

Bidder's Statement

This document contains important information and requires your immediate attention.

If you are in any doubt as to how to deal with this document, you should consult your legal, financial or other professional adviser immediately.

ACCEPT

the Offer by **AIC Mines Limited** (ACN 060 156 452)

to purchase all of your shares in

Demetallica Limited (ACN 061 595 051) for

1 AIC Mines share for every

1.5 of your Demetallica shares

The date of the Offer is 5 October 2022 and the Offer will close on 7 November 2022, unless extended or withdrawn.

If you have any questions about the Offer, this document or about how to accept the Offer, please call 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.

Financial Advisor

Legal Advisor



TABLE OF CONTENTS

1. Letter from the AIC Mines Chairman.....6

2. Summary of the Offer7

3. Reasons to accept the Offer9

4. Information on AIC Mines.....13

5. Information on Demetallica22

6. Information on the Combined Group.....30

7. Risk factors.....37

8. Intentions of AIC Mines44

9. Tax Considerations49

10. Terms of Offer53

11. Additional Information66

12. Definitions and Interpretations74

Schedule 1 Corporate Directory – AIC Mines79

Schedule 2 ASX announcements released by AIC Mines since 30 June 2022.....80

IMPORTANT DATES

Announcement Date	Monday, 19 September 2022
Bidder's Statement lodged with ASIC and ASX	Monday, 19 September 2022
Date of Offer (Offer opens)	Wednesday, 5 October 2022
Offer closes (unless extended or withdrawn)	7.00pm (Sydney time) on Monday, 7 November 2022

These dates may vary as permitted under the Corporations Act.

KEY CONTACTS

Share Registry

Computershare Investor Services Pty Limited
452 Johnston St,
Yarra Falls, Abbotsford VIC 3067

Tel: 1300 850 505 (within Australia) or
+ 61 3 9415 4000 (outside Australia)

Email: web.queries@computershare.com.au

Offer Information Line*

1300 528 219 (from within Australia)
+61 3 9415 4822 (from outside Australia)

Between 8.30am and 5pm (Sydney time),
Monday to Friday.

*Calls to these numbers may be recorded

HOW TO ACCEPT THE OFFER

Acceptances must be received before the end of the Offer Period (subject to the terms of the Offer).

For Issuer Sponsored Holdings of Shares (Securityholder Reference Number beginning with 'I')

To accept the Offer, complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the address on the Acceptance Form.

For CHESSE Holdings of Shares (Holder Identification Number beginning with 'X')

To accept the Offer, either contact your Controlling Participant (usually your broker) and instruct them to accept the Offer on your behalf, or complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the address on the Acceptance Form.

IMPORTANT NOTICES

Bidder's Statement relating to an offer from AIC Mines Limited (ACN 060 156 452), to acquire all of the ordinary shares in Demetallica Limited (ACN 061 595 051).

This document is the Bidder's Statement given by the Bidder under Part 6.5 of Chapter 6 of the Corporations Act and in compliance with the requirements of sections 636 and 637 of the Corporations Act, in relation to the Offer contained in Section 10 of this Bidder's Statement.

The document contains the formal terms of the Offer by AIC Mines and other information relevant to your decision whether to accept the Offer.

Australian Securities and Investments Commission

A copy of this Bidder's Statement was lodged with the Australian Securities and Investments Commission on 19 September 2022. Neither ASIC nor any of its officers takes any responsibility for the content of this Bidder's Statement.

Date of the Offer

This Bidder's Statement is dated 19 September 2022. It includes an Offer dated 5 October 2022 (the **Offer Date**) in Section 10 of this document.

Investment Decisions

This Bidder's Statement does not take into account the individual investment objectives, financial situation and particular needs of each Demetallica Shareholder. You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your Demetallica Shares.

Privacy

AIC Mines has obtained your information from the register of Demetallica Shareholders for the purpose of making the Offer and, if accepted, administering holdings of AIC Mines Shares. The Corporations Act requires the names and addresses of AIC Mines Shareholders to be held in a public register. Your information may be disclosed to AIC Mines' related bodies corporate and external service providers. It may also be required to be disclosed to regulators such as ASIC. The registered address of AIC Mines is A8, 435 Roberts Road Subiaco WA 6008.

Defined Terms and interpretation

Unless otherwise noted, terms used in this Bidder's Statement and Offer are defined in Section 12.1 below. That section also sets out certain rules of interpretation that apply to this Bidder's Statement.

Foreign Shareholders

It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept the Offer. You should note that the Offer has been conducted in accordance with the laws enforced in Australia and ASX Listing Rules. The disclosure requirements in relation to the Offer applicable in Australia may differ from those applying in your jurisdiction. Foreign Shareholders may have difficulties in enforcing their rights and any claims they may have arising under the laws of their jurisdiction. It may also be difficult to compel the Bidder to subject itself to a foreign court's judgment.

This Bidder's Statement does not constitute an offer to sell, nor the solicitation of an offer to buy, any Demetallica Shares in any jurisdiction other than Australia, unless AIC Mines determines to the contrary.

The distribution of this Bidder's Statement in jurisdictions outside Australia may be restricted by law or regulation. Accordingly, persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register this Bidder's Statement or qualify AIC Mines or to otherwise permit a public offering of AIC Mines Shares outside Australia. Investors resident in places other than Australia should note that the Offer is being proposed and will be conducted in accordance with the laws in force in Australia and with the ASX Listing Rules. The disclosure requirements in relation to the Offer in Australia will differ from those applying in other jurisdictions. The financial statements included in this Bidder's Statement have been prepared in accordance with generally accepted accounting principles in Australia that will differ from those in other jurisdictions. The securities referred to in this Bidder's Statement have not been and will not be registered under the *US Securities Act of 1933 (Securities Act)*, as amended, or other securities laws of any jurisdiction of the US and therefore may not be offered or sold in the US without registration or an applicable exemption from the registration requirements of the Securities Act. **This Bidder's Statement does not constitute an offer to issue or to sell or the solicitation of any offer to buy any such securities or any securities to be issued in exchange for such securities in any jurisdiction in which the issue of shares under the Offer would be unlawful.**

Forward Looking Statements

This Bidder's Statement includes certain forward looking statements. If such statements relate to future matters, they are subject to inherent risks and uncertainties. These risks and uncertainties include factors and risks specific to the industry in which AIC Mines operates as well as matters such as general economic conditions, many of which are outside the control of AIC Mines and its directors. These factors may cause the actual results, performance or achievements of AIC Mines, the merged entity of AIC Mines and Demetallica if the Offer is successful to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward looking statements. The past performance of AIC Mines is not a guarantee of future performance.

Disclaimer as to Demetallica Information

Information in this document about Demetallica has been prepared based on publicly available information. AIC Mines has not independently verified such information. Accordingly, subject to the Corporations Act, AIC Mines does not make any representation or gives any express or implied warranty as to the accuracy or completeness of such information. Further information relating to Demetallica's business may be included in the Target's Statement which Demetallica must provide to its shareholders in response to this Bidder's Statement.

Reasons to accept the Offer

AIC Mines strongly encourages you to **ACCEPT** the Offer for the following reasons:

The Offer represents a substantial and attractive premium

By accepting the Offer you will receive 1 AIC Mines share for every 1.5 Demetallica shares you own. The recent trading price of AIC Mines shares was \$0.505 on 16 September 2022 (being the last trading day in AIC Mines Shares before the Announcement Date). At this price the Offer represents a significant premium to the recent trading price of Demetallica Shares and to the Initial Public Offering price of Demetallica Shares of \$0.25.

Strong strategic rationale based on logical regional consolidation

AIC Mines' Eloise 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 the Chimera project.

Given the close proximity of the Eloise mine and Chimera project, AIC Mines is the only company that can provide these synergies.

You will become a shareholder in a new growth-oriented Australian copper miner

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

You will become a shareholder in a financially stronger company

The combination of AIC Mines and Demetallica creates a company with enhanced scale, market relevance and trading liquidity.

The Offer greatly reduces the financing and project development risks associated with being a Demetallica Shareholder

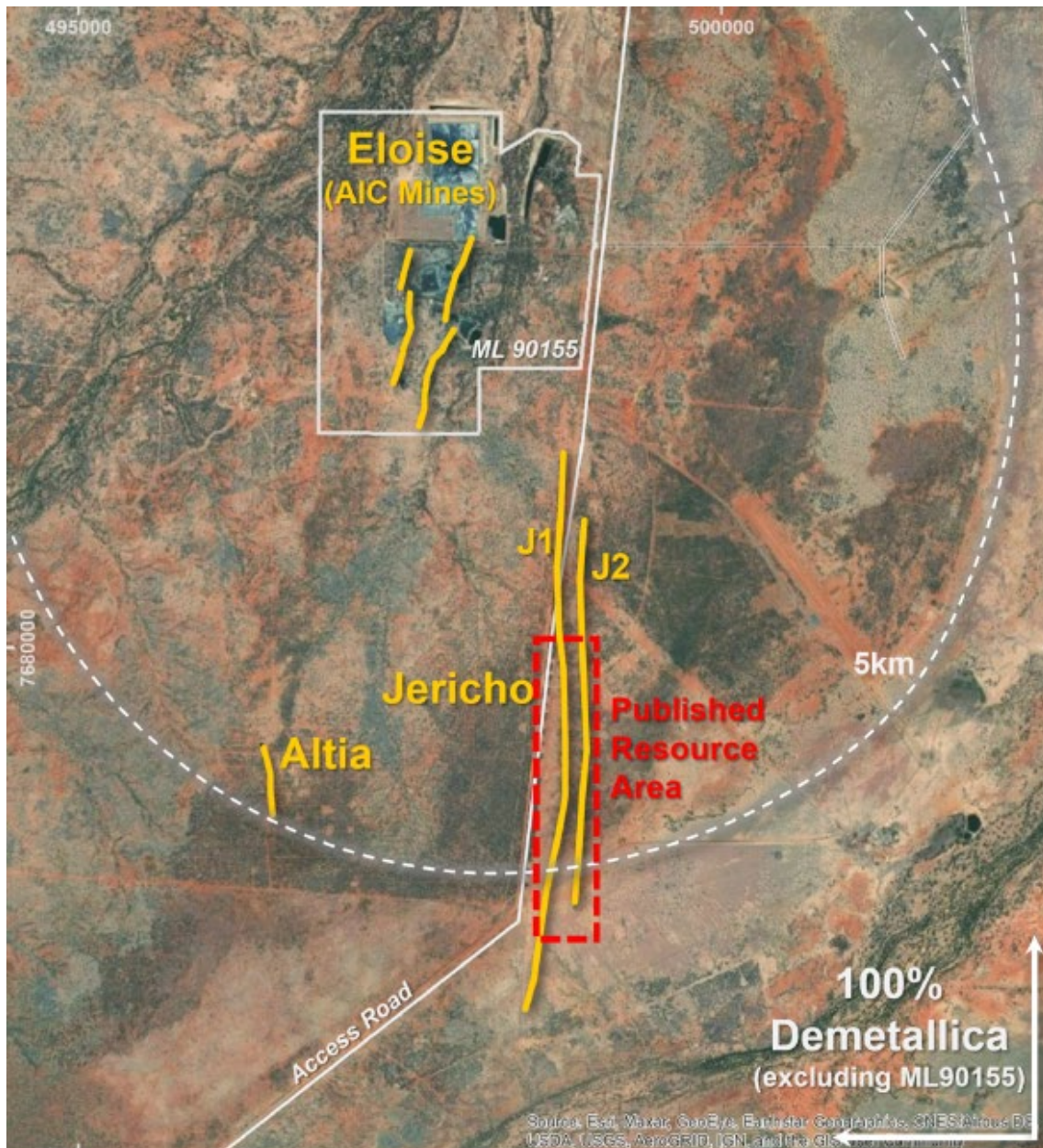
Demetallica assets are at a relatively early exploration stage. The next stage of project development can involve much higher risks. Combining AIC Mines and Demetallica will help mitigate the risks associated with any development of the Demetallica copper projects given AIC Mines' mining and processing capability and financing capacity.

A better outcome for the environment and the community

Consolidating the assets of AIC Mines and Demetallica will eliminate wasteful duplication of infrastructure and allow for a smaller development footprint with reduced environmental impact. It also represents the quickest path to production for the Jericho copper deposit so that benefits of employment, commercial opportunities and royalties will flow to local communities more quickly and with greater certainty.

In the absence of the Offer, the Demetallica Share price is likely to fall below the Offer price

If the Offer is not successful and no higher bid for Demetallica emerges, the Demetallica Share price is likely to fall below the implied Offer value.



AIC Mines' Eloise copper mine and processing facility is located only 4 kilometres from Demetallica's Jericho copper deposit.

Combining these assets will provide the quickest and most efficient means of developing and mining the Jericho copper deposit and potentially other deposits within the Chimera project.

On successful completion of the Offer, Demetallica Shareholders will hold approximately 18.7% of the Combined Group (on an undiluted basis).

You will continue to have exposure to the future upside associated with the Jericho copper deposit and Demetallica's other exploration assets whilst mitigating and diversifying the risks you are exposed to by becoming part of a larger, and more diversified company.

1. Letter from the AIC Mines Chairman

19 September 2022

Dear Demetallica Shareholder,

We are pleased to enclose an Offer from AIC Mines Limited ACN 060 156 452 to acquire all of your ordinary shares in Demetallica Limited ACN 061 595 051.

AIC Mines is offering you 1 AIC Mines Share for every 1.5 of your Demetallica Shares. As at 16 September 2022 (the last trading day before the announcement of the Offer), the implied value of the Offer consideration was \$0.337 per Demetallica Share (based on a closing price of AIC Mines Shares on 16 September 2022 of \$0.505)¹. The Offer represents a:

- 68% premium to the closing price of Demetallica Shares of \$0.200 on 16 September 2022²
- 58% premium to the 30 day VWAP of Demetallica Shares of \$0.213 on 16 September 2022³
- 35% premium to the Initial Public Offering price of Demetallica Shares of \$0.25.

The combination of the assets of AIC Mines and Demetallica is a logical combination with strong strategic rationale. The close proximity of AIC Mines' Eloise copper mine and Demetallica's Chimera copper project creates the opportunity for numerous synergies. AIC Mines has the mining and processing capability, and financing capacity to rapidly develop the resources at Demetallica's Chimera copper project.

AIC Mines owns the Eloise copper mine, a high-grade underground mine located southeast of Cloncurry in North Queensland. In FY23 we are targeting production from Eloise of approximately 12,500t Cu and 6,000oz Au in concentrate at an AISC of approximately A\$4.50/lb Cu and AIC of A\$5.00/lb Cu⁴.

By receiving AIC Mines shares as Offer consideration you will be able to participate in the value uplift expected to result from the development of the copper resources at the Chimera project as well as ongoing operational improvements and exploration success at the Eloise copper mine.

The Offer is subject to a number of conditions which are set out in this document, including AIC Mines having received valid acceptances for at least 50.1% of Demetallica Shares at or before the end of the Offer Period, unless such conditions are waived. Further details in relation to the Offer are provided in this Bidder's Statement. You should read this document in its entirety, including the conditions to the Offer.

The Offer is scheduled to close at 7.00pm (Sydney time) on Monday, 7 November 2022. To accept the Offer please follow the instructions set out in this document and on the accompanying Acceptance Form.

We look forward to receiving your acceptance and to welcoming you as an AIC Mines shareholder.

Yours Sincerely,



Josef El-Raghy
Chairman

¹ The implied valuation will change from time to time in accordance with fluctuations in the price of AIC Mines shares.

² Based on the Demetallica closing price of \$0.200 on 16 September 2022, the last trading day prior to the Announcement Date.

³ Volume weighted average price (**VWAP**) of Demetallica shares is calculated from 8 August 2022 to 16 September 2022. Data is sourced from IRESS.

⁴ See AIC Mines "Quarterly Activities Report for the Period Ending 30 June 2022" as released to the ASX on 20 July 2022.

2. Summary of the Offer

This summary of the Offer provides a general overview only and should be read together with the detailed information set out in the remainder of this Bidder's Statement.

The Offer	<p>AIC Mines is offering to acquire all of the ordinary shares in Demetallica by way of an off-market takeover on the terms and conditions set out in this Bidder's Statement.</p> <p>The Offer relates to all Demetallica Shares that exist, or will exist, on the Register Date and to all Demetallica Shares issued before the end of the Offer Period as a result of the exercise of any Demetallica Options or the acceleration of Demetallica Performance Rights that are on issue at the Register Date.</p> <p>The Offer consideration is one (1) AIC Mines Share for every one and a half (1.5) Demetallica Shares.</p> <p>Entitlements to fractions of AIC Mines Shares will be rounded down.</p>										
Key Dates	<table><tr><td>Announcement Date of Offer</td><td>Monday, 19 September 2022</td></tr><tr><td>Bidder's Statement lodged with ASIC</td><td>Monday, 19 September 2022</td></tr><tr><td>Date of Offer</td><td>Wednesday, 5 October 2022</td></tr><tr><td>Demetallica's Target's Statement due</td><td>No later than 15 days after Demetallica receives notice that all Offers have been sent</td></tr><tr><td>Offer scheduled to close (unless extended or withdrawn)</td><td>7.00pm (Sydney time) on Monday, 7 November 2022</td></tr></table>	Announcement Date of Offer	Monday, 19 September 2022	Bidder's Statement lodged with ASIC	Monday, 19 September 2022	Date of Offer	Wednesday, 5 October 2022	Demetallica's Target's Statement due	No later than 15 days after Demetallica receives notice that all Offers have been sent	Offer scheduled to close (unless extended or withdrawn)	7.00pm (Sydney time) on Monday, 7 November 2022
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Offer scheduled to close (unless extended or withdrawn)	7.00pm (Sydney time) on Monday, 7 November 2022										
How to accept the Offer	<p>You may only accept the Offer in respect of all (and not part) of your Shares. Acceptances must be received before the end of the Offer Period (subject to the terms of the Offer).</p> <p>For Issuer Sponsored Holdings of Shares (Securityholder Reference Number beginning with 'I')</p> <p>To accept the Offer, complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the address on the Acceptance Form.</p> <p>For CHESS Holdings of Shares (Holder Identification Number beginning with 'X')</p> <p>To accept the Offer, either contact your Controlling Participant (usually your broker) and instruct them to accept the Offer on your behalf, or complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the address on the Acceptance Form.</p>										
Issue of AIC Mines Shares	<p>Subject to the terms of the Offer in Section 10, you will be issued your AIC Mines Shares, following acceptance of the Offer by you (unless you are an Ineligible Foreign Shareholder), by the end of whichever of the following periods ends earlier:</p> <p>(a) one month after the later of your acceptance and the date the Offer becomes unconditional; or</p>										

<p>Information about AIC Mines</p>	<p>(b) 21 days after the end of the Offer Period.</p> <p>Full details of when AIC Mines Shares will be issued are set out in Section 10.</p> <p>AIC Mines is a growth focused Australian resources company. Its strategy is to build a portfolio of gold and copper assets in Australia through exploration, development and acquisition.</p> <p>AIC Mines owns the Eloise copper mine, a high-grade operating underground mine located southeast of Cloncurry in North Queensland.</p> <p>AIC Mines also has significant gold, copper and nickel exploration projects in Western Australia and New South Wales.</p> <p>Further details about AIC Mines are contained in Section 4.</p>
<p>Conditions of the Offer</p>	<p>The Offer is subject to a number of conditions which are set out in full in Section 10. These conditions are (in summary):</p> <ul style="list-style-type: none"> • (minimum acceptance) AIC Mines obtaining a Relevant Interest in at least 50.1% of Demetallica Shares; • (no regulatory action) no Public Authority restraining or preventing the Offer; • (no material adverse change) no material adverse change occurring with respect to Demetallica; • (No material acquisitions, disposals or new commitments) Demetallica not acquiring or disposing of any significant assets or entering into any significant transaction; • (no prescribed occurrences) no prescribed occurrences occurring <p>If the conditions of the Offer are not satisfied or waived by the time the Offer closes, the Offer will lapse and your acceptance will be void. In those circumstances, you will not receive the Offer consideration for your Demetallica Shares and you will retain your Demetallica Shares.</p>
<p>What are the risks of the Offer</p>	<p>If you accept the Offer you will become an AIC Mines Shareholder (unless you are an Ineligible Foreign Shareholder).</p> <p>There are risks associated with holding AIC Mines Shares, which are summarised in Section 7 of this Bidder's Statement. In deciding whether or not to accept the Offer, you should carefully consider these risks.</p>
<p>Close of Offer</p>	<p>The Offer is scheduled to close at 7.00pm (Sydney time) on Monday, 7 November 2022, unless extended in accordance with the Corporations Act.</p>
<p>Enquiries about the Offer</p>	<p>If you have any questions about the Offer or this document or about how to accept the Offer, please call the Offer Information Line on 1300 528 219 (from within Australia) or +61 3 9415 4822 (from outside Australia) or consult your legal or other financial or professional adviser.</p> <p>For questions regarding your holding of shares in Demetallica, please call Demetallica's share registry.</p>

3. Reasons to accept the Offer

3.1 Reasons to accept the Offer

AIC Mines strongly encourages you to ACCEPT the Offer for the following reasons:

The Offer represents a substantial and attractive premium

By accepting the Offer you will receive 1 AIC Mines share for every 1.5 Demetallica Shares you own. The Offer represents a substantial and attractive premium of:

- (a) 68% to the closing price of Demetallica Shares of \$0.200 on 16 September 2022 (being the last trading day in AIC Mines Shares and Demetallica Shares before the Announcement Date)⁵;
- (b) 65% to the 15 day VWAP of Demetallica Shares of \$0.204 on 16 September 2022⁶;
- (c) 58% to the 30 day VWAP of Demetallica Shares of \$0.213 on 16 September 2022⁷; and
- (d) 35% to the Initial Public Offering price of Demetallica Shares of \$0.25.

Logical combination with strong strategic rationale

The combination of AIC Mines and Demetallica is a logical consolidation of AIC Mines' Eloise mining and processing infrastructure and the copper resources at Demetallica's Chimera project where the tenement holdings of the two companies adjoin. The Eloise 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 the Chimera project.

