

ASX Announcement
13 October 2022

Letter to Demetallica Shareholders

AIC Mines Limited (“AIC” or “the Company”) (ASX: A1M) wishes to advise that it plans to mail the attached letter to shareholders of Demetallica Limited (“Demetallica”) (ASX:DRM).

AIC Mines launched an off-market takeover offer (the “Offer”) for all of the shares in Demetallica on 19 September 2022. Under the terms of the Offer, AIC Mines has offered Demetallica shareholders 1 AIC Mines share for every 1.5 Demetallica shares held.

The Bidder’s Statement relevant to the Offer was mailed to Demetallica shareholders on 5 October 2022. The Offer is now open for acceptance and is scheduled to close at 7.00pm (Sydney time) on 7 November 2022, unless extended or withdrawn.

Demetallica lodged its Target’s Statement on 12 October 2022 and AIC Mines intends to respond in due course. In the Target’s Statement, Demetallica acknowledges the commercial merit in combining Demetallica and AIC Mines. However, Demetallica believe that information that is material to valuation is outstanding, specifically the updated Jericho Mineral Resource Estimate.

Prior to making the Offer, AIC Mines assessed all of the historic and recent drilling at Jericho undertaken by Demetallica and its predecessors and released to the ASX. Accordingly, AIC Mines does not expect the updated Jericho Mineral Resource Estimate to have a material impact on the value of Demetallica.

Authorisation

This announcement has been approved for issue by, and enquiries regarding this announcement may be directed to Aaron Colleran, AIC Mines Managing Director, via email info@aicmines.com.au.

13 October 2022

Dear Demetallica Shareholder,

On behalf of AIC Mines Limited (ASX:A1M) (**AIC Mines**), I am pleased to have the opportunity to contact you directly to provide information in relation to your Demetallica shares and our all-scrip takeover offer (the **Offer**).

As you are aware, AIC Mines is offering you 1 AIC Mines share for every 1.5 of your Demetallica shares and the opportunity to become a shareholder in an exciting new Australian copper and gold miner.

Our Bidder's Statement, which we encourage you to read, has been mailed to Demetallica shareholders.

We recommend you ACCEPT the Offer for your Demetallica Shares now.

You can now accept the Offer by either:

- Completing the personalised acceptance form that was included with the Bidder's Statement and returning by either post or scan and email to corpactprocessing@computershare.com.au; or
- Instructing your stockbroker to immediately accept the Offer on your behalf.

We have already started to receive acceptances from Demetallica shareholders. We strongly encourage you to accept the Offer for the reasons outlined in the Bidder's Statement and highlighted below.

Substantial premium to key benchmarks

At the time of announcement, the Offer valued Demetallica at \$0.337 per share and provided a **significant premium of 68%** to Demetallica's last closing price of \$0.20 per share.

AIC Mines has also considered the Demetallica IPO price set in April 2022 to raise \$15 million as this price represents an important valuation benchmark. At the time of the announcement the Offer represented a premium of 35% to the IPO share price of \$0.25 per share.

Demetallica shareholders should also note that general equity market conditions have deteriorated significantly since the time of the Demetallica IPO.

Strong strategic rationale is compelling for both sets of shareholders

AIC Mines' Eloise copper mine and processing facility is only 4 kilometres from Demetallica's Jericho copper deposit. Combining these assets will provide the quickest and most efficient means of developing, mining and processing the Jericho deposit and potentially other deposits within Demetallica's broader Chimera project.

The combination of AIC Mines and Demetallica's exploration projects also creates a complementary exploration portfolio that can be more effectively explored as part of a larger and financially stronger mining company.

