



TARGET'S STATEMENT

DEMETALLICA LIMITED
ACN 061 595 051

In response to the offer by AIC Mines Limited (ACN 060 156 452) to acquire all of your ordinary shares in Demetallica Limited:

The Directors of Demetallica unanimously recommend, in the absence of a superior proposal, that you

REJECT

the Offer from AIC Mines.

IMPORTANT NOTICE

This is an important document and requires your immediate attention. If you do not understand it or are in doubt as to how to act, you should consult your legal, financial or other professional adviser immediately. If you have recently sold all your Demetallica Shares, please disregard this document.

Demetallica Shareholders who require assistance may call the Company Secretary on +61 8 8132 3458 at any time between 8:30am and 4:30pm (AEDT) on Monday to Friday.

Corporate Advisor

ICA Partners 

Corporate Broker

EUROZ HARTLEYS

Legal Advisor

STEINPREIS PAGANIN 
Lawyers & Consultants

KEY REASONS WHY YOU SHOULD **REJECT** THE OFFER

The Directors of Demetallica Limited unanimously recommend that you **REJECT** the Offer from AIC Mines Limited **BY TAKING NO ACTION**

1. The AIC offer is opportunistic in light of an imminent update to the Jericho Resource
 2. Shareholders do not currently have all information upon which to base a decision
 3. The proposed transaction is transformational on several fronts for AIC and AIC's Bidder's Statement does not adequately address or apportion potential value to Demetallica Shareholders for the material synergies uniquely available by incorporating the Jericho resource and the Chimera area exploration potential into AIC's operations
 4. The Offer does not appear to attribute commensurate value to Demetallica's large and high-quality exploration portfolio
 5. Demetallica shareholders should appreciate a transaction with AIC Mines is not the only development pathway available for Demetallica
 6. Demetallica shareholders may face adverse tax consequences if they accept the Offer
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You should read this Target's Statement in its entirety for further information on the reasons why the Demetallica Directors recommend that Demetallica Shareholders reject the Offer.

IMPORTANT NOTICES

Nature of this document

This Target's Statement is dated 12 October 2022 and is given by Demetallica Limited (**Demetallica**) under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement by AIC Mines Limited (**AIC Mines**) dated 19 September 2022.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX. Neither the ASIC or ASX, nor any of their respective officers, takes any responsibility for the contents of this Target's Statement.

No account of personal circumstances

This Target's Statement should not be taken as personal financial, investment or tax advice as each Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

Your Demetallica Directors encourage you to read this Target's Statement in its entirety and obtain independent advice from your investment, financial, tax or other professional adviser before making a decision whether or not to accept the Offer.

Defined terms

Capitalised terms used in this Target's Statement are defined in section 12 of this Target's Statement.

Further information

Demetallica Shareholders who require assistance may call the Company Secretary on +61 8 8132 3458 at any time between 8:30am and 4:30pm (AEDT) on Monday to Friday.

Further information relating to the Offer can be obtained from Demetallica's website at **www.demetallica.com.au**. Information contained in, or otherwise accessible through, this internet site is not a part of this Target's Statement. All references in this Target's Statement to this internet site are inactive textual

references and are for your information only.

Forward looking statements

This Target's Statement contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. Demetallica believes that it has reasonable grounds for making all statements relating to future matters attributed to it in this Target's Statement. Demetallica Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Demetallica. Shareholders should note that any reference to past performance is not intended to be, nor should it be relied upon as, a guide to any future performance. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward-looking statement. None of Demetallica, its officers nor any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievements expressed or implied in any forward looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement. The forward looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement. Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

Information on AIC

All of the information concerning AIC contained in this Target's Statement has been obtained from publicly available sources including public documents filed by AIC and the Bidder's Statement. None of the information in this Target's

Statement relating to AIC has been verified by Demetallica or its Directors for the purposes of this Target's Statement. Accordingly, to the extent permitted by law, Demetallica makes no representation or warranty (either express or implied) as to the accuracy or completeness of this information. The information on AIC in this Target's Statement should not be considered comprehensive.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and 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 laws or regulations. This Target's Statement has been prepared in accordance with Australian law, and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Charts and diagrams

Any diagrams, charts, graphs, maps and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs, maps and tables is based on information available at the date of this Target's Statement.

Privacy

Demetallica has collected your information from the register of Demetallica Shareholders for the purpose of providing you with this Target's Statement. The type of information Demetallica has collected about you includes your name, contact details and information on your shareholding (as applicable) in Demetallica. Without this information, Demetallica would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your

information may be disclosed on a confidential basis to external service providers (including the Demetallica Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

If you would like details of information about you held by Demetallica, please contact the Demetallica Share Registry, Computershare Investor Services Pty Limited, Level 5, 115 Grenfell Street, Adelaide South Australia 5000 or on 1300 850 505 (within Australia).

Risk Factors

Shareholders should note that there are a number of risks associated with the Offer and with remaining a Demetallica Shareholder if they reject the Offer.

Please refer to section 8 of this Target's Statement for further information on those risks.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

KEY DATES

Event	Key Date
Announcement of the Offer	Monday, 19 September 2022
Date of Bidder's Statement	Monday, 19 September 2022
Date of despatch of Bidder's Statement to Demetallica Shareholders, and opening date of the Offer	Wednesday, 5 October 2022
Date of this Target's Statement	Wednesday, 12 October 2022
Close of Offer Period (unless extended)	Monday, 7 November 2022

DEMETALLICA SHAREHOLDER INFORMATION

Demetallica Shareholders who require assistance may call the Company Secretary on +61 8 8132 3458 at any time between 8:30am and 4.30pm (AEDT) on Monday to Friday.

Further information relating to AIC's Offer can be obtained from Demetallica's website at www.demetallica.com.au or the ASX announcements platform at www.asx.com.au (ASX:DRM).

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LETTER FROM THE CHAIR OF DEMETALLICA

Dear fellow Demetallica Shareholder,

REJECT AIC'S OFFER FOR YOUR DEMETALLICA SHARES BY TAKING NO ACTION

On 19 September 2022, AIC announced an unsolicited off-market takeover bid for all of the Demetallica Shares of 1 AIC Share for every 1.5 Demetallica Shares held (**Offer**).

Your Directors have carefully considered the Offer and, for the reasons set out below:

- consider that AIC's Offer is **OPPORTUNISTIC**; and
- unanimously recommend that you **DO NOTHING** and **REJECT** the Offer.

The principal reasons for your Directors' recommendation are:

1. **The AIC offer is opportunistic in light of an imminent update to the Jericho Resource**
2. **Shareholders do not currently have all information upon which to base a decision**
3. **The proposed transaction is transformational on several fronts for AIC and AIC's Bidder's Statement does not adequately address or apportion potential value to Demetallica Shareholders for the material synergies uniquely available by incorporating the Jericho resource and the Chimera area exploration potential into AIC's operations**
4. **The Offer does not appear to attribute commensurate value to Demetallica's large and high-quality exploration portfolio**
5. **Demetallica shareholders should appreciate a transaction with AIC Mines is not the only development pathway available for Demetallica**
6. **Demetallica shareholders may face adverse tax consequences if they accept the Offer**

These reasons for recommending that you **REJECT** the Offer are discussed in more detail in section 1 of this Target's Statement.

The Board acknowledges that there is some commercial merit in combining Demetallica (in particular the Jericho resource) and AIC Mines, and the Board remains open to discussions with AIC in relation to an improved offer that more adequately reflects the value of the Company's assets. At this stage the Company is not in a position to make an alternative recommendation, noting that information that is material to valuation is outstanding, specifically the updated Mineral Resource Estimate (**MRE**) in respect of the Jericho deposit.

Each Director presently intends to reject the current Offer in respect of the Demetallica Shares they own, or control. As at the date immediately before the date of this Target's Statement, the Directors have voting power of approximately 2.7% of Demetallica's issued share capital.

As at the date immediately before the date of the Bidder's Statement, AIC had no voting power in Demetallica's issued share capital.

Further information

In considering whether to reject the Offer, the Directors encourage you to:

1. read the whole of this Target's Statement and the Bidder's Statement;
2. have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
3. consider the choices available to you as outlined in section 3 of this Target's Statement;
4. carefully consider the risks set out in section 8 of this Target's Statement; and
5. obtain personal advice from your broker, financial adviser, accountant, lawyer or other professional adviser on the effect of accepting the Offer.

Your Directors recommend that you **REJECT** the Offer.

To **REJECT** the Offer you should simply **DO NOTHING** and take **NO ACTION** in relation to all documents sent to you by AIC.

Demetallica will keep Demetallica Shareholders informed of any material developments in relation to the Offer through releases to the ASX (which will also be published on Demetallica's website www.demetallica.com.au).

I encourage you to read this document carefully and in its entirety.

Yours sincerely



Roger Higgins
Non-Executive Chair

1. WHY YOU SHOULD REJECT THE OFFER

(a) **The AIC offer is opportunistic in light of an imminent update to the Jericho Resource**

The timing of the Offer is opportunistic.

Discussions between Demetallica and AIC had been ongoing, with Demetallica receiving an unsolicited non-binding indicative offer (**NBIO**) from AIC for the Chimera Project exclusively on 7 September 2022 for \$22.5m.

Demetallica engaged with AIC advising that completion of the revised MRE for the Jericho Project, previously announced to be due by the end of October 2022, was essential for the Demetallica Board to assess the merits of the NBIO.

AIC then abruptly launched its Offer on 19 September 2022, with the Offer opening on 5 October 2022, not allowing the market and Demetallica Shareholders fair opportunity to receive and consider the revised MRE and its impact on the value of the Company.

(b) **Shareholders do not currently have all information upon which to base a decision**

Demetallica Shareholders are being asked by AIC to make a decision about the value of Demetallica before all potentially material information is available. This includes:

- (i) the MRE that Demetallica has already indicated is pending;
- (ii) all drill assay results for the Peake and Denison Project that Demetallica has already indicated is pending; and
- (iii) further information in relation to extension of the Eloise Deepes lode into Demetallica's adjacent tenure, considered uniquely relevant to the proposed combined group.

Directors consider the MRE to have the potential to be material and that Shareholders should have the benefit of the MRE when considering the AIC Offer. As at the date of this Target's Statement, the MRE is progressing to schedule and is expected to be announced to ASX and available to Shareholders prior to the end of October.

AIC has released an image¹ inferring that Eloise Deepes extend across the boundary of AIC's tenements into Demetallica's tenements, but have not provided any further information as to the basis for this image or its meaning to the combined group. The image also infers that areas within Demetallica's tenements have been included in AIC's published resource area. Demetallica believes that AIC need to provide Demetallica Shareholders with more information on its knowledge of the potential of Demetallica's assets for its own Eloise Deepes project.

Shareholders should also note that Demetallica has several ancillary exploration programs in progress, for which drill assays and other results

¹ AIC Mines, Investor Presentation, 22 March 2022, page 10

are likely to be released during the Offer Period. Such projects are reviewed in Section 6.

Accepting prior to receiving that information would mean selling your Demetallica Shares without all relevant information.

(c) **The proposed transaction is transformational on several fronts for AIC and AIC's Bidder's Statement does not adequately address or apportion potential value to Demetallica Shareholders for the material synergies uniquely available by incorporating the Jericho resource and the Chimera area exploration potential into AIC's operations**

Demetallica considers the proposed transaction will be transformational for AIC, notably that the development of Demetallica's Jericho Project will increase the Eloise Mine's longevity, with future mill feed sourced from nearer surface material. In a combined group, Jericho's current 9.1Mt mineral resource would contribute disproportionately to the increase in total combined group resources.

Demetallica is concerned that the AIC Bidder's Statement does not adequately address or apportion potential value to Demetallica Shareholders for the material synergies uniquely available by incorporating a developed Jericho Project into AIC's operations.

The incorporation of a developed Jericho Project is clearly material for AIC and while the Bidder's Statement details the strategic rationale of combining the two companies, the Board considers, particularly in the context of an opportunistic change of control transaction, that the Bidder's Statement fails to demonstrate how transformational the transaction is for AIC.

Sections 6.2 and 6.5 of the Bidder's Statement presents a Combined Group profile including:

- (i) a mine life of +10 years;
- (ii) a combined Resource of 245,000t Cu (an increase of 127,000t Cu, with Jericho representing 52% of the combined total) and 188,100oz Au (an increase of 88,000oz, with Jericho representing 47% of the combined total)¹; and
- (iii) a 60% increase in production from the current copper in concentrate production of 12.5ktpa to 20.0ktpa².

Demetallica notes the limited inventory of Proven and Probable Ore Reserves for AIC's Eloise Mine. The following is extracted from pages 8 and 18 of AIC Mines' Takeover Presentation dated 19 September 2022:

- (i) Ore Reserves 1.54Mt; and
- (ii) Current Plant throughput rate 650kt p.a.

¹ Jericho mineral resource estimate used in these calculations are taken from DRM listing presentation 27 May 2022, page 9

² AIC Mines Bidder Statement page 31 and 35

By deduction the Eloise mine concentrator has less than 2.5 years of available Reserve feed, which excludes any future conversion of Resources into Reserves.

Shareholders should be satisfied that the Offer price adequately reflects and incorporates the respective contributions to the combined group from both companies.

The broader Chimera Project, which surrounds the Eloise Mine and contains several other deposits, has the potential to further extend the Eloise Mine's mine life.

(d) **The AIC Offer does not appear to attribute commensurate value to Demetallica's large and high-quality exploration portfolio**

Outside of the advanced Chimera Project, of most value to AIC given its strong synergies with AIC's Eloise Mine, Demetallica has amassed a substantial portfolio of high-quality exploration assets including:

- (i) the **Peake and Denison Joint Venture** in the Gawlor Craton of South Australia, in which OZ Minerals Ltd may earn up to a 70% interest through expenditure of \$10 million and as of 5 October 2022 agreed to fund further drilling ¹;
- (ii) the **Cannington Project** covering 808km² near the Cannington silver-lead-zinc mine, approximately 200km southeast of Cloncurry in northwest Queensland;
- (iii) the **Windsor VMS Project** covering 641km² in northeast Queensland;
- (iv) the **Pyramid Gold Project** covering 177km² in northeast Queensland; and
- (v) the **Lake Purdilla Gypsum Project** covering 219km² and located 130km southeast of Ceduna in South Australia. The Lake Purdilla Project includes a JORC 2012 Inferred Resource of 87Mt @ 91% gypsum.²

At the Peake and Denison Project (**Peake & Denison**), the previously unrecognised exploration potential has recently been demonstrated, where the first two drill holes revealed highly encouraging visual observations of copper mineralisation, as reported by the Company in its ASX announcement dated 5 October 2022. Demetallica notes that the positive exploration developments at this Project only came to light after the AIC Offer had already been made, and the assay results for these first two drill holes are not yet known.

The high potential of Peake & Denison specifically, has also been recognised by OZ Minerals Limited, who has agreed to spend up to \$10 million to earn up to a 70% interest in Peake & Denison (**Peake & Denison JV**). Demetallica is the operator of the Peake & Denison JV, and with the project funded by OZ Minerals for up to \$10 million, there is substantial

¹ OZ Minerals notified Demetallica of its intent to continue sole-funding exploration as part of the Stage 1 earn-in of \$4M to achieve 51% equity position in the project. Refer Demetallica ASX release 'Peake and Denison Exploration Report', 5 October 2022

² Prospectus, page 229

additional exploration activity that Demetallica shareholders should expect in coming months.

Given the short time Demetallica has been listed on ASX, and the immediate focus on the drilling activities at the Chimera Project, the Company is yet to undertake drilling activities on its other exploration projects, but, in accordance with the disclosures in the Prospectus, expects to commence activities later this year at each of the Pyramid Gold and Windsor VMS Projects.