Given the close proximity of the Eloise mine and Chimera project, AIC Mines is the only company that can provide these synergies.

Combining AIC Mines and Demetallica also removes inefficient duplication of overhead costs, corporate fees and charges. These savings can be applied to value-adding activities such as mine development and exploration drilling.

If you accept the Offer you will participate in this value uplift expected to result from the combination.

You will become a shareholder in a growth-oriented Australian copper mining company

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

AIC Mines owns the Eloise copper mine, a high-grade operating underground mine located southeast of Cloncurry in North Queensland. AIC Mines is targeting production from Eloise of

⁵ Based on the AIC Mines closing price of \$0.505 and the Demetallica closing price of \$0.200 on 16 September 2022, the last trading day prior to the Announcement Date.

⁶ VWAP from 29 August 2022 to 16 September 2022. Data is sourced from IRESS.

⁷ VWAP from 8 August 2022 to 16 September 2022. Data is sourced from IRESS.

approximately 12,500t Cu and 6,000oz Au in concentrate at an AISC of approximately A\$4.50/lb Cu and AIC of A\$5.00/lb Cu in FY23⁸.

AIC Mines acquired the Eloise copper mine in November 2021 and has successfully increased both mineral resources and ore reserves since taking ownership. The copper resources at Demetallica's Chimera project will further add to the Eloise project life and, importantly, provide the potential to increase the production scale at the Eloise project. If you accept the Offer you will participate in the value uplift expected to result from the combination.

You will become a shareholder in a financially stronger company with enhanced market relevance and investment appeal

The combination of AIC Mines and Demetallica creates a company with enhanced scale, market relevance and trading liquidity.

On successful completion of the Offer, Demetallica Shareholders will hold approximately 18.7% of the Combined Group⁹, which is expected to have a market capitalisation of approximately \$194 million¹⁰, available cash of over \$20 million and a cash generative operating asset at Eloise.

This stronger financial position will enable AIC Mines to more effectively advance Jericho and potentially other deposits at the Chimera project into production.

In the absence of the Offer, Demetallica will require additional funding to advance its strategy and it is likely Demetallica shareholders would need to provide additional equity funding or be at risk of share dilution if they were unable or unwilling to participate in future fundraising. There is no guarantee that this subsequent funding will be received by Demetallica on commercial terms or at all.

You will continue to have exposure to the future upside associated with the Jericho copper deposit and Demetallica's other exploration assets whilst mitigating and diversifying the risks you are exposed to by becoming part of a larger and more diversified company.

You will retain exposure to Demetallica's assets while reducing the financing and project development risks currently associated with being a Demetallica Shareholder

You will continue to have exposure to the future upside associated with the Jericho copper deposit and Demetallica's other exploration assets whilst mitigating and diversifying the risks you are exposed to by becoming part of a larger, and more diversified company.

Demetallica's assets are at a relatively early exploration stage. The next stage of project development can involve much higher risks. AIC Mines ownership will help mitigate the risks associated with any development of the copper deposits at the Chimera project given AIC Mines' mining and processing capability and financing capacity.

Stand-alone development of the Jericho copper deposit by Demetallica will require development and mining skills to be acquired and a toll-milling arrangement or construction of a processing facility. There are very limited toll-milling opportunities in the region and a stand-alone processing facility to process ore from the Jericho deposit would have high economic hurdles compared to processing at AIC Mines' existing Eloise processing plant. This is

⁸ See Production and Cost Outlook as provided in AIC Mines announcement "Quarterly Activities Report for the Period Ending 30 June 2022" as released to ASX on 20 July 2022.

⁹ On an undiluted basis. Assumes that all Demetallica Performance Rights and Zero Exercise Price Options are exercised.

¹⁰ Based on 100% acceptance resulting in a total of 384,175,033 AIC Mines Shares on issue at a trading price of \$0.505 representing the closing price of AIC Mines Shares on the last trading day before the Announcement Date.

exacerbated by the current economic environment in Australia where mining projects are facing shortages of skilled labour and high-cost inflation.

In addition, Demetallica has significant outstanding milestone payments to make to complete the acquisition of the Chimera project. Under the JV Interest Sale Agreement (see Section 5.3), Demetallica must make milestone payments of up to US\$8,818,492 based on measured and indicated resources of payable copper and a further \$2.75 million upon a positive pre-feasibility study on the Jericho deposit being published by Demetallica. Demetallica does not currently have the funding to make these payments.

A better outcome for the environment and local communities

AIC Mines is committed to the responsible development and use of natural resources, including water, and the effective management of mining waste in a long-term environmentally responsible way.

Consolidating the ownership of AIC Mines' Eloise mining and processing infrastructure and Demetallica's Chimera project will eliminate wasteful duplication of infrastructure and allow for a smaller development footprint with reduced environmental impact.

AIC Mines is committed to supporting the development of the local, regional and broader communities in or near which we operate to generate economic benefits and advance reconciliation.

Consolidating the ownership of AIC Mines' Eloise mining and processing infrastructure and Demetallica's Chimera project provides the quickest path to production for the Jericho copper deposit so that benefits of employment, commercial opportunities and royalties will flow to local communities more quickly and with greater certainty.

You may receive CGT rollover relief for the Offer consideration

Each Demetallica Shareholder's tax position is different. Therefore, Demetallica Shareholders should seek their own independent tax advice regarding the specific tax consequences of the Offer, including the application and effect of income and other tax laws to their particular circumstances.

A summary of the general Australian income tax, stamp duty and GST consequences for Demetallica Shareholders who accept the Offer is set out in Section 9. However, Demetallica Shareholders should not rely on the summary in Section 9 in substitution for specific advice on their own affairs. As further detailed in Section 9, Australian tax resident Shareholders of Demetallica who hold their shares on capital account may be able to claim scrip for scrip Capital Gains Tax rollover relief provided that AIC Mines acquires 80% or more of all Demetallica Shares. Australian tax resident shareholders qualify for roll-over relief and elect for rollover relief to apply, should not trigger a liability on the exchange of their Demetallica shares for AIC Mines Shares.

In the absence of the Offer, the Demetallica Share price is likely to fall below the Offer price

If the Offer is not successful and no higher bid for Demetallica emerges, the Demetallica Share price is likely to fall below the implied Offer value.

3.2 Implications of accepting the Offer

The Offer is subject to minimal and market standard conditions, including (among other things) a 50.1% minimum acceptance condition, no material acquisitions or disposals, no material adverse change and no prescribed occurrences in relation to Demetallica. The full conditions of the Offer are set out in Section 10.

If your Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to AIC Mines, you will not incur any brokerage in connection with your acceptance of the Offer.

If your Shares are registered in a CHESS Holding, or in the name of a nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer. Further information is provided in Section 11.3.

Demetallica Shareholders may benefit from CGT scrip roll-over relief if AIC Mines is able to acquire at least 80% of all Demetallica Shares. Each Demetallica Shareholder's tax position is different. Demetallica Shareholders should seek their own independent tax advice regarding the specific tax consequences of the Offer, including the application and effect of income tax and other tax laws to their particular circumstances.

A summary of the general Australian income tax, stamp duty and GST consequences of the Offer for Demetallica Shareholders is set out in Section 9. However, Demetallica Shareholders should not rely solely on the summary contained in Section 9 in substitution for specific advice on their own affairs from a registered tax agent.

3.3 Risks of not accepting the Offer

If you do not accept the Offer, there are certain risks that you should be aware of including that:

- (a) if the Offer is not successful and no higher bid for Demetallica emerges, the Demetallica Share price is likely to fall below the implied Offer value;
- (b) Demetallica will require additional funding to advance its strategy and to pay outstanding milestone payments to complete the acquisition of the Chimera project. It is likely Demetallica shareholders would need to provide additional equity funding or be at risk of share dilution if they were unable or unwilling to participate in future fundraising. There is no guarantee that this subsequent funding will be received by Demetallica on commercial terms or at all.
- (c) you may not receive any subsequent offer for your Shares; and
- (d) if AIC Mines becomes entitled to compulsorily acquire your Shares it intends to exercise those rights. If your Shares are compulsorily acquired, you will still receive the consideration under the Offer for your Shares but at a later date than you would have received it had you accepted the Offer.

4. Information on AIC Mines

4.1 Who is AIC Mines?

The Bidder under the Offer is AIC Mines Limited ACN 060 156 452 (**AIC Mines**).

AIC Mines is a growth focused Australian resources company. Its strategy is to build a portfolio of gold and copper assets in Australia through exploration, development and acquisition.

AIC Mines owns the Eloise copper mine – a high-grade operating underground mine located in North Queensland.

AIC Mines also holds gold, copper and nickel exploration projects in Western Australia and New South Wales.

Refer to Section 11.6 regarding AIC Mines and its status as a disclosing entity.

4.2 Overview of AIC Mines' Operations

AIC Mines owns the Eloise copper mine – a high-grade operating underground mine located 60 kilometres southeast of Cloncurry in North Queensland. AIC Mines acquired the mine in November 2021.

The Eloise copper mine is only 4 kilometres from Demetallica's Jericho copper deposit and adjoins Demetallica's Chimera project tenements.

Eloise Mineral Resources as at 30 June 2022 are estimated at 4.7 million tonnes grading 2.4% copper and 0.6g/t gold containing 115,000 tonnes of copper and 100,100 ounces of gold at a 1.1% Cu cut-off above 0mRL and 1.4% Cu below 0mRL¹¹.

Eloise Ore Reserves as at the 30 June 2022 are estimated at 1.5 million tonnes grading 2.3% copper and 0.6g/t gold containing 36,000 tonnes of copper and 32,600 ounces of gold at a 1.4% Cu cut-off above 0mRL and 1.6% Cu cut-off below 0mRL.¹²

Re-evaluation of the historical drilling and mine workings continues to identify numerous opportunities for Ore Reserve growth.

Current operations consist of an underground mine accessed via decline. The upper levels of the mine (above 1,190m below surface) are extracted by longhole open stoping and the lower levels are extracted by sublevel caving. Eloise is an owner-miner operation with a mining contractor used only for underground development. The mine is currently producing ore at a rate of approximately 650,000tpa.

Processing is via conventional crushing, grinding and sulphide flotation with capacity to treat up to 750,000tpa providing immediate albeit limited capacity to process ore from satellite deposits. Metallurgically the Eloise ore is very consistent as the ore mineralogy is almost exclusively chalcopyrite. Processing achieves high copper recoveries (generally 94% - 95%) and produces a clean concentrate. The concentrate has significant by-product credits from gold and silver. The concentrate is currently sold under contract with Trafigura Pte Ltd.

¹¹ See AIC Mines announcement "Increase in Mineral Resources and Ore Reserves at Eloise Copper Mine" as released to ASX on 22 August 2022 and Section 11.12 for full details and JORC (2012) requirements.

¹² As above.

Since AIC Mines took ownership of Eloise on 1 November 2021 through to 20 June 2022 the mine produced 8,266t Cu in concentrate at an AISC of A\$4.33/lb of copper sold after by-product credits¹³.

AIC Mines is targeting FY23 production from Eloise of approximately 12,500t Cu and 6,000oz Au in concentrate at an AISC of approximately A\$4.50/lb Cu and AIC of A\$5.00/lb Cu¹⁴.

AIC Mines also has three exploration projects, two in Western Australia and one in New South Wales. The two West Australian projects, the Marymia exploration project, is strategically located within trucking distance of the Plutonic Gold Mine and the DeGrussa Copper Mine, and the Lamil exploration joint venture located in the Paterson Province immediately west of the Telfer Gold-Copper Mine. The Delamerian Project located in western New South Wales, is prospective for gold, copper and nickel.

4.3 **Directors and Senior Management**

AIC Mines' directors have substantial experience acquiring, building and developing operating mines in Australia and overseas. The following persons are directors of AIC Mines as at the date of this Bidder's Statement:

Josef El-Raghy – Non-Executive Chairperson

Mr El-Raghy has extensive experience in developing and managing gold companies. Most recently, Mr El-Raghy was Chairman of Centamin Plc, a gold mining company listed on the Main Board of the London Stock Exchange and the Toronto Stock Exchange. Mr El-Raghy joined Centamin as Managing Director in August 2002 and oversaw the Group's transition from junior explorer to successful gold miner before ceasing with the Group in June 2020. Mr El-Raghy was formerly a director of both CIBC Wood Gundy and Paterson Ord Minnett and had a ten-year career in stockbroking. In addition to his direct management experience of project development and operation, his time at Centamin has also provided him with deep experience with international capital markets.

Aaron Colleran – Managing Director and Chief Executive Officer

Mr Colleran has extensive experience in public markets mergers and acquisitions and strategic planning. Prior to joining AIC, Mr Colleran was a founding member of the leadership team of Australian gold producer Evolution Mining Limited, having managed its business development and investor relations program from inception through to 2018. He was instrumental in the multiple merger and acquisition transactions that created Evolution Mining, now one of Australia's largest gold mining companies. Mr Colleran was previously a Non-Executive Director of Kidman Resources Limited (from January 2018 to September 2019) and Riversgold Limited (from February 2019 to August 2019).

Brett Montgomery – Non-Executive Director

Mr Montgomery has extensive experience in public company management in both executive and non-executive roles. Mr Montgomery is currently a Non-Executive Director of Tanami Gold NL (since February 2013). He was previously Managing Director of Kalimantan Gold NL and a Director of Bard 1 Life Sciences Ltd (from November 2014 to June 2019), Grants Patch Mining Ltd, EZA Corporation Ltd and Magnum Gas and Power Ltd.

¹³ See AIC Mines announcement "Quarterly Activities Report for the Period Ending 30 June 2022" as released to ASX on 20 July 2022.

¹⁴ See Production and Cost Outlook as provided in AIC Mines announcement "Quarterly Activities Report for the Period Ending 30 June 2022" as released to ASX on 20 July 2022.

Tony Wolfe – Non-Executive Director

Mr Wolfe has experience in asset management having managed event driven and special situations portfolios across the Asia-Pacific region. Mr Wolfe currently holds the position of Portfolio Manager for Brahman Capital Management Pte Ltd focusing on equity driven and special situation investments. Brahman Pure Alpha Pte Ltd, an entity controlled by Brahman Capital Management Pte Ltd is a substantial holder in AIC Mines. Previously, Mr Wolfe was a Portfolio Manager at Brummer & Partners AG, a multi-strategy hedge fund that manages over US\$15.0 billion in assets under management. Mr Wolfe has also held senior portfolio management roles at Pengana Capital and Rubicon Asset Management in Sydney.

Jon Young – Non-Executive Director

Mr Young is Chairman of FMR Investments Pty Ltd, AIC Mines' largest shareholder, and is a Director of Wealth Management at Canaccord Genuity Financial Limited. Mr Young has over 30 years' experience in financial services and has been advising clients with Canaccord Genuity (formerly Patersons) since 2001. Mr Young holds a Bachelor of Commerce Degree from the University of Western Australia and is a member of the Chartered Accountants Australia and New Zealand. Mr Young is also a non-executive director of ASX-listed Greenstone Resources Limited and was previously a non-executive director of ASX-listed Breakaway Resources Limited.

AIC Mines has assembled a highly experienced executive management team to implement the Company's strategy and business plans. Profiles of each member of the Company's executive management team are set out below.

Mr Aaron Colleran, Managing Director and Chief Executive Officer

See Section 4.3.

Mr Sebastian Casey, Executive General Manager People and Safety

Mr Casey has over 15 years' experience in corporate services spanning human resources, safety and environmental, social, and corporate governance. He has over 10 years' experience in base metals mining across both operational and corporate roles. Mr Casey has previously held similar roles with OZ Minerals, Evolution Mining and First Quantum Minerals. Mr Casey holds a Bachelor of Commerce, a Bachelor of Laws and a Graduate Diploma of Legal Practice.

Mr Matthew Fallon, Chief Development Officer

Mr Fallon has over 35 years' experience in mining and exploration holding senior positions with Westgold Resources, Evolution Mining, Goldfields Australia and Barrick Australia undertaking underground manager, project management, geology, mining and technical services roles. Mr Fallon holds Diplomas in Mining, Business and Coaching, Bachelor of Applied Science (Geology) and Masters of Mineral Economics and Mining Engineering. He is a member of the Australian Institute of Geoscientists and holds a Western Australian Underground Supervisor's Certificate of Competency.

Mr Michael Frame, Chief Financial Officer

Mr Frame has over 14 years' experience in commercial and financial functions with gold and copper mining companies. He has gained significant experience from site-based roles in Australia and the Asia Pacific. Most recently he was the Group Finance Manager at Evolution Mining where he oversaw the statutory accounting, management reporting, shared service and group wide payroll functions. Prior to this he was the onsite Commercial Manager for the Mt Carlton Gold Mine located in Queensland. Mr Frame holds a Bachelor of Commerce, a Bachelor of Economics and a Graduate Diploma in Materials Science. He is a member of CPA Australia and a member of the AusIMM.

Mr Michael Taylor, Executive General Manager Exploration

Mr Taylor has over 25 years' experience in base and precious metals exploration and mining. He has a track record of exploration success having played a key role in the discovery of significant zinc-lead and gold deposits in Australia. Mr Taylor has also worked in North America and Asia both in exploration and business development. Most recently he was the Country Manager, Australia, for Teck Resources Ltd. Mr Taylor holds a Master of Business Administration and a Bachelor of Science with Honours. Mr Taylor was a joint recipient of the AMEC Prospector of the Year 2016 Award for the discovery of the Teena Zn-Pb Deposit in Queensland.

4.4 AIC Mines' financial performance

In summary, AIC Mines' financial performance for the six month period ended 30 June 2022 was as follows:

Financial Summary: key data for the six month period ended 30 June 2022	
	A\$ '000s
Revenue from contracts with customers	79,252
Cash flow from operations	26,476
Cash	28,095
Total assets	123,658
Total liabilities	33,491
Net Profit After Tax	21,157
Basic Earnings per share (cents per share)	6.9

Further details are set out in Section 4.5 of this Bidder's Statement.

4.5 Historical Financial Information

The historical financial information in this Section 4.5 has been taken from the audited financial statements of AIC Mines for the year ended 31 December 2021 and the six months ended 30 June 2022. The full consolidated financial statements for these periods, including the notes to those financial statements, can be found in the FY21 and FY22 annual reports (as applicable) that are available at www.aicmines.com.au/investors/company-announcements.

The historical financial information set out in this section is intended to provide an overview of AIC Mines' historical financial performance, position and cash flows, it shows the AIC Mines Group on a standalone basis and, accordingly, does not reflect any impact of the Offer. The historical financial information is not intended to provide the level of detail or understanding which is available from a review of the AIC Mines Group's published financial reports (which include the full financial accounts and the notes to those accounts) which are available on ASX or AIC Mines' website.

Historical consolidated statement of financial position

The historical consolidated statement of financial position of the AIC Mines Group set out below has been derived from AIC Mines' audited consolidated statement of financial position for the year ended 31 December 2021 and the six months ended 30 June 2022. The consolidated statement of financial position for the year ended 31 December 2021 has been restated upon revising the provisional fair values of Eloise (acquired 1 November 2021). The consolidated statement of financial position set out below should be read in conjunction with the accompanying notes to the financial statements in AIC Mines' FY21 and FY22 Annual Report.

\$'000	For the six months ended 30 June 2022	For the year ended 31 December 2021
Current Assets		
Cash and cash equivalents	28,095	29,259
Prepayments	611	280
Trade and other receivables	1,144	1,267
Inventories	5,042	9,351
Financial assets at fair value through profit and loss	16,510	7,024
Total Current Assets	51,402	47,181
Non-Current Assets		
Performance bond	6,799	6,799
Property, plant and equipment	26,141	20,545
Exploration properties	1,653	1,653
Mine properties	36,818	23,404
Deferred Tax Assets	845	-
Total Non-Current Assets	72,256	52,401
Total Assets	123,658	99,582
Current Liabilities		
Trade and other payables	17,447	13,756
Provisions	2,374	3,555
Total Current Liabilities	19,821	17,311
Non-Current Liabilities		
Provisions	13,670	13,765
Total Non-Current Liabilities	13,670	13,765
Total Liabilities	33,491	31,075
Net Assets	90,167	68,507
Equity		
Issued capital	83,704	83,689
Share based payment reserve	1,339	851
Accumulated profit / (losses)	5,124	(16,033)
Total Equity	90,167	68,507

Historical consolidated statement of profit or loss and other comprehensive income

The historical consolidated statement of profit or loss and other comprehensive income of the AIC Mines Group set out below has been derived from AIC Mines' audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 and the six months ended 30 June 2022. The consolidated statement of profit or loss for the year ended 31 December 2021 has been restated upon revising the provisional fair values of Eloise (acquired 1 November 2021). The consolidated statement of profit and loss and other comprehensive income set out below should be read in conjunction with the accompanying notes to the financial statements in AIC Mines' FY21 and FY22 Annual Report.

\$'000	For the six months ended 30 June 2022	For the year ended 31 December 2021
Sales revenue	79,252	24,817
Cost of sales	(45,521)	(10,651)
	33,731	14,166
Directors, employee and consultant benefits expense	(1,955)	(1,635)
Corporate and administration costs	(1,616)	(1,241)
Exploration and evaluation costs	(1,328)	(5,342)
Transaction and integration costs	(699)	(2,636)
Depreciation and amortisation expense	(7,995)	(3,095)
Gain on sale of financial assets	320	1,380
Other income / (expenses)	(155)	211
Profit on sale of plant & equipment	8	4
Profit before income tax expense	20,311	1,811
Income tax benefit	845	-
Net profit for the period after tax	21,157	1,811
Other comprehensive income	-	-
Total comprehensive income for the period attributable to owners of AIC Mines Limited	21,157	1,811

Historical consolidated statement of cash flows

The historical consolidated statement of cash flows of the AIC Mines Group set out below has been derived from AIC Mines' audited consolidated statement of cash flows the year ended 31 December 2021 and the six months ended 30 June 2022. The consolidated statement of cash flows set out below should be read in conjunction with the accompanying notes to the financial statements in AIC Mines' FY21 and FY22 Annual Reports.

