

WEBSITE RELEASE: 16 February 2022

Metalicity to Initiate Governance Reform at Nex Metals

Metalicity Limited (ASX: MCT) (**Metalicity** or **the Company**) today announces that it intends to use its ~32% shareholding in Nex Metals Explorations Ltd (ASX:NME) (**Nex** or **Nex Metals**) to push for significant Corporate Governance reform at Nex Metals for the benefit of all Nex shareholders.

Over the last number of years Metalicity has become increasingly concerned over the director Related Party transactions of Nex Metals - in particular the level of liabilities incurred. The Company is also alarmed over the apparent lack of Corporate Governance that continues to leave Nex Metals Shareholders waiting for market sensitive information.

These concerns include; however, are not limited to:

- Nex's failure to lodge their statutory 2021 Annual Report on time - leading to a suspension of trade from the ASX;
- Failure to lodge a compliant Target's Statement and Independent Experts Report as originally requested by the Australian Government Takeovers Panel (**Takeovers Panel**) in November 2021;
- Delayed lodgement of quarterly cashflow and activity statements in November 2021;
- Significant Related Party liabilities continuing to be incurred by the Company;
- A lack of transparency regarding Nex Metals Tailings Project. Nex shareholders have received no further information after having been advised in February 2021 that the Tailings Project was in production;
- No Annual General Meeting (AGM) being held by 30 November 2021 or on 31 January 2022 in compliance with the COVID legislated extension provisions; and
- Despite Nex Metals advising it will now hold its AGM on 14 March 2022 - this date is also now not possible due to statutory notification timeframes.

These concerns have been further reinforced after the recent issuing of the detailed "Reasons for Decision" by the Australian Government Takeovers Panel in [Nex Metals Explorations Ltd 02 \[2021\] ATP 16](#).

This decision sets out the following issues:

- The Target's Statement produced by Nex was "materially deficient";
- The Target's Statement failed to disclose any "soundly-based" and "sufficiently defensible" reasons upon which Nex Metals' directors could recommend that Nex shareholders reject the Metalicity Bid;
- That there is an absence of material to suggest that Nex Metals' directors had undertaken any substantive assessment or deliberation of the Target's Statement;
- That the Target's Statement falls well short of the standard of disclosure required and that Nex shareholders are now left without sufficient information to make an informed assessment of the Bid;
- That the content of the Target's Statement has not been prepared with "the highest degree of care", nor have Nex Metals' directors carefully considered each statement in the Target's Statement to ensure that it meets such a standard;

- That there appears to have been very little, if any, consideration by Nex Metals’ directors of the information in the Target’s Statement, noting that Nex Metals was not able to produce any board papers and minutes relating to the consideration and approval of the Target’s Statement; and
- That Nex Metals was unable to provide to the Takeovers Panel support for its assertion that it had the first right to all processing from the Joint Venture tenements with Metalicity and all rights to the tailings project at Kookynie.

Nex Metals shareholders should read the full Takeovers Panel “Reasons for Decision” at:

https://www.takeovers.gov.au/content/DisplayDoc.aspx?doc=reasons_for_decisions/2021/016.htm&pageID=&Year=2021

Metalicity is concerned that today, over 100 days since it was first required, Nex shareholders still have no compliant Target’s Statement.

The Australian Securities and Investment Commission (ASIC) have submitted that the reasons given by Nex Metals’ directors for recommending the rejection of the Bid “are fundamentally unsound because they are not premised on the value of the Offer”.

Nex Metals has failed to produce a compliant Target’s Statement by the revised deadline of 21 January. Pursuant to orders made by the Takeovers Panel, the Nex Metal’s Directors are now **personally liable** for the first \$50,000 of costs associated with the production of an Independent Experts Report currently being produced by Metalicity.

Some of these matters have been apparent even before the publication of the official set of reasons by the Takeovers Panel. However, the publishing of the official set of reasons brings to light for all Nex shareholders the unsatisfactory nature of actions taken by the Nex Board. The Panel has said that Nex could produce little evidence of the Nex Directors having done their job for shareholders. The Panel has pointed to the complete absence of board papers or minutes showing that the Nex Metals directors had considered and or approved the Target’s Statement. The Panel also noted that the Nex Metals directors had failed to comply with the Corporations Act requirement that the Target’s Statement be approved by a resolution of the directors.

