

29 April 2022

The Company Announcements Officer
The Australian Securities Exchange
Level 40, 152-158 St Georges Terrace
Perth WA 6000

Takeovers Panel – Finding of Unacceptable Circumstances

Nex Metals Explorations Ltd (Nex or the Company) inform that the Takeovers Panel has made its findings under case Nex Metals Explorations Ltd 05 pertaining to the First Replacement Target Statement lodged by the Company on 17 March 2022. The Directors note the contents therein. At the behest of the Takeovers Panel, we advise that the First Replacement Target Statement contains information deficiencies and does not disclose a sufficient basis upon which Nex Metals directors recommend that shareholders reject the bid by Metalicity Ltd.

The Company will make what ever changes necessary and an announcement will be made of the required changes.

We attach the annexure A which is part of the Panels orders.

This announcement is authorised by Managing Director-Kenneth M Allen

Yours Faithfully



Kenneth M Allen

ANNEXURE: INFORMATION DEFICIENCIES

Page #	Statement	Nature of information deficiencies
2	"Nex Metals also owns 100% of the prospective Kookynie Tailings Research Project"	Requires disclosure of the bases upon which Nex Metals considers that it owns 100% of the Kookynie tailings.
3	"Given Nex Metals' superior asset holding..."	Requires disclosure of the bases upon which Nex Metals considers that it has a superior asset holding to Metalicity.
4	"Nex Metals Shareholders would currently realise a loss by accepting the Metalicity Offer".	<p>This statement is contradictory to the statement on page 12 which states: "The Offer may create a capital gains tax liability for Nex Metals Shareholders".</p> <p>Requires an explanation of how Nex Metals shareholders would realise a loss if they accept the Bid and clarification of what is meant by "loss".</p>
5	"Nex Metals regards Kookynie Tailings as "low-hanging fruit" and able to be monetised in the near term"	Requires disclosure of the bases upon which Nex Metals considers that it owns 100% of the Kookynie tailings and an explanation of what is meant by "low-hanging fruit".
8	"50% JVA expenditure as per budget provided by Metalicity but not yet approved by the Joint Venture or called"	Requires disclosure that the statement is disputed by Metalicity.
6	"Nex Metals is currently raising funding..."	<p>The paragraph needs to:</p> <ul style="list-style-type: none"> disclose the status and timing of the Rights Issue and clarify that the notice of meeting to be issued in respect of the shareholder meeting at which approval for the Rights Issue will be sought is subject to ASIC and the Panel providing

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		<p>confirmation that it has no objection to the form of the notice of meeting.²</p> <p>The section that follows under the heading “Risks of Accepting the Takeover Bid versus proceeding with the Rights Issue” needs to explain the relevance of comparing the merits of the Bid and the Rights Issue, noting that the First Replacement Target’s Statement, in various spots (including on pages 6-7), compares the Rights Issue and the Bid but that this comparison would not appear relevant given that the Bid is unconditional. If the comparison is no longer relevant, it should be deleted.</p>
7	<p>“While Metalicity’s Bidder’s Statement offers Nex Metals shareholders 4.81 Metalicity shares for every 1 Nex Metals share, no cash is offered to Nex Metals shareholder. The Rights Issue offers better value to Nex Metals shareholders...”</p>	<p>Requires disclosure of the bases upon which Nex Metals asserts that the Rights Issue offers better value to Nex Metals shareholders, noting that the First Replacement Target’s Statement, in various spots (including on page 7), compares the Rights Issue and the Bid but that this comparison would not appear relevant given that the Bid is unconditional.</p>
8	<p>“There is no certainty that Nex Metals will gain a relevant interest in more than 50% of the issued share capital of the Company. The Rights Issue in contrast is not subject to any conditions and would allow Nex Metals shareholders being able to receive the new shares in a shorter time frame”.</p>	<p>The first reference to “Nex Metals” should be replaced with “Metalicity”.</p> <p>Either remove or explain the relevance of that part of the sentence which reads: “The Rights Issue in contrast is not subject to any conditions and would allow Nex Metals shareholders being able to receive the new shares in a shorter time frame”, noting that the First</p>

² In accordance with the orders made by the Panel in the *Nex Metals Explorations Ltd 01* and *Nex Metals Explorations Ltd 02* proceedings.