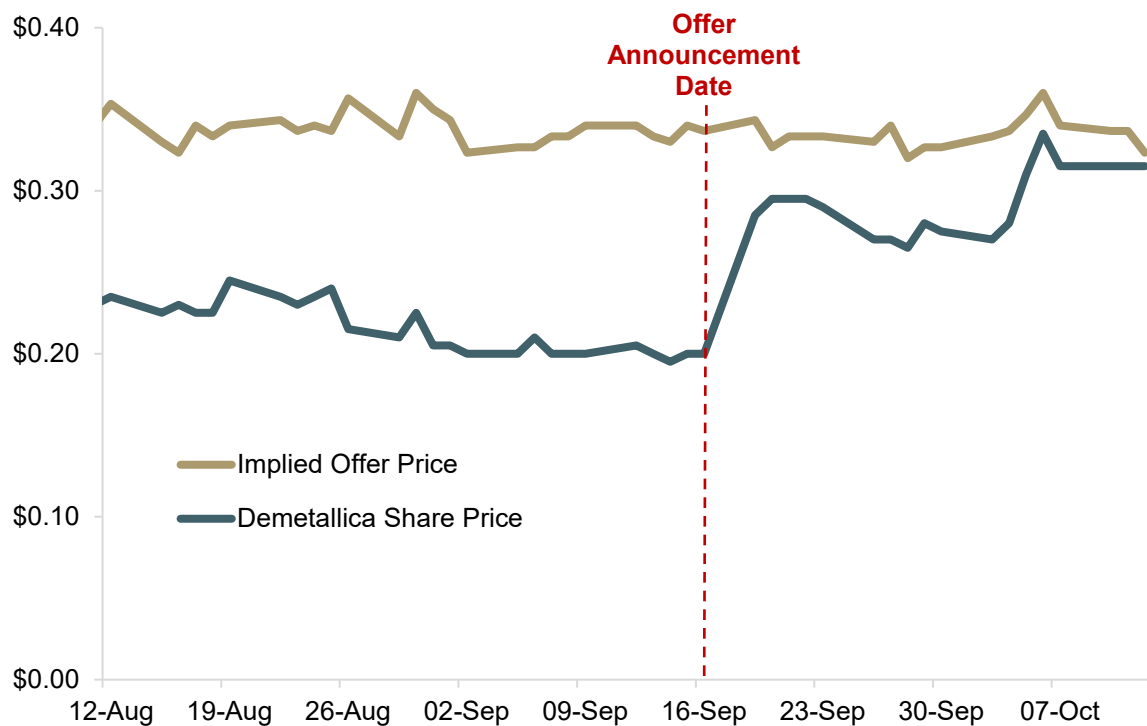
Given the close proximity of the Eloise mine and the Jericho deposit, AIC Mines is the only company that can provide these benefits.

Under Demetallica ownership, it is unlikely that the Jericho deposit will be advanced in a timely or efficient manner as Demetallica does not have the operational capability or financial capacity to develop the deposit.

Demetallica share price continues to trade below the implied Offer value

Since the Offer, the Demetallica share price has consistently traded below the implied Offer value and over 20% of Demetallica's non-escrowed shares have traded.¹

Accepting the Offer is an economically rational decision and currently realises greater value than selling your Demetallica shares on market.



In this uncertain market you will become a shareholder in a stronger, profitable and well-managed company

In addition to a premium valuation and the benefits expected from the Offer, you will become a shareholder in the enlarged, financially stronger and well-managed AIC Mines business.

The AIC Mines Board and management team have a successful track record of building and managing successful mining companies and have a large shareholding in AIC Mines.

Our Offer delivers the significant benefits of being part of a strong mining company compared with the substantial risks associated with holding shares in a junior exploration company at a time of considerable market uncertainty.

¹ Since the Offer AIC Mines shares have traded between \$0.485 and \$0.540 per share for an implied Offer value of \$0.323 to \$0.360 per Demetallica share.

Pending Jericho resource update has already been taken into account

Recent drilling by Demetallica of 56 new drillholes at the Jericho deposit has been aimed at expanding the size of the deposit and upgrading the confidence in the resource model by seeking to convert part of it from the Inferred category to the Indicated category under JORC Code guidelines. This drilling was completed in August 2022. Demetallica has stated that it plans to release an updated Mineral Resource estimate for Jericho in late October 2022.

Since its IPO earlier this year, Demetallica has clearly stated and promoted an Exploration Target for Jericho of 13Mt to 15Mt at between 1.3% - 1.5% Cu and 0.29g/t Au – 0.32g/t Au.

Prior to making the Offer, AIC Mines assessed all of the historic and recent drilling at Jericho undertaken by Demetallica and its predecessors and released to the ASX. Accordingly, AIC Mines does not expect the updated Mineral Resource estimate to have a material impact on the value of Demetallica.

Demetallica's share price is likely to fall significantly should the Offer not be successful

In the absence of the Offer being successful or a higher bid for Demetallica emerging, it is likely that the Demetallica share price will immediately fall significantly below the implied Offer price.

Demetallica shareholders should reflect on the share price risks given the heightened equity market volatility and the fact that similar base metal explorers have continued to fall in value over recent weeks.

Accordingly, we strongly encourage you to immediately accept the Offer to avoid these risks.

If you have any questions in relation to the Offer or need a replacement acceptance form please contact the Offer Information Line on **1300 528 219 (from within Australia)** or +61 3 9415 4822 (from outside Australia) between 8.30am and 5pm (Sydney time) Monday to Friday.

We appreciate your consideration of our Offer and look forward to receiving your acceptance and welcoming you as a fellow AIC Mines shareholder as we build an exciting new Australian mid-tier copper and gold miner.

Yours sincerely,



Aaron Colleran
AIC Mines Limited
Managing Director