\$'000	For the six months ended 30 June 2022	For the year ended 31 December 2021
Cash flows from operating activities		
Receipts from customers	68,920	18,850
Payments to suppliers, employees and contractors	(41,668)	(10,336)
Payments for transaction and integration costs	(699)	(2,636)
Interest received	(77)	16
Net cash inflow from operating activities	26,476	5,894
Cash flows from investing activities		
Payments for property, plant and equipment	(8,955)	(1,374)
Payments for mine property	(17,940)	(4,849)
Proceeds from sale of property, plant and equipment	8	3
Proceeds from disposal of listed investments	1,247	3,020
Payments for acquisition of Eloise Copper Mine	(2,000)	(9,523)
Payment to establish performance bond	-	(6,799)
Net cash outflow from investing activities	(27,640)	(19,522)
Cash flows from financing activities		
Proceeds from issue of shares	-	40,000
Payment of share issue costs	-	(2,179)
Net cash inflow from financing activities	-	37,821
Net decrease / increase in cash and cash equivalents	(1,163)	24,193
Cash and cash equivalents at beginning of the period	29,259	5,066
Cash and cash equivalents at end of the period	28,095	29,259

Subsequent material changes to historical financial information

There are no subsequent material changes to the historical financial information presented.

4.6 AIC Mines ASX Announcements

A list of announcements made between 30 June 2022 and the date of this Bidder's Statement is set out in Schedule 2. This information may be relevant to your assessment of the Offer. Copies of the announcements are also available from ASX www.asx.com.au.

4.7 AIC Mines securities on issue

Class of Security	Number on issue
Ordinary	312,284,591
Options	-
Performance Rights	17,383,085

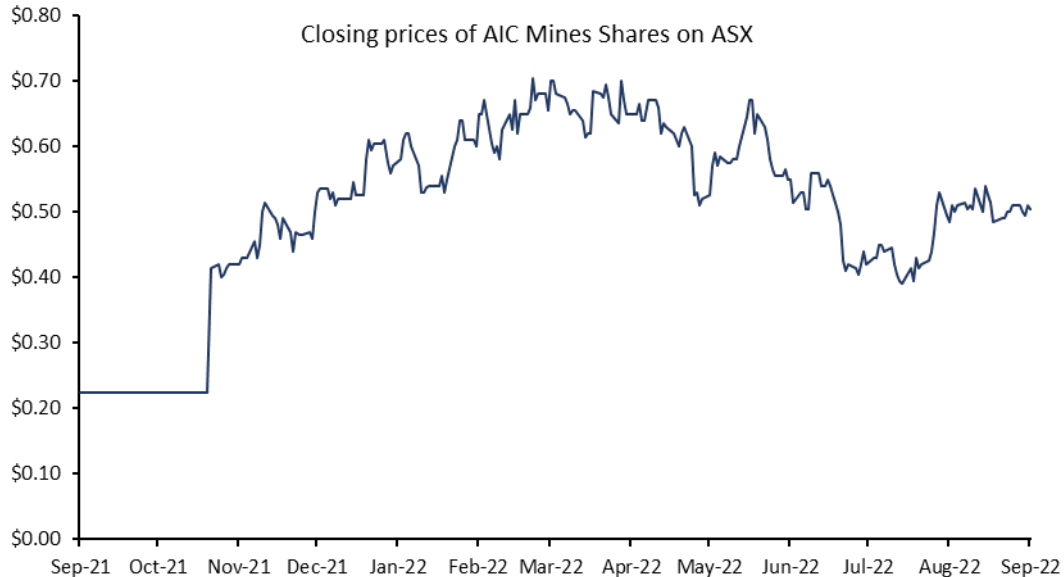
4.8 Recent share price performance of AIC Mines

The last recorded sale price of AIC Mines Shares on ASX on 16 September 2022, being the trading day prior to the date of this Bidder's Statement and the trading day before the Announcement Date, was \$0.505.

During the 3 months ended 16 September 2022, being the trading day prior to the date of this Bidder's Statement:

- (a) the highest recorded sale price for AIC Mines Shares on ASX was \$0.56 on both 24 and 27 June 2022; and
- (b) the lowest recorded sale price for AIC Mines Shares on ASX was \$0.39 on 29 July 2022.

The closing prices of AIC Mines Shares on ASX over the 12 months prior to the date of this Bidder's Statement are shown in the chart below:



None of the above share prices should be taken as a forecast that AIC Mines Shares will trade at any particular price.

4.9 AIC Mines incentive plan

As at the date of this Bidder's Statement, AIC Mines has an Equity Participation Plan ("EPP") in place. The EPP was approved by AIC Mines shareholders at a general meeting held on 27 May 2022, the terms and conditions of which are summarised in AIC Mines' notice of general meeting released to the ASX on 27 April 2022.

4.10 Substantial shareholders

The name of the substantial shareholders in AIC Mines and the number of equity securities to which the substantial holder and the substantial holder's associates have a relevant interest, as disclosed in the substantial holding notices given to the Company as at the date of this document are shown in the table below.

Substantial shareholders	Fully Paid Ordinary Shares	
	Shares	Percentage
Name		
FMR Investments Pty Limited, Peter Mervyn Bartlett and Ronald George Sayers and their associates (FMR Group)	80,250,000	25.7%
Nordana Pty Ltd; El-Raghy Kriewaldt Pty Ltd; El-Raghy Pty Ltd and Mr Josef El-Raghy	33,174,710	10.6%
Brahman Pure Alpha Pte Ltd and Brahman Capital Management Pte Ltd	17,847,615	5.7%
Total	131,272,325	42.0%

4.11 Dividend history

AIC Mines has not paid any dividends on AIC Mines Shares in the last 5 years.

4.12 Rights of AIC Mines Shares

The rights attaching to AIC Mines shares are governed by the Constitution of AIC Mines, a copy of which may be inspected at AIC Mines' registered office (details of which are set out in the Corporate Directory).

Set out in Section 11.1 of this document is a summary of the principal rights attaching to the AIC Mines Shares offered as consideration.

4.13 Further information on AIC Mines

Further information about AIC Mines can be found on the ASX website (www.asx.com.au, ASX:A1M), or alternatively the AIC Mines website www.aicmines.com.au.

5. Information on Demetallica

5.1 Disclaimer

The following information in this document about Demetallica has been prepared based on publicly available information. Accordingly, AIC Mines does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on Demetallica in this Bidder's Statement should not be considered comprehensive. Certain information and risks in relation to Demetallica may exist in relation to which AIC Mines is unaware.

5.2 Overview of Demetallica

Demetallica Limited is an ASX-listed public company incorporated in 1993 as Amalg Resources NL, subsequently renamed Breakaway Resources Limited in 2003 and has, since 2013, been a wholly owned subsidiary of Minotaur Exploration Limited.

On 20 January 2022, shareholders of Minotaur Exploration Limited approved the transfer of certain assets to Demetallica and its demerger from Minotaur Exploration Limited, effective on 21 January 2022.

Demetallica Shares commenced trading on the ASX on 26 May 2022 after completing an initial public offering of 60 million shares at an issue price of \$0.25 per share to raise \$15 million.

5.3 Projects Overview

Demetallica holds 100% interests in the following exploration projects:

- the Chimera Project;
- the Cannington Project;
- the Pyramid Gold Project;
- the Windsor VMS Project;
- the Peake and Denison Project; and
- the Lake Purdilla Gypsum Project.

All of the projects are located in Australia (see Figure 1).

The Peake and Denison Project is subject to a farm-in and joint venture agreement with OZ Exploration Pty Ltd, a subsidiary of OZ Minerals Ltd.

A 10% free-carried interest is also held in 4 tenements in South Australia and a 1.5% NSR is held over 6 tenements in Western Australia.

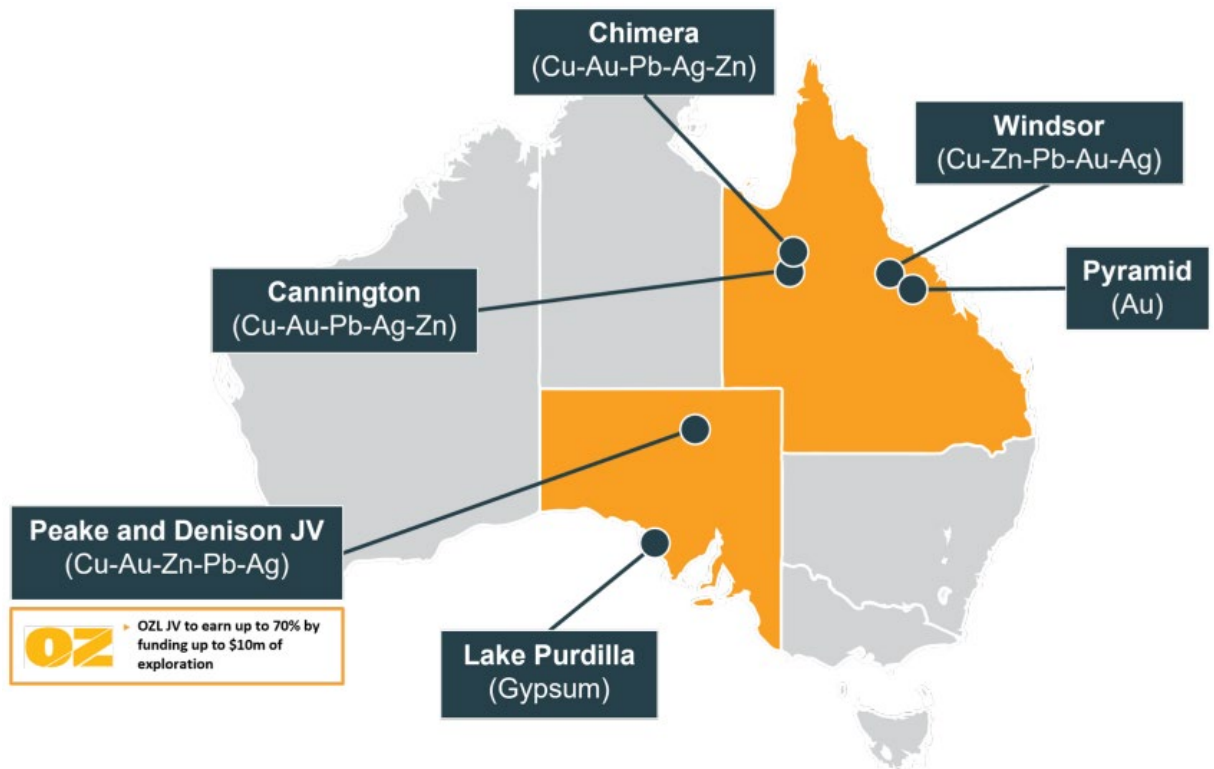


Figure 1. Demetallica project locations.

The Chimera Project, where Demetallica is working toward assessing the potential for a base metal development hub, is Demetallica’s ‘flagship’ project. The Chimera Project hosts 3 deposits with published JORC 2012 compliant resources – Jericho, Sandy Creek and Altia and one advanced prospect called Artemis. Other existing targets that are only lightly explored (drilled) include Iris, Electra, Big Foot and Defiance (Figure 2).

Jericho deposit

Within the Chimera Project, the Jericho copper-gold deposit remains open along strike and down-plunge. Recent work by Demetallica has been aimed at expanding the size of the deposit in conjunction with upgrading the confidence in the current resource model by seeking to convert part of it from Inferred category to Indicated category under JORC Code guidelines.

Jericho was discovered in 2017 by Minotaur Exploration Limited in partnership with OZ Minerals.

Mineralisation is mostly constrained to two discrete steep west-dipping lodes, J1 and J2, interpreted as shear zones. The lodes are approximately 120 meters apart and up to 3.7km in strike length (open along strike and at depth). The true thicknesses of individual mineralised lenses vary by up to approximately 10m.

The Jericho deposit lies under 30-80m of sedimentary cover. Mineralisation is hosted in strongly foliated psammite and psammopelite and is typified by massive to semimassive pyrrhotite-chalcopryrite sulphide veins and breccia zones overprinting earlier quartz-biotite-k-feldspar alteration/veining. The high-grade sulphide zones are bound by lower-grade chalcopryrite and pyrrhotite mineralisation including crackle breccias, stringers and disseminations.

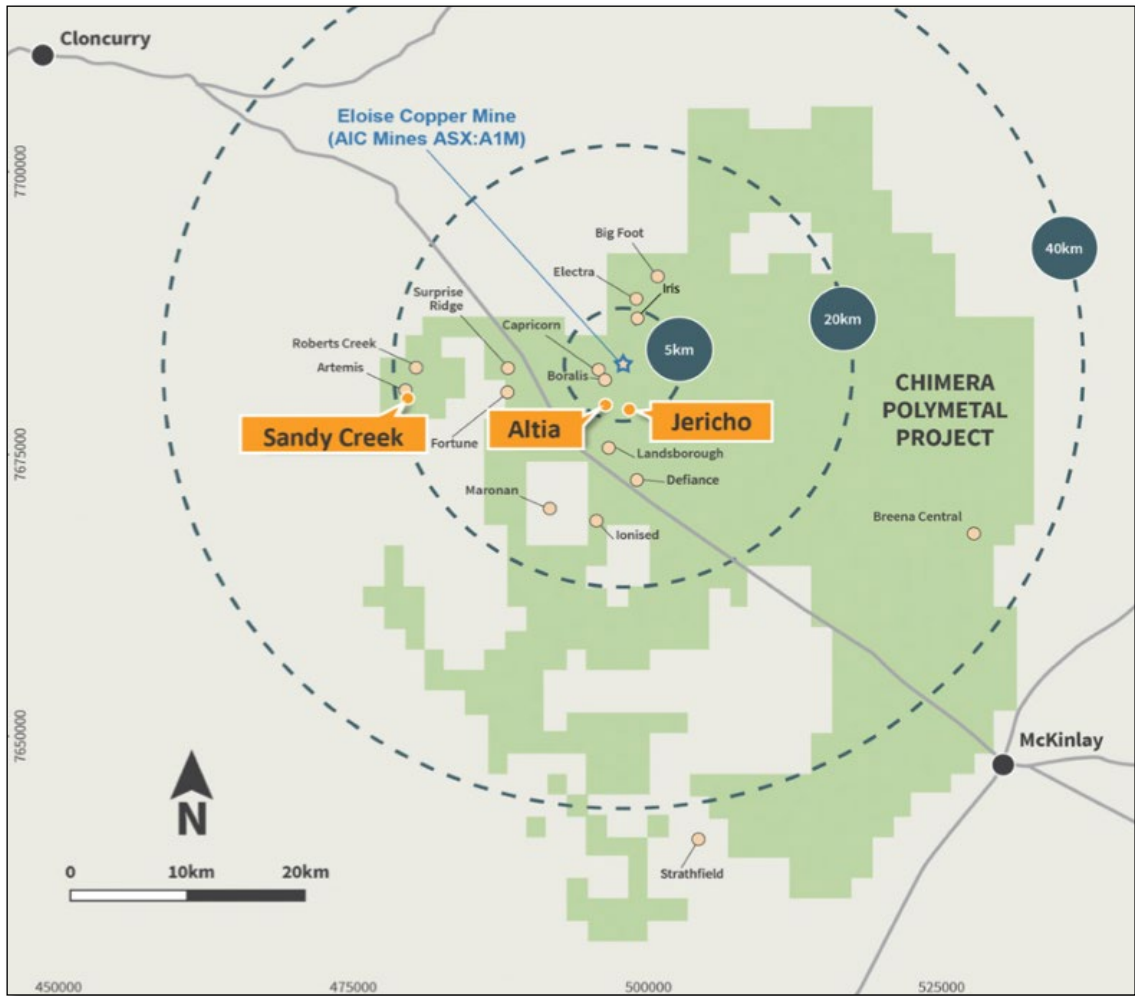


Figure 2. Map showing location of priority targets and other prospects of interest within the Chimera Polymetal Project (green shading).

In the period October 2017 to July 2019 a total of 96 drill holes were completed across the Jericho system for a combined 29,740 meters of drilling. A maiden JORC 2012 Resource was estimated on 16 July 2020. The estimated Mineral Resource for the Jericho copper-gold system is shown in Table 1. The Mineral Resource has been reported within a 0.8% Cu constraining shell. Full details of the resource estimation process were reported by Minotaur Exploration Limited to ASX on 16 July 2020 (see Minotaur Exploration Limited announcement “Maiden Jericho Resource and Cloncurry exploration update” released to ASX on 16 July 2020).

Jericho	Category	Tonnes	Cu	Au	Ag	Cu metal	Au metal
		(Mt)	(%)	g/t	g/t	(kt)	(koz)
	Inferred	9.1	1.4	0.30	1.6	130	88

Table 1: Jericho Mineral Resource Estimate¹⁵.

¹⁵ Taken directly from the Demetallica Prospectus. For full JORC (2012) disclosure see Demetallica Prospectus.

Demetallica has estimated an Exploration Target for Jericho, lodes J1 and J2, at 13Mt – 15Mt at between 1.3% - 1.5% Cu and 0.29g/t Au – 0.32g/t Au.

Demetallica has stated that it plans to release an updated resource estimate for Jericho in late October 2022 incorporating 56 new drillholes (see Demetallica announcement “Initial Jericho Drill Campaign Completed” as released to ASX on 23 August 2022).

Further technical details on Jericho, the historic Mineral Resource and the more recent Exploration Target are set out in the Independent Technical Assessment report which appears as Annexure A to the Demetallica Prospectus.

Jericho contingent payments of up to A\$15.3 million remain outstanding.

Demetallica, its wholly owned subsidiary Levuka and OZ Exploration Pty Ltd ACN 137 626 914 (**OZ**) have entered into a JV Interest sale agreement (**JV Interest Sale Agreement**). Under the JV Interest Sale Agreement, OZ agreed to sell its legal and beneficial interest in the following assets to Demetallica:

- (1) the Jericho JV interest – OZ's 80% right, title and interest in the Jericho JV Area and the Jericho Mining Information; and
 - (2) the Eloise JV interest – OZ's 70% right, title and interest in the Eloise JV Area and the Eloise Mining Information,
- (together the **Sale Assets**).

Under the JV Interest Sale Agreement, Demetallica will:

- (3) pay OZ up to US\$8,818,492 in aggregate calculated at the rate of US\$0.04 per pound (lb) of payable copper payable when:
 - (A) A Demetallica JORC Statement is first announced on the ASX or a competent person first declares a measured & indicated resource which included a quantity payable copper;
 - (B) payable copper is first mined;
 - (C) any subsequent Demetallica JORC Statement (if any) is announced on the ASX or a competent person declares a subsequent measured & indicated resource (if any) which includes a quantity of payable copper; and
 - (D) Any subsequent payable copper (if any) is mined.
- (4) pay OZ \$2.75 million upon a positive pre-feasibility study in respect of the Jericho JV Area and/or the Eloise JV Area being published by Demetallica.

As far as AIC Mines is aware, these payments to OZ of US\$8,818,492 and A\$2.75 million remain outstanding. At an A\$:US\$ exchange rate of 0.7 these payments total A\$15.3 million.

Sandy Creek deposit

The Sandy Creek copper-gold deposit was discovered in 1988 and is located 37km by road from Jericho. Copper-gold mineralisation occurs within two main narrow, north-south parallel zones, 100 metres apart, termed the Main and West Zones, and three smaller structures termed the Hanging Wall North, Hanging Wall South and Footwall Zones.

A JORC Mineral Resource was estimated for Sandy Creek, the most recent version published in Breakaway Resources' March 2013 Quarterly report. The Mineral Resource is shown in Table 2 below, reported at 0.3% Cu cut-off.

Sandy Creek	Category	Tonnes	Cu	Au	Cu metal	Au metal
		(Mt)	(%)	g/t	(kt)	(koz)
	Inferred	2	1.32	0.30	26.4	21.4

Table 2: Sandy Creek Mineral Resource Estimate¹⁶.

The reported resource comprises the five mineralised zones, including Main and West Zones, and three smaller lodes termed the Hanging Wall North, Hanging Wall South and Footwall Zones. Demetallica reports that mineralisation remains open down plunge to the south on the Main Zone.

Further technical details on Sandy Creek and the historic Mineral Resource are set out in the Independent Technical Assessment report which appears as Annexure A to the Demetallica Prospectus.

5.4 Demetallica Directors

The Board of Demetallica consists of:

- Dr Roger Higgins – Non-Executive Chair
- Andrew Woskett – Managing Director
- George McKenzie – Non-Executive Director
- Dr Antonio (Tony) Belperio – Non-Executive Director

5.5 Demetallica financial information

Basis of preparation

The historical financial information in this section has been taken from the audited financial statements of Demetallica for the financial years ended 30 June 2020 and 30 June 2021 and the reviewed financial statements for the half year ended 31 December 2021 as reported in the Demetallica Prospectus.

The historical financial information set out in this section is intended to provide an overview of Demetallica's historical statement of financial position and performance, it shows Demetallica on a standalone basis and, accordingly, does not reflect any impact of the Offer. The historical financial information is not an indication of future performance and does not reflect any adjustments for matters occurring after 31 December 2021 (other than pro-forma adjustments for the Demetallica initial public offering). The historical financial information is not intended to provide the level of detail or understanding which is available from a review of Demetallica's published financial reports (which include the full financial accounts and the notes to those accounts) released to the ASX on 24 May 2022 and available on the ASX website.

Historical financial information

The below historical statement of profit or loss and other comprehensive income and the historical statement (pro-forma for initial public offering) of financial position was extracted from the Demetallica Prospectus (and accompanying notes can be viewed in that report).

¹⁶ Taken directly from the Demetallica Prospectus. For full JORC (2012) disclosure see Demetallica Prospectus.

