

Metalicity Limited

ACN 086 839 992

First Supplementary Bidder's Statement

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth) (**Corporations Act**). It is the first supplementary bidder's statement (**First Supplementary Bidder's Statement**) issued by Metalicity Limited (ACN 086 839 992) (**MCT** or **Metalicity**) in relation to Metalicity's off-market takeover bid for all of the fully paid ordinary shares in Nex Metals Explorations Limited (ACN 124 706 449) (**NME** or the **Company**) that it (or its Associates) does not already own or control pursuant to its bidder's statement dated 24 September 2021 (as varied) (**Original Bidder's Statement**).

This First Supplementary Bidder's Statement supplements, and should be read together with, the Original Bidder's Statement.

This First Supplementary Bidder's Statement is dated 30 May 2022. A copy of this First Supplementary Bidder's Statement has been lodged with ASIC and given to the ASX on 30 May 2022. Neither ASIC, the ASX nor any of their respective officers takes any responsibility for the contents of this First Supplementary Bidder's Statement.

Unless the context otherwise requires, terms defined in the Original Bidder's Statement have the same meaning as in this First Supplementary Bidder's Statement.

This First Supplementary Bidder's Statement prevails to the extent of any inconsistency with the Original Bidder's Statement. The rules of interpretation set out in section 12.2 of the Original Bidder's Statement also apply to this First Supplementary Bidder's Statement.

A copy of this First Supplementary Bidder's Statement will be available on Metalicity's website at www.metalicity.com.au or Metalicity's ASX Announcement page at www.asx.com.au (ASX Code: MCT).

This First Supplementary Bidder's Statement provides an update on certain material information relevant to NME Shareholders in their consideration of the Offer.

This is an important document. If you do not understand it or are in doubt as to how to act, you should consult your investment, financial, taxation or other professional advisor immediately.

If you have recently accepted the Offer, please disregard this document.

If you require further information or have any queries in relation to the Offer please contact the MCT Offer Information Line on 08 6500 0202 (within Australia) or +61 8 6500 0202 (for international callers) or your legal, financial or professional advisor.

1. INDEPENDENT EXPERT'S REPORT CONCLUDES THE OFFER IS FAIR AND REASONABLE

As set out in Metalicity's ASX announcement released on 10 May 2022¹, Metalicity has obtained an Independent Expert's Report (**IER**) prepared by BDO Corporate Finance (WA) Pty Ltd (**BDO**), as independent expert, to provide an opinion for NME Shareholders on whether the Offer is fair and reasonable.

The IER concludes that, in the absence of a superior offer, the Offer is **fair and reasonable** to NME Shareholders (not associated with Metalicity).

As set out in section 10.3 of the IER, BDO considers the value of a NME Share prior to the Offer to be between nil and \$0.010, with a preferred value of \$0.003.

A copy of the IER accompanies Metalicity's ASX announcement released on 10 May 2022.

Metalicity engaged BDO to produce the IER for the purposes of orders made by the Takeovers Panel on 17 December 2021 in relation to the *Nex Metals Explorations Ltd 02* proceedings (the **Takeovers Panel Orders**)².

In accordance with the Takeovers Panel Orders, Metalicity dispatched a letter to NME Shareholders which attached a copy of the IER on 11 May 2022 (**MCT Letter to NME Shareholders**).

A copy of the MCT Letter to NME Shareholders as dispatched to NME Shareholders is set out in Annexure A of this First Supplementary Bidder's Statement.

The Board of Metalicity encourages NME Shareholders to read the IER in its entirety.

2. RIGHTS ISSUE

2.1 Background to Rights Issue

On 3 May 2022, Metalicity announced it is undertaking a fully underwritten pro-rata non-renounceable entitlement issue of 2 fully paid ordinary shares in the capital of Metalicity (**MCT Shares**) for every 7 MCT Shares held by eligible Metalicity shareholders at an issue price of \$0.005 per MCT Share together with 1 free option exercisable at \$0.01 each on or before the date which is two (2) years from the date of issue (**New Option**) for every 3 MCT Shares applied for and issued to raise up to \$3,650,751 (before costs) (the **Rights Issue**)³.

Metalicity lodged a prospectus with the ASIC on 4 May 2022 to undertake the Rights Issue⁴ (**Rights Issue Prospectus**).

As set out in the Rights Issue Prospectus, the funds raised under the Rights Issue are intended to be applied to drilling and exploration and working capital (and the expenses of the Rights Issue). As the Rights issue is fully underwritten the full amount of \$3,650,751 (before costs) will be raised under the Rights Issue.

¹ Refer to Metalicity's ASX announcement titled 'Independent expert says offer for Nex is fair and reasonable' dated 10 May 2022.