It is your Board's view that AIC has not given credence to the inherent value of Demetallica's deep portfolio of exploration assets.

(e) **Demetallica Shareholders should appreciate a transaction with AIC Mines is not the only development pathway available for Demetallica**

Whilst the Board of Demetallica acknowledges the operational synergies that may be enjoyed by consolidating the Chimera Project with AIC's operating Eloise mine, Demetallica Shareholders should understand that Demetallica has more than one option for the development of its Jericho Project.

There are other existing fully developed and operating processing circuits located in the Cloncurry region which may provide suitable processing solutions for the Chimera Project in the event that the Company needed to consider alternative avenues to develop the Chimera Project. For example, other than the Eloise processing plant owned by AIC, within the Cloncurry region is the 8.5mtpa Ernest Henry processing plant owned by Evolution Mining Limited (ASX:EVN), and the 3mtpa Rocklands processing plant owned by private company Mt Cuthbert Resources Pty Ltd (refer Figure 1 below).

Demetallica is well funded to continue systematically exploring its assets as set out in the Prospectus. At present, the Jericho deposit has only been tested to a depth of c.500 metres compared to AIC's Eloise deposit, which is a close analogy, and itself is known to continue to a depth of 1,450 metres¹. AIC have already inferred that its Eloise Deeps formation extends into Demetallica's tenements.²

¹ AIC Mines Takeover Offer for Demetallica – Presentation, 19 September 2022, page 8

² AIC Mines, Investor Presentation, 22 March 2022, page 10

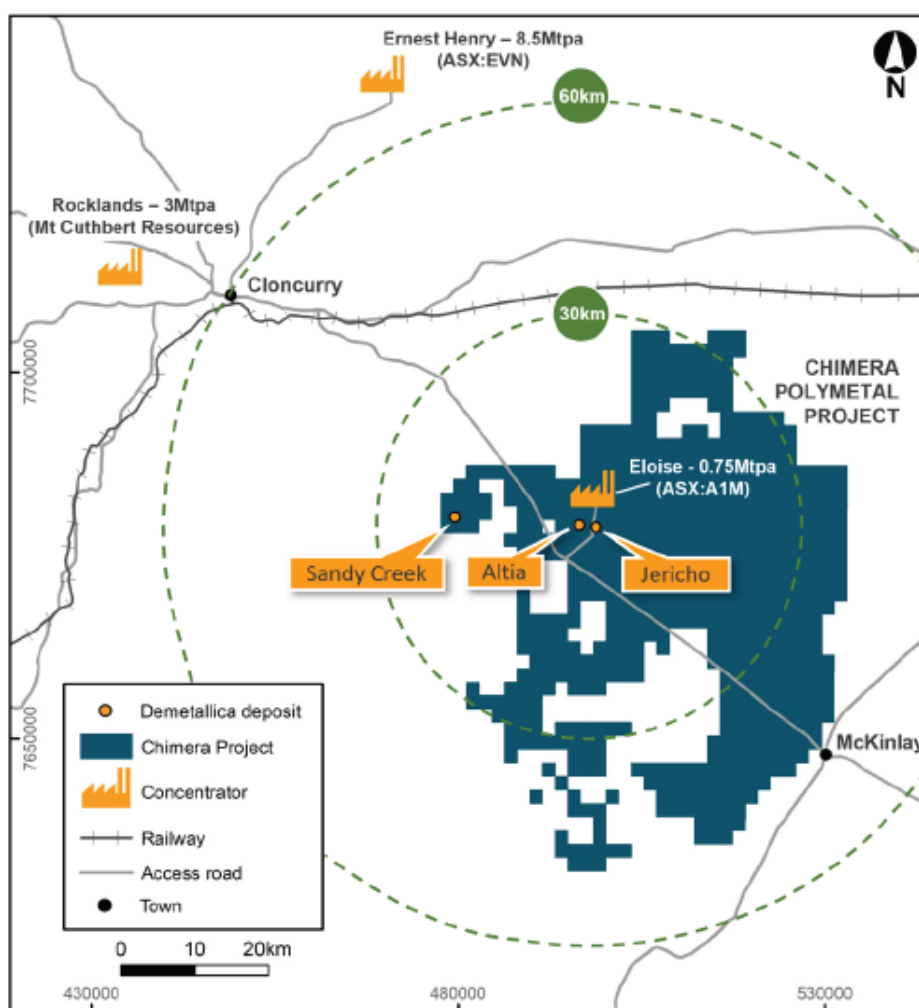


Figure 1: Chimera location map, and proximity to regional copper concentrators.

(f) **Demetallica shareholders may face adverse tax consequences if they accept the offer**

Under Australian taxation law, AIC must acquire at least 80% of the Demetallica Shares for scrip for scrip capital gains tax rollover relief to be available for eligible Demetallica Shareholders.

AIC has set a 50.1% minimum acceptance condition for its Offer, which is below the 80% required for scrip for scrip rollover relief.

If AIC only achieves its 50.1% minimum acceptance condition, or waives that condition, Demetallica Shareholders will not be eligible for scrip for scrip rollover relief and may, depending on the price paid for your Demetallica Shares, incur an adverse tax consequence as a result of accepting the Offer.

1.2 DEMETALLICA DIRECTORS' RECOMMENDATION AND INTENTIONS

After taking into account each of the matters in this Target's Statement and in the Bidder Statement, each of the Directors recommend that you **REJECT** the Offer and **TAKE NO ACTION**.

Each Director has advised that they presently intend to **REJECT** the current Offer in respect of any Demetallica Shares that they own or control.

Details of the interests of the Directors in Shares and Performance Rights are set out in section 5.23 of this Target's Statement.

In considering whether to **REJECT** or accept the Offer, the Directors encourage you to:

- (a) read the whole of this Target's Statement and Bidder Statement;
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- (c) carefully consider section 1 of this Target's Statement;
- (d) consider the choices available to you as outlined in section 3 of this Target's Statement;
- (e) carefully consider section 8 of this Target's Statement, including the risks of becoming a minority Demetallica Shareholder; and
- (f) obtain financial advice from your broker or financial adviser upon the Offer and obtain taxation advice on the effect of accepting the Offer.

The Board acknowledges that there is some commercial merit in combining Demetallica (in particular the Jericho resource) and AIC Mines, and the Board remains open to discussions with AIC in relation to an improved offer that more adequately reflects the value of the Company's assets. At this stage the Company is not in a position to make an alternative recommendation, noting that information that is material to valuation is outstanding, specifically the updated MRE in respect of the Jericho deposit.

2. FREQUENTLY ASKED QUESTIONS

In this section answers are provided to some commonly asked questions about the Offer. This section should be read together with the rest of this Target's Statement. This section is not intended to comprehensively answer all questions that may arise in relation to the Offer nor address all issues that are relevant to Demetallica Shareholders.

The Offer	
<i>What is the Bidder's Statement?</i>	The Bidder's Statement is the document setting out the terms of the Offer. AIC Mines lodged the Bidder's Statement with ASIC on 19 September 2022 and unless AIC's Offer is extended or withdrawn, it is open for acceptance from 5 October 2022.
<i>What is the Target's Statement?</i>	<p>This Target's Statement has been prepared by Demetallica and provides Demetallica's response to the Offer, including the recommendation of your Directors.</p> <p>The Directors encourage you to review the information in this Target's Statement and the Bidder's Statement carefully before making a decision to accept or reject the Offer.</p>
<i>Who is offering to purchase my Demetallica Shares?</i>	AIC Mines Limited (ACN 060 156 452) (AIC). Further information on AIC is set out in section 6 of the Bidder's Statement.
<i>What is being offered to me?</i>	<p>AIC is offering 1 AIC Shares for every 1.5 Demetallica Share held by you.</p> <p>You may only accept the Offer in respect of all of the Demetallica Shares you hold.</p> <p>Each Director recommends that you TAKE NO ACTION and REJECT the Offer. See section 1 of this Target's Statement for further details.</p>
<i>What choices do I have as a Demetallica Shareholder?</i>	<p>As a Demetallica Shareholder, you have the following choices in respect of your Demetallica Shares:</p> <ul style="list-style-type: none">(a) do nothing;(b) sell your Demetallica Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or(c) accept the Offer. <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in section 3 of this Target's Statement.</p>
<i>What are the Demetallica Directors recommending?</i>	Each Director recommends that you TAKE NO ACTION and REJECT the Offer. The reasons why the Directors are recommending that you REJECT the Offer are set out in section 1 of this Target's Statement.
<i>What do the Directors intend to do with their Demetallica Shares?</i>	Each Director has advised that they presently intend to REJECT the current Offer in respect of any Demetallica Shares that they own or control.

The Offer	
	As at the date immediately before the date of this Target's Statement, the Directors have voting power of approximately 2.7% of Demetallica's issued share capital.
Will I receive further advice from the Demetallica Directors during the Offer Period?	<p>The Demetallica Directors will be closely monitoring the progress of the Offer.</p> <p>If circumstances change, or if matters arise which should be drawn to the attention of Demetallica Shareholders, or which cause any change or variation to the advice of your Demetallica Directors contained in this Target's Statement, the Demetallica Directors will ensure that Demetallica Shareholders are promptly and appropriately advised.</p>
How do I REJECT the Offer?	If you wish to REJECT the Offer then simply TAKE NO ACTION . Ignore all documents sent to you by AIC. Do not fill in or send any documents to AIC.
How do I accept the Offer?	<p>If you wish to accept the Offer, you should follow the instructions set out in the Bidder's Statement.</p> <p>You should be aware that your Demetallica Directors have unanimously recommended that you REJECT the Offer.</p> <p>Before accepting the Offer, you should consider the risks associated with accepting the Offer set out in section 8 of this Target's Statement.</p>
What are the risks of rejecting the Offer?	<p>If you reject the Offer, you will remain a Demetallica Shareholder.</p> <p>If you remain a Demetallica Shareholder, you should be aware that:</p> <ul style="list-style-type: none"> (a) if you choose not to accept the Offer and AIC acquires at least 90% of the Demetallica Shares, AIC may become entitled to compulsorily acquire the balance of the Demetallica Shares on issue, and the Bidder has stated that it intends to exercise those rights at section 8.3 of the Bidder's Statement. Please refer to section 4.16 of this Target's Statement for further details; (b) AIC has indicated that, upon acquiring 90% or more of the Demetallica Shares on issue, it intends to delist the Company (subject to any approvals required on the part of ASX); and (c) if you choose not to accept the Offer and AIC acquires more than 50%, but less than 90%, of the Demetallica Shares on issue, you will remain exposed to the risks associated with being a minority shareholder in Demetallica. Please refer to section 8.3 of this Target's Statement for further details. <p>You should also be aware that there are risks associated with remaining a Demetallica Shareholder. Set out in section 8.4 of this Target's Statement are the</p>

The Offer	
	possible key risks which may affect the future operating and financial performance of Demetallica and the value of Demetallica Shares.
What are the risks of accepting or rejecting the Offer?	Non-exhaustive lists of key risks of accepting or rejecting the Offer are set out in section 8 of this Target's Statement.
What are the risks associated with AIC and its business?	Some of these risks are explained in detail in section 8 of the Bidder's Statement. Demetallica Shareholders should read the Bidder's Statement carefully and consult their professional advisers before deciding whether to accept the Offer. By accepting the Offer, Demetallica Shareholders are, subject to the Offer Conditions being satisfied or waived, investing in AIC.
What are the risks associated with Demetallica and its business?	The risks associated with an investment in Demetallica are detailed in section 8.4 of this Target's Statement.
How many Demetallica Shares does AIC already own?	As at the date immediately before the date of the Bidder's Statement, AIC did not have a Relevant Interest in any Demetallica Shares (refer section 5.8 of the Bidder's Statement).
What are the consequences of accepting the Offer now?	<p>If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Demetallica Shares on the ASX or otherwise deal with your Demetallica Shares while the Offer remains open.</p> <p>The effect of acceptance is set out in section 10.8 of the Bidder's Statement.</p> <p>Demetallica Shareholders should read that section of the Bidder's Statement in full to understand the effect that acceptance will have on their ability to exercise rights attaching to their Demetallica Shares and the representations and warranties they give by accepting the Offer.</p>
If I accept the Offer, can I withdraw my acceptance?	No, under the terms of the Offer you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act.
When does the Offer close?	<p>The Offer is scheduled to close at 7:00 pm (Sydney time) on 7 November 2022, but the Offer Period can be extended in certain circumstances.</p> <p>Please be aware that there is no guarantee that AIC will extend the Offer Period beyond 7 November 2022. Accordingly, your Directors recommend that you should assume that the Offer Period will not be extended beyond this date.</p> <p>In any event, each Director recommends that you TAKE NO ACTION and REJECT the Offer.</p>
Can the Offer Period be extended?	Yes. While the Offer is subject to the Offer Conditions, AIC may extend the Offer Period at any time before

The Offer	
<p>What are the conditions to the Offer?</p>	<p>giving the Notice of Status of Conditions and otherwise only in limited circumstances.</p> <p>However, if the Offer is unconditional (that is all of the Offer Conditions are fulfilled or freed), AIC may extend the Offer Period at any time before the end of the Offer Period.</p> <p>In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period AIC improves the consideration offered under the Offer, or AIC's voting power in Demetallica increases to more than 50%. If this occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event.</p> <p>See section 4.9 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.</p> <p>In summary, the outstanding Offer Conditions, as at the date of this Target's Statement, are:</p> <ul style="list-style-type: none"> (a) minimum acceptance of 50.1% - at the end of the Offer Period, AIC has a Relevant Interest in at least 50.1% of the Demetallica Shares; (b) no regulatory action – prior to the end of the Offer Period, there is no regulatory restraint imposed on the Offer; (c) no material adverse change – prior to the end of the Offer Period; (d) no material acquisitions, disposals or new commitments– prior to the end of the Offer Period; (e) no prescribed occurrences – prior to the end of the Offer Period; and (f) no prescribed occurrences - between the 19 September 2022 and the date of the Bidder's Statement. <p>Refer to section 10.2 of the Bidder's Statement.</p> <p>Unless all of the Offer Conditions are freed or fulfilled, the Offer will not proceed. See section 4.6 of this Target's Statement for further details.</p>
<p>What happens if the conditions of the Offer are not satisfied or waived?</p>	<p>If the Offer Conditions are not fulfilled or freed (that is, if any of the Offer Conditions are not satisfied or waived) before the Offer closes, the Offer will lapse.</p> <p>You would then be free to deal with Demetallica Shares even if you had accepted the Offer.</p>
<p>Can AIC withdraw the Offer?</p>	<p>AIC may not withdraw the Offer if you have already accepted it.</p> <p>Before you accept the Offer, AIC may withdraw the Offer with the written consent of ASIC and subject to conditions (if any) specified in such consent.</p>

The Offer	
When will I be sent my consideration if I accept the Offer?	<p>In the usual case, you will be issued your consideration on or before the earlier of:</p> <ul style="list-style-type: none"> (a) the day that is one month after the date of your acceptance or, if at the time of your acceptance the Offer is subject to an Offer Condition, one month after the Offer becomes, or is declared, unconditional; and (b) the day that is 21 days after the end of the Offer Period. <p>Full details of when you will be issued consideration are set out in section 10.9 of the Bidder's Statement.</p>
What are the tax implications of accepting the Offer?	<p>Accepting the Offer by a Demetallica Shareholder may create a taxation liability in respect of any gain made through the disposal of Demetallica Shares.</p> <p>The taxation position will depend upon the Offer becoming unconditional and upon the individual circumstances of the Demetallica Shareholder accepting the Offer.</p> <p>Demetallica Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p> <p>See section 7 of this Target's Statement for further details.</p>
What happens if AIC improves the consideration under its Offer?	<p>If AIC improves the consideration offered under its Offer, all Demetallica Shareholders who have accepted the Offer will be entitled to the benefit of that improved consideration (whether they accepted the Offer before or after the consideration is improved).</p>
Can I participate in the Offer in respect of my Demetallica Options?	<p>No. The Takeover Bid does not extend to the acquisition of any Options. However, the Offer extends to any Demetallica Shares that are issued and listed for quotation on the ASX at any time during the Offer Period as a result of the exercise or conversion of any existing Options.</p>
Do I have to pay any fees?	<p>You will not pay stamp duty on the disposal of your Demetallica Shares if you accept the Offer.</p> <p>If your Demetallica Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to AIC, you will not incur any brokerage in connection with your acceptance of the Offer.</p> <p>If your Demetallica Shares are registered in a CHES Holding, or if you are a beneficial owner whose Demetallica Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your stockbroker) or the relevant nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.</p>

The Offer

Is there a number that I can call if I have further queries in relation to the Offer?