Historical Statement of Financial Position (including pro-forma adjustments for the Demetallica initial public offering)

\$'000	Reviewed 31 December 2021	Post IPO pro-forma Unaudited 31 December 2021
Current Assets		
Cash and cash equivalents	7	16,389
Trade and other receivables	-	930
Other current assets	44	51
Total Current Assets	51	17,370
Non-Current Assets		
Plant and equipment	-	516
Right of use asset	-	539
Available for sale investments	-	317
Exploration and evaluation assets	8,131	12,293
Total Non-Current Assets	8,131	13,665
Total Assets	8,182	31,035
Current Liabilities		
Trade and other payables	1	1,046
Provisions	-	332
Financial Liability	1,665	-
Total Current Liabilities	1,666	1,378
Non-Current Liabilities		
Lease liabilities	-	586
Borrowings	-	955
Total Non-Current Liabilities	-	1,541
Total Liabilities	1,666	2,919
Net Assets	6,516	28,116
Equity		
Issued capital	97,363	28,502
Other contributed equity	3,722	3,722
Reserves	-	4,739
Accumulated losses	(94,569)	(8,848)
Total Equity	6,516	28,116

Historical statement of profit or loss and other comprehensive income

\$'000	FY20 Audited 12 months	FY21 Audited 12 months	H1 FY22 Reviewed 6 months	HY Comparative H1 FY21 Reviewed 6 months
Other income	127	-	-	-
Intercompany loans forgiven – Minotaur Exploration Limited	-	-	8,557	-
Impairment of exploration and evaluation assets	(2,092)	(1)	-	(1)
Loan receivable forgiveness expense	(846)	-	-	-
Insurance costs	(5)	(5)	-	(2)
Professional and consultancy costs	(1)	-	(1)	-
Other expenses	(0)	(1)	(0)	(1)
Profit / (loss) before income tax expenses	(2,816)	(6)	8,556	(4)
Income tax expense	-	-	-	-
Profit / (loss) for the year	(2,816)	(6)	8,556	(4)

5.6 Demetallica securities on issue

Based on documents lodged by Demetallica with ASIC and ASX, the total number of securities in each class in Demetallica is as follows:

Class of Security	Number on issue
Ordinary	101,985,664
JLM Options ¹	2,700,000
Zero Exercise Price Options ² expiring on 12 August 2027	3,850,000
Demetallica Performance Rights ³	2,000,000

Notes:

1. Issued to joint lead managers on completion of the Demetallica ASX listing exercisable at 37.5 cents and expiring on 26 May 2026.
2. Issued to employees of Demetallica under employee short term and long term incentive scheme and vesting on achievement of individual KPIs within the period to 30 June 2023 (short term) and 30 June 2025 (long term).
3. Issued to Andrew Woskett, Managing Director of Demetallica, under the Performance Rights and Option Plan adopted by Demetallica on 8 April 2022. The Demetallica Performance Rights shall convert to Shares upon Demetallica achieving certain milestones.

The Offer relates to all Demetallica Shares that exist at the Register Date and to all Demetallica Shares issued before the end of the Offer Period as a result of the exercise or conversion of any Demetallica Options or Demetallica Performance Rights that are on issue at the Register Date.

Based on publicly available information, AIC Mines has determined that the Demetallica Performance Rights are subject to automatic vesting on a change of control event and that the JLM Options are exercisable at any time.

AIC Mines has not determined whether the Zero Exercise Price Options are subject to automatic vesting (whether in whole or in part) on a change of control event or whether such determination would be subject to a discretion being exercised by the Demetallica board, if permitted.

5.7 Substantial shareholders of Demetallica

At the date of this Bidder's Statement, based on publicly available information, the substantial shareholders in Demetallica are as follows:

Substantial shareholders	Fully Paid Ordinary Shares	
	Shares	%
Yarraandoo Pty Ltd	10,000,000	9.81%
Sandfire Resources ¹	8,914,631	8.74%
OZ Minerals ¹	6,637,549	6.51%
Total	25,552,180	25.06%

Notes:

1. All shares held by Sandfire Resources and 6,222,414 shares held by OZ Minerals are escrowed to 20 May 2023, however they can accept the Offer if at least 50% of the holders that are not restricted have accepted.

5.8 Relevant interests of AIC Mines in Demetallica Shares

As at the date of this Bidder's Statement and the date immediately before the first Offer was sent, AIC Mines holds a nil relevant interest.

As at the date of this Bidder's Statement and the date immediately before the first Offer was sent, Jon Young, a non-executive director of AIC Mines has a relevant interest in 15,486 Demetallica Shares (a 0.02% relevant interest).

5.9 Voting power in Demetallica

As at the date of this Bidder's Statement and as at the date immediately before the first Offer was sent, AIC Mines holds nil voting power in Demetallica.

5.10 Acquisitions in Demetallica Shares by AIC Mines

During the period commencing four months before the date on which this Bidder's Statement is lodged with ASIC and ending the day before the date of the Offer, neither AIC Mines or any of Associate of AIC Mines has provided or agreed to provide consideration for Demetallica Shares under any purchase or agreement.

5.11 Important note on sources of information

AIC Mines has relied on the information in the Demetallica Prospectus to prepare the financial information for Demetallica contained in this Bidder's Statement. AIC Mines has also relied on information on Demetallica's web-site (www.demetallica.com.au) and in other public documents lodged with ASIC. Refer also to Section 5.1 above.

AIC Mines does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

5.12 No escalation agreements

Neither AIC Mines, nor any associate of AIC Mines, has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

5.13 Further information on Demetallica

Further information about Demetallica can be found on Demetallica's website at www.demetallica.com.au.

6. Information on the Combined Group

6.1 Introduction

The profile of the Combined Group will vary depending on the outcome of the Offer. Unless otherwise indicated, the description of the Combined Group in this Section 6 assumes that Demetallica is a wholly-owned subsidiary of AIC Mines. If AIC Mines is not entitled to compulsorily acquire Demetallica Shares during the Offer Period, some of the benefits that would otherwise accrue to AIC Mines if Demetallica were to become a wholly owned subsidiary of AIC Mines may not be fully realised.

6.2 Combined Group

Following successful completion of the Offer, Demetallica shareholders will become shareholders in a company with enhanced scale, market relevance and trading liquidity. The Combined Group is expected to have a market capitalisation of \$194 million and available cash of over \$20 million.

All assets of the Combined Group are located in Australia with the cornerstone asset, the Eloise mine, located in the Mt Isa – Cloncurry region, one of the most significant copper producing regions in the world (see Figure 3).



Figure 3. Map showing the location of assets of the Combined Group.

Importantly the Combined Group will consolidate a 100% interest in the Eloise mining and processing infrastructure and the copper resources at the Chimera project. Combining these assets will provide the quickest and most efficient means of developing and mining the Jericho copper deposit and potentially other deposits within the Chimera project, subject to permitting.

The combination of the Eloise mine and the Jericho project:

- Has combined resources of 245,000t Cu and 188,100oz Au.
- Increases mine life to +10 years.
- Provides potential to increase annual production to over 20,000t copper and 10,000oz gold in concentrate, based on a staged expansion of the Eloise processing facility to 1.4Mtpa – a 60% increase on the current production rate.
- Potential economies of scale to reduce AISC.
- Contiguous 2,072km² tenement holding increases exploration prospectivity and secures full ownership of Eloise Deeps extensions.

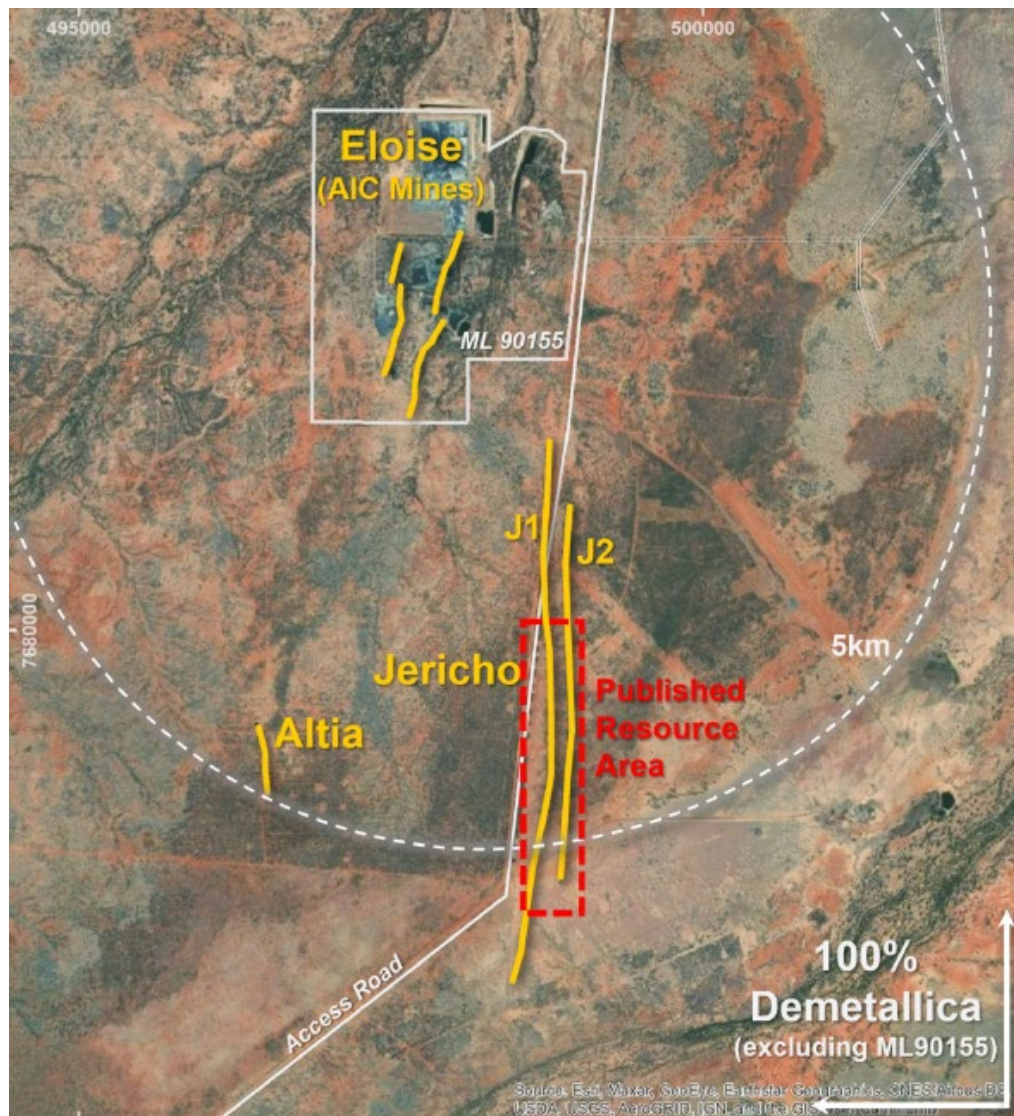


Figure 4. Aerial photo showing location of the Eloise mine and the Jericho project.

Consolidating the ownership of AIC Mines' Eloise mining and processing infrastructure and Demetallica's Chimera project will eliminate wasteful duplication of infrastructure and allow for a smaller development footprint with reduced environmental impact.

Consolidating the ownership of AIC Mines' Eloise mining and processing infrastructure and Demetallica's Chimera project provides the quickest path to production for the Jericho copper deposit so that benefits of employment, commercial opportunities and royalties will flow to local communities more quickly and with greater certainty.

The strategic benefits outlined above assume AIC Mines achieves 100% ownership in Demetallica. These strategic benefits may not be achievable at lower levels of AIC Mines ownership in Demetallica.

6.3 Pro-forma historical financial information for the Combined Group

Set out below are the historical statements of financial position of AIC Mines and Demetallica as of 30 June 2022 and 31 December 2021 respectively (together, historical financial information) and the pro-forma historical statement of financial position in relation to the Combined Group as of 30 June 2022 (pro-forma historical financial information). The Historical Financial Information contained in this section has been extracted from AIC Mines' FY22 Annual Report, lodged with the ASX on 26 August 2022, and the Demetallica Prospectus. Copies of the audited and reviewed financial reports can be found on their respective websites, being www.aicmines.com.au and www.demetallica.com.au. As at the announcement date the unaudited pro-forma post IPO statement of financial position of Demetallica as at 31 December 2021, as included in the Demetallica Prospectus, was the most recent and relevant statement of financial position published by Demetallica.

The pro-forma historical financial information has been prepared to reflect the acquisition of Demetallica by AIC Mines pursuant to the Offer, assuming that the Offer becomes unconditional and the level of acceptances result in AIC Mines acquiring 100% of Demetallica.

The pro-forma historical financial information is provided for illustrative purposes only and is prepared on the assumption that Demetallica became a wholly-owned subsidiary of AIC Mines on 30 June 2022. It does not illustrate the financial position that may be contained in future financial statements of AIC Mines and does not contain all disclosures required for a financial report under the Corporations Act. The pro-forma historical financial information should be read in conjunction with the risk factors in Section 7, other information contained in the Bidder's Statement, the accounting policies of AIC Mines and Demetallica as disclosed in their most recent annual report and prospectus, respectively, and information disclosed by the companies on the ASX.

Set out below is the pro-forma statement of financial position as at 30 June 2022:

\$'000	Notes	AIC Mines Audited 30 June 2022	Demetallica Pro- Forma Post IPO Unaudited 31 December 2022	Combination Adjustments Unaudited	Combined Group Pro- Forma Unaudited 30 June 2022
Current Assets					
Cash and cash equivalents	a, b	28,095	16,389	(7,562)	36,922
Prepayments		611	-	-	611
Trade and other receivables		1,144	930	-	2,074
Inventories		5,042	-	-	5,042
Financial assets at fair value		16,510	-	-	16,510

\$'000	Notes	AIC Mines Audited 30 June 2022	Demetallica Pro- Forma Post IPO Unaudited 31 December 2022	Combination Adjustments Unaudited	Combined Group Pro- Forma Unaudited 30 June 2022
through profit and loss					
Other current assets		-	51	-	51
Total Current Assets		51,402	17,370	(7,562)	61,210
Non-Current Assets					
Performance bond		6,799	-	-	6,799
Property, plant and equipment		26,141	516	-	26,657
Right of use asset		-	539	-	539
Available for sale investments		-	317	-	317
Exploration properties	c	1,653	12,293	55,021	68,967
Mine properties		36,818	-	-	36,818
Deferred Tax Assets		845	-	-	845
Total Non-Current Assets		72,256	13,665	55,021	140,942
Total Assets		123,658	31,035	47,459	202,152
Current Liabilities					
Trade and other payables		17,447	1,046	-	18,493
Provisions		2,374	332	-	2,706
Total Current Liabilities		19,821	1,378	-	21,199
Non-Current Liabilities					
Lease liability		-	586	-	586
Borrowings	a	-	955	(955)	0
Contingent Payment	d	-	-	15,348	15,348
Provisions		13,670	-	-	13,670
Total Non-Current Liabilities		13,670	1,541	14,393	29,604
Total Liabilities		33,491	2,919	14,393	50,803
Net Assets		90,167	28,166	33,066	151,349
Equity					
Issued capital	e	83,704	28,502	35,715	146,371
Other contributed equity		-	3,722	-	3,722
Share based payment reserve		1,339	4,739	-	6,078
Accumulated profit / (losses)	a, b	5,124	(8,848)	(2,649)	(4,823)
Total Equity		90,167	28,116	33,066	151,348

General

The above pro-forma financial information has been prepared using AIFRS and reflects the accounting policies of AIC Mines. It has not been audited. Amounts presented are in Australian dollars and have been rounded to the nearest thousand.

Offer

The pro-forma statement of financial position of the Combined Group as at 30 June 2022 assumes the acquisition of Demetallica by AIC Mines had been completed at that date. The actual date of completion of the Offer will be at a later date. AASB 3 'Business Combinations' states that the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values as at that date. Accordingly, AIC Mines will assess the fair value of identifiable net assets of Demetallica on completion of the Offer.

The pro-forma statement of financial position of the Combined Group is based on the assumption that the fair value of assets and liabilities of Demetallica are equal to their book value with some adjustments. The difference between the book value of these assets and liabilities and the purchase consideration at the acquisition date has been assumed to relate to exploration properties reflective of the in-situ metal value from the Demetallica previously reported mineral resource. A full purchase price allocation will be undertaken post acquisition and the fair value of the assets and liabilities will be more accurately assessed at that time.

Pro-forma adjustments

For the purposes of the pro-forma statement of financial position above, the following adjustments have been made as referenced in the notes column:

- (a) Demetallica reported a cash position of \$10,607,000 following transaction costs related to its initial public offering (IPO) of \$1,099,000 and investing activities of \$6,880,000 as at 30 June 2022 in its Appendix 5B Cash Flow Report released to the ASX on 22 July 2022. It also reported \$nil borrowings in the Appendix 5B Cash Flow Report and AIC Mines has assumed that non-current borrowings were therefore repaid from available cash. The transaction costs relating to the Demetallica IPO have been assumed to be paid out in cash and expensed to the statement of profit and loss and other comprehensive income, between the IPO date and the release of the Appendix 5B Cash Flow Report released to the ASX on 22 July 2022.
- (b) Both AIC Mines and Demetallica will incur transaction costs as a result of the Offer. The share issue costs and transaction costs have been estimated at a combined \$1,780,000 pre-tax. \$1,550,000 that relates to transaction costs is expected to be expensed immediately while \$230,000 that relates to share issue costs will be taken to be equity.
- (c) The pro-forma statement of financial position of the Combined Group assumes that the fair value of assets and liabilities of Demetallica are equal to their book value with some adjustments. The difference between the book value of these assets and liabilities and the purchase consideration at the acquisition date has been assumed to relate to exploration properties reflective of the in-situ metal value from the Demetallica previously reported mineral resource. A full purchase price allocation will be undertaken post acquisition and the fair value of the assets and liabilities will be more accurately assessed at that time.
- (d) Demetallica has agreed to make milestone payments pursuant to the JV Interest Sale Agreement. These payments are set out in Section 5.3. AIC Mines has assumed that these payments will need to be paid in the future and has included them as contingent payments on the Combined Group's balance sheet.
- (e) For fair value accounting purposes, each AIC Mines Share issued under the Offer is assumed to have an issue price of \$0.50 per share. The actual fair value of AIC Mines' Shares to be issued under the Offer will be determined by the market price of AIC Mines at the actual date of acquisition of Demetallica by AIC Mines. For the purpose of the pro-forma statement of financial position it is assumed that the Zero Exercise Price Options and the Demetallica Performance Rights convert to Demetallica Shares as a

result of the Offer and participate in the Offer and the JLM Options are not exercised and therefore do not participate in the Offer.

6.4 **Prospective Financial Information of the Combined Group**

AIC Mines has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information in relation to the Combined Group. The AIC Mines Board has concluded that forecast financial information would be misleading to provide, as a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable. This is mainly due to Demetallica's assets being at exploration stage. Accordingly the capital and operating costs and development timeline of Demetallica's Jericho copper deposit are not yet known.

Production and Cost Outlook

AIC Mines is targeting FY23 production from Eloise of approximately 12,500t Cu and 6,000oz Au in concentrate at an AISC of approximately A\$4.50/lb Cu and AIC of A\$5.00/lb Cu. This target will not be impacted by the outcome of the Offer.

Significant capital will be invested at Eloise in FY23 to underpin the next five years of production:

Sustaining Capital

- \$25.0 million for mine development
- \$4.1 - \$5.0 million for 17.5 – 25 kilometres of resource definition drilling to upgrade Inferred Resources and Mineral Inventory to Indicated Resource category

Growth Capital

- \$5.0 million for long-term mine development in the Eloise Deeps extensions
- \$11.0 million to complete the new tailings storage facility (TD5) to provide 5 years of storage capacity

This capital expenditure forecast will not be impacted by the outcome of the Offer.

On successful completion of the Offer, AIC Mines intends to appoint a Development Manager to lead the necessary technical studies required to progress Demetallica's Jericho project towards development, including resource estimates, mine design, geotechnical, underground ventilation and power studies, capital estimates and metallurgical testwork. AIC Mines believes that subject to the successful outcome of these studies, development of the Jericho deposit and staged expansion of the Eloise processing facility to 1.4Mtpa has the potential to increase mine life at Eloise to over 10 years and production to over 20,000tpa copper and 10,000ozpa gold in concentrate – a 60% increase on the current production rate at Eloise.

6.5 **Combined Group Capital Structure**

Assuming that AIC Mines acquires 100% of the Demetallica Shares, the following table shows the issued and fully paid share capital of AIC Mines as at the date of this Bidder's Statement and as it will be immediately following completion of the Offer.

Class of Security	Prior to Offer	Completion of Offer*
Ordinary	312,284,591	384,175,033
Options	0	0
Performance Rights	17,383,085	17,383,085

* Assumes all Demetallica Performance Rights and Zero Exercise Price Options are exercised or are otherwise acquired under the Offer.

6.6 Major shareholders of Combined Group

Assuming that AIC Mines acquires 100% of the Demetallica Shares, the substantial holders of AIC Mines Shares will be as follows, based on the substantial holders of AIC Mines Shares and Demetallica Shares, based on the most recent substantial shareholders' notices:

Substantial shareholders of Combined Group		
Name	Shares	Percentage*
FMR Investments Pty Limited, Peter Mervyn Bartlett and Ronald George Sayers and their associates (FMR Group)	80,250,000	20.9%
Nordana Pty Ltd; El-Raghy Kriewaldt Pty Ltd; El-Raghy Pty Ltd and Mr Josef El-Raghy	33,174,710	8.6%
Brahman Pure Alpha Pte Ltd and Brahman Capital Management Pte Ltd	17,847,615	4.6%
Yarraandoo Pty Ltd	6,666,666	1.7%
Total	137,938,991	35.9%

* Assumes all Demetallica Performance Rights and Zero Exercise Price Options are exercised or are otherwise acquired under the Offer.

6.7 Risks associated with the Combined Group

There are a number of risks associated with the Combined Group. These are summarised in Section 7.

6.8 Combined Group's register of securityholders

In accordance with Australian law, AIC Mines' register of shareholders will be maintained in Australia by its Australian registry, being:

Computershare Investor Services Pty Limited
452 Johnston St,
Yarra Falls,
Abbotsford VIC 3067

Tel: 1300 850 505 (within Australia) or + 61 3 9415 4000 (outside Australia)

Website: www.computershare.com/au

7. Risk factors

7.1 Introduction

In deciding whether or not to accept the Offer, you should read this entire Bidder's Statement carefully. You should also carefully consider the risk factors outlined in this Section 7. The future performance of AIC Mines and the future investment performance of its securities may be influenced by a wide range of factors, many of which are outside the control of AIC Mines. The future value of AIC Mines and the prices at which its securities trade on the ASX may be influenced by some or all of these factors.