² Refer to the Takeovers Panel's media release dated 17 December 2021 available on Metalicity's ASX Announcement page at www.asx.com.au (ASX Code: MCT).

³ Refer to Metalicity's ASX announcement titled 'Fully underwritten non-renounceable rights issue to raise ~\$3.65m' dated 3 May 2022

⁴ Refer to Metalicity's entitlement issue prospectus dated 4 May 2022.

The Rights Issue closed to eligible Metalicity shareholders on 24 May 2022. Any shortfall will be placed under the shortfall offer and/or taken up by the underwriter as outlined in the Rights Issue Prospectus.

Refer to the Rights Issue Prospectus for further details of the Rights Issue.

2.2 Effect of the Rights Issue

Section 7 of the Original Bidder's Statement provides an overview of MCT and its subsidiaries following the acquisition by MCT of all of the NME Shares on issue, and the effect of the Offer on MCT and NME if the Offer is successful.

The purpose of this section 2 is to provide an update to section 7 of the Original Bidder's Statement (specifically, sections 7.4 to 7.6 of the Original Bidder's Statement), taking into account acceptances received under the Offer to date and the effects of the Rights Issue.

2.3 Effect of Completion of the Offer on MCT's Capital Structure

There are a range of factors that may impact the number of MCT Shares that will be on issue following completion of the Offer, including the number of acceptances of the Offer, the number of unlisted securities exercised during the Offer Period (if any), and the number of MCT Shares otherwise issued by MCT during the Offer Period (if any).

Assuming that:

- (a) the Offer is accepted in respect of all NME Shares on issue as at the last practicable date prior to the date of this First Supplementary Bidder's Statement, being 24 May 2022 (excluding NME Shares already owned or controlled by Metalicity and its Associates);
- (b) the Rights Issue has completed (and all MCT Shares and New Options have been issued under the Rights Issue as contemplated by the Rights Issue Prospectus, including New Options issued to the underwriter to the Rights Issue); and
- (c) no other MCT Shares are issued prior to the Consideration being provided to all NME Shareholders who have accepted the Offer,

approximately 864,590,781 new MCT Shares will be issued to NME Shareholders, resulting in the number of MCT Shares on issue increasing to approximately 4,321,974,044. These new MCT Shares would represent approximately 20% of the total number of MCT Shares on issue at that time.

The total number of MCT Shares issued to NME Shareholders under the Offer, will represent approximately 29.26% of the total issued capital of the Combined Group.

A summary of the capital structure of the Combined Group based on these assumptions is set out below.

2.4 Information about MCT Securities showing the effect of the Offer

Based on the assumptions in section 2.3 above, MCT's issued securities are set out in the following table:

Total MCT Securities	Number
MCT Shares	4,321,974,044
MCT Listed Options	263,383,430
MCT Unlisted Options	117,495,182
MCT Performance Rights	82,084,110

Options	Number
MCT Listed Options	
exercisable at \$0.01 on or before 31 May 2024 ¹	263,383,430
MCT Unlisted Options	
exercisable at \$0.02 on or before 31 May 2022	10,785,715
exercisable at \$0.08 on or before 14 Feb 2023	25,709,467
exercisable at \$0.003 on or before 14 Aug 2022	25,000,000
exercisable at \$0.003 on or before 13 Oct 2023	35,000,000
exercisable at \$0.015 on or before 22 Jun 2024	21,000,000

Notes:

1. These Options comprise the New Options to be issued under the Rights Issue Prospectus, including New Options to be issued to the underwriter to the Rights Issue, and have an expiry date of two (2) years from the date of issue. As at the date of this First Supplementary Bidder's Statement, the New Options have not been issued. The above table assumes that all New Options to be issued under the Rights Issue Prospectus are issued on 31 May 2022.

Performance Rights	Number
Vesting at a 20-day VWAP of \$0.06 expiring on 18 Dec 2022	36,754,966
vesting at a 20-day VWAP of \$0.04 expiring on 18 Dec 2022	29,679,144
vesting at a 20-day VWAP of \$0.05 expiring on 30 Jan 2023	15,650,000

No Shares, Options or Performance Rights on issue are subject to escrow restrictions, either voluntary or ASX imposed.

The above scenario is an example only and is not the only scenario that may eventuate.

The Offer extends to any person who becomes registered as a holder of NME Shares during the period from the Record Date until the end of the Offer Period.

2.5 Basis for Preparation of the Pro Forma Financial Information

The pro forma balance sheet set out below (**Pro Forma Balance Sheet**) has been prepared for illustrative purposes only and on the assumption that the acquisition of the ownership interest in NME occurred on one day, that is, there are no staged acquisitions.

The Pro Forma Balance Sheet has been prepared assuming MCT acquires 100% of NME and the Rights Issue is completed.