If you have any further queries in relation to the Offer, you can call +61 8 8132 3458.

3. YOUR CHOICES AS A DEMETALLICA SHAREHOLDER

Your Directors unanimously recommend that you REJECT the Offer.

However, as a Demetallica Shareholder you have the following choices currently available to you:

(a) **REJECT the Offer**

Demetallica Shareholders who do not wish to accept the Offer should **TAKE NO ACTION**. This is the recommendation of the Directors.

If you choose to **REJECT** the Offer, do not take any action in relation to documents sent to you by AIC.

(b) **Sell your Demetallica Shares on market**

During a takeover, shareholders of a target company who have not already accepted the bidder's offer may still sell these shares on market for cash.

On 11 October 2022 the closing price for Demetallica Shares price was \$0.315. The latest price for Demetallica's Shares may be obtained from the ASX website www.asx.com.au.

Demetallica Shareholders who sell their Demetallica Shares on market may be liable for CGT on the sale and may incur a brokerage charge.

Demetallica Shareholders who wish to sell their Demetallica Shares on market should contact their broker for further information on how to effect that sale.

(c) **Accept the Offer**

Demetallica Shareholders may elect to accept the Offer. Details of the consideration that will be received by Demetallica Shareholders who accept the Offer are set out in the Bidder's Statement.

You should be aware that if you choose to accept the Offer:

- (i) you will not be able to accept a superior proposal from any other bidder if such an offer is made, or benefit from any higher price in the market;
- (ii) you will lose the opportunity to receive future benefits as a Demetallica Shareholder; and
- (iii) you may incur a tax liability as a result of the sale.

Demetallica Shareholders should be aware that if they accept the Offer, they may be liable for CGT on the disposal of their Demetallica Shares. However, they will not incur a brokerage charge.

Demetallica Shareholders who wish to accept the Offer should refer to the Bidder's Statement for instructions on how to do so.

4. DETAILS OF THE OFFER

4.1 The Offer

The consideration being offered by AIC is 1 AIC Share for every 1.5 Demetallica Share you currently hold.

4.2 Offer Price

The implied value of the Offer Price will fluctuate during the Offer Period with the AIC Share price. Accordingly, if the AIC Share price falls, the implied value of the Offer Price will fall. Likewise, if the AIC Share price rises, the implied value of the Offer Price will rise. The table below illustrates the implied value of the Offer Price based on an AIC Share price range of \$0.375 to \$0.700 per share.

AIC Share price	Implied value of Offer (price per DRC share)	Implied total value
\$0.375	\$0.250	\$26,958,916
\$0.400	\$0.267	\$28,756,177
\$0.425	\$0.283	\$30,553,438
\$0.450	\$0.300	\$32,350,699
\$0.475	\$0.317	\$34,147,960
\$0.500	\$0.333	\$35,945,221
\$0.525	\$0.350	\$37,742,482
\$0.550	\$0.367	\$39,539,743
\$0.575	\$0.383	\$41,337,005
\$0.600	\$0.400	\$43,134,265
\$0.625	\$0.417	\$44,931,527
\$0.650	\$0.433	\$46,728,787
\$0.675	\$0.450	\$48,526,049
\$0.700	\$0.467	\$50,323,309

4.3 Offer Period

Unless AIC's Offer is extended or withdrawn, it is open for acceptance from 5 October 2022 until 7:00 pm (Sydney time) on 7 November 2022.

The circumstances in which AIC may extend or withdraw its Offer are set out in section 4.9 and section 4.10 respectively of this Target's Statement.

4.4 Treatment of foreign shareholders

If AIC determines that it cannot make the Offer to any Demetallica Shareholder whose address (as recorded in the register of members of Demetallica provided by Demetallica to AIC) is in a place outside Australia or its external territories, or a jurisdiction into which AIC determines it can legally and practically make the Offer, that Demetallica Shareholder will not be issued with AIC Shares under the Offer.

Instead, the relevant AIC Shares (that would otherwise be transferred to such foreign holders) will be allotted to a nominee approved by ASIC who will sell the AIC Shares and will distribute to each of those foreign holders their proportion of the proceeds, net of expenses.

Please refer to sections 10.11 of the Bidder's Statement for further details.

4.5 Demetallica Optionholders

The Offer will not extend to the acquisition of any Options (or any other securities that confer rights to be issued Demetallica Shares).

However, the Offer will extend to all Demetallica Shares that are issued and listed for quotation on ASX at any time during the Offer Period as a result of the vesting or exercise of any Options (or any other securities that confer rights to be issued Demetallica Shares).

4.6 Offer Conditions

AIC's Offer is subject to a number of Offer Conditions. The Offer Conditions are set out in full in section 10.2 of the Bidder's Statement.

In summary, the Offer Conditions, as at the date of this Target's Statement, are:

- (a) **minimum acceptance** of 50.1% - at the end of the Offer Period, AIC has a Relevant Interest in at least 50.1% of the Demetallica Shares;
- (b) **no regulatory action** – prior to the end of the Offer Period, there is no regulatory restraint imposed on the Offer;
- (c) **no material adverse change** – prior to the end of the Offer Period;
- (d) **no material acquisitions, disposals or new commitments** – prior to the end of the Offer Period;
- (e) **no prescribed occurrences** – prior to the end of the Offer Period; and
- (f) **no prescribed occurrences** - between the 19 September 2022 and the date of the Bidder's Statement.

Subject to the Corporations Act, AIC may declare the Offer to be free from any Offer Condition or to extend the Offer at any time.

4.7 Effect of non-satisfaction of Offer Conditions

If the Offer Conditions are not fulfilled by the end of the Offer Period and have not been waived by the end of the Offer Period, the Offer will lapse with one or more unfulfilled Offer Conditions. If the Offer lapses, all acceptances of the Offer will be void and of no effect.

4.8 Notice of Status of Conditions

Section 10.3 of the Bidder's Statement provides that AIC will give a Notice of Status of Conditions to the ASX and Demetallica on 31 October 2022 (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

AIC is required to set out in its Notice of Status of Conditions:

- (a) whether the Offer is free of any or all of the Offer Conditions;
- (b) whether, so far as AIC knows, any of the Offer Conditions have been fulfilled; and
- (c) AIC's voting power in Demetallica.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, AIC is required, as soon as practicable after the extension, to give a notice to the ASX and Demetallica that states the new date for the giving of the Notice of Status of Conditions.

If an Offer Condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, AIC must, as soon as practicable, give the ASX and Demetallica a notice that states that the particular Offer Condition has been fulfilled.

4.9 Extension of the Offer Period

AIC may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 4.8 of this Target's Statement) while the Offer is subject to Offer Conditions. However, if the Offer is unconditional (that is, all the Offer Conditions are fulfilled or freed), AIC may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- (a) AIC improves the consideration offered under the Offer; or
- (b) AIC's voting power in Demetallica increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

4.10 Withdrawal of Offer

AIC may not withdraw the Offer if you have already accepted it. Before you accept the Offer, AIC may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

4.11 Effect of acceptance

The effect of acceptance of the Offer is set out in section 10.8 of the Bidder's Statement. Demetallica Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Demetallica Shares and the representations and warranties which they give by accepting of the Offer.

4.12 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if AIC varies the Offer in a way that postpones, for more than one month, the time when AIC needs to meet its obligations under the Offer. This will occur if AIC extends the Offer Period by more than one month and the Offer is still subject to Offer Conditions.

4.13 When you will receive your consideration if you accept the Offer

In the usual case, you will be issued your consideration on or before the later of:

- (a) one month after the date the Offer becomes, or is declared, unconditional; and
- (b) one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes, or is declared, unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 10.9 of the Bidder's Statement.

4.14 Effect of an improvement in consideration on Demetallica Shareholders who have already accepted the Offer

If AIC improves the consideration offered under the Offer, all Demetallica Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

4.15 Lapse of Offer

The Offer will lapse if the Offer Conditions are not freed or fulfilled by the end of the Offer Period, in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Demetallica Shares as you see fit.

4.16 Compulsory acquisition

(a) Introduction

AIC has indicated in section 8.3 of the Bidder's Statement that, if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding Demetallica Shares in accordance with the Corporations Act. Accordingly, Demetallica Shareholders should assume that, if AIC becomes entitled to exercise its right to compulsorily acquire any outstanding Demetallica Shares, AIC will exercise that right.

(b) Compulsory acquisition within one month after the end of the Offer Period

AIC will be entitled to compulsorily acquire any Demetallica Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- (i) AIC and its Related Bodies Corporate acquire Relevant Interests in at least 90% (by number) of the Demetallica Shares; and

- (ii) AIC and its Related Bodies Corporate have acquired at least 75% (by number) of the Demetallica Shares that AIC offered to acquire (excluding Demetallica Shares in which AIC or its Related Bodies Corporate had a Relevant Interest at the date of the Offer and also excluding Demetallica Shares issued to an Associate of AIC during the Offer Period).

If these thresholds are met and AIC wishes to exercise its right to compulsorily acquire any outstanding Demetallica Shares, AIC will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Demetallica Shareholders who have not accepted the Offer. Demetallica Shareholders have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedure outlined in the Corporations Act, but a successful challenge will require the relevant Demetallica Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Demetallica Shares. If compulsory acquisition occurs, Demetallica Shareholders who have their Demetallica Shares compulsorily acquired are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are despatched to them.

(c) **Alternative compulsory acquisition regime**

It is also possible that AIC will, at some time during or after the end of the Offer Period, either alone or with a Related Body Corporate, hold full beneficial interests in at least 90% (by number) of all the Demetallica Shares. AIC would then have rights to compulsorily acquire all of the Demetallica Shares that it does not own within six months of becoming the holder of 90% (by number) of all the Demetallica Shares. The price which AIC would have to pay to compulsorily acquire all of the remaining Demetallica Shares under this alternative compulsory acquisition regime would have to be considered.

Demetallica Shareholders would have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedures outlined in the Corporations Act, but a challenge would require people who hold at least 10% of the Demetallica Shares that are proposed to be the subject of the compulsory acquisition to object to the compulsory acquisition. If people holding such number of Demetallica Shares object to the compulsory acquisition, and AIC still wishes to proceed with the compulsory acquisition, AIC would be required to establish to the satisfaction of a court that the terms of the compulsory acquisition represent 'fair value' for the Demetallica Shares. In the absence of a challenge by people holding the requisite number of Demetallica Shares, Demetallica Shareholders who have their Demetallica Shares compulsorily acquired under this procedure are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are despatched to them.

5. INFORMATION RELATING TO DEMETALLICA

5.1 The Company

Demetallica Limited is an Australian listed public company incorporated in 1993 as Amalg Resources NL, subsequently renamed Breakaway Resources Limited in 2003 and was, from 2013, a wholly owned subsidiary of Minotaur Exploration Limited. The Company was renamed Demetallica on 19 November 2021. On 20 January 2022, shareholders of Minotaur approved the transfer of certain assets to the Company and its demerger from Minotaur, effective on 21 January 2022.

On 26 May 2022, Demetallica commenced trading on ASX following completion of a successful public offer raising \$15,000,000.

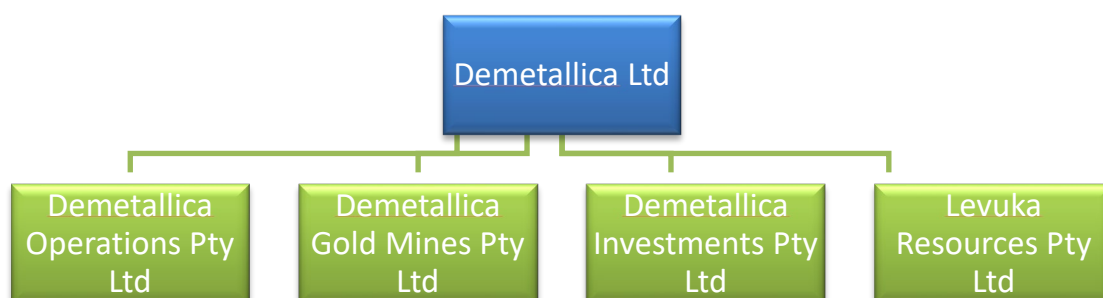
Demetallica is a junior minerals exploration company and any upside potential in the market valuation of the Company (and the value of Demetallica Shares) is largely linked to its exploration success. Demetallica's primary asset is the Chimera Polymetal Project, of which the Jericho copper-gold deposit is the key component. The Company is steadily working towards publication of an updated MRE for Jericho, based on recent, highly encouraging drill results.

The Demetallica Board considers that the new MRE, due for publication late October 2022, may provide compelling upside drivers for the Company's valuation and in any case should be awarded to current shareholders preferentially to others. Although no assumptions can be made with respect to the results of the new JORC re-estimate, Demetallica Directors caution that, once you accept the Offer, you will no longer have exposure to any impact the new MRE may have on the value of Demetallica Shares.

Shareholders should also note that Demetallica has several ancillary exploration programs in progress, for which drill assays and other reports are likely to be released during the Offer Period. Such projects are reviewed in Section 5.

5.2 Corporate Structure

The Company and its several wholly owned subsidiaries are collectively referred to as "Demetallica" in this section of the Target's Statement. The subsidiary entities variously house tenements by region or commodity or physical asset. The following graphic represents the corporate structure.



5.3 Business model, strategy and objectives

Demetallica maintains focus on exploration of and, where appropriate, development of its Projects possessing copper, gold, lead, silver, zinc and other metals and minerals. The Company's aim is to build Shareholder value by acquiring, exploring and exploiting its mineral resource prospects.

The Company's objectives are to advance its mineral assets and seek out new metal deposits within its Projects, ultimately to the standards of the JORC Code, opening avenues to assess and pursue development options through studies and resource enhancement. A key advantage for the Company is its ability to leverage the experience and skills of its Directors and senior management who collectively have strong track records in corporate management and mineral project acquisition, discovery and development and are familiar with the Projects through their previous long-term roles with Minotaur.

Demetallica's success in executing this strategy is founded on its proficiency as a successful and acknowledged explorer.

5.4 Overview of the Projects and regional geology

Demetallica holds rights to an exploration portfolio comprising 44 licences over six project areas in Queensland and South Australia (Figure 2); in Queensland 3,701km² and 2,766km² in South Australia.

The Company's projects were fully described in the Prospectus dated 8 April 2022 and readers should refer to that document for details. The following is a summary of the status of each project.