The activities of AIC Mines, as in any business, are subject to risks which may impact on its future performance. AIC Mines has actions, systems and safeguards for known risks; however, some are outside its control.

There are a number of risks, both specific to AIC Mines and of a general nature, which may, either individually or in combination, affect the future operational and financial performance of AIC Mines and the value of its shares. Some of the risks may be mitigated by AIC Mines using safeguards and appropriate systems and taking certain actions. However some of the risks are outside the control of AIC Mines and are not capable of mitigation. There are also general risks associated with any investment in shares.

The risks listed below (and previously disclosed by AIC Mines) should not be taken as exhaustive of the risks faced by AIC Mines. AIC Mines, however, considers that these risks represent key risks to an investment in AIC Mines. Additional risks and uncertainties that AIC Mines is unaware of, or that AIC Mines considers to be immaterial, may also become key risks that can adversely affect AIC Mines operational and financial performance in the future. Factors other than those listed may in the future materially affect the financial performance of AIC Mines and the value of AIC Mines shares.

These key investment risks are general in nature and regard has not been had to the investment objectives, financial situation, tax position or particular needs of any investor. Before investing, or increasing any investment in AIC Mines, participants should consider whether this investment is suitable for them having regard to the risk factors set out below, publicly available information, your investment objectives, and personal financial and other circumstances. Demetallica Shareholders should read this Offer Document in its entirety and consult their stockbroker, accountant or other professional advisor before deciding whether to accept the Offer.

7.2 Risk Factors that pertain to the general economy and stock market

AIC Mines Shares offered to Demetallica Shareholders pursuant to the Offer are speculative because of the nature of the business of AIC Mines.

The value of AIC Mines Shares will be determined by the stock market and will be subject to varied and often unpredictable influences in the share market beyond AIC Mines' control. These factors include, but are not limited to, the demand for, and availability of AIC Mines' Shares, movements in interest rates, exchange rates, and rates of inflation, fluctuations in the Australian and international stocks markets, changes in fiscal, monetary and regulatory policies, and general domestic and international and economic activity. Depending on general market conditions and AIC Mines' Share price, AIC Mines may not be able to attract new investors or raise capital as and when required.

The AIC Mines Shares which form the consideration under the Offer do not carry any guarantee as to market value. Further, any AIC Mines Shares which form part of the consideration under the Offer do not carry any guarantee as to payment of dividends or the return of capital.

7.3 Risks related to AIC Mines and its operations

Fluctuations in commodity price and Australian dollar

AIC Mines' revenues are exposed to fluctuations in the copper, gold and silver prices and the Australian dollar exchange rate. Volatility in the copper, gold and silver prices and Australian dollar creates revenue uncertainty and requires careful management of business performance to ensure that operating cash margins are maintained should the Australian dollar commodity price fall. Declining copper, gold and silver prices can also impact operations by requiring a reassessment of the feasibility of a particular exploration or development project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment could cause delays and/or may interrupt operations, which may have a material adverse effect on our results of operations and financial condition.

Mineral Resources and Ore Reserves

AIC Mines' Mineral Resources and Ore Reserves are estimates based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted.

Market price fluctuations of copper, gold and silver as well as increased production and capital costs may render the AIC Mines' Ore Reserves unprofitable to develop at a particular site or sites for periods of time or may render Ore Reserves containing relatively lower grade mineralisation uneconomic. Estimated reserves may have to be re-estimated based on actual production experience. Any of these factors may require AIC Mines to reduce its Mineral Resources and Ore Reserves, which could have a negative impact on AIC Mines' financial results.

As noted in Section 8.3, if the Offer is successful AIC Mines intends to conduct a review of the Demetallica Mineral Resource estimates and the assumptions made in developing these estimates. It is expected that AIC Mines will re-estimate the Demetallica Mineral Resources using the same estimation practices and assumptions used by AIC Mines at its Eloise mine. This review could lead to a downgrade of the Demetallica Mineral Resource estimates.

Replacement of depleted Ore Reserves

The Group must continually replace Ore Reserves depleted by production to maintain production levels over the long term. Ore Reserves can be replaced by discovering extensions to known ore bodies, discovering new deposits or acquiring new deposits. Exploration is highly speculative in nature. The Group's exploration projects involve many risks and are frequently unsuccessful. Once a site with mineralisation is discovered (or acquired), it may take several years from the initial phases of drilling until production is possible. There is no assurance that current or future exploration programs will be successful. There is a risk that depletion of Ore Reserves will not be offset by discoveries or acquisitions.

Mining risks

The mining and exploration activities of AIC Mines may be affected by a number of factors, including but not limited to geological conditions; force majeure events; power outages; adverse/seasonal weather patterns; critical equipment failures; continued availability of the necessary technical equipment, plant and appropriately skilled and experienced technicians; labour shortages; industrial and other accidents; improper, defective and negligent use of technical plant and equipment; improper, defective and negligent conduct by employees, consultants and contractors; adverse changes in government policy or legislation; and access to the required level of funding and unforeseen cost changes beyond the control of AIC Mines can negatively impact AIC Mines' activities, thereby affecting its profitability and the value of its securities.

There is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining Ore Reserves, such as unusual or unexpected geological conditions, underground access, ambient rock temperature, rock bursts, seismicity and cave ins. Unforeseen geological and geotechnical difficulties could impact production and/or require additional operating or capital expenditure to rectify problems and thereby have an adverse effect on AIC Mines' financial and operational performance.

Insurance

AIC Mines' business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures and natural phenomena such as inclement weather conditions (including cyclones), floods and earthquakes. Such occurrences could result in damage to facilities, personnel injury or death, environmental damage to AIC Mines' properties and the properties of others, delays in development, monetary losses and possible legal liability.

Although AIC Mines maintains insurance to protect against certain risks in such amounts as it considers it to be reasonable, its insurance will not cover all of the potential risks associated with its operations. AIC Mines may also be unable to maintain insurance to cover those risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Losses from any of these events may cause AIC Mines to incur significant costs that could have a material adverse effect on its financial performance and results of operations.

Production and cost estimates

AIC Mines prepares estimates of future production, cash costs and capital costs of production for its operations. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on AIC Mines' future cash flows, profitability, results of operations and financial condition. AIC Mines' actual production and costs may vary from estimates for a variety of reasons, including: actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the Ore Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; revisions to mine plans; risks and hazards associated with mining; natural phenomena such as inclement weather conditions, water availability and floods; and unexpected labour shortages or strikes. Costs of production may also be affected by a variety of factors including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, cost of commodities, general inflationary pressures and currency exchange rates.

Operations generally

AIC Mines' business, results of operations and financial condition may vary with fluctuations in production and capital costs. No assurance can be given that AIC Mines will achieve its production and costs estimates. These estimates are subject to a number of factors, many of which cannot be foreseen and are beyond AIC Mines' control. AIC Mines' operations are subject to operating risks that could result in insufficient production and increased costs and, as a result, one or more projects becoming unprofitable or uneconomic. The Australian mining sector is currently experiencing supply chain disruptions, inflationary cost pressures and labour availability challenges. If those conditions persist, it may have an adverse impact on AIC Mines' operating and financial performance and financial position.

Environmental, health, safety and permitting risks

AIC Mines' mining and processing operations and exploration activities are subject to laws and regulations governing the protection and management of the environment, water management, waste disposal, worker health and safety, mine development and rehabilitation and the protection of endangered and other special status species.

AIC Mines has implemented health, safety and community initiatives at its sites to manage the health and safety of its employees, contractors and members of the community. While these control measures are in place there is no guarantee that these will eliminate the occurrence of incidents which may result in personal injury or damage to property. In certain instances such occurrences could give rise to regulatory fines and/or civil liability.

AIC Mines' ability to obtain permits and approvals and to successfully operate may be adversely impacted by real or perceived detrimental events associated with AIC Mines' activities or those of other mining companies affecting the environment, human health and safety of the surrounding communities. Delays in obtaining or failure to obtain government permits and approvals may adversely affect the AIC Mines' operations, including its ability to continue operations.

Dependence on key personnel

AIC Mines' success depends on the continued services of its key personnel. Due to management's experience and the important role they have taken in developing AIC Mines' mining, business and financial plans, AIC Mines could be adversely affected if any of them ceased to actively participate in the management of AIC Mines or ceased employment with AIC Mines entirely. The impact of such loss would be dependent upon the replacement employee's quality and time of appointment. There is no guarantee that the key personnel of the AIC Mines will be successful in their objectives despite their considerable experience and previous success.

Adequacy of funding and additional requirements for capital

AIC Mines' capital requirements depend on numerous factors. Depending on AIC Mines' ability to generate revenue from its operations, AIC Mines may require further financing. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that AIC Mines will be able to obtain additional debt or equity funding when required, or that the terms associated with that funding will be acceptable to AIC Mines and this may have a material adverse effect on AIC Mines. If AIC Mines is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations. Any ongoing funding restrictions may also impact on AIC Mines' ability to continue as a going concern.

Litigation

AIC Mines is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Any litigation, arbitration, proceeding or criminal or government prosecution of a material nature in which AIC Mines or its subsidiaries are directly or indirectly involved could divert management time and have a material impact on the business or financial position of AIC Mines.

AIC Mines is currently a party to legal proceedings in the Supreme Court of British Columbia. The legal proceedings related to AIC Mines' predecessor company Intrepid Mines Limited shareholding in New Nadina Explorations Limited. AIC Mines is defending the proceedings, however there is no guarantee that AIC Mines' defence will succeed. The trial has been scheduled for 8 May 2023. The outcome of such litigation may adversely affect AIC Mines' financial position.

Taxation

Changes to corporate income tax, import duties, property tax, excise tax, withholding tax or any other applicable taxation legislation or policies may adversely affect AIC Mines' financial profitability, net assets and cash flow and the returns to investors. The recoupment of taxation losses accrued by AIC Mines from any future revenues is subject to the satisfaction of tests outlined in taxation legislation or regulations in relevant jurisdictions. There is no guarantee

that AIC Mines will satisfy all these requirements at the time it seeks to recoup its tax losses which may impact on the financial performance and cashflows of AIC Mines.

Climate Change

AIC Mines recognises that physical and non-physical impacts of climate change may affect assets, productivity, markets and the community. Risks related to the physical impacts of climate change include the risks associated with increased severity of extreme weather events and chronic risks resulting from longer-term changes in climate patterns. Non-physical risks and opportunities arise from a variety of policy, legal, technological and market responses to the challenges posed by climate change and the transition to a lower carbon world.

7.4 Risk Factors that arise from the Offer

Demetallica shareholders will have limited withdrawal rights with respect to the Offer, which means that a decision to accept the Offer may be irrevocable

Once you have accepted the Offer for your Demetallica Shares, you have the limited right to withdraw your acceptance of the Offer only in limited circumstances. Under Australian law, if after you have accepted the Offer and while it remains subject to conditions, the Offer is varied (such as by an extension of the Offer Period) so as to postpone for more than one month the time when AIC Mines must meet its obligations under the Offer, you will be able to withdraw your acceptance. Otherwise, you will be unable to withdraw your acceptance of the Offer even if the market value of AIC Mines Shares varies significantly from their value on the date of your acceptance of the Offer.

AIC Mines has not verified the reliability of the Demetallica information included in, or which may have been omitted from, this Bidder's Statement

In respect of information relating to Demetallica presented in, or omitted from, this Bidder's Statement, including all Demetallica financial information, AIC Mines has relied upon publicly available information. Any inaccuracy in the Demetallica information could adversely affect the anticipated results of operations of the Combined Group.

Change of control provisions in Demetallica's agreements triggered upon the acquisition of control of Demetallica may lead to adverse consequences

AIC Mines is not aware of any pre-emptive rights or change of control provisions affecting Demetallica's assets or agreements which would be triggered by AIC Mines obtaining control of Demetallica. However, Demetallica may be a party to agreements that contain pre-emptive rights or change of control provisions that may be triggered if AIC Mines acquires Demetallica Shares representing a majority of the voting rights of Demetallica. The operation of these change of control provisions, if triggered, could have negative consequences including requiring Demetallica to renegotiate its financings, or sell joint venture interests. These provisions may be waived with the consent of the other party and AIC Mines would consider seeking such waivers if it discovered that pre-emptive rights or change of control provisions affecting Demetallica's assets or agreements would be triggered upon AIC Mines obtaining control of Demetallica. In the absence of these waivers, the operation of any of these changes of control provisions could adversely affect the operations of the Combined Group.

Issue of AIC Mines shares as consideration

Under the Offer, AIC Mines will offer a significant number of its shares. If current Demetallica Shareholders or current AIC Mines Shareholders do not wish to hold shares in AIC Mines after completion of the Offer and seek to sell their shares, this may have a material adverse effect on AIC Mines and the price of AIC Mines Shares. Further, AIC Mines Shares issued to certain Foreign Shareholders will be sold on the ASX (refer to Section 10.11 (**Foreign Shareholders**)). The sale of these AIC Mines Shares could also have a material adverse effect on AIC Mines and the price of AIC Mines Shares.

Fluctuation in the market value of AIC Mines shares

Demetallica Shareholders are being offered consideration under the Offer that consists of a specified number of AIC Mines Shares (rather than a number of AIC Mines Shares with a specified market value). The market value of AIC Mines Shares at the time at which they are received by Demetallica Shareholders may vary from their market value on the date that Demetallica Shareholders accept the Offer.

Accordingly, market fluctuations could affect the value of the consideration paid (in the form of AIC Mines Shares) under the Offer and the value of an accepting shareholder's investment in AIC Mines. AIC Mines is not obliged to make any adjustment in the consideration payable under the Offer if the value of AIC Mines Shares changes during the Offer Period.

Integration risks

The integration of a business with substantial assets such as AIC Mines and Demetallica carries risk, including potential delays or costs in implementing necessary changes, and difficulties in integrating various operations. The success of the combination, and the ability to realise the expected benefits of the combination, is dependent on the effective and timely integration of the Demetallica assets into AIC Mines' existing business operations. A failure to fully integrate the Demetallica assets, a delay in the integration process, or greater than expected integration costs could adversely affect the financial performance and position of AIC Mines.

Synergy risks

Whilst the directors of AIC Mines expect to realise certain synergy benefits from the combination, achievement of these synergies is not certain. The synergies may not be realised to their full extent or may be realised over a longer period of time than the directors of AIC Mines expect. This could have a material adverse impact on the financial performance of AIC Mines.

Exploration Risk

If the Offer is successful the relative proportion of exploration and development stage assets owned by AIC Mines will increase. Mineral exploration, mine development are high risk undertakings and there can be no assurance that the tenements currently held by AIC Mines or Demetallica or acquired by AIC Mines in the future will result in the discovery of an economic ore deposit. If a viable deposit is identified there is also no guarantee it can be commercially developed. There is no certainty that the proposed exploration will reveal mineable mineralisation or that such mineralisation will be commercially viable.

Less than 50.1% ownership

The Offer is subject to a 50.1% minimum ownership condition. This condition may be waived by AIC Mines. Therefore a risk exists that the final level of ownership acquired by AIC Mines is less than 50.1%, which could have an impact on AIC Mines' intentions regarding Demetallica (refer to Section 8). This impact could have a material adverse effect on AIC Mines.

Taxation Risks

The tax consequences and risks of the Offer depend upon the specific circumstances of each Demetallica Shareholder. Demetallica Shareholders should obtain their own professional taxation advice regarding the applicable law in respect of the Offer.

Impairment of Goodwill and other Intangible Assets

The financial statements of the AIC Mines Group will be prepared in conformity with the Australian International Financial Reporting Standards (**AIFRS**) and consistent with the current accounting policies of AIC Mines. Under AIFRS, intangible assets are reviewed semi-annually

for impairment. Changes to the carrying amounts of intangible assets of AIC Mines or Demetallica could have a material adverse impact on the financial performance of AIC Mines.

7.5 **Speculative nature of investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Combined Group. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Combined Group and the value of AIC Mines Shares.

8. Intentions of AIC Mines

8.1 Introduction

This section sets out AIC Mines' intentions in relation to the following:

- (a) the continuation of the business of Demetallica;
- (b) any major changes to the business of Demetallica and any redeployment of the fixed assets of Demetallica; and
- (c) the future employment of the present employees of Demetallica.

These intentions have been formed on the basis of facts and information concerning Demetallica, and the general business environment, which are known to AIC Mines at the time of preparing this Bidder's Statement.

AIC Mines' final decisions may be varied in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only and are subject to possible variation as new information becomes available or circumstances change.

The articulation and formulation of AIC Mines' intentions are necessarily limited by virtue of the fact that AIC Mines has only had access to publicly available information relating to Demetallica and its affairs. These intentions are based on the information concerning Demetallica, its business and the general business environment, which is known to AIC Mines at the time of the preparation of this Bidder's Statement.

8.2 Overview and rationale for the Offer

AIC Mines has decided to make this Offer in recognition of, and to consolidate, the companies' respective regional interests in prospective and synergistic copper exploration and future copper production through the consolidation of AIC Mines' Eloise mining and processing infrastructure and the copper resources at Demetallica's Chimera project (**Regional Consolidation**).

The tenement holdings of the respective companies are adjacent, with the Eloise 750,000tpa copper processing facility situated only 4 kilometres from Demetallica's Jericho copper deposit.

The Regional Consolidation offers a number of potential benefits including:

- (a) access to AIC Mines' project development and underground mining skills to potentially develop and mine the Jericho deposit;
- (b) access to the Eloise processing facility to treat ore from the Jericho deposit and other resources at Demetallica's Chimera project;
- (c) funding to apply to the outstanding milestone payments that Demetallica is required to make to complete the acquisition of the Chimera project (see Section 5.3);
- (d) improved financing capacity to commence development at the Jericho deposit and to continue exploration at other Demetallica projects;
- (e) eliminates wasteful duplication of infrastructure and allow for a smaller development footprint with reduced environmental impact; and
- (f) removes inefficient duplication of overhead costs, corporate fees and charges.

The synergies and benefits derived from the Regional Consolidation are only available if full consolidation is achieved. Full consolidation will only be realised where Demetallica is a wholly owned entity of AIC Mines.

AIC Mines believes that in the current environment in which access to capital for junior exploration companies is difficult, Demetallica Shareholders will benefit from being part of a larger Australian copper company that can accelerate unlocking the potential of the Demetallica tenements. Demetallica Shareholders accepting the Offer (assuming Demetallica is a wholly owned entity of AIC Mines) will receive the benefits generated by the Regional Consolidation.

8.3 Intentions for Demetallica as a wholly-owned controlled entity

If AIC Mines acquires a relevant interest in 90% or more of Demetallica Shares, it will become entitled to proceed to compulsory acquisition of outstanding Shares in accordance with Part 6A.1 of the Corporations Act. In this circumstance, AIC Mines' current intentions are set out below.

Corporate matters

AIC Mines intends to:

- (a) proceed with compulsory acquisition of the outstanding Demetallica Shares in accordance with the provisions of Part 6A.1 of the Corporations Act;
- (b) proceed with compulsory acquisition of all outstanding Demetallica Performance Rights and Demetallica Options which are not exercised, converted or crystallised as a result of the Offer;
- (c) replace all Directors of Demetallica with its own nominees. The identity of replacement board members will be dependent upon circumstances at the time and has therefore not yet been decided by AIC Mines; and
- (d) arrange for Demetallica to be removed from the official list of the ASX.

General operational review

After the end of the Offer Period, AIC Mines intends to conduct an immediate, broad-based review of Demetallica's operations on both a strategic and financial level with a view to integrating Demetallica's operations into AIC Mines' operational and corporate structure.

In the course of this review, AIC Mines intends to focus on a number of specific areas including (but not limited to):

- (a) Review of the Demetallica exploration database and expenditure requirements and integration with AIC Mines' exploration activities.
- (b) Closure of the Demetallica head office in Adelaide and integration of the activities and employees from this office into AIC Mines' office in Perth and at Eloise where appropriate. Integration of roles may involve some employee redundancies. Any employees that are made redundant as a result of the Offer would be paid their full entitlements, subject to the terms of their employment.
- (c) Review of the Demetallica Mineral Resource estimates and the assumptions made in developing these estimates. It is expected that AIC Mines will re-estimate the Demetallica Mineral Resources using the same estimation practices and assumptions used by AIC Mines at its Eloise mine (specifically a higher cut-off grade). This review could lead to a downgrade of the Demetallica Mineral Resource estimates.

- (d) Appoint a Development Manager to lead the necessary technical studies required to progress the Jericho project towards development, including resource estimates, mine design, geotechnical, underground ventilation and power studies, capital estimates and metallurgical testwork.
- (e) Commence environmental baseline studies (hydrology, flora and fauna) and assessment of heritage and cultural impact at the Jericho project.

Other Intentions

Other than as set out in this Section 8.3, it is the present intention of AIC Mines to continue the businesses of Demetallica as at the date of the Bidder's Statement and not to redeploy any of the fixed assets of Demetallica.

8.4 Intentions for Demetallica as a partly controlled entity

If, as a result of acceptances under the Offer, AIC Mines acquires a relevant interest in Demetallica of between 50% and 90% then:

- (a) AIC Mines will control Demetallica but will not be entitled to proceed to compulsory acquisition of outstanding Demetallica Shares in accordance with Part 6A.1 of the Corporations Act;
- (b) AIC Mines will not be offering to acquire any Demetallica Performance Rights or Demetallica Options which are not exercised, converted or crystallised as a result of the Offer by way of private treaty arrangements or otherwise; and
- (c) Demetallica will not become a wholly owned subsidiary of AIC Mines at the end of the Offer Period.

In the circumstance described above AIC Mines will endeavour to implement the current intentions set out below to the extent it is able to do so by law.

Corporate matters

AIC Mines will seek to replace some of the members of the Board of Demetallica with nominees of AIC Mines so that the proportion of such nominees is broadly similar to the voting power of AIC Mines. The identity of replacement board members will be dependent upon circumstances at the time and has therefore not yet been decided by AIC Mines.