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		Replacement Target's Statement, in various spots (including on page 8), compares the Rights Issue and the Bid but that this comparison would not appear relevant given that the Bid is unconditional.
8	"Nex under the joint venture agreement maintains in its own right the first right to all processing (Using Nex Technologies) from the joint venture tenements and all the rights to the tailings project at Kookynie which would provide significant incomes to Nex Metals alone"	Requires disclosure of the bases upon which Nex Metals considers that it maintains the first right to all processing and owns the Kookynie tailings.
8	"Outlined below is a table detailing how the proceeds obtained through the Rights Issue are proposed to be used..."	The paragraph needs to disclose: <ul style="list-style-type: none"> the status and timing of the Rights Issue and that the Rights Issue is subject to shareholder approval.
9	"Nex Metals expects for the rights issue to be fully underwritten..."	Requires disclosure of the bases upon which Nex Metals considers that it expects the Rights Issue to be fully underwritten (noting that this appears contrary to the lead in to the statement which reads: "The current predicament in which Nex Metals finds itself has made procuring a commercial underwriting proposal difficult...").
10	"The potential effect of the Offer on control of the Company is as follows: <p>(a) If all eligible shareholders take up their Entitlement, then the Offer will practically have no effect on control of the Company"</p>	Requires clarification that the reference to "the Offer" is to the "Rights Issue".

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10	"In the more likely event there is a Shortfall..." and subparagraphs (a) and (b)	Requires clarification that the references to "the Offer" are to the "Rights Issue".
12	"The Offer may create a capital gains tax liability for Nex Metals Shareholders"	<p>The statement is contradictory to the statement on page 4 that states: "Nex Metals shareholders would currently realise a loss by accepting the Metalicity Offer."</p> <p>Requires an explanation of how accepting the Bid could create a CGT tax liability for Nex Metals shareholders (noting that the First Replacement Target's Statement, in various spots, refers shareholders to Sections 6 and 7 of the First Replacement Target's Statement for details of the tax consequences of the Bid, but that these sections do not contain any information about the tax implications of accepting the Bid).</p>
16, 19	"The Directors encourage you to ... read the independent expert's reports (as per orders by the Takeover Panel, see media release dated 17 December 2021 and 11 February 2022) which is prepared and will be published on the ASX platform once completed"	<p>Requires clarification that the independent expert's reports:</p> <ul style="list-style-type: none"> referred to are an independent expert's report commissioned by Nex Metals and an independent expert's report separately commissioned by Metalicity are still being completed (i.e. they are not yet "prepared") and once completed, will (in addition to being published on the ASX platform) be dispatched to Nex Metals shareholders. <p>Requires disclosure of when it is intended that the independent expert's report commissioned by Nex Metals is likely to be dispatched to Nex Metals shareholders, and that the directors' recommendations may</p>

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		change upon receipt of the independent expert's report.
26	"Nex Metals holds a suite of highly prospective tenements in the greater Kookynie and Yundamindra area".	<p>Requires clarification as to whether the tenements referred to are the same tenements the subject of the Joint Venture, or other tenements in the Kookynie and Yundamindra area which are not subject of the Joint Venture.</p> <p>Requires clarification that Metalicity considers that it (through Kym Mining Pty Ltd) has acquired the right to 51% interest in the Joint Venture tenements and, if Nex Metals considers (irrespective of the dismissal of the Court proceedings) that the question of ownership remains unresolved it must explain why.</p>
30 - 31	Tables of financial information	Requires inclusion of Nex Metals' most recent financial accounts (from December 2021).
32	"\$328,000 of share application monies received from a Director, shown as a current liability in the statement of financial position as at 30 June 2021, will be transferred to equity when the shares are issued"	<p>If it is intended that Nex Metals will extinguish the liability by issuing shares (as is currently disclosed), requires disclosure of when the share issue is intended to occur (noting that the share application amount has been shown in Nex Metals' current liabilities since year ended 30 June 2014).</p> <p>If it is intended that Nex Metals will extinguish the liability by "payment" and that the Director has agreed to "postpone the payment" (as was submitted in the Panel proceedings), this needs to be disclosed along with any terms and conditions or limitations that may attach to the repayment.</p>

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32	<p>"The possible sale of mining tenements, recognised as exploration and evaluation assets in the statement of financial position as at 30 June 2021"</p>	<p>Requires clarification as to whether the tenements referred to are the same tenements the subject of the Joint Venture, or some other tenements.</p> <p>If the tenements referred to are the same tenements the subject of the Joint Venture, requires disclosure of how Nex Metals is able to sell those tenements given the processes and requirements set out in the Joint Venture Agreement.</p>
32	<p>"Included in current payables is an amount of \$1,950,976 payable to the Directors of the consolidated entity. The Directors have agreed to not seek cash payments for their unpaid balances until the consolidated entity is in a financial position to pay."</p> <p>and</p> <p>"Included in current payables is an amount of \$306,788 payable to Allens Business Group Pty Ltd, an entity controlled by the Director, Ken Allen. Allens Business Group Pty Ltd have agreed to not seek cash payments for this unpaid balance until the consolidated entity is in a financial position to pay;"</p>	<p>Requires disclose of the terms and conditions or limitations that may attach to the forbearances.</p>
33	<p>"Pursuant to the Joint Venture Agreement, Nex Metals maintains the rights to the Kookynie Tailings"</p>	<p>Requires disclosure of the bases upon which Nex Metals considers that it owns 100% of the Kookynie tailings.</p>