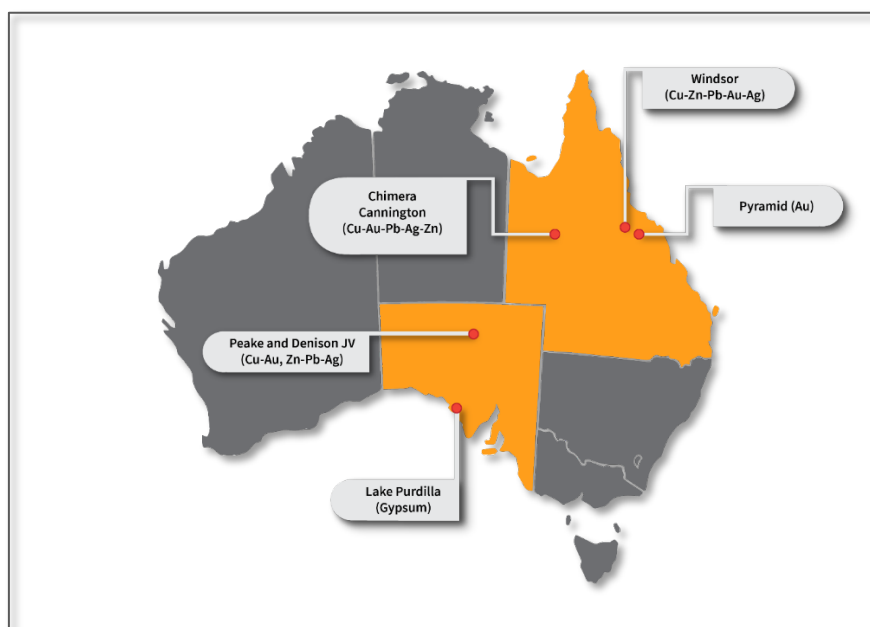


Figure 2: Location map of Demetallica projects

5.5 Chimera Polymetal Project

The Chimera Polymetal Project (Chimera, pronounced Ky-mer-ah) comprises 20 tenements covering 2,075km². The Project is centred 70km southeast of Cloncurry in North-West Queensland (Figure 2), approximately 800km west of Townsville. Access is via a national sealed highway and railway that runs from Townsville, through Cloncurry to the mining city of Mt Isa 130km west. Cloncurry is serviced by a regional airport with daily commuter flights to Townsville, Brisbane and Mt Isa.

The Cloncurry district is renowned for world-class mineral deposits, especially copper (Ernest Henry mine) and silver-zinc (Cannington mine). Several copper concentrators are located within trucking distance of Demetallica's JORC mineral deposits Altia, Jericho and Sandy Creek. Within 3 km of Jericho-Altia sits the Eloise copper processor with 750kt pa capacity; the Rocklands concentrator immediately west of Cloncurry with 3Mt pa throughput capacity and; the Ernest Henry plant 35km north of Cloncurry, with 8.5Mt pa capacity (Figure 3).

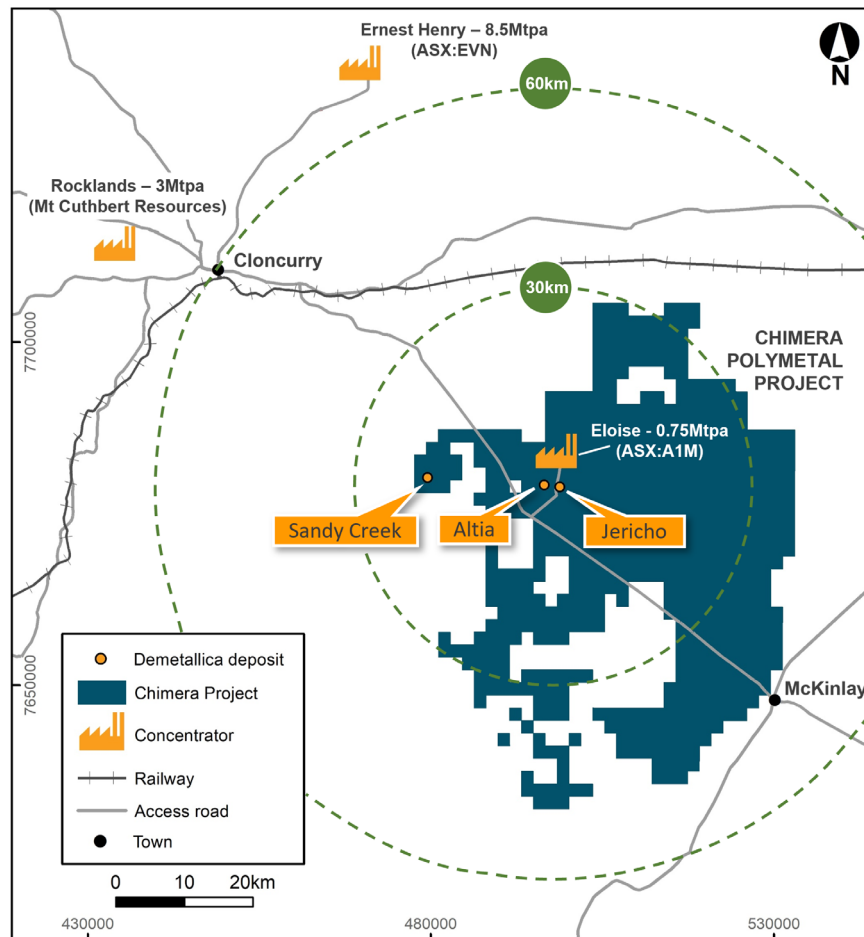


Figure 3: Chimera Project and JORC level deposits relative to regional copper concentrators

For potential treatment of copper ore from a Chimera area deposit the in-place infrastructure offers flexibility for Demetallica. While no discussions have been initiated with the operators of any of those facilities, all are understood to be performing below capacity and seeking supplementary mill feed. Those avenues may be pursued at the appropriate time.

Aside from Jericho, Chimera exhibits numerous examples of iron-sulphide copper-gold (ISCG) systems located by Demetallica's predecessor through geophysical investigations. These include: Artemis; Iris-Electra and BigFoot discoveries, all of which warrant further exploration attention. Add the Sandy Creek copper-gold surface deposit, the Altia Polymetal deposit and a picture emerges of an area heavily endowed with base metal/gold occurrences. Demetallica recently re-activated work on the Electra zone with a due diligence hole testing the up-dip extension of the earlier discovery intersection. Assay results will be reported when available yet visual observations show copper presence in a low EM response location is perfectly valid.

Since acquisition of Breakaway Resources (now Demetallica) at least \$25.7 million has been invested through various joint venture partnerships and sole funding.

Chimera is thus a well advanced exploration portfolio encompassed by a significant land package with several JORC defined deposits and a suite of known, but underexplored mineral systems.

5.6 Jericho copper-gold deposit

Jericho was discovered in 2017 by Minotaur under the Eloise JV in partnership with OZ Minerals. The deposit centroid lies 3km south of the operating Eloise copper-gold mine.

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.

In the period since October 2017, a total of 152 drill holes were completed across the Jericho system for a combined 43,750 meters of drilling. A maiden JORC 2012 Resource was estimated by OZ Minerals and published by Minotaur on 16 July 2020 using data from 96 holes. The current MRE 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 to ASX on 16 July 2020. The remaining 56 holes were drilled in 2022 and add to the drill dataset to be used for a MRE upgrade due for publication late October.

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 Estimate (JORC 2012)

Exploration Target

Mineralisation remains open down dip and along strike on both the J1 and J2 lodes at Jericho. Demetallica's 2022 drilling program concentrated on discrete shoots of coherent higher-grade mineralisation in each lode, named Matilda and Jumbuck on J1 and Billabong on J2, gathering data to substantiate a revised mineral resource estimate. With the benefit of 2km of strike-limited RC-Diamond drilling of 14,000m completed in the program from May through August 2022 Demetallica is expecting to convert its stated Exploration Target of 13-15Mt of copper at 1.3-1.5% Cu into the new resource estimate. The intended publication date for the MRE is late October 2022.

The quality results generated from the 2022 drilling campaign provide a compelling basis to extend exploration along strike where past drill intersections reported similar grade results, suggesting that a new Exploration Target could be quantified. That analysis will follow compilation of the new MRE.

5.7 Sandy Creek copper-gold deposit

Sandy Creek is a copper-gold deposit discovered in 1988 and located 37km by road from Jericho (Figure 3).

A JORC Mineral Resource was published in the Company's March 2013 Quarterly report (then Breakaway Resources Limited). The Mineral Resource is shown in Table 2 below, reported at 0.3% Cu cut-off.

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.

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 Estimate (JORC 2012)

The central and southern portions of the Main Zone at Sandy Creek have strong copper grades at relatively shallow depth. Through 2023 the Company plans to revisit the geological model to understand the potential for Sandy Creek to be developed as a small satellite open pit mining operation as a source of ore feed to a regional processing hub.

5.8 Altia lead-silver-zinc deposit

Altia is a lead-silver-zinc deposit discovered in May 1985 by BHP during RC drilling testing an intense magnetic anomaly. The deposit is located 2km from Jericho.

The deposit hosts four main lodes of mineralisation: two of the lodes (main zone) extend the full length of the deposit, and two are situated in the footwall at the southern and northern ends.

A JORC 2012 Mineral Resource was estimated for Altia in January 2022 by Minotaur. The Inferred Mineral Resource (Table 3) was reported at cut-off grades of 1.5% lead for open pit material and 2.5% lead for underground material based on optimisation studies.

Altia	Cut-off Pb %	Category	Tonnes	Pb	Ag	Zn	Pb metal	Ag metal	Zn metal
			(Mt)	(%)	(g/t)	(%)	(kt)	(koz)	(kt)
Open Pit	1.5	Inferred	5.4	3.3	38	0.4	179	6,613	21
Underground	2.5		0.9	3.9	31	0.4	35	905	3
Total			6.3	3.4	37	0.4	214	7,518	24

Table 3: Altia Mineral Resource Estimate

The Company does not intend to advance Altia through 2022-2023 although considers the deposit would benefit from infill drilling to improve confidence in the current resource model.

5.9 Artemis Copper-Zinc-Lead-Gold-Silver-Cobalt Prospect

Artemis is a high-grade, relatively small copper-zinc-lead-gold-silver-cobalt prospect discovered by Minotaur in 2014; it lies 300m west of the Sandy Creek deposit.

Thirty one (31) drillholes into Artemis defined high-grade polymetallic mineralisation over 100m x 150m.

The Company views Artemis to have potential to be extended down dip below the main zone of mineralisation and at depth along strike to the north. A limited drilling campaign is intended during 2023 to test depth extensions.

5.10 Iris-Electra-Big Foot cooper-gold prospect

Iris-Electra-Big Foot prospects are part of one large copper-gold system more than 4km long, located around 5km north of the Eloise mine (and 9km north of Jericho). Basement lies under 120-160m of younger cover sediments. 13 holes intersected mineralisation in 2016 (Iris-Electra) and 2020 (Big Foot) (Figure 4). Iris reported the strongest mineralisation from hole EL16D05, returning 38m @ 0.47% Cu including 4m @ 1.7% Cu and 0.2g/t Au.

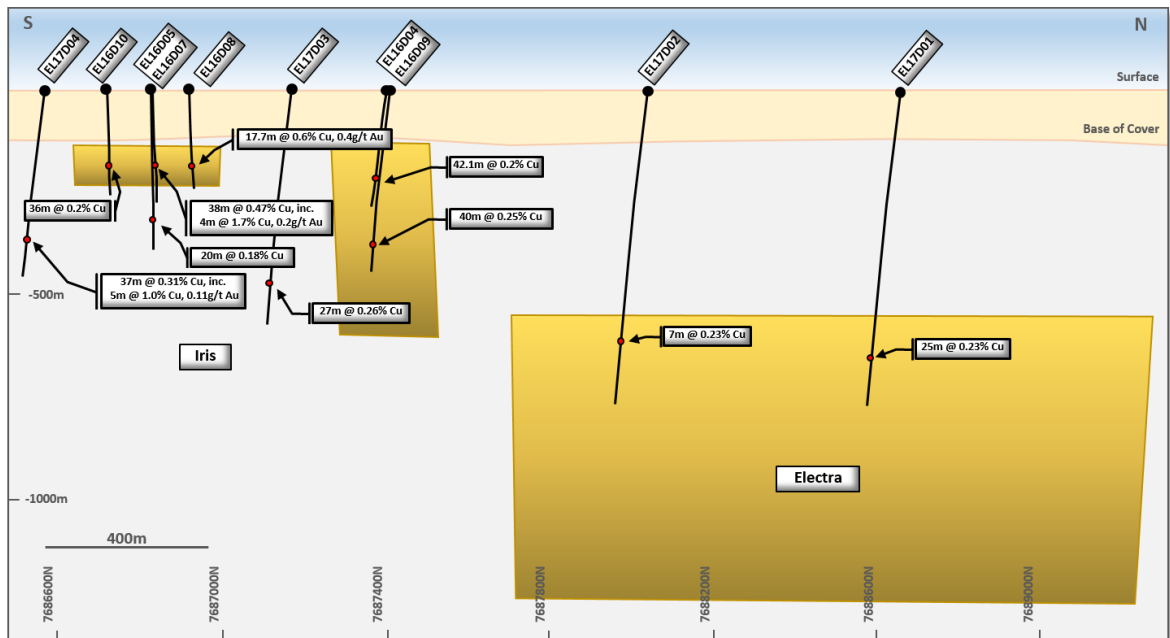


Figure 4: Long section through Iris-Electra, looking west, showing drill hole intercepts and modeled EM conductor plates

Most of the drilling focused on the modelled EM conductor plates, however mineralisation is known to occur away from the modelled plates as evidenced in drill holes EL17D03 and 04 (Figure 4). This implies there may be potential for copper-dominant mineralisation adjacent the controlling shear zone, not exhibiting an elevated EM response.

The up-dip position above the modelled EM plate at Electra was successfully tested in late 2022 with a single 500m drill hole. Assay results are awaited.

5.11 Cannington Project

The Cannington Project comprises 8 tenements covering 808km² adjacent the Cannington silver-lead-zinc mine, approximately 200km by road southeast of Cloncurry in NW Qld (Figure 5).

The Project area is prospective for structurally-controlled oxide-rich or sulphide-rich copper-gold mineralisation like Eloise, Kulthor and Osborne and sedimentary exhalative lead-zinc-silver mineralisation similar to Cannington and Pegmont. The major lead-zinc-silver Cannington deposit lies just to the east of the Project area and the Osborne Cu-Au deposit just south. Other smaller but still significant deposits occur near the Project and include Kulthor (Cu-Au) and Pegmont, Cowie and Maramungie (Pb-Zn-Au) (Figure 5).