AIC Mines will, subject to satisfying the relevant requirements, seek to have Demetallica removed from the official list of the ASX.

In relation to the removal of Demetallica from the official list of the ASX, ASX guidance indicates that the usual conditions that ASX would expect to be satisfied in order for it to approve the removal of Demetallica from the official list in the context of a successful takeover bid include:

- (a) at the end of the Offer, AIC Mines owns or controls at least 75% of the Demetallica Shares and the Offer has remained open for at least two weeks after AIC Mines attained ownership or control of at least 75% of the Demetallica Shares; and
- (b) the number of Demetallica Shareholders (other than AIC Mines) having holdings with a value of at least \$500 is fewer than 150, and in such case, the ASX will not usually require AIC Mines to obtain Demetallica Shareholder approval for Demetallica's removal from the official list of the ASX.

In addition, the ASX may approve an application for Demetallica to be removed from the official list of the ASX with shareholder approval and, where such removal is sought later than

one month after the close of the Offer, AIC Mines would be entitled to vote on the resolution approving the removal.

If Demetallica is removed from the official list of the ASX, Demetallica Shareholders who do not accept the Offer may subsequently find it difficult to sell their Demetallica Shares.

General operational review

After the end of the Offer Period, AIC Mines intends to propose to the Demetallica Board that an immediate, broad-based review of Demetallica's operations be conducted on both a strategic and financial level, along similar lines to that described in Section 8.3 above, including commencement of the necessary technical studies required to determine if it is economically feasible to develop the Jericho project, environmental baseline studies (hydrology, flora and fauna) and assessment of heritage and cultural impact at the Jericho project.

Other Intentions

Other than as set out in this Section 8.4, it is the present intention of AIC Mines to continue the businesses of Demetallica as at the date of the Bidder's Statement and not to redeploy any of the fixed assets of Demetallica.

Further acquisition of interest in Demetallica

AIC Mines may, at some later time, acquire further Demetallica Shares in a manner consistent with the Corporations Act and any other applicable laws.

It is possible that, even if AIC Mines is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act; for example, as a result of acquisitions of Demetallica Shares in reliance on the "3% creep" exception in item 9 of section 611 of the Corporations Act. If so, it may exercise those rights.

8.5 Intentions upon acquisition of a relevant interest in less than 50% of Demetallica Shares

The Offer is subject to a number of conditions set out in Section 10.2 of this Bidder's Statement. The Offer is subject to a Minimum Acceptance Condition which provides that no acquisition of Demetallica Shares will proceed unless the Bidder has, at the end of the Offer Period, a relevant interest in at least 50.1% of Demetallica Shares.

Subject to Corporations Act requirements, AIC Mines may be able to waive the benefit of some or all of the conditions in Section 10.2. AIC Mines' current intention is that, unless the conditions described in Section 10.2 are satisfied, the acquisition of Demetallica Shares under this Bidder's Statement will not proceed. The Bidder reserves its right to review and reconsider this position as the Offer Period proceeds.

In the event that AIC Mines' acquires less than 50% of Demetallica Shares it is AIC Mines' present intention that it would request representation on the Board of Demetallica (commensurate with its shareholding in Demetallica) and, thereby, gain a more detailed appreciation of the opportunities and challenges faced by Demetallica and contribute to realisation of those opportunities to the greatest extent possible.

AIC Mines may, at some later time, acquire further Demetallica Shares in a manner consistent with the Corporations Act and any other applicable laws.

8.6 **Limitations on Intentions**

AIC Mines will only make a final decision on the matters set out above following receipt of appropriate legal and financial advice.

AIC Mines' intentions must be read as being subject to the duty of Demetallica's Board, including any nominees of AIC Mines, to have regard to the interests of all Demetallica shareholders and would therefore be subject to its obligations to comply with the applicable provisions of the Corporations Act and the law generally.

9. Tax Considerations

9.1 Introduction

The following is a summary of the potential Australian income tax and capital gains tax (**CGT**) consequences generally applicable to Demetallica Shareholders who dispose of Demetallica Shares under the Offer. This summary is based on the law and practice in effect on the date of this Bidder's Statement.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every Demetallica Shareholder. In particular, this summary is only applicable to Demetallica Shareholders that are Australian residents for income tax purposes and hold their Demetallica Shares on capital account for investment purposes and only considers the Australian tax position.

This summary does not apply to Demetallica Shareholders:

- (a) who hold their Demetallica Shares as trading stock or as revenue assets;
- (b) who acquired their Demetallica Shares as part of an employee share scheme operated by Demetallica;
- (c) that may be subject to special tax rules, such as financial institutions, insurance companies, partnerships (except where expressly stated), tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- (d) who are subject to the taxation of financial arrangements rules in relation to gains and losses on their Demetallica Shares.

All Demetallica Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident Demetallica Shareholders should seek their own advice on the Australian and foreign taxation consequences, of any sale of their Demetallica Shares.

9.2 CGT consequences on the disposal of Demetallica Shares for Resident Shareholders

This section applies to Demetallica shareholders who are residents of Australia for Australian income tax purposes and hold their Demetallica Shares on capital account.

CGT event on the disposal of Demetallica Shares to AIC Mines occurs:

- (a) When a Demetallica Shareholder that accepts the Offer and whose Demetallica Shares are subsequently transferred to AIC Mines, is taken to have disposed of their Demetallica Shares for Australian CGT purposes.
- (b) On disposal of their Demetallica Shares, Demetallica Shareholders make a capital gain to the extent that the market value of the Offer consideration exceeds the tax cost base of their Demetallica Shares (subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain).
- (c) Alternatively, a Demetallica Shareholder will make a capital loss on the transfer of their shares to AIC Mines, equal to the amount by which the reduced cost base of their Demetallica Shares is more than the capital proceeds (i.e. the value of shares in AIC Mines) they receive under the Offer. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year (subject to the satisfaction of certain loss recoupment tests which apply if the Demetallica Shareholder is a company or trust).

- (d) The capital proceeds received for the disposal of the Demetallica Shares should be calculated by reference to the market value of the AIC Mines Shares that each Demetallica Shareholder will receive plus any cash consideration received.
- (e) The sum of all capital gains incurred by a Demetallica Shareholder in the year in which the transaction occurs, reduced by any capital loss incurred during that year, or carried forward from prior years (known as the net capital gain), should be included in the assessable income of the Demetallica Shareholder.

9.3 **Cost base or reduced cost base of Demetallica Shares**

Generally, the cost base of Demetallica Shares should be equal to the amount paid to acquire the Demetallica Shares. Other incidental costs incurred by a Demetallica Shareholder in respect of their acquisition or ownership of Demetallica Shares (such as brokerage and undedicated borrowing costs) may also be included in the cost base of the Demetallica Shares they own.

The reduced cost base of Demetallica Shares is usually determined in a similar but not identical manner to the cost base although some differences in the calculation of reduced cost base do exist depending on the individual circumstances of each Demetallica shareholder.

9.4 **CGT scrip for scrip rollover**

Where AIC Mines acquires 80% or more of the Shares in Demetallica, a Demetallica Shareholder may be eligible to choose CGT scrip for scrip rollover relief in respect of the disposal of Demetallica Shares, so that any resulting CGT gain on the disposal of Demetallica Shares is deferred.

A Demetallica Shareholder can only elect for CGT scrip for scrip rollover relief to apply if a capital gain results on the disposal of their Demetallica Shares.

The benefit of choosing CGT scrip for scrip rollover relief will depend on the individual circumstances of each Demetallica Shareholder and therefore Demetallica Shareholders should discuss this with their tax adviser.

Demetallica Shareholders do not need to inform the Australian Taxation Office, or document their choice to claim CGT scrip for scrip roll-over relief in any particular way, other than to complete their income tax return in a manner consistent with their choice.

AIC Mines will not make a choice under subsection 124-795(4) of the Tax Act to deny scrip for scrip roll-over relief (where it would otherwise be available).

Where rollover relief is chosen, the tax cost base of the AIC Mines Shares received by a Demetallica Shareholder should equal the tax cost base of the Demetallica Shares disposed. Furthermore, this tax cost base will be allocated on a proportionate basis across the AIC Mines Shares received and is relevant in determining any future CGT liability on the subsequent disposal of the AIC Mines Shares.

For the purposes of determining whether the CGT discount applies on any subsequent disposal of the AIC Mines Shares, the date on which a Demetallica Shareholder is deemed to have acquired the AIC Mines Shares, will be the date they acquired their original Demetallica Shares.

In the event, the Offer becomes unconditional and AIC Mines does not increase its holding to at least 80% of the Demetallica Shares on issue as a result of the Offer, CGT scrip for scrip rollover relief will not be available for any Demetallica Shareholders.

9.5 CGT discount

The CGT discount may apply to Demetallica Shareholders who are individuals, complying superannuation funds or trusts, who have held, or are taken to have held, their Demetallica Shares for at least 12 months (not including the date of acquisition or the date of disposal) at the time of the disposal of their Demetallica Shares to AIC Mines.

The CGT discount is not available to a Demetallica Shareholder that is a company.

The CGT discount allows a Demetallica Shareholder who is an individual, or a trustee of a trust who has not elected scrip for scrip CGT rollover relief, to discount the capital gain by 50%, thereby including only the remaining 50% of the capital gain in their assessable income for tax purposes.

A Demetallica Shareholder that is a complying superannuation entity who has not elected CGT scrip for scrip rollover relief, may discount the capital gain by 1/3, thereby only including 2/3 of the capital gain in the taxable income of that complying superannuation entity.

A Demetallica Shareholder will be eligible for the 50% CGT discount provided:

- (a) the Demetallica Shares were acquired at least 12 months before the disposal to AIC Mines;
- (b) the Demetallica Shareholder did not choose to index the cost base of their Demetallica Shares; and
- (c) the CGT discount is applied to the capital gain only after any available capital losses are first applied to reduce the capital gain.

9.6 CGT consequences on the disposal of Demetallica shares for non-resident Shareholders

If you are a non-resident shareholder and accept this Offer you will not be entitled to receive AIC Mines Shares in exchange for your Demetallica Shares unless AIC Mines determines that:

- (a) it is lawful and not unduly onerous and not unduly impracticable to issue you with AIC Mines Shares on acceptance of the Offer; and
- (b) is not unlawful for you to accept the Offer by the law of the relevant place outside Australia or its external territories.

As set out in Section 10.11 of this Bidder's Statement, the nominee will arrange for the AIC Mines Shares that are exchanged for your Demetallica Shares to be sold. You will receive the proceeds of sale (less brokerage and sale expenses) of the AIC Mines Shares calculated in accordance with the formula in Section 10.11.

Broadly, non-residents are not entitled to claim any CGT discount on disposal of a CGT asset that was acquired after 8 May 2012. The capital gains tax discount is explained further below.

Non-resident withholding tax rules in relation to the acquisition of Australian real property were enacted on 25 February 2016. Broadly, the purpose of the new withholding tax rules is to assist in the collection of a non-resident's capital gains tax liability. The new rules apply to contracts entered into on or after 1 July 2016.

The rules impose a 12.5% non-final withholding obligation on the purchasers of certain Australian assets where they are acquired from a relevant foreign resident. The obligation does not require withholding as such, but does require the purchaser to pay 12.5% of the first element of the cost base (usually, the purchase price) to the Commissioner. This amount may

be withheld from the payment the purchaser makes to the vendor. The obligation will apply to the acquisition of an asset that is:

- (a) taxable Australian real property;
- (b) an indirect Australian real property interest; or
- (c) an option or right to acquire such property or such an interest.

Where AIC Mines considers that it will be required to withhold under these rules, it will contact the relevant Demetallica Shareholder to confirm that withholding is required. In such circumstances, AIC Mines may request that the relevant Demetallica Shareholders provide a declaration that the Demetallica Shares they are disposing of are not indirect Australian real property interests as at the date of the transaction. Where such a declaration is requested, AIC Mines can provide a draft declaration for the Demetallica Shareholder to complete.

Demetallica Shareholders that are not Australian tax residents should seek their own taxation advice on the consequences of the disposal of their Demetallica Shares and ongoing interest in AIC Mines under any relevant foreign tax laws and Australian tax legislation.

9.7 Stamp duty

No stamp duty should be payable by Demetallica Shareholders on the acquisition by AIC Mines of their Demetallica Shares under the Offer or on the receipt by Demetallica Shareholders of the AIC Mines Shares as Offer consideration.

9.8 Goods and Services Tax (GST)

The sale of Demetallica Shares by existing shareholders as contemplated will not attract GST. Similarly, no GST will be payable on the acquisition of AIC Mines Shares.

GST will be payable on any fees or charges that a Controlling Participant (in respect of Shares in a CHESS Holding) or a broker, bank, custodian or other nominee (in respect of Shares held for a separate beneficial owner) may charge in connection with acceptance of the Offer.

Where shareholders are registered or required to be registered for GST, any GST incurred on expenses that relate to the sale of existing shares or acquisition of new shares may not be recoverable if the individual shareholder exceeds the financial acquisitions threshold as set out in the relevant GST legislation. However, a reduced input tax credit equal to 75% of the GST incurred may still be available if the acquisition constitutes a reduced credit acquisition.

Where Demetallica Shareholders are not registered, or required to be registered for GST, no GST implications should arise in relation to the Offer.

9.9 Obtain your own taxation advice

Do not rely on the comments or the statements contained in this Bidder's Statement as advice about your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Bidder's Statement.

Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, AIC Mines does not accept any responsibility for tax implications for individual Demetallica Shareholders.

AIC Mines is not a registered tax agent under the *Tax Agent Services Act 2009* (Cth) and cannot provide tax advice to specific Demetallica Shareholders. Demetallica Shareholders should obtain tax advice from a registered tax agent on the consequences of accepting the Offer.

10. Terms of Offer

This section contains the terms of the Offer by AIC Mines to acquire all your Demetallica Shares. The Offer Date is 5 October 2022.

10.1 The Offer

Persons to whom the Offer is made

The Offer is to all the holders of all of the ordinary shares of the capital of Demetallica Limited ACN 061 595 051 (**Demetallica**) including ordinary shares that are issued during the Offer Period as a result of the exercise, acceleration or conversion of a Demetallica Option or Demetallica Performance Right.

Offer

AIC Mines offers to acquire all of your Demetallica Shares together with all Rights attaching to them. The consideration offered is one (1) AIC Mines Share for every one and a half (1.5) Demetallica Shares, on the terms and conditions set out in this Offer.

If you become entitled to a fraction of an AIC Mines Share the fraction will be rounded down.

Acceptance must be in respect of all Shares

You may only accept the Offer in respect of all your Demetallica Shares.

Offers to all holders of Shares

Offers on terms and conditions identical to those contained in this Offer have been dispatched or will be dispatched to all holders of Demetallica Shares, registered as such in the register of members of Demetallica at 7.00pm (Sydney time) on the Register Date.

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

Improving the consideration

If Bidder improves the consideration offered, the Corporations Act contains provisions to ensure that any Demetallica shareholder who has already accepted the Offer receives the benefit of the improved consideration.

10.2 Conditions of the Offer

(a) Minimum ownership

At or before the end of the Offer Period, AIC Mines and its Related Bodies Corporate together have Relevant Interests in at least 50.1% of all the Demetallica Shares.

(b) No Regulatory Action

Between the Announcement Date and the end of the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (2) no action or investigation is commenced by any Public Authority ; and

- (3) no application is made to any Public Authority (other than by the Bidder or any of its Related Bodies Corporate),

(other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of Chapter 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act in consequence of, or in connection with, the Offer) which restrains, impedes or prohibits (or if granted could restrain, impede or prohibit), or otherwise materially adversely impacts upon, the making of the Offer, the acquisition of Demetallica Shares under the Offer or any transaction contemplated by the Bidder's Statement, the Offer or the rights of AIC Mines in respect of Demetallica, or requires the divestiture by any entity within the AIC Mines Group of any Demetallica Shares, or requires the divestiture of any assets of the AIC Mines Group or Demetallica Group.

(c) **No material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive), no event, change or condition occurs, is announced or becomes known to the Bidder (whether or not it becomes public) where that event, change or condition has or has resulted in, or could reasonably be expected to have or result in:

- (1) without limiting the generality of sub-paragraph (2) below, liabilities, or an adverse effect on the financial or trading position, or profitability of the Target Group, taken as a whole, of an amount which (when aggregated with any other event, change or condition) would or could reasonably be expected to result in a diminution of Demetallica Group's Net Assets by more than the Specified Amount;
- (2) a material adverse effect on:
- (A) the prospects of Demetallica Group, taken as a whole; or
 - (B) the status or terms of any material approvals, licences, tenements or permits issued by any Public Authority to any entity within Demetallica Group,

other than changes, events or conditions:
 - (C) fully and fairly disclosed by Demetallica in an ASX announcement;
 - (D) which do not relate specifically to Demetallica Group and which are beyond the control of Target and which arise from changes in commodity prices, exchange rates or interest rates or general economic or business conditions.

(d) **No material acquisitions, disposals or new commitments**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither Demetallica nor any Subsidiary of Demetallica, other than with the prior written consent of the Bidder:

- (1) acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than the Specified Amount;
- (2) disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or

assets) for an amount, or in respect of which the book value is, in aggregate, greater than the Specified Amount;

- (3) enters into, agrees to enter into or announces any agreement to enter into any contract, commitment or arrangement, joint venture or partnership that:
 - (A) requires payments, expenditure or the foregoing of revenue by Demetallica and/or any of its Subsidiaries of an amount in excess of the Specified Amount on any individual basis or which is, in aggregate, greater than the Specified Amount; or
 - (B) is material in the context of Demetallica Group and is not in the ordinary course of business;
- (4) provides or agrees to provide financial accommodation or a guarantee, other than to entities within Demetallica Group for any amount, or receives financial accommodation other than from entities within Demetallica Group for any amount;
- (5) enters into, amends, or agrees to enter into or amend any material contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act) of Demetallica;
- (6) gives or agrees to give any Encumbrance over any of its assets (or an interest in any of its assets), other than liens in the ordinary and usual course of business;
- (7) does any of the following in respect of the Tenements:
 - (A) enters into, agrees to enter into or announces any agreement to enter into any contract, commitment or arrangement (including without limitation any ore sale, ore processing, joint venture, partnership, farm-in, royalty, marketing, or off-take agreement) in relation to any of the Tenements;
 - (B) relinquishes, sells or disposes of any interest or creates any Encumbrance over any of the Tenements;
 - (C) takes any action or omits to take any action that results in or may reasonably be expected to result in a breach of the terms any of the Tenements or any environmental authority relating to any of the Tenements; or
 - (D) takes any action or omits to take any action that results in or may reasonably be expected to result in the surrender of any of the Tenements or any environmental authority relating to any of the Tenements; or
- (8) without limiting sub-paragraphs (1) to (7) above:
 - (A) enters into, offers to enter into, agrees to enter into or announces any agreement for any transaction; or
 - (B) is otherwise affected by any transaction or proposal,

under which any third party would acquire any legal or economic interest in, or there would be any material diminution in, the rights granted under any Tenement; or

- (9) announces an intention to do any of the matters referred to in sub-paragraphs 10.2(d)(1) to 10.2(d)(8) above,

other than as fully and fairly disclosed by Demetallica in an ASX announcement prior to the Announcement Date

(e) **No prescribed occurrences**

During the period from the date on which the Bidder's Statement is given to the Demetallica and the end of the Offer Period (each inclusive), there is no Prescribed Occurrence.

(f) **No prescribed occurrences between the Announcement Date and date of the Bidder's Statement**

During the period from the Announcement Date to the date that is the day before the date of the Bidder's Statement (each inclusive), there is no Prescribed Occurrence.

10.3 **Conditions Generally**

Conditions are separate

Each of the conditions contained in Section 10.2 is a distinct and separate condition and shall not merge on completion of any contract arising from acceptance of this Offer.

Conditions Subsequent

Each of the conditions contained in Section 10.2 is a condition subsequent. The breach or non-fulfilment of such a condition shall not prevent a contract to purchase your shares arising from your acceptance of this Offer. However, if AIC Mines has not:

- (a) declared all Offers to be free from the conditions in Section 10.2 before the date applicable under section 650F(1) of the Corporations Act; and
- (b) the conditions Section 10.2 have not been fulfilled at the end of the Offer Period,

all contracts resulting from the acceptance of Offers and all acceptances that have not resulted in binding contracts are void. In such case, AIC Mines will return the Acceptance Form (if any), together with all documents forwarded by you to you, at the address provided by Demetallica in accordance with section 641(1) of the Corporations Act.

Benefit of conditions

Subject to the provisions of the Corporations Act, AIC Mines alone is entitled to the benefit of the conditions contained in Section 10.2 and any breach or non-fulfilment of any of those conditions may be relied upon only by AIC Mines, and AIC Mines may waive (generally or in respect of a particular event) the breach or non-fulfilment of that condition.

Freeing Offer from conditions

Subject to section 650F of the Corporations Act, AIC Mines may, at any time at its sole discretion, declare the Offer free from all or any of the conditions referred to in Section 10.2 by giving notice in writing to Demetallica. The notice may be given in relation to the conditions not later than seven days before the end of the Offer Period.

Status notice

The date for giving the notice required by section 630(3) of the Corporations Act on the status of the conditions to the Offer is the date seven days before the end of the Offer Period, subject to variation in accordance with section 630(2) of the Corporations Act if the period during which the Offer remains open for acceptance is extended.

10.4 **Offer Period**

Unless withdrawn or extended this Offer will remain open for acceptance by you during the period commencing on the Offer Date and ending at 7.00pm (Sydney time) on Monday, 7 November.

10.5 **How to accept this Offer**

Acceptance must be in respect of all Shares

You may accept this Offer in respect of all (but not less than all) of your Demetallica Shares.

Time for acceptance

You may accept this Offer at any time during the Offer Period.

Manner of acceptance

Issuer Sponsored Holdings

If your Shares are held in an Issuer Sponsored Holding (in which case your Securityholder Reference Number will commence with 'I'), to accept this Offer in respect of all of those Shares you must:

- (a) **complete** and sign the enclosed Acceptance Form in accordance with the instructions on it; and
- (b) **return** the Acceptance Form (using the enclosed reply-paid envelope if you wish), together with all other documents required by the instructions on it, so that they are received before the end of the Offer Period at one of the addresses indicated on the Acceptance Form.