All these matters suggest an urgent need for Corporate Governance reform at Nex Metals. Many of the other matters such as the late lodgement of Nex Metals’ Annual Report add to Metalicity’s current concerns. Metalicity is also afraid that despite announcing on 27 January 2022 that the AGM would be held on 14 March 2022 (over 6 weeks after the required date to hold the AGM) it appears that Nex Metals has not lodged an AGM notice of meeting and it is now too late to do so. Neither Metalicity nor other Nex Metals’ shareholders have any information as to when the AGM will be held.

In view of the above matters, Metalicity has nominated Mr Alex Neuling, Mr Kevin O’Sullivan and Mr Justin Barton for election as directors of Nex Metals. Formal notice of these nominations was given to Nex Metals on 11 February 2022, in line with the nomination deadline set by Nex Metals in its announcement on 27 January 2022. Metalicity expects that these nominations will be put to shareholders for consideration at the Annual General meeting of Nex when it is eventually held. Metalicity intends to vote against the re-election of any current Nex Metals director, given its corporate governance disclosure and disclosure concerns, and the details outlined by the Takeovers Panel.

Set out below is summary information regarding the background and experience of each of the Metalicity nominees:

Alexander Neuling

Mr Neuling is a Chartered Accountant and Chartered Company Secretary with over 20 years corporate and financial experience, including more than 15 years as director, chief financial officer and/or secretary of various ASX-listed companies in the mining, energy, mineral exploration, biotechnology and mining services sectors. Alex has substantial experience and expertise in financial reporting, corporate governance, financing and corporate transaction matters.

Prior to establishing his company secretarial practice, Alex worked at Deloitte as a manager in the audit division in London and Perth. He also holds an honours degree in chemistry from the University of Leeds in the UK.

Kevin O'Sullivan

Mr O'Sullivan is a solicitor and company director with over 30 years legal, business, and corporate experience. He has worked in Australia and overseas on significant corporate transactions and projects in a range of sectors, in particular mining, oil and gas, chemicals, electricity, and agribusiness. Whilst working in Europe he gained particular experience with mergers and acquisitions and joint ventures in a range of business sectors. He served as a partner with two leading Australian law firms for 25 years, during which he took on a range of transactional, client relationship and firm leadership roles.

Mr O'Sullivan brings to his engagements commercially practical legal reasoning, strong and ethical leadership, and a sound understanding of business issues. He has very strong family values and work and community ethics. He enjoys working in a team environment and is equally comfortable in taking his own decisions.

Mr O'Sullivan has been a director of the highly successful Simcoa Group of Companies, Australia's only silicon metal producer, for more than 20 years. Mr O'Sullivan is a Fellow of the Australian Institute of Company Directors.

Justin Barton

Mr Barton is a Chartered Accountant with over 25 years' experience in accounting, international finance, M&A and the mining industry. He worked for over 13 years in the Big 4 Accounting firms in Australia and Europe and advised many of the world's largest mining, oil & gas companies and financial institutions, including Rio Tinto, Chevron, Macquarie, Merrill Lynch, and Deutsche Bank. Justin also worked for 4 years at Paladin Energy Limited as Group Tax Manager.

More recently, he has worked as the CFO and has been a Board Member of a number of junior exploration companies. Mr Barton is currently Managing Director of Metalicity Limited and a director of Kimberley Mining Limited (a public unlisted Canadian company).

This Announcement is approved by the Board of Metalicity Limited.

ENQUIRIES

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(a) are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies;

(b) involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Such risks include, without limitation, resource risk, metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks in the countries and states in which the Company operates or supplies or sells product to, and governmental regulation and judicial outcomes; and

(c) may include, among other things, statements regarding estimates and assumptions in respect of prices, costs, results and capital expenditure, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.

The words “believe”, “expect”, “anticipate”, “indicate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward-looking statements.

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