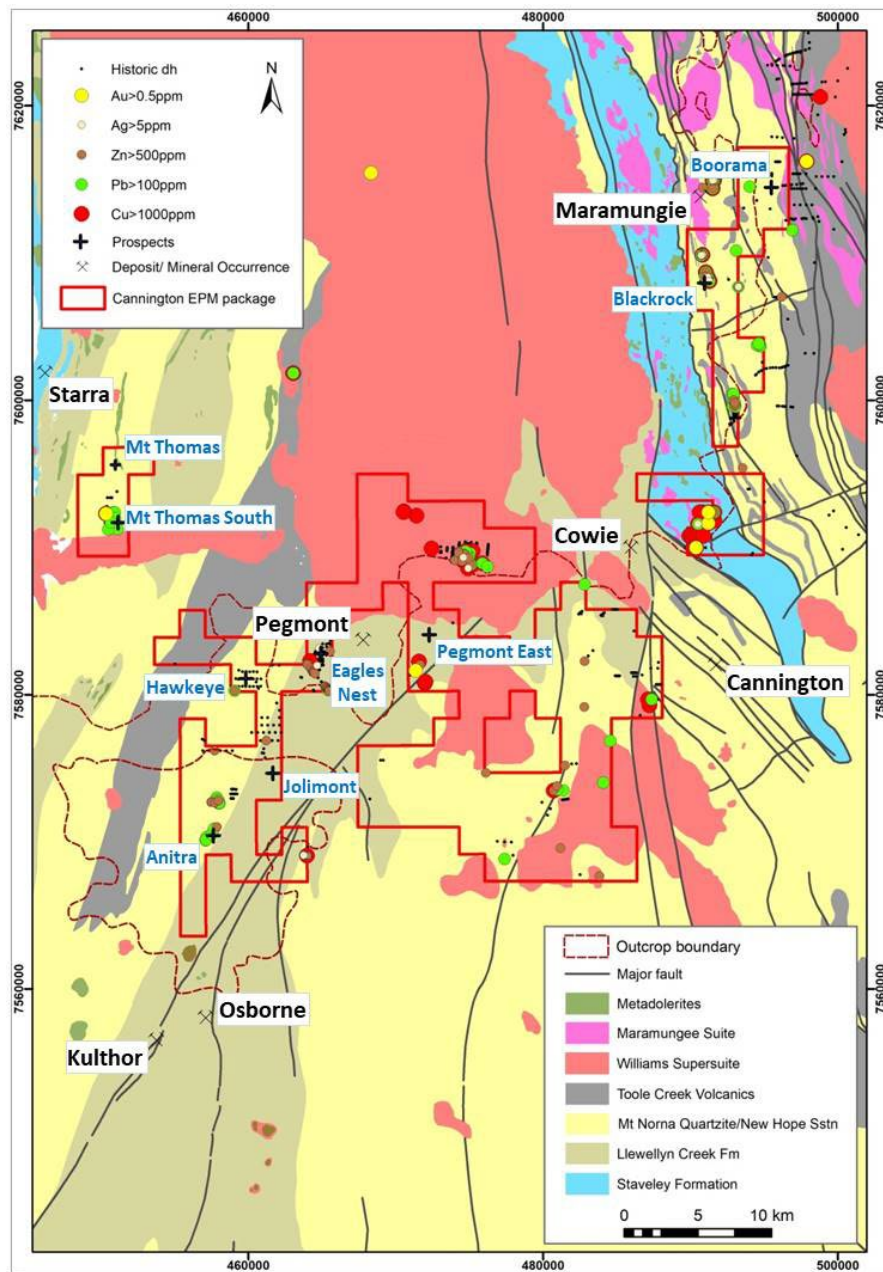


Figure 5: Cannington Project interpreted geology and base metal prospects

The Company is yet to form a work plan at Cannington and no substantive work is intended through 2022-2023.

5.12 Pyramid Gold Project

The Pyramid Project comprises 3 tenements covering 177km². The Project is centred around 150km south of Townsville in NE Qld (Figure 6).

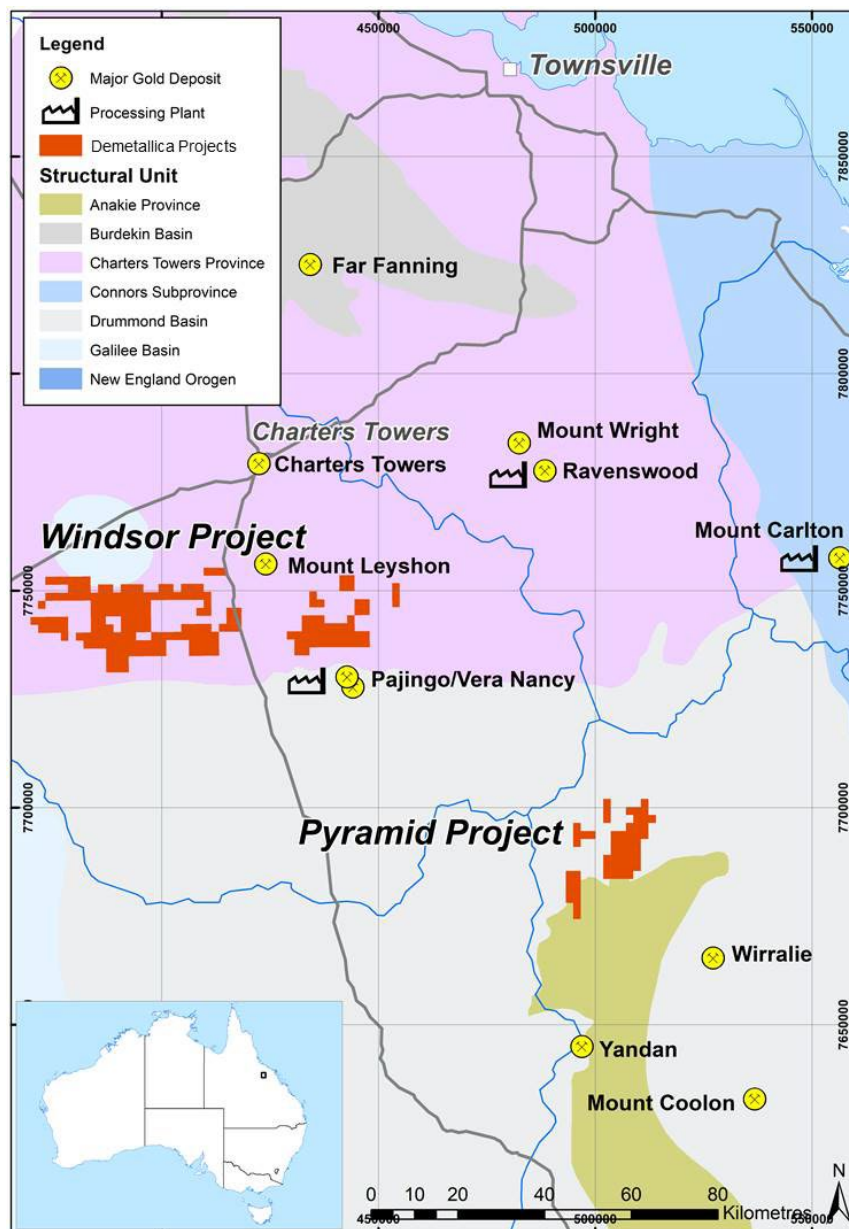


Figure 6: Location map of Pyramid and Windsor Projects

The Pyramid Project contains known gold mineralisation at four main prospects, being Sellheim, Gettysberg, Marrakesh and Pradesh, sited adjacent to the Gettysberg Fault on the West Pyramid Range.

In July 2021, Minotaur completed a 13-line dipole-dipole IP-resistivity survey. This survey highlighted numerous chargeable responses across the Project area including positive anomalies coincident with surface geochemical anomalies at Djoser, Pradesh and Gettysberg South.

Selected IP anomalies will be drill tested though late October and November 2022 for carbonate-base metal-gold style sheeted vein systems.

5.13 Windsor VMS Project

The Windsor Project comprises 8 tenements covering 641km². The Project is centred around 130km southwest of Townsville in NE Qld (Figure 6). Located near the Thalanga base metal mine Windsor hosts stratigraphic horizons offering potential for high-grade VMS mineralisation such as Thalanga and others.

Demetallica's work in 2022 identified EM anomalism under surface cover and intends to drill test the Royale geophysical target for base metal mineralisation late in 2022.

5.14 Peake and Denison Project

The Peake and Denison Project comprises 4 tenements covering 2,547km². The Project is centred 750km NNW of Adelaide, South Australia, just north of William Creek.

Demetallica hypothesised that the Peake and Denison Inlier could host under-cover basement rock types similar in age and alteration to those at the Ernest Henry mine near Cloncurry, Queensland and, logically, copper mineralisation in an iron-oxide, copper-gold setting (IOCG). Proof of this concept, through location of copper mineralisation by deep drilling, would confirm the presence of an hitherto unrecognised copper province with different characteristics to the greater Gawler Craton. Numerous Priority targets have been developed by Demetallica with three of those targets, Wentworth, Mawson and Wills, being the subject of a recent drill program (Figure 7). The geological concept has been validated at two geophysical targets: Mawson and Wills, with visual interpretation of drill core identifying Ernest-Henry style, magnetite IOCG alteration and copper mineralisation at each target (Figure 8). Assay results are awaited yet the JV has planned a second hole at Wills.

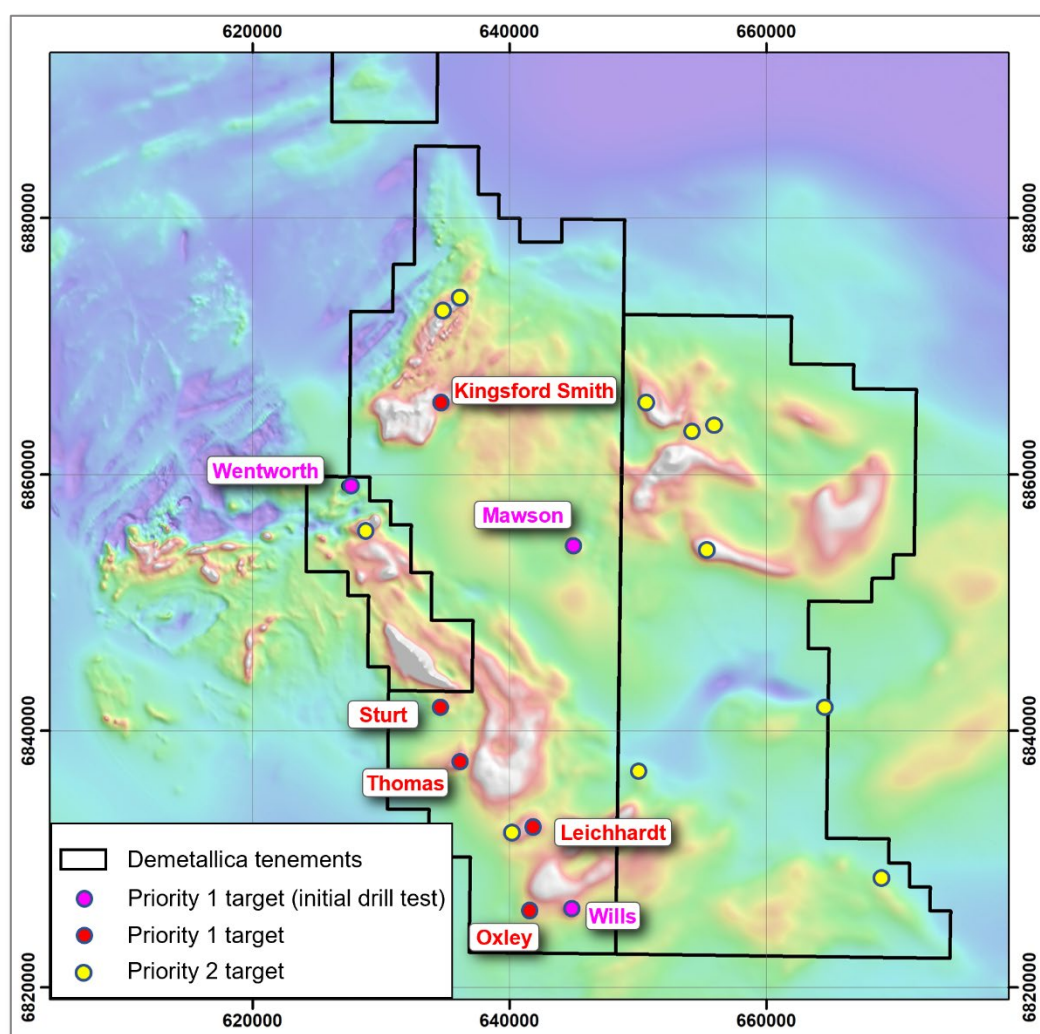


Figure 7: Priority IOCG targets on magnetics image



Figure 8: Examples of heavily altered volcanics with copper sulphide mineralisation from drill hole WL22DD001 (Wills target) between 575-577.7m. Copper sulphide (chalcopyrite) is yellow.

Exploration at Peake and Denison Project is funded by OZ Minerals under a Farm-in and Joint Venture for which OZ Minerals has met and surpassed the first year Minimum Commitment and has committed funding to earn an initial 51% tenement interest, which is achieved by sole funding \$4 million (Stage 1). OZ Minerals may then earn an additional 19% interest for the further expenditure of \$6 million (Stage 2). Thus, to attain its maximum interest of 70% over 7 years, OZ Minerals must invest \$10 million. OZ Minerals has committed funding towards its initial Stage 1 tenement interest.

5.15 Lake Purdilla Gypsum Project

The Lake Purdilla Project comprises 2 tenements covering 219km². The Project is centred around 130km SE of Ceduna, South Australia.

Demetallica does not intend to advance this project through 2022-2023.

5.16 OZ JV Interest sale Agreement

Demetallica, its wholly owned subsidiary Levuka Resources Pty Ltd and OZ Exploration Pty Ltd (**OZ**) 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 the Company:

- (a) the Jericho JV interest – OZ's 80% right, title and interest in the Jericho JV Area and the Jericho Mining Information; and

- (b) 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).

As consideration for the Sale Assets the Company paid OZ a non-refundable deposit of \$475,000. Following the completion of the Company's listing on ASX, the Company paid \$6.125 million to OZ. In addition the Company will:

- (a) pay OZ up to US\$8,818,492 in aggregate (**Tranche 3 Deferred Contingent Payment**) calculated at the rate of US\$0.04 per pound (lb) of Payable Copper payable when:
 - (i) a Demetallica JORC Statement is first announced on the ASX or a competent person first declares a measured & indicated resource which included a quantity of Payable Copper;
 - (ii) Payable Copper is first mined;
 - (iii) 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
 - (iv) Any subsequent Payable Copper (if any) is mined.
- (b) pay OZ \$2.75 million (**Tranche 4 Deferred Contingent Payment**) upon a positive pre-feasibility study in respect of the Jericho JV Area and/or the Eloise JV Area being published by the Company.

Payable Copper means any pound (lb) of copper which:

- (a) is derived from the Eloise JV Area and/or the Jericho JV Area;
- (b) forms part of the number of tonnes:
 - (i) of Measured & Indicated Resources exceeding 200,000 tonnes, but capped at a total of 100,000 tonnes of Measured & Indicated Resources; or
 - (ii) actually mined exceeding 200,000 tonnes, but capped at a total of 100,000 tonnes; and
- (c) has not previously been the subject of a Tranche 3 Deferred Contingent Payment paid by the Purchaser.

5.17 Demetallica financial information and project activities

Demetallica's quarterly report for the quarter ending 30 September 2022 (**Quarterly Report**) was released to ASX on 4 October 2022.

As at 30 September 2022, the reported cash balance for Demetallica was \$8,012,000. No event or item which may have a significant effect on the financial information contained in the Quarterly Report has occurred since 30 September 2022.

Demetallica's 2022 Annual Financial Report was released to ASX on 27 September 2022 containing Demetallica's full financial statements for the year ended 30 June 2022.

5.18 Forecast financial information for the Demetallica Group

Demetallica has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Directors have concluded that, as at the date of this Target's Statement, it would be misleading to provide forecast financial information for Demetallica, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of Demetallica in any period will be influenced by various factors that are outside the control of the Directors and that cannot, at this time, be predicted with a high level of confidence. However, the management team are working within the confines of their budget for any expected expenditure.

5.19 Demetallica issued capital

As at the date of this Target's Statement, Demetallica has the following securities on issue:

- (a) 101,985,664 Shares;
- (b) 2,700,000 Options exercisable at \$0.375 each on or before 26 May 2026;
- (c) 2,000,000 Performance Rights¹; and
- (d) 3,850,000 Zero Exercise Price Options.

5.20 Substantial Shareholders

Based on publicly disclosed substantial holder notices, the substantial holders of Demetallica Shares (being persons who hold a Relevant Interest in Demetallica of 5% or more) as at 11 October 2022, being the last trading day prior to the date of this Target's Statement, are as follows:

Shareholder Name	Number of Shares	Voting Power in Demetallica
Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	10,000,000	9.81%
Sandfire Resources Limited	8,914,631	8.74%
OZ Minerals Ltd	6,637,549	6.51%

5.21 Recent Share price performance

The below chart shows the Offer Price² relative to the price performance of Demetallica Shares on ASX during the period from listing on 26 May 2022 up to and including 11 October 2022, being the last trading day prior to the date of this Target's Statement:

¹ The company has issued 2,000,000 Performance Rights to the Company's Managing Director, Mr Andrew Woskett. Refer to Section 9.7 for a summary of the terms and conditions, including the relevant milestones of these Performance Rights.