CHESS Holdings

If your Shares are held in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), to accept this Offer in respect of all of those Shares you must either:

- (a) **instruct** your Controlling Participant, in accordance with the sponsorship agreement between you and the Controlling Participant, to initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Rules, so as to be effective before the end of the Offer Period (if you do this and your Controlling Participant follows those instructions, you do not need to complete and return the Acceptance Form); or
- (b) **complete, sign and return** the enclosed Acceptance Form (using the enclosed reply paid envelope if you wish) in accordance with the instructions on the Acceptance Form, together with all other documents required by those instructions, so that they are received before the end of the Offer Period at one of the addresses indicated on the Acceptance Form. This will authorise AIC Mines to initiate, or alternatively to instruct your Controlling Participant to initiate, acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Rules before the end of the Offer Period. You must ensure that the Acceptance Form (and the other required documents) are received in sufficient time for AIC Mines to give instructions to your

Controlling Participant, and for your Controlling Participant to carry out those instructions, before the end of the Offer Period.

However, if you are the Controlling Participant in respect of your Shares, to accept this Offer you must yourself initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Rules before the end of the Offer Period.

A reply-paid envelope is enclosed for shareholders with Australian addresses to return their completed Acceptance Form. Overseas shareholders should return their Acceptance Form by airmail.

The method chosen to deliver the Acceptance Form and other documents is at the risk of each accepting shareholder. Bidder may, however, in its sole discretion waive at any time, prior to the end of the Offer Period, all or any of those requirements.

If you have any questions about how to accept this Offer or need a replacement Acceptance Form, please call the Offer Information Line on 1300 528 219 (from within Australia) or +61 3 9415 4822 (from outside Australia). Alternatively, you may consult your Controlling Participant, broker or other financial or professional adviser.

Authority to accept Offer

When accepting this Offer, you should also ensure that if the accepting shareholder:

- (a) is a corporation, the Acceptance Form is signed by two directors, a director and company secretary, or by the sole director in the case of an Australian company with a sole director who is also the sole company secretary;
- (b) is deceased, the Acceptance Form is signed by the person or persons authorised to administer the estate of the deceased shareholder;
- (c) is one or two or more joint holders, all such holders sign the Acceptance Form; or
- (d) is accepting through an attorney under power:
 - (1) the power of attorney has not been revoked;
 - (2) the donor of the power of attorney has not died;
 - (3) the power of attorney has been validly executed;
 - (4) the power of attorney duly empowers the attorney to sign such a form; and
 - (5) the attorney duly signs the Acceptance Form.

10.6 AIC Mines Shares

AIC Mines Shares to be allotted under the terms of this Offer will be fully paid ordinary shares ranking equally in all respects from the date of their issue with the existing ordinary shares in AIC Mines.

AIC Mines has been admitted to the official list of the ASX and shares of the same class as those to be issued as consideration under this Offer have been granted official quotation by the ASX.

AIC Mines will apply to the ASX for official quotation of the AIC Mines Shares to be issued under the Offer within seven days after the date on which the Bidder's Statement is given to Demetallica.

In accordance with section 625(3) of the Corporations Act, the Offer is subject to a condition that application for admission to quotation of the AIC Mines Shares issued under the Offer is made within seven days after the date on which the Bidder's Statement is given to Demetallica and permission for admission to quotation will be granted no later than seven days after the end of the Offer Period. This condition may not be waived.

10.7 Entitlement to Offer

Offer made to holders of Shares

This Offer is made to you as the holder of the Demetallica Shares which are registered in your name in the register of members of Demetallica at 7.00pm (Sydney time) on the Register Date. If at any time during the Offer Period another person is or is entitled to be registered as the holder of some or all of those Demetallica Shares, then in accordance with section 653B(1)(a) of the Corporations Act:

- (a) an offer corresponding to this Offer is deemed to have been made to that person for the Demetallica Shares of which that person is, or is entitled to be, so registered as holder; and
- (b) this Offer is deemed to have been made to you for the remainder (if any) of the Demetallica Shares that were registered in your name at 7.00 pm (Sydney time) on the Register Date.

The Demetallica Shares in respect of which this Offer is made or deemed to be made to you, in accordance with this paragraph, are referred to in this document as "*your Demetallica Shares*" or "*your Shares*".

Shares held in separate parcels

If at any time during the Offer Period and before you accept this Offer, your Demetallica Shares to which this Offer relates consist of two or more separate and distinct parcels for the purposes of section 653B of the Corporations Act (for example because you are a trustee or nominee for several distinct beneficial owners), then in accordance with section 653B of the Corporations Act:

- (a) this Offer shall be deemed at that time to consist of separate and distinct corresponding offers made to you in relation to the respective separate and distinct parcels of Demetallica Shares; and
- (b) an acceptance by you of any of those separate and distinct corresponding offers is ineffective unless:
 - (1) you have given to AIC Mines notice indicating that your Demetallica Shares consist of separate and distinct parcels; and
 - (2) the acceptance indicates the number of Demetallica Shares in the separate and distinct parcels to which acceptance relates,

provided that you may at the one time, accept two or more such separate corresponding offers as if they were a single offer in relation to separate parcels of shares.

If this applies to you, call the Offer Information Line on 1300 528 219 (from within Australia) or +61 3 9415 4822 (from outside Australia), for such additional copies of this Bidder's Statement and Acceptance Form as are necessary.

Shares registered to a broker or other nominee

Beneficial owners whose Demetallica Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance and details as to whether they will impose service costs for their role in accepting this Offer.

10.8 Effect of Acceptance

By signing and returning an Acceptance Form in accordance with the procedures set out in Section 10.5 and the Instructions on the Acceptance Form, you will be deemed to have:

- (a) irrevocably accepted this Offer (and any variation of it) in accordance with its terms in respect of all of your Demetallica Shares;
- (b) subject to this Offer being declared free of the conditions set out in Section 10.2 or such conditions being fulfilled or waived, authorised the transfer of your shares to AIC Mines for the consideration specified in this Offer;
- (c) represented and warranted to AIC Mines that on the date of registration of the transfer of your Demetallica Shares to the Bidder, your Demetallica Shares shall be fully paid up and free from all mortgages, charges, liens and other encumbrances (whether legal or equitable) of any kind and that you have full power and authority to sell your Demetallica Shares to AIC Mines;
- (d) authorised AIC Mines (by its directors, officers, servants or agents) to complete on the Acceptance Form correct details of your Demetallica Shares, fill in any blanks remaining on the Acceptance Form and rectify any error in or omission from the Acceptance Form as may be necessary to make the Acceptance Form an effective acceptance of this Offer and enable registration of the transfer of your Demetallica Shares to AIC Mines;
- (e) in respect of any of your Demetallica Shares in a CHESS Holding to:
 - (1) initiate, or alternatively instruct your Controlling Participant to initiate, acceptance of this Offer in respect of all your Demetallica Shares in accordance with Rule 14.14 of the ASX Settlement Rules; and
 - (2) give any other instructions concerning your Demetallica Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant, as determined by AIC Mines (or its nominee) acting in its own interests as a beneficial owner and intended registered holder of your Demetallica Shares;and acknowledge that:
 - (3) with respect to sub-paragraph (1) above, AIC Mines (or its agents or nominees) will merely forward your Acceptance Form to your Controlling Participant (being the only person who can accept this Offer on your behalf) and that it is your responsibility to allow sufficient time for your Controlling Participant to initiate acceptance of this Offer;
 - (4) AIC Mines (or its agents or nominees) is not responsible for any delays incurred by the process described in sub-paragraph (2) above or any losses whatsoever you incur by the fact that your acceptance is not processed before the end of the Offer Period; and
 - (5) you must promptly give any further instructions or take any further actions necessary concerning your Demetallica Shares to your Controlling Participant

to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Rules prior to the end of the Offer Period.

- (f) authorised AIC Mines (by its directors, officers, servants or agents) to alter the number of Demetallica Shares said to be held by you if it is otherwise than as set out in the enclosed Acceptance Form;
- (g) represented and warranted to AIC Mines, and agreed with AIC Mines that your Demetallica Shares will be purchased by AIC Mines with all Rights and that you will execute all such instruments as may be required for the purpose of vesting in it any such Rights;
- (h) irrevocably authorised and directed Demetallica to pay to AIC Mines or to account to AIC Mines for all Rights, subject however to any such Rights received by AIC Mines in the event that this Offer is withdrawn or the contract resulting from your acceptance of this Offer is rendered void;
- (i) except where Rights have been paid or accounted for under paragraph 10.8(g), irrevocably appointed AIC Mines and its directors from time to time jointly and severally as your attorney in your name and on your behalf, with effect from the Offer Date, or any contract resulting from your acceptance of this Offer, becomes unconditional, to execute all such instruments as AIC Mines may require for the purpose of vesting in it any such Rights;
- (j) represented and warranted to AIC Mines that, unless you have notified in accordance with Section 10.7 (Shares held in separate parcels), your Demetallica Shares do not consist of separate parcels of Demetallica Shares;
- (k) upon this Offer or any contract resulting from your acceptance of this Offer becoming unconditional, have irrevocably appointed each of AIC Mines and each of the directors of AIC Mines from time to time jointly and each of them severally as your attorney to:
 - (1) attend and vote (and otherwise participate) in respect of your Demetallica Shares at any and all general meetings of Demetallica, to receive notices of all such meetings and to requisition or join with other holders of Demetallica Shares in requisitioning or to convene or to join with other holders of Demetallica Shares in convening a general meeting or general meetings of Demetallica;
 - (2) demand a poll for any vote to be taken at any meeting of Demetallica Shareholders;
 - (3) propose or second any resolutions to be considered at any and all meetings of Demetallica Shareholders;
 - (4) complete and execute all forms, notices, instruments (including instruments appointing AIC Mines or a director of AIC Mines as a proxy or representative in respect of any of those Demetallica Shares), transfers (including further transfers of any of those Demetallica Shares to any person) and resolutions relating to those Demetallica Shares and generally to exercise all powers and rights which you may have as the registered holder or beneficial owner thereof;
 - (5) request Demetallica to place AIC Mines on its register of Shareholders as the holder of any Demetallica Shares which you hold on any register of Demetallica;
 - (6) generally to exercise all your powers and rights in relation to your Demetallica Shares; and

- (7) have agreed that in exercising the powers conferred by that power of attorney AIC Mines and any such director shall be entitled to act in the interests of AIC Mines as the beneficial owner and intended registered holder of your Demetallica Shares.

Effect if Rights not received by Bidder

If, for any reason, AIC Mines does not receive any Rights referred to in paragraph 10.8(g), AIC Mines will be entitled to reduce the amount of consideration payable in accordance with this Offer by the amount of value (as reasonably assessed by AIC Mines) of such Rights.

Invalid acceptance

If you comply with some but not all, of the requirements for acceptance, AIC Mines may in its absolute discretion treat the Acceptance Form as valid despite your failure to comply with all requirements.

Partially valid acceptance

Where the requirements for acceptance have been complied with in respect of some but not all of the Demetallica Shares, AIC Mines may in its sole discretion deem your acceptance of this Offer complete in respect of those Demetallica Shares for which the requirements have been complied with (**Relevant Shares**) but not in respect of the remainder, despite any other terms of this Offer. In that event, AIC Mines must provide the consideration of the Relevant Shares but not any of the other Demetallica Shares you may hold, notwithstanding any other terms of this Offer.

Indemnity, undertakings and authorisations

AIC Mines will indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Section 10.8. This appointment, being given for valuable consideration to secure the interest acquired in your Demetallica Shares, is irrevocable and terminates upon registration of a transfer to AIC Mines of your Demetallica Shares and you will be deemed to have:

- (a) agreed not to attend or vote in person at any general meeting of Demetallica or to purport to exercise any of the powers conferred on AIC Mines or its nominee in Section 10.8(k) above;
- (b) agreed to indemnify AIC Mines in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or your Securityholder Reference Number or in consequence of the transfer of your Demetallica Shares being registered by Demetallica without production of your Holder Identification Number or your Securityholder Reference Number for your Demetallica Shares; and
- (c) authorised AIC Mines to notify Demetallica on your behalf that your place of address for the purpose of serving notices upon you in respect of your Demetallica Shares in respect of which you have accepted this Offer is at the address of AIC Mines as specified by AIC Mines the notification, and that all such notices are to be marked care of AIC Mines and to have directed Demetallica to serve all correspondence, payments or notifications in respect of any Rights and other communications and documents whatsoever in respect of those Demetallica Shares to AIC Mines at that address.

Duration of authorisations and undertakings

The undertakings and authorities referred to in this Section 10.8 will (unless otherwise this document) remain in force after you receive the consideration for your Demetallica Shares acquired by AIC Mines and after AIC Mines becomes registered holder of them.

10.9 Provision of Consideration

Form of consideration

The consideration for the acquisition of your Demetallica Shares under the Offer is to be satisfied wholly by the issue of AIC Mines Shares.

Form and timing of payment

Subject to this Section 10.9, AIC Mines shall provide the consideration for your Demetallica Shares on or before the earlier of:

- (a) 21 days after the expiry of the Offer Period; or
- (b) One month after the later of your acceptance and the date the Offer becomes unconditional.

The obligation of AIC Mines to issue and allot any AIC Mines Shares to you to which you are entitled under the Offer will be satisfied by AIC Mines:

- (a) entering your name on the register of members of AIC Mines; and
- (b) dispatching or procuring the dispatch to you of an uncertificated holding statement as set forth in Section 10.10 "Dispatch of AIC Mines Shares".

10.10 Dispatch of AIC Mines Shares

Subject to this Section 10, a Holding Statement in respect of the AIC Mines Shares to which you will become entitled by accepting this Offer will be posted to you at your risk by ordinary mail addressed to you at your address as shown in the Acceptance Form, or such other address as you may notify in writing to AIC Mines.

10.11 Foreign Shareholders

If you are a resident of a jurisdiction other than Australia and its external territories, or your address shown in Demetallica's register of members is a place outside Australia and its external territories, or you are acting on behalf of such a person then you are an **"Ineligible Foreign Shareholder"**.

If, at the time of acceptance of this Offer, you are resident in or of a place outside Australia, you will not be entitled to receive any consideration under this Offer until all requisite authorities or clearances of the Reserve Bank of Australia (whether under the *Banking (Foreign Exchange) Regulations 1959* (Cth) or otherwise), or of the Australian Taxation Office, have been obtained.

- (a) If you are an Ineligible Foreign Shareholder then unless AIC Mines otherwise determines that:
 - (1) it is lawful and not unduly onerous or not unduly impractical to make the Offer to you and to issue you with AIC Mines Shares on acceptance of the Offer; and
 - (2) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia, and its external territories,

then you will not be entitled to receive AIC Mines Shares as part of the consideration for your Demetallica Shares. AIC Mines may seek legal advice as to the ability to issue AIC Mines Shares to various Ineligible Foreign Shareholders in particular foreign jurisdictions, depending on a number of factors, including the number of Demetallica Shares held by those Ineligible Foreign Shareholders.

- (b) If AIC Mines does not make a determination that particular Foreign Shareholders can be issued AIC Mines Shares, then by reason of acceptance of the Offer by such Ineligible Foreign Shareholders, AIC Mines will:
- (1) arrange for the allotment to a nominee for all accepting Ineligible Foreign Shareholders approved by ASIC (**Nominee**) of the AIC Mines Shares to be issued in accordance with the Offer to which you and all other Ineligible Foreign Shareholders would have been entitled but for this Section 10.11 (**Ineligible Foreign Shareholders**);
 - (2) cause the Nominee to offer for sale those AIC Mines Shares within five Business Days after the end of the Offer Period in the manner, at the price and on other terms as are determined by the Nominee; and
 - (3) pay to you the amount ascertained in accordance with the following formula:

$$\text{Proceeds of sale} \times \frac{A}{B}$$

where:

- **proceeds of sale** is the amount which is received by the nominee upon the sale of all AIC Mines Shares under this section less brokerage and other sale expenses;
 - A is the number of AIC Mines Shares which AIC Mines would otherwise be required to procure to be issued to you as a result of your acceptance of the Offer; and
 - B is the total number of AIC Mines Shares issued to the nominee under this Section 10.11.
- (c) Payment will be made by cheque in Australian currency. The cheque will be sent to you at your risk by pre-paid air-mail to your address as shown on the copy of the Demetallica register maintained by AIC Mines. Under no circumstances will interest be paid on the proceeds of this sale, regardless of any delay in remitting these proceeds to you.
- (d) Despite anything else contained in this Bidder's Statement, AIC Mines is under no obligation to spend any money, or undertake any action, in order to satisfy itself of the eligibility of Foreign Shareholders to receive AIC Mines Shares.

10.12 Withdrawal

Power to withdraw

Subject to compliance with section 652B of the Corporations Act, AIC Mines may only withdraw this Offer with the written consent of ASIC which consent may be given subject to such conditions (if any) as are specified in the consent of ASIC. If this happens, AIC Mines will comply with any conditions imposed by ASIC and send a notice of withdrawal to ASX and Demetallica and to each person to whom the Offer has been made at their address as set out in the register of members of Demetallica.

Effect of withdrawal

If, at the time this Offer is withdrawn, all conditions in Section 10.2 have been freed and all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.

If this Offer is withdrawn, the Offer remains subject to one or more conditions in Section 10.2, all contracts arising from its acceptance become void.

10.13 Extension of Offer Period

AIC Mines may at any time, and from time to time, vary this Offer by extending the Offer Period, in accordance with section 650C of the Corporations Act.

10.14 Variation

AIC Mines reserves the right to vary this Offer in accordance with the provisions of section 650D of the Corporations Act.

11. Additional Information

11.1 Rights and liabilities attaching to AIC Mines Shares

From their date of issue, the AIC Mines Shares to be issued pursuant to the Offer will rank equally with the existing AIC Mines Shares.

The rights and restrictions attaching to AIC Mines Shares are set out in AIC Mines' Constitution and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules and general law. Under section 140(1) of the Corporations Act, the Constitution of AIC Mines has effect as a contract between AIC Mines and each member and between a member of AIC Mines and each other member. Accordingly, if Demetallica Shareholders accept the Offer and are allotted AIC Mines Shares as consideration, they will become contractually bound to comply with the constitution of AIC Mines.

A summary of the principal rights attaching to AIC Mines Shares based is set out below. It does not purport to be exhaustive or to constitute a definitive statement of the rights attaching to AIC Mines Shares. Such rights involve complex questions of law arising from interaction of the Constitution and statutory and common law requirements. Shareholders should seek their own advice when trying to establish their rights in specific circumstances.

Shares

Shares in AIC Mines can be issued with preferred, deferred or other special rights, privileges or conditions in relation to dividends, voting, return of share capital or otherwise, as determined by AIC Mines' Board from time to time. The AIC Mines' Board may allot, issue, cancel or otherwise dispose of shares to any persons, on any terms and conditions, at that issue price and at those times as the AIC Mines Board thinks fit.

The AIC Mines Board has full power to give any person a call or option over any shares during any time and for any consideration as the Directors think fit.

Alteration of rights

Subject to the Corporations Act and the ASX Listing Rules, all or any of the rights and privileges attached to any class of shares (unless otherwise provided by the terms of issue of shares of that class) may be varied or cancelled by the AIC Mines Board. This includes by converting or reclassifying shares from one class to another. Variation or cancellation of shares by the AIC Mines Board will be with the written consent of shareholders with at least 75% of the shares issued in that class, or with the approval of a special resolution passed at a meeting of holders of the shares of that class.

Forfeiture and lien

AIC Mines has a first and paramount lien on every share for unpaid calls and instalments on those shares. If the shares were acquired under an employee incentive scheme, any amount owing to the Company for acquiring those shares and any amount the Company is required by law to pay (and has paid) in respect of the share of a shareholder or deceased shareholder.

A lien extends to reasonable interest at any rates the AIC Mines Board may determine, and expenses incurred because the amount is not paid.

The Company's lien on a share extends to all distributions and other monies payable for or in respect of the share, including the proceeds of sale of the share. The Company may deduct or set-off against any distributions or other monies subject to the Company's lien any monies due and payable to the Company.

Share transfers

Subject to the AIC Mines Constitution, the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules, a shareholder may transfer all or any shares by a transfer document duly stamped (if necessary) and delivered to the Company.

The transfer document must be in writing in the usual or common form or in any other form as the AIC Mines Board may determine or, in particular circumstances, agree to accept and must be signed by or on behalf of the transferor or as otherwise permitted by the Corporations Act.

Meeting procedure

Notice of every annual general meeting, general meeting or meeting of any class of shareholders must be given in the manner provided by the AIC Mines Constitution and the Corporations Act to the shareholders and those persons who are otherwise entitled to receive notices. Two shareholders who are entitled to vote on a resolution at the meeting must be present to constitute a quorum for a general meeting. If a quorum is not present within 30 minutes, any meeting convened on a requisition of shareholders is dissolved and any other meeting stands adjourned to the same day in the next week at the same time and place, or to any other day, time and place as the AIC Mines Board may appoint by notice to the shareholders.

The AIC Mines Board may convene a general meeting of the Company whenever they think fit.

Voting rights

Each shareholder has the right to receive notices of, and to attend, general meetings of AIC Mines.

Subject to the AIC Mines Constitution, the ASX Listing Rules and the rights or restrictions on voting which may attach to or be imposed on any class of shares, on a show of hands every shareholder present or who has cast a direct vote (including each holder of preference shares who has a right to vote) will have one vote. On a poll every shareholder present or who has cast a direct vote (including each holder of preference shares who has a right to vote) will have one vote for each fully paid share held by that shareholder and a fraction of a vote for each partly paid share.

Voting may be in person or by proxy, attorney or representative.

Remuneration of directors

Subject to AIC Mines' Constitution and the ASX Listing Rules, the Company in general meeting may from time to time determine the maximum aggregate remuneration to be provided to or for the benefit of the non-executive directors of AIC Mines for services rendered.