The Pro Forma Balance Sheet has been prepared in accordance with the measurement and recognition principles of International Financial Reporting Standards.

The Pro Forma Balance Sheet has not been audited and may be subject to changes arising from an audit process if an audit was performed on them. The unaudited consolidated balance sheet of NME as at 31 December 2021 and unaudited consolidated balance sheet of MCT as at 31 December 2021 are also presented below.

The Pro Forma Balance Sheet is indicative only. MCT has drawn its own conclusions based on the known facts and other publicly available information.

This section should be read in conjunction with the underlying financial information from which it was extracted, and the accounting policies of MCT and NME as disclosed in their most recent financial reports.

Unaudited Pro-Forma Combined Group Balance Sheet if MCT acquires 100% of NME and assuming completion of the Rights Issue

	MCT 31 Dec. 2021 (UNAUDITED) ¹ \$	NME 31 Dec. 2021 (UNAUDITED) ² \$	Appendix 5B Adjustments \$	Eliminations	PROFORMA \$
Assets					
Current Assets					
Cash and Cash Equivalents	2,000,857	52,714	2,003,122 ³		4,056,693
Trade and Other Receivables	149,636	3,204			152,840
Other Assets	3,135,218	22,034			3,157,252
Total Current Assets	5,285,711	77,952	2,003,122	0	7,366,785
Non-Current Assets					
Exploration and evaluation expenditure	6,615,479	1,010,379	598,000 ⁴	8,996,345 ⁵	17,220,203
Plant and Equipment	21,086	67,437			88,523
Right of Use Assets	17,398	-			17,398
Total Non-Current Assets	6,653,963	1,077,816	598,000	8,996,345	17,326,124
Total Assets	11,939,674	1,155,768	2,601,122	8,996,345	24,692,909
Liabilities					
Current Liabilities					
Trade and Other Payables	1,061,487	2,776,505	0		3,837,992
Borrowings	0	475,087	165,000		640,087
Provision	67,524	271,816			339,340
Lease Liability	17,479	-			17,479
Total Current Liabilities	1,146,490	3,523,408	165,000	0	4,834,898
Non-Current Liabilities					
Lease Liability	-	-	-		0
Total Non-Current Liabilities	0	0	0	0	0
Total Liabilities	1,146,490	3,523,408	165,000	0	4,834,898
Net Assets	10,793,184	(2,367,640)	2,436,122	8,996,345	19,858,011

				0	
EQUITY				0	
Issued capital	59,011,603	24,058,753	3,344,122 ⁶	(17,637,048) ⁷	68,777,430
Other reserves	5,651,367	2,260,245		(2,260,245)	5,651,367
Accumulated losses	(53,771,103)	(28,686,638)	(908,000)	28,893,638	(54,472,103)
Non-Controlling Interest	(98,683)	-	-	0	(98,683)
TOTAL EQUITY	10,793,184	(2,367,640)	2,436,122	8,996,345	19,858,011

Notes:

1. Extracted from the unaudited consolidated statement of financial position of Metalicity Ltd as at 31 December 2021.
2. Extracted from the unaudited consolidated statement of financial position of Nex Metals Explorations Limited as at 31 December 2021.
3. Cash balance has been adjusted to reflect unaudited net cash inflows/(outflows) of \$(1,292,000) and \$(42,000) for Metalicity and Nex Metals respectively in the period from 1 January 2022 to 31 March 2022 as presented in each companies Appendix 5Bs lodged with the ASX, plus capital raising, net of transaction costs, totalling \$3,339,122 undertaken by Metalicity in the period subsequent to 31 December 2021 plus the conversion of options into shares, raising \$653,178.
4. Exploration and evaluation spend attributed to investing cashflows as recorded in Metalicity and Nex Metals' respective Appendix 5Bs in the period 1 January 2022 to 31 March 2022.
5. Fair value adjustment attributed to exploration and evaluation assuming Metalicity acquires 100% of Nex Metals under this Bidders Statement.
6. Capital raising, net of transaction costs, totalling \$3,339,122 undertaken by Metalicity in the period subsequent to 31 December 2021 plus the conversion of options into shares, raising \$653,178.
7. Eliminating entries on consolidation of Nex Metals Explorations Limited.

3. RELEVANT INTEREST OF METALICITY AND ITS ASSOCIATES IN NME

As at the date of this First Supplementary Bidder's Statement (and not accounting for any acceptances that may be received under the Offer on 30 May 2022), Metalicity and its Associates hold a Relevant Interest in 91,450,106 NME Shares, representing approximately 34.25% of the total NME Shares on issue.

4. OFFER PERIOD

The Offer will close at 5:00pm (Perth time) on 15 June 2022, unless withdrawn or further extended.