² Assuming 101,985,664 Ordinary Shares; 3,850,000 Zero Exercise Price Options; and 2,000,000 Performance Rights resulting in the potential issue of 71,890,442 AIC Mines shares converted at the proposed 1.5 DRM share for 1 A1M share

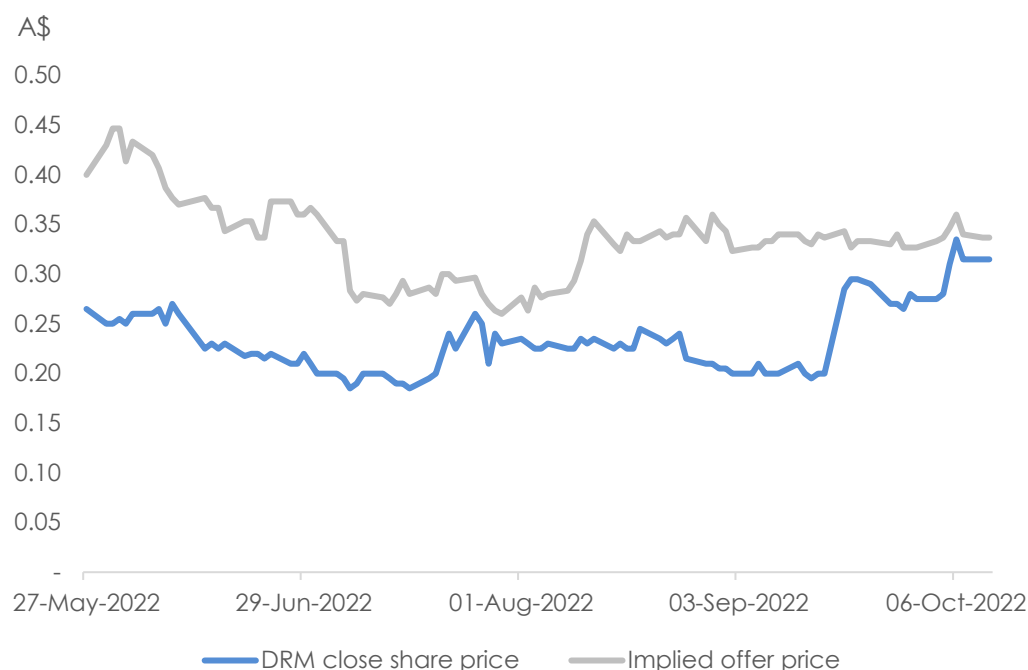


Figure 9: DRM closing share price relative to the implied offer price of DRM

5.22 Demetallica Board

(a) **Dr Roger Higgins (BE, MSc, PhD, FAusIMM, FIEAust) – Non-Executive Chair**

Roger Higgins has over 40 years' experience in mine management, project development and sustainability. He has worked in Australia, Canada, Chile, Papua New Guinea and USA. He is a Non-Executive Director of Newcrest Mining Ltd (ASX: NCM) and Worley Ltd (ASX: WOR), Non-Executive Chair of Ok Tedi Mining Ltd and Adjunct Professor with the Sustainable Minerals Institute (University of Queensland).

The Board considers that Dr Higgins is an independent Director.

(b) **Andrew Woskett (BE (Civil), M Comm Law) – Managing Director**

Andrew Woskett graduated in engineering and joined CRA group company Minenco in 1981. He has 40 years project and corporate experience, directly responsible for definition, evaluation, construction and management of resource projects in base metals, gold, nickel, iron ore and coal. Andrew is a Fellow of the Australasian Institute of Mining and Metallurgy and has a post graduate degree in commercial law.

Andrew was managing director of Ballarat Goldfields NL (1993-2002), initiating modern underground mine development and consolidating the Ballarat field under single ownership. He was founding managing director of Spitfire Oil plc (2005-2008). He became managing director of Minotaur Exploration (ASX: MEP) in March 2010 and ceased in that role on 28 February 2022 upon its merger with Andromeda Metals Ltd.

The Board considers that Mr Woskett is not an independent Director.

(c) **George McKenzie (BA (law) LLB (cum laude), FAICD) – Non-Executive Director**

George McKenzie is a resources and native title lawyer with over 25 years' experience representing many of South Australia's explorers and mine developers. He was a long standing Councillor of the South Australian Chamber of Mines and Energy Inc (SACOME), having served as Vice-President and is an Honorary Life Member of SACOME. He was a member of the Minerals and Energy Advisory Council which advised the South Australian Minister of Mineral Resources and Energy on strategic issues, from 2000 to 2019.

The Board considers that Mr McKenzie is an independent Director.

(d) **Dr Antonio (Tony) Belperio (BSc (Hons), PhD and FAusIMM) – Non-Executive Director**

Building on BSc (Hons) and PhD qualifications in geology, Tony Belperio has accumulated over 40 years of experience in a wide variety of geological disciplines in university, government and mineral exploration entities. He has been awarded the University of Adelaide's Tate Memorial Medal, the Geological Society of Australia's Stillwell Award and Webb Medal, and AMEC's Prospector of the Year Award for contributions in academic, government and exploration geosciences.

Tony has demonstrated notable strategic leadership in copper-gold exploration, having played a lead role in the discovery of the Prominent Hill iron-oxide copper-gold deposit in 2001 in South Australia, and the Artemis and Jericho polymetallic discoveries in 2014 and 2017 respectively in the Cloncurry district. More recently Tony has pioneered the application of natural clay nanomaterials to address global environmental issues.

Tony is a Fellow of the AusIMM and Non-Executive Director of Copper Search Ltd (ASX: CUS).

The Board considers that Dr Belperio is an independent Director.

5.23 Directors' interests in Demetallica securities

Details of Demetallica Shares and Demetallica Options in which each Director has a Relevant Interest are as follows:

Director Name	Demetallica Shares	Demetallica Performance Rights
Dr Roger Higgins	785,322	Nil
Mr Andrew Woskett	750,758	2,000,000
Mr George McKenzie	548,203	Nil
Dr Antonio Belperio	704,037	Nil

5.24 Dealings in securities in Demetallica

Mr Andrew Woskett has acquired 34,917 additional shares on 10 June 2022. No other director has acquired or disposed of a Relevant Interest in any Demetallica Shares or Demetallica Options during the four-month period ending on the date immediately before the date of this Target's Statement.

5.25 Directors' interests in AIC securities

No Director has a Relevant Interest in any securities of AIC as at the date of this Target's Statement.

5.26 Dealing in AIC securities

Neither Demetallica nor any Director acquired or disposed of a Relevant Interest in any securities in AIC during the four month period ending on the date immediately before the date of this Target's Statement.

5.27 Conditional agreements

No Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer, other than in relation to the Demetallica Performance Rights held by Mr Woskett which will vest on a change of control occurring in Demetallica.

5.28 Payments and benefits

Except as otherwise disclosed in this Target's Statement, other than a benefit permitted under section 200F of the Corporations Act, no benefit is proposed to be given to a Director in connection with his retirement from office at Demetallica or a related body corporate of Demetallica, or in connection with the transfer of the whole or any part of the undertaking or property of Demetallica.

To the extent permitted by law and subject to restrictions in the Corporations Act, Demetallica indemnifies each Director against any liabilities arising as a result of the Director acting as an officer of Demetallica.

5.29 Other alternatives to the Offer

The Demetallica Board is not aware of any alternatives to the Offer that may improve value for Demetallica Shareholders, such as the potential for a rival takeover bid for Demetallica.

Therefore, the Demetallica Board is not able to comment on likelihood of an alternative transaction arising but will keep Demetallica Shareholders informed of any material developments.

5.30 Transaction expenses

The Offer will result in Demetallica incurring fees and expenses that would not otherwise have arisen in the financial year ending 30 June 2023. As a result of the Offer the aggregate amount of fees and expenses to be incurred (or expected to be incurred) is currently estimated to be approximately \$2.0 million (exclusive of GST). They include:

- (a) fees payable to financial and legal advisers; and
- (b) costs relating to the printing and dispatch of the Target's Statement.

5.31 Other material information about Demetallica

All Demetallica disclosures to ASX are available on Demetallica's website at **www.demetallica.com.au** and on the ASX website at **www.asx.com.au** (under the ASX company code "DRM").

For more information on Demetallica, please visit **www.demetallica.com.au**

6. INFORMATION RELATING TO AIC

6.1 Disclaimer

The following information about AIC and the AIC Group is based on publicly available information, including information in the Bidder's Statement, and has not been independently verified by Demetallica. Demetallica does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on AIC in this Target's Statement should not be considered comprehensive. Further information about AIC and the AIC Group is set out in the Bidder's Statement, and may also be obtained from AIC's website at www.aicmines.com.au. Announcements made by AIC to the ASX may also be obtained from the ASX's website at www.asx.com.au (ASX:A1M).

Information contained in or otherwise accessible from those websites does not form part of this Target's Statement. AIC and the AIC Group are required to lodge various documents with ASIC. Copies of documents lodged with ASIC by AIC and the AIC Group may be obtained from, or inspected at, an ASIC office. Section 4 of the Bidder's Statement contains further information regarding AIC and its projects.

6.2 Overview of AIC

Demetallica shareholders are referred specifically to the Bidder Statement Section 4 for information on AIC and in particular the risks (Section 7) and opportunities (Section 3) detailed by AIC Mines to Demetallica shareholders. Given the form of consideration proposed by the Bidders is AIC Mines scrip, Demetallica did undertake limited due diligence on the Bidder in Q&A form. Acknowledging the limitations of the Q&A format Demetallica shareholders are referred to Section 6.1 above.

Eloise Copper-Gold Mine

AIC Mines assumed full ownership and operational control of the Eloise mine in November 2021 through a compliance re-listing on ASX. AIC has operated the project for three full Quarters. The mine appears to be operating smoothly under AIC's stewardship, Demetallica's opinion is based on publicly reported information from AIC Mines.

Eloise Mine Ore Reserves

Demetallica notes the limited inventory of Proven and Probable Ore Reserves for AIC's Eloise Mine. The following is extracted from pages 8 and 18 of AIC Mines' Takeover Presentation dated 19 September 2022:

- (a) Ore Reserves 1.54Mt
- (b) Current Plant throughput rate 650kt pa

By deduction the Eloise mine concentrator has less than 2.5 years of available Reserve feed, which excludes any future conversion of Resources into Reserves.

Eloise Mine Ore Reserves

From the same source document Demetallica notes the Eloise Mine has Measured and Indicated Mineral Resources of 4.751Mt which is understood to include

Reserves; meaning mineral resource inventory is approximately 3.211Mt. By contrast, the current copper mineral resource estimate for Chimera is 11.1Mt (Inferred), being 345% greater. Unquestionably, the Eloise Mine's mineral inventory and, potentially, its life-of-mine would be substantially enhanced through the proposed consolidation of assets.

Regional Exploration

Constrained tightly by the small surface area of the Eloise mine lease AIC Mines has no scope to or flexibility with which to carry on non-mine exploration or development. Often termed 'brownfields exploration' near-mine prospects are usually considered to be of significant economic value as an alternative source of mill feed or new mine opportunity adjacent existing infrastructure. The Chimera Polymetal Project offers that benefit to AIC Mines, not the least because Demetallica (and Minotaur before it) successfully explored for and identified Eloise 'lookalike' mineralised systems. A number of those are placed within 10km of the mine, presenting as important targets for further work and quantification (such as Iris-Electra, BigFoot and Defiance). Demetallica is not aware of what in-house surface exploration capacity AIC Mines has or how it might extract value from those opportunities.

Further Afield

Apart from its Chimera project Demetallica has tenement assets arranged throughout Queensland and South Australia (refer foregoing discussion). Demetallica is not aware of what in-house exploration capacity AIC Mines has or how it might extract value from those opportunities given no experience in or presence at those locations. Demetallica questions the strategic rationale behind AIC Mines' drive to acquire distant exploration stage project tenements which, in Demetallica's view, do not logically augment the mining operation at Eloise.

6.3 AIC's interest in Demetallica

As at the date of its Bidder's Statement, AIC has indicated that it did not hold any voting power in Demetallica (refer sections 5.8 of the Bidder's Statement).

7. TAX IMPLICATIONS

7.1 Introduction

This Section provides a summary of the Australian income tax, goods and services tax (GST) and stamp duty implications for Demetallica Shareholders on disposing of their Demetallica Shares (through acceptance of the Offer) in return for shares in AIC.

This Section is relevant for Australian resident and foreign resident Demetallica Shareholders that hold their Demetallica Shares on capital account. This information relates only to Demetallica Shares, and not to other rights held over Demetallica Shares. This Section does not consider the Australian tax consequences for Demetallica Shareholders:

- (a) who hold their Demetallica Shares as trading stock or as revenue assets;
- (b) who hold their Demetallica Shares as assets used in carrying on a business or as part of a profit-making undertaking or scheme;
- (c) who acquired their Demetallica Shares through an employee share, option or rights scheme;
- (d) who are taken to have acquired their Demetallica Shares before 20 September 1985 for Australian income tax purposes;
- (e) who are subject to the taxation of financial arrangements rules in Division 230 of the Income Tax Assessment Act 1997 (Cth) or the investment manager regime in Division 842 of the Income Tax Assessment Act 1997 (Cth) in relation to gains and losses on their Demetallica Shares;
- (f) who are Australian tax residents but who hold their Demetallica Shares as part of an enterprise carried on, at or through a permanent establishment in a foreign country;
- (g) who are foreign resident shareholders who hold their Demetallica Shares in carrying on a business through a permanent establishment in Australia; or
- (h) that are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents.

The information in this Section is based on the Australian taxation law and the administrative practices of Australian revenue authorities in effect as at the date of this Target's Statement. It is not advice to any particular Demetallica shareholder and does not set out all tax considerations that may be applicable. Demetallica Shareholders should seek independent professional advice regarding the taxation consequences of accepting the Offer and disposing of their Demetallica Shares. Demetallica Shareholders who are tax residents of a country other than Australia should also take into account the tax consequences under the laws of their country of residence.

7.2 Taxation consequences of disposal of Demetallica Shares by Australian residents

The below is a summary of the income tax consequences relevant for Australian resident Demetallica Shareholders who dispose of their Demetallica Shares through acceptance of the Offer.

Demetallica Shareholders who accept the Offer

Demetallica Shareholders who accept the Offer will dispose of their Demetallica Shares by way of transfer to AIC in exchange for AIC Shares. The disposal of Demetallica Shares to AIC under the Offer will constitute a capital gains tax (CGT) event for Demetallica Shareholders. The CGT event will happen at the time Demetallica Shareholders accept the Offer.

Calculation of capital gain or capital loss

Subject to the availability of roll over relief discussed below, Demetallica Shareholders will:

- (a) make a capital gain if the capital proceeds received on the disposal of their Demetallica Shares are more than the cost base of those Demetallica Shares; or
- (b) make a capital loss if the capital proceeds received on the disposal of their Demetallica Shares are less than the reduced cost base of those Demetallica Shares.

The capital proceeds received by a Demetallica Shareholder that accepts the Offer will be equal to the market value of the AIC Shares issued in exchange for the Demetallica Shares acquired, which should be equal to the value of the AIC Shares received at the latter of the date a Demetallica Shareholder accepted the Offer and the date the Offer becomes unconditional.

A Demetallica Shareholder should realise a capital gain equal to the amount by which the Offer consideration exceeds the cost base of their Demetallica Shares. A Demetallica Shareholder will alternatively realise a capital loss equal to the amount by which the reduced cost base of their Demetallica Shares exceeds the Offer consideration.

