASX may agree to a trading halt or voluntary suspension:

(1) *The general principle ASX applies when it receives a request for a trading halt or a voluntary suspension is that interruptions to trading should be kept to a minimum and therefore ASX should only agree to a trading halt or a voluntary suspension where:*

- *trading in the affected security might occur while the market as a whole is not reasonably informed;*
- *there could be a false or disorderly market in the affected security; or*
- *it is otherwise reasonably required by a listed entity to manage its continuous disclosure obligations.*

Request for information

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

1. Is PAM able to confirm that in its Directors' opinion the Annual Report:
 - 1.1 it complies with the relevant Accounting Standards; and
 - 1.2 gives a true and fair view of PAM's financial performance and position?
2. Does PAM consider that its financial condition is sufficient to warrant the continued quotation of its securities and continued listing as required under Listing Rule 12.2
3. If the answer to question 2 is 'yes', please explain the basis for this conclusion commenting specifically on the following:
 - 3.1.1 cash and cash equivalents of USD\$120,138 as at 31 December 2023;
 - 3.1.2 working capital deficit of USD\$1.311 million as at 31 December 2023;
 - 3.1.3 loss before tax of USD\$3,339,284 as at 31 December 2023;
 - 3.1.4 PAM had USD\$167,000 cash on hand at the end of the quarter ending 31 March 2024;
 - 3.1.5 PAM has no borrowing or other financing facilities at the end of the quarter ending 31 March 2024; and
 - 3.1.6 PAM had approx. 0.49 quarters funded at the end of the quarter ending 31 March 2024.
4. If the answer to question 2 is 'no', please explain what steps PAM has taken, or proposes to take, to warrant the continued quotation of its securities and its continued listing pursuant to Listing Rule 12.2?

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5. Does PAM's board consider there are reasonable grounds to believe that PAM will be able to pay its debts as and when they become due and payable? In answering this question, please explain the basis for the directors' conclusion.
 6. Given trading in PAM's securities has been suspended on ASX since February 2024, with reference to the Corporations Act, please explain on what basis PAM intends to issue a cleansing notice as disclosed in the Appendix 3B lodged on MAP on 28 March 2024?
 7. 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?
 8. 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.
 9. If the answer to question 7 is 'yes', why does the Quarterly Cash Flow Report for period ending 31 March 2024 disclose cash receipts of approximately AUD\$560,000 from convertible debt funding?
 10. Please provide an update on the status of the '*advanced discussions*' with the Asian battery producers? When does PAM expect them to conclude?
 11. Please confirm that PAM is complying with the Listing Rules and in particular, Listing Rule 3.1.
 12. 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 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 Monday, 13 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