The Company may provide the remuneration in cash and/or in the form of non-cash benefits (to the extent determined by the AIC Mines Board). The directors may determine and fix the value of any non-cash benefits. Directors are also entitled to travel, accommodation and other expenses incurred in attending board meetings, any committee meetings or any company general meetings or otherwise in connection with the Company's business.

Material Person Interest

Subject to the Corporations Act and the ASX Listing Rules, a director is disallowed from voting on any contract or arrangement in which he or she has directly or indirectly a material personal interest. However, that Director may execute or otherwise act in respect of that contract or arrangement.

11.2 **Material contracts**

AIC Mines has numerous contracts in connection with its mining operations (including supply of fuel, explosives, mining development, tailings dam construction, concentrate haulage and concentrate offtake) and its exploration activities (joint ventures) none of which are presently considered material and/or outside of the ordinary course of business and otherwise have been disclosed previously by AIC Mines to the ASX.

11.3 **Brokerage**

If your Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to AIC Mines, you will not incur any brokerage in connection with your acceptance of the Offer.

If your Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.

11.4 **Other benefits**

During the four months prior to the date of this Bidder's Statement, AIC Mines nor any of their associates gave, offered to give, or agreed to give another person a benefit which was likely to induce the other person, or an associate of the other person, to:

- (a) accept an Offer under the bid; or
- (b) dispose of Shares,

that was not offered to all holders of Demetallica Shares under the Offer.

11.5 **ASIC Matters**

(a) **Class Orders**

ASIC has published various "Class Order" instruments providing for modifications and exemptions that apply generally to all persons, including AIC Mines, in relation to the operation of Chapter 6 of the Corporations Act. AIC Mines may rely on this class order relief.

AIC Mines has relied on the modification to section 636(3) of the Corporations Act set out in paragraph 11 of ASIC Class Order 13/521 "Takeover Bids" to include references to certain statements by AIC Mines, Demetallica and other persons in this Bidder's Statement without obtaining the consent of those persons.

As required by Class Order 13/521, AIC Mines will make available a copy of the documents containing these statements (or relevant extracts from these documents) free of charge to Demetallica Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts), Demetallica Shareholders may contact AIC Mines by sending an email to info@aicmines.com.au.

(b) **Approval of nominee**

AIC Mines has also relied on the modification to section 619(3) of the Corporations Act as set out in paragraph 4 of ASIC Class Order 13/521 in relation to the appointment of a nominee in respect of the Foreign Shareholders.

AIC Mines will cause an entity to be appointed either before or after the date of this Bidder's Statement, with the prior approval of ASIC, to act as the nominee appointed AIC Mines in relation to the Offer for the sales referred to in Section 10.11.

11.6 AIC Mines is a disclosing entity

Due to the fact that AIC Mines is offering AIC Mines Shares as consideration for the acquisition of Demetallica Shares, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of AIC Mines Shares under sections 710 to 713 of the Corporations Act. AIC Mines does not need to issue a prospectus for the Offer of the AIC Mines Shares as the Offer is occurring under a takeover bid.

AIC Mines is a disclosing entity (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, AIC Mines is required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of AIC Mines Shares.

AIC Mines Shares are continuously quoted securities. In general terms, where AIC Mines Shares are continuously quoted securities the Bidder's Statement is only required to contain information in relation to the effect of the Offer on AIC Mines and the rights and liabilities attaching to the AIC Mines Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of AIC Mines unless such information has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and it is information:

- (a) that investors and their professional advisors would reasonably require for the purposes of making an informed assessment of such matters; and
- (b) relating to the rights and liabilities attaching to the AIC Mines Shares.

Information that is already in the public domain has not been reported in this Bidder's Statement other than that information which is considered necessary to make this Bidder's Statement complete.

AIC Mines, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to AIC Mines (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an ASIC office; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
 - (1) the financial statements of AIC Mines for the six months ended 30 June 2022 (being the annual financial report most recently lodged by AIC Mines with ASIC);
 - (2) the financial statements of AIC Mines for the financial year ended 31 December 2021; and
 - (3) all continuous disclosure notices given by AIC Mines after the lodgement of that annual financial report with ASIC and before the lodgement of this Bidder's Statement with ASIC.

Requests for free copies of these documents may be made by emailing AIC Mines on info@aicmines.com.au.

Copies of all documents lodged with ASIC and referred to in this Bidder's Statement can be inspected at the registered office of AIC Mines during normal office hours. AIC Mines also has a web-site, www.aicmines.com.au which includes a wide range of information on AIC Mines (including copies of the above documents) and its activities. A list of announcements made by AIC Mines on ASX between 30 June 2022 and the date of this Bidder's Statement, appears in Schedule 2.

Demetallica Shareholders are encouraged to monitor announcements made to the ASX after the date of this Bidder's Statement for updates regarding AIC Mines and its activities.

11.7 Corporate Governance

The AIC Mines Group has adopted corporate governance policies (**Corporate Governance Policies**) in order to implement and maintain a culture of good corporate governance practices both internally and in its external dealings. In adopting the Corporate Governance Policies the AIC Mines Board is mindful of the Revised Corporate Governance Principles and Recommendations (Fourth edition) published by the ASX (**ASX Guidelines**).

The Corporate Governance Policies are available in the corporate governance section of AIC Mines web-site at www.aicmines.com.au/investors/corporate-governance/

11.8 Interests of AIC Mines Directors in AIC Mines Shares

The table below shows the interests of the directors of AIC Mines in AIC Mines Shares at the date of this Bidder's Statement. All percentages are shown based on an undiluted position.

Name	Number of AIC Mines Shares held prior to Offer	% of AIC Mines Shares held prior to Offer
Josef-El-Raghy	33,174,710	10.62%
Aaron Colleran	10,000,000	3.20%
Brett Montgomery	1,167,858	0.37%
Tony Wolfe	-	-
Jon Young	507,143	0.16%

11.9 Remuneration of AIC Mines Directors

The Constitution of the Company provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting (which is currently \$750,000 per annum).

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. Directors may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties. Details of remuneration (including any contingent or deferred compensation) and benefits provided to Directors and their associated entities during the past three reporting periods is as follows:

1 January 2020 to 31 December 2020				
Directors	Fees/Salaries \$	Superannuation \$	Other \$	Total \$
Josef El-Raghy	60,000	5,700	-	65,700
Aaron Colleran	249,485	21,348	86,820	357,653

Brett Montgomery	40,000	3,800	-	43,800
Tony Wolfe	43,800	-	-	43,800
Jon Young	-	-	-	-

1 January 2021 to 31 December 2021				
Directors	Fees/Salaries \$	Superannuation \$	Other \$	Total \$
Josef El-Raghy	60,000	5,850	-	65,850
Aaron Colleran	532,369	22,631	135,995	690,995
Brett Montgomery	45,000	4388	-	49,388
Tony Wolfe	43,900	-	-	43,900
Jon Young	6,667	666	-	7,333

1 January 2022 to 30 June 2022				
Directors	Fees/Salaries \$	Superannuation \$	Other \$	Total \$
Josef El-Raghy	30,000	3,000	-	33,000
Aaron Colleran	238,216	11,784	316,251	566,250
Brett Montgomery	22,500	2,250	-	24,750
Tony Wolfe	22,000	-	-	22,000
Jon Young	20,000	2,000	-	22,000

11.10 Disclosure of fees or benefits received by certain persons

Except as set out in this Bidder's Statement, no person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement holds, or held at any time during the last two years, any interest in:

- (a) the formation or promotion of AIC Mines;
- (b) property acquired or proposed to be acquired in AIC Mines in connection with its formation or promotion or the Offer; or
- (c) the Offer of AIC Mines Shares.

Except as set out in this Bidder's Statement, no person has paid or agreed to pay an amount and no person has given or agreed to give any benefit to any person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement for services provided in connection with the formation or promotion of AIC Mines or the Offer.

HopgoodGanim Lawyers has acted as legal advisor to AIC Mines in relation to the Offer. Professional fees of approximately \$60,000 are expected to be payable to HopgoodGanim Lawyers in connection with the Offer.

Argonaut PCF has acted as financial advisor to AIC Mines in relation to the Offer. The fee for professional services expected to be payable to Argonaut PCF in connection with the Offer (subject to a discretionary element) is up to approximately \$1,000,000.

A wholly owned subsidiary of Argonaut PCF acted as a joint lead manager to the initial public offering of Demetallica. Further information regarding the role and the fees payable is available in the Demetallica Prospectus.

A wholly owned subsidiary of Argonaut PCF acted as a joint lead manager to the AIC Mines offer of 160,000,000 shares at an issue price of \$0.25 to raise up to \$40,000,000 completed on 26 October 2021. Further information regarding the role and the fees payable is available in the AIC Mines prospectus dated 27 September 2021 and lodged with ASIC on that date.

11.11 Consents

The following persons have given and have not, before the date of this Bidder's Statement, withdrawn their consent to the following in this Bidder's Statement in the form and context in which it appears, and to all references in this Bidder's Statement to that information in the form and context in which it appears:

- (a) HopgoodGanim Lawyers, to be named as legal advisor to AIC Mines;
- (b) Argonaut PCF, to be named as financial advisor to AIC Mines;
- (c) Computershare Investor Services Pty Ltd, to be named as the Share Registry.

To the maximum extent permitted by law, HopgoodGanim Lawyers, Computershare Investor Services Pty Ltd expressly disclaim and take no responsibility for any part of this Bidder's Statement, other than a reference to their respective names.

11.12 JORC compliance statement

Full details of the Eloise Copper Mine Mineral Resource and Ore Reserve estimate contained in this Bidder's Statement are provided in AIC Mines' ASX announcement dated 22 August 2022 and titled "Increase in Mineral Resources and Ore Reserves at Eloise Copper Mine".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and the Company confirms that all material assumptions and technical parameters underpinning the mineral resource and ore reserve estimates in the relevant market announcement continue to apply and have not materially changed.

AIC Mines has not independently verified the information relating to Demetallica's Mineral Resources contained in this Bidder's Statement. Please refer to Demetallica's Prospectus for further details and for the Competent Person's Statement relating to Demetallica's Mineral Resources.

11.13 Stock exchange announcements

A list of announcements made by AIC Mines to the ASX between 30 June 2022 and the date of this Bidder's Statement is set out in Schedule 2. This information may be relevant to your assessment of the Offer. Copies of the announcements are available from the ASX or at www.aicmines.com.au/investors/company-announcements/.

11.14 Offering language for particular Foreign Shareholders / Notice to shareholders resident outside Australia

This Bidder's Statement and the Offer do not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular this Bidder's Statement may not be distributed to

any person, and the AIC Mines Shares may not be offered or sold, in any country outside Australia except to existing AIC Mines shareholders.

11.15 Further information

Further information about AIC Mines can be found on AIC Mines' website www.aicmines.com.au.

11.16 Other material information

Except as disclosed in this Bidder's Statement, there is no other material information known to AIC Mines which is material to the making of the decision by a Demetallica shareholder as to whether to accept the Offer.

The Corporations Act only requires that AIC Mines disclose information which is as up to date as is reasonable in the circumstances. Further, AIC Mines is not required to disclose information in this Bidder's Statement if it would be unreasonable to require AIC Mines to do so because the information had previously been disclosed to holders of AIC Mines Shares.

11.17 Costs and expenses

All costs and expenses of the preparation and circulation of this Bidder's Statement and the Offer contained within, and all transfer duty payable on transfer of your Demetallica Shares will be paid by AIC Mines.

11.18 Governing Law

This Bidder's Statement and Offer and any contract that results from your acceptance of this Offer are governed by the laws in force in Queensland.

12. Definitions and Interpretations

12.1 Defined Terms

In this Offer, the following words have these meanings unless the contrary intention or the context otherwise requires:

Acceptance Form means the form of acceptance and transfer enclosed with this Bidder's Statement and forms part of the Offer (the Instructions on which are for guidance only and do not form part of this Offer).

AIC means All-in Cost.

AIC Mines or **Company** or **Bidder** means AIC Mines Limited (ACN 060 156 452).

AIC Mines Group or **Group** means AIC Mines and its Subsidiaries.

AIC Mines Shareholder means a holder of AIC Mines Shares.

AIC Mines Shares means ordinary fully paid shares in AIC Mines.

AISC means All-in Sustaining Cost.

Announcement Date means the date on which the Offer was announced to ASX by AIC Mines, namely 19 September 2022.

ASIC means Australian Securities and Investments Commission.

ASTC means the ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532), the body which administers CHESS.

ASTC Settlement Rules means the settlement rules of ASTC.

ASX means ASX Limited.

ASX Listing Rules means the Official Listing Rules of ASX.

A\$ or \$ means Australian dollars.

Bid or Takeover Bid means an off-market bid by AIC Mines for all Demetallica Shares under Chapter 6 of the Corporations Act.

Bidder's Statement or **Statement** means this document, being the statement of AIC Mines including any supplementary bidder's statements, under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

Board of Demetallica or **Demetallica's Board** means the board of directors of Demetallica.

Board of AIC Mines or **AIC Mines' Board** means the board of directors of AIC Mines.

Broker means a member organisation admitted to participate in the CHESS under the ASTC Settlement Rules.

Business Day means a day on which banks are open for business in Brisbane excluding a Saturday, Sunday or public holiday.

CGT means Capital Gains Tax.

CHES means Clearing House Electronic Subregister System, which provides for the electronic transfer of securities in Australia.

CHES Holding means a holding of Shares on the CHES Subregister of Demetallica.

CHES Subregister has the meaning set out in the ASTC Settlement Rules.

Combined Group means AIC Mines and its affiliated companies (including Demetallica and Demetallica's subsidiaries) which will exist as a result of the takeover bid as constituted by this Offer, should the Offer be 100% successful.

Controlling Participant has the meaning given in the ASX Settlement Rules, and is usually a person, such as a broker, with whom you have a sponsorship agreement (within the meaning of the ASX Settlement Rules).

Corporations Act means the *Corporations Act 2001* (Cth).

Demetallica or **Target** means Demetallica Limited ACN 061 595 051.

Demetallica Group means Demetallica and its Subsidiaries.

Demetallica Options means the JLM Options and the Zero Exercise Price Options.

Demetallica Performance Rights means the performance rights as described in Section 5.6.

Demetallica Prospectus means the prospectus for an offer of up to a total of 60 million Shares at an issue price of \$0.25 per Share to raise up to \$15 million dated 8 April 2022 and lodged with the ASIC on that date.

Demetallica Shareholder means a holder of Demetallica Shares.

Demetallica Shares or **Shares** means the issued fully paid ordinary shares in the capital of Demetallica and includes all Rights attaching to them and the term Demetallica Share or Share shall have a corresponding meaning.

Demetallica's Target Statement means the Target's Statement to be issued by Demetallica in response to this Bidder's Statement as required under the Corporations Act.

Directors means the directors of Demetallica from time to time.

Encumbrance means an interest or power:

- (a) reserved in or over any interest in any asset including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above.

Foreign Shareholder has the meaning set out in Section 10.11.

FY means financial year.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state.

Holder Identification Number means the number used to identify a Shareholder on the CHES Subregister of Demetallica.

Ineligible Foreign Shareholders has the meaning given in Section 10.11.

Instructions means those instructions on how to accept the Offer set out more particularly on the Acceptance Form.

Issuer Sponsored Holding means a holding of Shares on the Issuer Sponsored Subregister of Demetallica.

Issuer Sponsored Subregister has the meaning given in the ASX Settlement Rules.

JLM Options means the options to subscribe for Demetallica Shares issued to joint lead managers of the Demetallica initial public offering, on completion of the Demetallica ASX listing exercisable at 37.5 cents and expiring on 26 May 2026

JV Interest Sale Agreement means the agreement between Demetallica, its wholly owned subsidiary Levuka and OZ Exploration Pty Ltd ACN 137 626 914 (OZ) whereby OZ agreed to sell its legal and beneficial interest in the Jericho JV interest (OZ's 80% right, title and interest in the Jericho JV Area and the Jericho Mining Information); and the Eloise JV interest (OZ's 70% right, title and interest in the Eloise JV Area and the Eloise Mining Information) to Demetallica as set out in Section 5.3 of this Bidder's Statement and as described in the Demetallica Prospectus.

Offer means the Bidder's offer to acquire Demetallica Shares as contained in Section 10 of this Bidder's Statement.

Offer Date means the date on which the Offer was first made to shareholders of Demetallica, namely 5 October 2022.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with Section 10.4 of this Bidder's Statement.

OZ Minerals means OZ Minerals Limited (ACN 005 482 824).

Prescribed Occurrence means the occurrence of any of the following:

- (a) Demetallica converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) Demetallica or a Subsidiary of the Demetallica resolves to reduce its share capital in any way;
- (c) Demetallica or a Subsidiary of Demetallica enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) Demetallica or a Subsidiary of Demetallica issues shares (other than as a result of the exercise of Options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) Demetallica or a Subsidiary of the Target issues, or agrees to issue, convertible notes;
- (f) Demetallica or a Subsidiary of Demetallica disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Demetallica or a Subsidiary of Demetallica charges, or agrees to charge, the whole, or a substantial part, of its business or property;

- (h) Demetallica or a Subsidiary of Demetallica resolves to be wound up;
- (i) a liquidator or provisional liquidator of Demetallica or of a Subsidiary of Demetallica is appointed;
- (j) a court makes an order for the winding up of Demetallica or of a Subsidiary of Demetallica;
- (k) an administrator of Demetallica or of a Subsidiary of Demetallica is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Demetallica or a Subsidiary of Demetallica executes a deed of company arrangement;
or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Demetallica or a Subsidiary of Demetallica.

Public Authority means any federal, provincial, state or other government, governmental or public department, court, tribunal, administrative, statutory or judicial entity, arbitral body, securities commission or stock exchange (such as ASX).

Register means the Register of Demetallica Shareholders maintained by Demetallica in accordance with the Corporations Act.

Register Date means 7.00pm (Sydney time) on 20 September 2022 being the time and date set by the Bidder under section 633(2) of the Corporations Act.

Regulatory Approvals means any consent, registration, filing, agreement, notarisation, certificate, licence, approval, permit, authority or exemption from, by or with a Governmental Agency necessary to implement the Offer.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from Demetallica Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared or paid by Demetallica or any of its subsidiaries.

Sandfire Resources means Sandfire Resources Limited (ACN 105 154 185).

Securityholder Reference Number means the number allocated by Demetallica to identify a Shareholder on the Issuer Sponsored Subregister of Demetallica.

Specified Amount means \$1,000,000.

Subsidiary shall have the meaning ascribed to it in the Corporations Act.

Takeovers Panel means the takeovers panel having powers under Part 6.10 of the Corporations Act.

Target's Statement shall have the meaning given to it in the Corporations Act.

Tenements means the Demetallica Group tenements as listed in the quarterly report for the period ended 30 June 2022 as announced by Demetallica to the ASX on 22 July 2022 and any other tenement in respect of which a member of the Demetallica Group holds any right title or interest.

VWAP means the volume weighted average price.

Zero Exercise Price Options means the options to subscribe for Demetallica Shares issued to employees of Demetallica under employee short term and long term incentive scheme and vesting on achievement of individual KPIs within the period to 30 June 2023 (short term) and 30 June 2025 (long term).

12.2 Interpretation

Terms used in this Bidder's Statement and Offer have the meaning (if any) given to them in Chapter 6 of the Corporations Act unless that meaning is inconsistent with the context in which the term is used.

In this Offer unless the context otherwise requires:

- (a) headings are for convenience of reference only and do not affect the meaning of the sections they introduce;
- (b) the singular includes the plural and vice versa;
- (c) words importing any gender include all other genders;
- (d) references to persons include corporations;
- (e) appendices and annexures to this Offer form part of this Offer;
- (f) references to paragraphs are to paragraphs in this Offer; and
- (g) references to "dollar" or "\$" are references to Australian currency.

Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution passed by the directors of AIC Mines.

Dated 19 September 2022



Aaron Collieran
Managing Director

Schedule 1 Corporate Directory – AIC Mines

Directors	Registered Office
Josef El-Raghy, Chairman Aaron Colleran, Managing Director and CEO Brett Montgomery, Non-Executive Director Tony Wolfe, Non-Executive Director Jon Young, Non-Executive Director	A8 345 Roberts Road Subiaco WA 6008 Telephone: 08 6269 0110 Facsimile: 08 6230 5176 Email: info@aicmines.com.au
Company Secretary	Share registry
Linda Hale	Computershare Investor Services Pty Limited 452 Johnston St, Yarra Falls, Abbotsford VIC 3067
Financial Adviser to the Company	Legal Adviser to the Company
Argonaut PCF Limited Level 30, Allendale Square 77 St Georges Terrace PERTH WA 6000	HopgoodGanim Lawyers Level 8, Waterfront Place 1 Eagle Street Brisbane Queensland 4000
Stock Exchange	Website
AIC Mines Limited shares are listed on the Australian Securities Exchange (ASX). ASX Code: A1M	www.aicmines.com.au

If you have any questions about the Offer or this document or about how to accept the Offer, please call the **Offer Information Line** on 1300 528 219 (from within Australia) or +61 3 9415 4822 (from outside Australia)

Schedule 2 ASX announcements released by AIC Mines since 30 June 2022

Date	Heading
15/09/2022	Drilling Commences at the Marymia Gold and Copper Project
07/09/2022	Change of Directors Interest Notice
07/09/2022	Notification regarding unquoted securities – A1M
26/08/2022	Revised Share Trading Policy
26/08/2022	Milestone Payment to Rumble Resources & Cleansing Notice
26/08/2022	Application for quotation of securities - A1M
26/08/2022	Appendix 4G 2022
26/08/2022	Appendix 4E and Annual Report 2022
25/08/2022	Proposed issue of securities - A1M
22/08/2022	Increase in Mineral Resources and Ore Reserves at Eloise
8/08/2022	Exploration Update - Lamil Project
3/08/2022	Drilling Results from Eloise - Macy Deposit
26/07/2022	Change of Directors Interest Notice
26/07/2022	Cleansing Notice
26/07/2022	Application for quotation of securities - A1M
26/07/2022	Application for quotation of securities - A1M
20/07/2022	Quarterly Activities Report
13/07/2022	Investor Presentation