For Demetallica Shareholders who acquired their Demetallica Shares as a result of the Company's demerger from Minotaur on 3 February 2022 (Demerger), the cost and reduced cost base of their Demetallica Shares was 2.06 cents per Minotaur Share held, equating to a cost based and reduced cost base of approximately \$0.3996 per Demetallica share received under the Demerger.

Based on the Implied Offer Price of \$0.337 per Demetallica Share the Offer will give rise to a capital loss for Demetallica Shareholders who acquired their Demetallica Shares as a result of the Demerger.

Refer to ATO CR 2022/6 for further details regarding the Australian tax implications for Demetallica Shareholders who acquired their shares as a result of the Demerger.

For shareholders who did not acquire their Demetallica Shares as a result of the Demerger, the cost base of Demetallica Shares will be broadly the sum of the amount paid to acquire their Demetallica Shares, any incidental costs associated with the acquisition of the Demetallica Shares and any incidental costs associated with the disposal of the Demetallica Shares to AIC.

Where a capital loss is made, the reduced cost base of the Demetallica Shares is determined in a similar manner however does not include certain amounts that would be included in the cost base.

Demetallica Shareholders are unlikely to be entitled to apply the CGT discount to reduce any capital gain on the disposal of their Demetallica Shares (discussed below).

CGT Discount

Broadly, the CGT discount rules enable eligible Demetallica Shareholders to reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and 33 1/3% for complying superannuation funds. The CGT discount is not available to Demetallica Shareholders that are companies.

A condition for Demetallica Shareholders to access the CGT discount is that their Demetallica Shares were acquired (for tax purposes) at least 12 months before their disposal to AIC (excluding the date of acquisition and the date of disposal).

Prior to completion of the Demerger on 3 February 2022, all of the Company's shares were held by Minotaur. As Division 125 CGT Demerger relief was not available in respect of the Demerger (as detailed in ATO CR 2022/61), no Demetallica Shareholder should be taken to have an acquisition date for their Demetallica Shares for tax purposes earlier than 3 February 2022.

Based on the Offer Period, Demetallica Shareholders who accept the Offer will not be taken to have held their Demetallica Shares for at least 12 months before the time of the relevant CGT event and will not be entitled to apply the CGT discount to reduce any capital gain arising on the disposal of their Demetallica Shares to AIC.

The CGT discount will only be available to Demetallica Shareholders who otherwise satisfy the conditions (eg were individuals, trusts or complying superannuation funds) where the Offer Period is extended and a Demetallica Shareholders is able to accept the Offer on a date which exceeds 12 months from the date they acquired their Demetallica Shares.

Net capital gains or losses

If a Demetallica Shareholder makes a capital gain from the disposal of their Demetallica Shares, that capital gain will be combined with any other capital gains that the Demetallica Shareholder has made for the income year. Any available capital losses will then be applied against the total capital gains made for the income year, following which the CGT discount (if available) is applied to any remaining discount capital gains. A resulting net capital gain will be included in the Demetallica Shareholder's assessable income for the income year.

A resulting net capital loss cannot be deducted against other income for income tax purposes but may be carried forward to offset capital gains made in future income years (before taking into account the CGT discount, if available). Specific loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. Demetallica Shareholders should seek their own tax advice in relation to the operation of these rules.

CGT roll over relief

Demetallica Shareholders who accept the Offer will receive AIC Shares. If a number of conditions are satisfied, those Demetallica Shareholders that make a capital gain are eligible to elect that CGT 'scrip for scrip' roll over relief applies to the extent that their Demetallica Shares are exchanged for AIC Shares.

Based on the Implied Offer Price of \$0.337 per Demetallica Share, Demetallica Shareholders who acquired their Demetallica Shares as a result of the Demerger will not be entitled to apply roll over relief as the Offer gives rise to a capital loss for these shareholders.

Your Directors expect that all of the conditions to obtain roll over relief should be satisfied by the arrangement other than a key condition which requires that AIC becomes the owner of 80% or more of the voting shares in Demetallica (80% Rule) which may not ultimately be satisfied. The reason why your Directors believe the 80% Rule may not be satisfied is that each Director intends to reject the Offer in respect of the Demetallica Shares they own or control – representing approximately 2.7% of the Demetallica Shares.

As a result, where other Demetallica Shareholders holding interests in Demetallica Shares totalling 17.3% or more also reject the Offer, the 80% rule will not be satisfied and CGT roll over relief will not be available to any of the Demetallica Shareholders who accept the Offer. In these circumstances, accepting Demetallica Shareholders will be assessed to tax on any capital gain that arises, as determined in relation to the value of the replacement AIC Shares received.

As detailed above, unless the Offer Period is extended to a date which enables a Demetallica Shareholder to accept at a time which exceeds 12 months from the date a Demetallica Shareholder acquired their Demetallica Shares, the CGT discount is unlikely to be available to reduce any capital gain which arises for Demetallica Shareholders who accept the Offer and is not entitled to apply CGT roll over relief as a result of the 80% rule not being satisfied.

Where the 80% rule is satisfied and roll over relief were available, the consequences of choosing roll over relief for the Demetallica Shareholders are as follows:

- (a) any capital gain in respect of the disposal of the Demetallica Shares will be disregarded to the extent their Demetallica Shares are exchanged for AIC Shares; and
- (b) the realisation of any capital gain in relation to the portion of the consideration eligible for roll over relief will be deferred until a subsequent CGT event takes place in respect of the replacement AIC Shares.

Where roll over relief is successfully claimed, the cost base of the AIC Shares acquired will be based on the relative proportion of the original cost base of the Demetallica Shares. The cost base of the AIC Shares is increased by any incidental costs incurred by the Demetallica Shareholders in respect of the transaction. The new AIC Shares that are subject to roll over relief will be taken to have been acquired on the date the Demetallica Shareholder acquired their original Demetallica Shares. This is relevant to determine if the CGT discount rules apply on a future disposal of the replacement AIC Shares.

A formal written choice that roll over relief applies is not required, but the choice will be evidenced by the way in which the Demetallica Shareholder prepares and lodges their income tax return for the relevant income year.

7.3 Taxation consequences of disposal of Demetallica Shares by foreign residents

Generally, a Demetallica Shareholder who is a foreign resident for Australian income tax purposes and who does not carry on business in Australia at or through a permanent establishment should be exempt from CGT on the disposal of their Demetallica Shares, unless, broadly:

- (a) the foreign resident Demetallica Shareholder (together with its associates) holds 10% or more of the issued shares in Demetallica at the time of the CGT event resulting from the disposal of the Demetallica Shares or for any continuous 12 month period within two years preceding the time of the CGT event (non-portfolio interest); and
- (b) more than 50% of the market value of Demetallica is represented by direct or indirect interests in Australian real property (broadly, land situated in Australia and mining rights in respect of certain resources located in Australia) (principal asset test), (collectively, the TAP Test).

Where this is the case, non-resident Demetallica Shareholders may be liable for tax on gains from the disposal of their Demetallica Shares and may be required to lodge a tax return in connection with the disposal of Demetallica Shares.

Foreign resident Demetallica Shareholders who are subject to CGT on the disposal of their Demetallica Shares will not be entitled to the CGT discount in relation to that portion of the capital gain which relates to the period after 8 May 2012.

Foreign resident Demetallica Shareholders should note that the Australian tax consequences from the disposal of Demetallica Shares may be affected by any double tax agreement between Australia and their country of residence. Demetallica recommends foreign resident Demetallica Shareholders should obtain specific tax advice on the implications of a disposal of Demetallica Shares, including in their country of residence.

CGT roll over relief

CGT roll over relief will only be relevant and available to foreign resident Demetallica Shareholders where both the Demetallica Shares and the AIC Shares satisfy the TAP Test. The 80% Rule discussed above, as well as the other conditions to obtain roll over relief, will also apply equally to foreign resident Demetallica Shareholders participating in the Offer.

7.4 Foreign resident CGT withholding tax

In respect of certain types of transactions entered into on or after 1 July 2016, and subject to certain exceptions, bidders in an off-market takeover are required to pay to the ATO an amount equal to 12.5% of the offer consideration payable to foreign residents (foreign resident CGT withholding tax).

Where AIC considers that it will be required to withhold under these rules, AIC 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. Foreign resident Demetallica Shareholders should properly review and consider the declaration and ensure that, if possible, they make the declaration, otherwise AIC may inappropriately withhold from the consideration provided (by reducing the number of shares issued).

Foreign resident Demetallica Shareholders should obtain independent tax advice as to the potential implications to them of the foreign resident CGT withholding tax provisions.

7.5 Stamp duty

No Australian stamp duty will be payable by a Demetallica Shareholder on the transfer of their Demetallica Shares or the acquisition of AIC Shares under the Offer.

7.6 GST

Demetallica Shareholders should not be subject to any GST in respect of their disposal of Demetallica Shares or the acquisition of AIC Shares. Demetallica Shareholders should seek their own tax advice to determine whether any GST incurred on costs (such as brokerage and advisor fees) in relation to the disposal of their Demetallica Shares or the acquisition of AIC Shares is recoverable by way of input tax credits or reduced input tax credits.

8. RISK FACTORS

8.1 Risks associated with accepting the Offer

Conditions of the Offer

As described in section 4.6 of this Target's Statement, the Offer is subject to a number of conditions.

If the conditions of the Offer are not satisfied by the applicable date (or waived by AIC), the Offer will not be free of conditions and therefore will not proceed.

Limited withdrawal rights

You can only withdraw your acceptance in limited circumstances permitted under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, AIC varies the Offer in a way that postpones, for more than one month, the time when AIC has to meet its obligations under the Offer (for example, if AIC extends the Offer for more than one month while the Offer remains conditional).

Otherwise, you will be unable to withdraw your acceptance even if the value of AIC varies significantly from the date of your acceptance of the Offer.

If a superior proposal is announced, you will not be able to withdraw your acceptance of the Offer

If a superior proposal is announced, Demetallica Shareholders who accept the Offer will not be able to withdraw their acceptance of the Offer and accept a superior proposal.

At the date of this Target's Statement, the Demetallica Directors are not aware of any superior proposal.

CGT

If the Offer becomes Unconditional, CGT rollover relief will not be available if AIC acquires less than 80% of the Demetallica Shares under the Offer. A general overview of the tax implications of accepting the Offer for Australian resident Demetallica Shareholders is set out in section 9 of the Bidder's Statement and Section 7 of this Target's Statement.

Demetallica Shareholders should not rely on the taxation considerations set out in section 7 of this Target's Statement and section 9 of the Bidder's Statement as being advice on their own affairs. Shareholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the Offer given their particular circumstances.

Consideration

AIC will offer 1 AIC Shares for every 1.5 Demetallica Shares held. As AIC is listed on ASX, the value of the Offer consideration will fluctuate depending on the market value of AIC Shares. There are risks associated with investing in AIC. These risks are discussed in section 7 of the Bidder's Statement and also in section 8.2 of this Target's Statement.

Demetallica has not independently verified AIC information

Demetallica has relied on publicly available information released by AIC which has not been independently verified by Demetallica and has assumed that AIC has complied with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. Any inaccuracy in this information could adversely affect the anticipated results of operations of the Combined Entity.

8.2 Risks associated with being an AIC shareholder

There are certain risks involved in holding AIC Shares and those risks are outlined in section 7 of the Bidder's Statement. AIC is a public company with continuous disclosure and statutory reporting obligations, including in relation to its operational, commercial, financial and environmental and social matters. The Demetallica Board draws your attention to the risks set out below. Given the all scrip nature of the consideration proposed, and notwithstanding the unsolicited nature of off market takeover, Demetallica did attempt summary due diligence. This took the form of a limited list of questions and a subsequent, brief Q&A session with AIC. It cannot be considered comprehensive and Demetallica does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information and refers Demetallica Shareholders to Section 6.1 of this Target's Statement in relation to Information on AIC

Demetallica, being aware of all AIC public announcements and reports, is of the view that AIC is operating the Eloise Mine efficiently and safely. AIC's proposed infrastructure and operational improvements should result in further gains in revenue and production efficiencies. Demetallica's expectations are positive for shareholders should AIC's offer be successful, however there may be reservations over the mine's longer-term performance given its short operational history under AIC control. Further, AIC may require significant capital investment to grow Eloise mine's production profile to 1.4Mtpa, as AIC has indicated. That could result in dilution of all shareholders.

AIC forecast in FY23 significant capital expenditure of up to \$46 million at Eloise to support future production. The forecast allocates up to \$30 million for sustaining capital and \$16 million for growth capital (including \$5 million for long-term mine development in the Eloise Deeps extensions). Material cost estimate increases could have an adverse impact on AIC's share price¹.

8.3 Other risks in not accepting the offer

No Premium

Demetallica Shareholders who do not accept the Offer may not receive the premium offered by AIC. Further, in the absence of the Offer, the price of Demetallica Shares on ASX may potentially reduce to the levels at which it was trading before the date of announcement of the Offer.

Minority ownership consequences

In section 8.4 of the Bidder's Statement, AIC describes its intentions in the event that it does not become entitled to at least 90% of the Demetallica Shares.

If the scenario described in section 8.4 of the Bidder's Statement occurs, Demetallica Shareholders who do not accept the Offer will become minority

¹ AIC Mines Bidder Statement, 19 September 2022, pages 35, 38-39

shareholders in Demetallica and those Demetallica Shareholders will no longer collectively control Demetallica.

This has a number of possible implications including the following:

- (a) AIC will be able to cast the majority of votes at a general meeting of Demetallica enabling it to control the Board and senior management, determine Demetallica's dividend policy and control the strategic direction of Demetallica.
- (b) Subject to the requirements of the Corporations Act and Demetallica's constitution, AIC may appoint nominees of AIC to the Board.
- (c) Your Directors believe it is reasonably likely that the liquidity of Demetallica Shares would be lower than at present if a greater proportion of Demetallica Shareholders accept the Offer.
- (d) AIC may apply for Demetallica's removal from the official list of ASX. If this occurs, Demetallica Shares will not be able to be bought or sold on ASX.
- (e) If AIC acquires 75% or more of the Demetallica Shares, it will be able to pass special resolutions of Demetallica. This will enable AIC to amend Demetallica's constitution.

There are also risks associated with holding Demetallica Shares, these are detailed at section 8.4 of this Target's Statement.

Demetallica's Share price may fall

If the Offer is unsuccessful and no other offers emerge, Demetallica's Share price may fall below the current trading price and Demetallica Shareholders will be exposed to the ongoing risks associated with an investment in Demetallica.

If you do not accept the Offer and the Offer becomes Unconditional

Liquidity in Demetallica Shares may be significantly reduced, or AIC may be entitled to remove Demetallica from the official list of the ASX and AIC may be entitled to acquire your Demetallica Shares through compulsory acquisition (see section 4.16 of this Target's Statement).

8.4 Risks associated with holding Demetallica Shares

If you decide not to accept the Offer and retain your Demetallica Shares, you will continue to be exposed to the risks associated with being a Demetallica Shareholder. Holding a Demetallica Share provides an economic interest in the ongoing operating activities of Demetallica. However, there is no guarantee that Demetallica will become profitable in the future as the business is exposed to many risk factors.

These may be risks that are widespread risks associated with any form of business or specific risks associated with Demetallica's business and its involvement in the exploration and mining industry.

The following summary represents some of the major risk factors which affect Demetallica. These risk factors ought not to be taken as exhaustive of the risks faced by Demetallica or by Demetallica Shareholders. These factors, and others not specifically referred to, may in the future materially affect the financial performance of Demetallica and the value of Demetallica Shares. Where

relevant, the risk factors below assume the Offer will not be successful and Demetallica will continue to develop its projects interests.