5. CONSENTS

The persons identified in the table below have given and have not, before the date of issue of this First Supplementary Bidder's Statement, withdrawn their consent to:

- (a) be named in this First Supplementary Bidder's Statement in the form and context in which they are named;
- (b) the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and

context in which they are included in this First Supplementary Bidder's Statement; and

- (c) the inclusion of other statements in this First Supplementary Bidder's Statement that are based on or referable to statements made in those reports or statements, or that are based on or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Named As	Reports or Statements
BDO Corporate Finance (WA) Pty Ltd	Independent Expert	IER

Each of the above persons:

- (a) has not caused or authorised the issue of this First Supplementary Bidder's Statement;
- (b) does not make, or purport to make, any statement in this First Supplementary Bidder's Statement other than those statements referred to above and as consented to by that person; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this First Supplementary Bidder's Statement other than as described in this section with the person's consent.

As permitted by ASIC Class Order 13/521, this First Supplementary Bidder's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or the ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this First Supplementary Bidder's Statement.

As required by ASIC Class Order 13/521, any NME Shareholder who would like to receive a copy of any of these documents (or relevant parts of those documents) may obtain a copy free of charge within 2 Business Days of the request by contacting Metalicity on 08 6500 0202 (within Australia) or +61 8 6500 0202 (for international callers) between 9:00am and 5:00pm (WST) on Business Days.

Copies of ASX announcements made by Metalicity are available on Metalicity's website at www.metalicity.com.au or Metalicity's ASX Announcement page at www.asx.com.au (ASX Code: MCT).

Additionally, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this First Supplementary Bidder's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

Pursuant to that instrument, the consent of persons such statements are attributed to is not required for inclusion of those statements in this First Supplementary Bidder's Statement.

6. AUTHORISATION

This First Supplementary Bidder's Statement has been approved by a resolution passed by the directors of Metalicity.

Dated 30 May 2022

Signed for and on behalf of Metalicity:



Justin Barton
Managing Director
Metalicity Limited

ANNEXURE A – MCT LETTER TO NME SHAREHOLDERS

11 May 2022
The Shareholders
Nex Metals Explorations Ltd

Dear Shareholder

Independent Expert says Offer for Nex Metals is Fair and Reasonable

We refer to the offers made by Metalicity Limited (ACN 086 839 992) (**Metalicity**) dated 14 October 2021 in relation to its off-market takeover bid for all of the fully paid ordinary shares in Nex Metals Explorations Limited (ACN 124 706 449) (**Nex Metals**) (the **Offer**) pursuant to its bidder's statement dated 24 September 2021 (as varied) (**Bidder's Statement**).

An important part of the process related to the Offer is the completion of an Independent Expert's Report (**IER**) to provide an opinion to Nex Metals shareholders on whether the Offer is fair and reasonable.

The IER has now been completed by BDO Corporate Finance, one of the leading accounting firms in Australia. **The IER concludes that, in the absence of a superior offer, the Offer is fair and reasonable to Nex Metals shareholders.**

The IER states that the Offer is fair, as it was valued as greater than the Independent Expert's **valuation estimate for Nex Metals of nil to \$0.01 per Nex Metals share (\$0.003 preferred value)**. The IER also states that the Offer is reasonable as **the position of Nex Metals shareholders if the Offer is accepted is more advantageous than the position if the Offer is not accepted.**

Nex Metals shareholders should also note that the Independent Technical Specialist did not attribute any value to the Kookynie Tailings Project, as it considers that any value generated would likely be offset by the cost of rehabilitating the project. In any event, Metalicity disputes that Nex Metals owns the tailings project as alleged by Nex Metals.

A copy of the IER is **enclosed** with this letter and Nex Metals shareholders are encouraged to read the comprehensive report in its entirety. Other than Metalicity's Bidder's Statement, to date the IER is the only real professional material available to assist Nex Metals shareholders in deciding whether to accept the Offer. So far, the Takeovers Panel has declared two attempts by the Nex Metals board to issue a target's statement in response to the Offer to be deficient and misleading.

For those Nex Metals shareholders that have not yet accepted the Offer, the completion of the IER provides an independent opinion on its merits, and we encourage Nex Metals shareholders to take into account the IER when deciding whether to accept the Offer. The rationale behind the Offer remains unchallenged – the best and most effective way to develop the Kookynie and Yundamindra Gold Project is to have it managed and funded by a single entity. Metalicity's track record in developing the project to date, and in its financial and technical capacity to continue this development have not been in question. We believe the single biggest value driver for all shareholders will be progressing the successful development of the project, and the sooner we can achieve this the sooner we can work towards realising this value.

If you have lost or misplaced your Acceptance Form under the Offer and want a new one - please email capitalmarkets@linkmarketservices.com.au with the subject line "NME Takeover by MCT".

Yours sincerely,
Metalicity Limited