(a) **General market risks**

The value of Demetallica Shares will be influenced by a number of factors that are common to most listed investments. At any point in time, these may include:

- (i) the Australian and international economic outlook;
- (ii) movements in the general level of prices on international and local stock markets;
- (iii) changes in economic conditions including commodity prices, inflation, recessions and interest rates; and
- (iv) changes in Government fiscal, monetary and regulatory policies.

(b) **Company specific risks**

(i) **Exploration and operating**

The mineral exploration licences are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that future exploration of these licences, or any other mineral licences that may be acquired in the future, will result in the discovery of an economic resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of Demetallica may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns or adverse weather conditions, unanticipated operational and technical difficulties, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, industrial and environmental accidents, industrial disputes, unexpected shortages and increases in the costs of consumables, spare parts, plant, equipment and staff, native title process, changing government regulations and many other factors beyond the control of Demetallica.

The success of Demetallica will also depend upon Demetallica being able to maintain title to the mineral exploration licences and obtaining all required approvals for their contemplated activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the assets, a reduction in the cash reserves of Demetallica and possible relinquishment of one or more of the mineral exploration licences.

(ii) **Tenure, access and grant of applications**

Mining and exploration tenements are subject to periodic renewal. The renewal of the term of granted tenements is subject to compliance with the applicable mining legislation and regulations and the discretion of the relevant mining authority. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of Demetallica.

Demetallica considers the likelihood of tenure forfeiture to be low given the laws and regulations governing exploration in Queensland and South Australia and the ongoing expenditure budgeted for by Demetallica. However, the consequence of forfeiture or involuntary surrender of a granted tenements for reasons beyond the control of Demetallica could be significant.

(iii) **Access**

A number of the Tenements overlap certain third party interests that may limit Demetallica's ability to conduct exploration and mining activities including pastoral leases.

Demetallica has entered into land access and compensation agreements in respect of certain Tenements

(iv) **Climate risk**

There are a number of climate-related factors that may affect the operations and proposed activities of Demetallica. The climate change risks particularly attributable to Demetallica include:

- (A) the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. Demetallica may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact Demetallica and its profitability. While Demetallica will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that Demetallica will not be impacted by these occurrences; and
- (B) climate change may cause certain physical and environmental risks that cannot be predicted by Demetallica, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which Demetallica operates.

(v) **COVID-19 risk**

The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of Demetallica remains unknown. Demetallica's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact Demetallica's operations and are likely to be beyond the control of Demetallica.

The COVID-19 pandemic may also give rise to issues, delays or restrictions in relation to land access and Demetallica's ability to freely move people and equipment to and from exploration projects and may cause delays or cost increases. The effects of COVID -19 on Demetallica's Share price and global financial markets generally may also affect Demetallica's ability to raise equity or debt or require Demetallica to issue capital at a discount, which may in turn cause dilution to Shareholders.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on Demetallica's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. If any of these impacts appear material prior to close of the Offer, Demetallica will notify investors under a supplementary disclosure.

9. ADDITIONAL INFORMATION

9.1 Effect of the takeover on Demetallica's material agreements

To the best of each Director's knowledge, none of the material contracts to which Demetallica is a party contains change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer.

9.2 Continuous disclosure

Demetallica is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Demetallica to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Demetallica has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Demetallica Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at **www.asx.com.au** and **www.demetallica.com.au**.

Copies of documents lodged with ASIC in relation to Demetallica may be obtained from, or inspected at, an ASIC office.

9.3 Publicly available information

This Target's Statement contains statements which are made in or based on statements made in documents lodged by various parties (including Demetallica) with ASIC, or given to ASX, including the Bidder's Statement.

As required by ASIC Class Order 13/521, Demetallica will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to Demetallica Shareholders who request it during the Offer Period. To obtain a copy of these documents (or the relevant extracts), Demetallica Shareholders may call the Company Secretary on +61 8 8132 3458 at any time between 8:30am and 5:00pm (AEDT) on Monday to Friday.

9.4 Material litigation

As at the date of this Target's Statement, Demetallica is not aware of any current or proposed litigation or dispute that is material and to which it is or may be party.

9.5 ASIC declarations and ASX Listing Rules waivers

Demetallica has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer. Further, Demetallica has not sought or been granted any waivers from ASX in relation to the Offer.

9.6 Taxation considerations for Demetallica Shareholders

A general outline of the tax implications of accepting the Offer is set out in section 7 of this Target's Statement.

As that section provides a general overview only, Demetallica Shareholders are encouraged to seek their own personal advice on the taxation implications applicable to their circumstances.

9.7 Performance Rights

9.7.1 Terms of Performance Rights

(a) Milestones

The Performance Rights shall convert to Shares upon the Company achieving the applicable Milestone for that Class of Rights, prior to the applicable expiry date of that Class of Rights.

The Milestones and expiry dates for each Class of Rights is set out below.

(b) Notification to holder

The Company shall notify the holder in writing when the Milestone has been satisfied.

(c) Conversion

Subject to paragraph (m), upon vesting, each Performance Right will, at the election of the holder, convert into one (1) Share.

(d) Share ranking

All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

(e) Application to ASX

The Performance Rights will not be quoted on ASX. The Company must apply for the official quotation of a Share issued on conversion of a Performance Right on ASX within the time period required by the ASX Listing Rules.

(f) Transfer of Performance Rights

The Performance Rights are not transferable.

(g) Lapse of a Performance Right

If the Milestone attached to the relevant Performance Right has not been satisfied within the time period set out in paragraph (a), the relevant Performance Rights will automatically lapse.

(h) Participation in new issues

A Performance Right does not entitle a holder (in their capacity as a holder of a Performance Right) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

(i) Reorganisation of capital

If at any time the issued capital of the Company is restructured, all rights of a holder will be changed in a manner consistent with the applicable ASX Listing Rules and the Corporations Act at the time of reorganisation.

(j) Adjustment for bonus issue

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares or other securities which must be issued on the conversion of a Performance Right will be increased by the number of Shares or other securities which the holder would have received if the holder had converted the Performance Right before the record date for the bonus issue.

(k) **Dividend and Voting Rights**

The Performance Rights do not confer on the holder an entitlement to vote (except as otherwise required by law) or receive dividends.

(l) **Change in Control**

Subject to paragraph (m), upon:

- (i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and:
 - (A) having received acceptances for not less than 50.1% of the Company's Shares on issue; and
 - (B) having been declared unconditional by the bidder.
- (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

then, to the extent Performance Rights have not converted into Shares due to satisfaction of the Milestone, Performance Rights will accelerate vesting conditions and will automatically convert into Shares on a one-for-one basis.

(m) **Deferral of conversion if resulting in a prohibited acquisition of Shares**

If the conversion of a Performance Right under paragraph (c) or (l) would result in any person being in contravention of section 606(1) of the *Corporations Act 2001* (Cth) (**General Prohibition**) then the conversion of that Performance Right shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Right would result in a contravention of the General Prohibition:

- (i) holders may give written notification to the Company if they consider that the conversion of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition; and
- (ii) the Company may (but is not obliged to) by written notice to a holder request a holder to provide the written notice referred to in paragraph (m)(i) within seven days if the Company considers that the conversion of a Performance Right may result in a contravention of the General Prohibition. The absence of such

written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.

(n) **No rights to return of capital**

A Performance Right does not entitle the holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(o) **Rights on winding up**

A Performance Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up.

(p) **No other rights**

A Performance Right gives the holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

9.7.2 Conversion of the Performance Rights

(a) **Milestones**

Subject to sub-paragraph (b), Performance Rights will vest and be convertible into one (1) Share on the achievement of the milestones described below:

Short term incentives (STIs)

- (i) No. of Performance Rights: 500,000
- (ii) Time period for achievement of milestone: 12 months from issue
- (iii) Milestones:
 - (A) up to 250,000 Performance Rights shall be capable of being converted upon the financial budget established by the Board being achieved and there being no employee fatality or serious long term injury or serious environmental incident occurring at the Company's Projects; and
 - (B) up to 250,000 Performance Rights shall be capable of being converted upon the operational budgets established by the Board being exceeded and there being no employee fatality or serious long term injury, or serious environmental incident occurring at the Company's Projects.
- (iv) Assuming no fatality, long term injury or environmental issue, the Board may, in its discretion determine that some of the Performance Rights may vest upon a consideration of the performance of the Company against the financial and operational budgets up to the limits outlined above.

Long Term Incentives (LTIs)

- (i) No. of Performance Rights: 1,500,000
- (ii) Time period for achievement of milestones: 3 years from issue
- (iii) Milestones:
 - (A) 750,000 Performance Rights shall be capable of being converted upon the Company achieving one of the following strategic goals:
 - (I) the achievement of the objective that will see the Company required to pay OZ Minerals \$2.75 million under the JV Interest Sale Agreement; or
 - (II) the Company's total JORC Resources exceed 500kt of copper equivalent; or
 - (III) the Company undertakes a material asset acquisition or disposal.
 - (B) 750,000 Performance Rights shall be capable of being converted upon the Company's share price achieving a 30- day volume weighted average price of \$0.50 or more.

(b) Conversion of Performance Rights

Subject to paragraph (b) (ii) below, in the event a Milestone is satisfied, the Performance Rights held by the holders will be capable of being converted by the holder where the holder provides the Company with:

- (i) the certificate for the Performance Rights or, if the certificate for the Performance Rights has been lost, mutilated or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost, mutilated or destroyed; and
- (ii) a notice in the form provided in the incentive performance rights plan addressed to the Company and signed by the Participant stating that the Participant request to convert the Performance Rights and specifying the number of Performance Rights which are to be converted.

If the exercise of the Performance Rights into the Company Shares would result in the holder being in contravention of section 606(1) of the Corporations Act, then the conversion of such number of Performance Rights that would cause the contravention will be deferred until such time or times thereafter the conversion would not result in such a breach.

Performance Rights that have not been converted within five (5) years from the date of issue shall automatically lapse.

(c) After Conversion

The Shares issued on conversion of the Performance Rights will, as and from 5:00pm (Adelaide time) on the date of issue, rank equally with and confer

rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares issued upon conversion.

(d) **Conversion Procedure**

The Company will issue the holders with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Rights into Shares.

9.8 No other material information

This Target's Statement is required to include all the information Demetallica Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any of the Demetallica Directors.

The Demetallica Directors are of the opinion that the information that Demetallica Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- (b) the information which has been previously disclosed by Demetallica as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC;
- (c) the information contained in Demetallica releases to ASX prior to the date of this Target's Statement; and
- (d) the information contained in this Target's Statement.

The Demetallica Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). The Demetallica Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Demetallica Directors have had regard to:

- (a) the nature of the Demetallica Shares;
- (b) the matters Demetallica Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to the professional advisers of Demetallica Shareholders; and
- (d) the time available to Demetallica to prepare this Target's Statement.

10. CONSENTS

Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following information in this Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:

- (a) each Director, to being named as a director;
- (b) Steinepreis Paganin, to being named in this Target's Statement as legal adviser to Demetallica;
- (c) ICA Partners, to being named in this Target's Statement as financial adviser to Demetallica; and
- (d) Euroz Hartleys, to being named in this Target's Statement as corporate broker to Demetallica.

Each person named above as having given its consent to being named in this Target's Statement:

- (a) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

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

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

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

Pursuant to ASIC Corporations (Consents to Statements) Instrument 2016/72, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

Any Demetallica Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 13/521 may obtain a copy free of charge by writing to the Demetallica Company Secretary or by contacting the Company Secretary on +61 8 8132 3458 at any time between 8:30am and 5:00pm (AEDT) on Monday to Friday.

Copies of all announcements by Demetallica may also be obtained from Demetallica's website at **www.demetallica.com.au**.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains share price trading data sourced from IRESS without its consent.

11. APPROVAL OF THE TARGET'S STATEMENT

The copy of this Target's Statement that is to be lodged with ASIC has been approved by a resolution passed by the Directors.

This Target's Statement is dated 12 October 2022, which is the date on which it was lodged with ASIC.

Signed for and on behalf of Demetallica Limited.

A handwritten signature in black ink, appearing to read 'Dr Higgins', with a long horizontal flourish extending to the right.

Dr Roger Higgins
Non-Executive Chair

12. GLOSSARY AND INTERPRETATION

12.1 Definitions

The following definitions apply in this Target's Statement unless the context requires otherwise:

Acceptance Form means the Acceptance Form provided to you by AIC with its Bidder's Statement containing instructions on how to accept the Offer.

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

AIC Group means AIC and its Related Bodies Corporate.

AIC Share means a fully paid ordinary share in AIC.

ASIC means the Australian Shares and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act.

ASX means ASX Limited or the market operated by it (as the context requires).

ASX Listing Rules means the official listing rules of ASX as amended, varied, modified or waived from time to time.

Bidder's Statement means the bidder's statement served on Demetallica by AIC on 19 September 2022 in relation to the Offer.

Business Day means a day which is not a Saturday, Sunday or a public holiday in Adelaide, South Australia.

Combined Entity means the AIC Group following the acquisition of Demetallica.

Condition means the conditions of the Offer as summarised in section 4.6 of this Target's Statement and set out in full in section 14.7 of the Bidder's Statement.

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

Ineligible Foreign Shareholder has the meaning in the Bidder's Statement.

Demetallica or **Company** means Demetallica Limited (ACN 061 595 051).

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

Demetallica Director or **Director** means a director of Demetallica.

Demetallica Group means Demetallica and its Related Bodies Corporate.

Demetallica Optionholder or **Optionholder** means a person registered in the register of options of Demetallica as a holder of one or more Demetallica Options.

Demetallica Options or **Options** means options to subscribe for Demetallica Shares which are on issue at the Register Date.

Demetallica Share or **Share** means a fully paid ordinary share in Demetallica.

Demetallica Shareholder or **Shareholder** means a person who is registered as the holder of a Demetallica Share in the Demetallica register of members.

Demetallica Share Registry means Computershare Investor Services Pty Limited.

JORC 2012 means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition.

MRE means the Mineral Resource Estimate of Demetallica.

Offer means the takeover bid by AIC to acquire all of the Demetallica Shares on the terms and conditions set out in the Bidder's Statement.

Offer Price means 1 AIC Shares per 1.5 Demetallica Shares.

Offer Period means the period within which the Offer is open for acceptance in accordance with the Bidder's Statement and the Corporations Act.

Prospectus means the prospectus lodged by the Company on 8 April 2022 prior to the Company's admission to the official list of the ASX.

Register Date means the date set by AIC under section 633(2) of the Corporations Act, being 7:00pm (AEDT) on 20 September 2022.

Related Bodies Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act.

Resource means a resource as defined in JORC 2012.

Target's Statement means this document, being the statement of Demetallica under Part 6.5 of the Corporations Act in relation to the Offer.

Unconditional means that the Offer and any contracts resulting from acceptance of the Offer are no longer subject to fulfilment of the Conditions.

VWAP means volume weighted average price.

12.2 Interpretation

The following rules of interpretation apply unless the context requires otherwise:

- (a) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act (as is appropriate to the context).
- (b) A gender includes all genders.
- (c) The singular includes the plural, and the converse also applies.
- (d) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (e) A reference to legislation or to a provision of legislation includes any modification or re-enactment of it, any legislative provision substituted for it and any regulations and statutory instruments issued under it.
- (f) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.

- (g) A reference to a right or obligation of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).
- (h) A reference to an agreement or document is to the agreement or document as amended, supplemented, novated or replaced.
- (i) Headings used in this Target's Statement are for ease of reference only and do not affect the meaning or interpretation of this Target's Statement.
- (j) A reference to a section or Annexure is to a section of, or annexure to, this Target's Statement unless otherwise specified.
- (k) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (l) \$, A\$ or AUD is a reference to the lawful currency of Australia.
- (m) A reference to time is a reference to Australian Eastern Daylight saving Time, or AEDT.

CORPORATE DIRECTORY

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