

**NEX METALS
EXPLORATIONS LTD
ACN 124 706 449**

FIRST SUPPLEMENTARY TARGET'S STATEMENT

Prepared in response to the unsolicited, off-market takeover bid by Metalicity Limited (ACN 086 839 992) (**MCT**) to acquire all of your ordinary fully paid shares in NEX METALS EXPLORATIONS LTD (ACN 124 706 449) (**NME**).

1. IMPORTANT INFORMATION

This document is the FIRST supplementary target's statement issued by NME under section 644 of the *Corporations Act 2001* (Cth) (**FIRST Supplementary Target's Statement**) and is supplementary to Nex Metal's Replacement Target's Statement dated and lodged with the Australian Securities and Investments Commission (**ASIC**) on 17 March 2022 (**Replacement Target's Statement**) in relation to the off-market takeover offer by MCT for all of the fully paid ordinary shares in the capital of NME (**Offer**).

This First Supplementary Target Statement is required by the Takeovers Panel pursuant to its orders dated 28 April 2022.

This FIRST Supplementary Target's Statement is dated 31 May 2022 and was lodged with ASIC and given to ASX on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this FIRST Supplementary Target's Statement.

Please consult your legal, financial or other professional adviser if you do not fully understand the contents of this FIRST Supplementary Target's Statement.

A copy of this FIRST Supplementary Target's Statement will be available on Nex Metal's website at www.Nexmetals.com or the ASX announcements platform at <https://www2.asx.com.au/markets/company/nme> (ASX:NME).

Capitalised terms used in this FIRST Supplementary Target's Statement have the same meaning given to them in the Replacement Target's Statement, unless defined otherwise in this First Supplementary Target's Statement or the context otherwise requires. Section 10 of the Replacement Target's Statement sets out certain rules of interpretation, which apply equally to this First Supplementary Target's Statement.

Every reference to a specific page number refers to Nex Metal's Replacement Target Statement dated and lodged on 17 March 2022 (unless expressly stated otherwise).

2. Page 2

At page 2 of the Replacement Target Statement, the Company stated that: "NME also owns 100% of the prospective Kookynie Tailings Research Project".

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The Kookynie Tailings Research Project (**KTRP**) is separate and distinct from the Kookynie Project, the subject of the Joint Venture Agreement (JVA). The KTRP is not the same as the Kookynie Project.

The KTRP is remnant tailings which are contained on tenement M40/61 which relates to previously mined and treated ore from previous operators over circa 100 years.

By contrast, the Kookynie Project relates to tenements which are part of the NME and MCT JVA.

NME considers that it owns 100% of the KTRP based on the provisions of the JVA as follows:

Clause 4.2 of the JVA provides:

Development Works not subject to Agreement

The Parties agree that any Development Works undertaken by NME whether prior to or following the Effective Date is not subject of this Agreement.

Clause 1.1 of the JVA defines development as *the development of a commercial mining operation for Minerals.*

NME Instigated commercial mining operations in relation to the KTRP as of 9/1/2017 (see ASX announcement of the same date)

Furthermore, NME has operated the KTRP prior to the commencement of the JVA. (Please refer to ASX announcements dated 13/10/2017 and 9/11/2017).

Following the commencement of the JVA with MCT, NME conducted and performed 100% of the works on the KTRP. In accordance with clause 4.2 of the JVA, any works commenced prior to the JVA formation are exempted from the JV and therefore MCT has no basis of claim for any projects outside of the JVA.

MCT disputes that NME owns the KTRP. As at the date of this First Supplementary Target's Statement, MCT has neither initiated the formal dispute resolution process pursuant to the JVA or made any other claim to a Court, Tribunal or judicial body for a declaration of ownership of the KTRP.

3. Page 3

The Statement: "Given NME's superior asset holding...":

Should be replaced with:

"Given NME's strong asset holding...":

And should be read in conjunction with:

NME owns a 49% interest in the Kookynie Project and 100% interest of the KTRP (as outlined in Page 2 above).

As set out below, NME considers that it holds a strong asset holding position for the reasons below:

1. NME owns 100% of the KTRP (see section 2 above);
2. NME owns 49% of the Kookynie Project.

4. Page 4

The statement: *"NME Shareholders would currently realise a loss by accepting the MCT Offer"*

Is to be read in conjunction with:

NME shareholders would clearly lose value by accepting the MCT offer compared to selling their shares for the market value. The current and recent trading prices of NME shares is at a premium to the implied value of the MCT Offer. Therefore, NME shareholders would realise a loss in value by accepting the MCT Offer.

This differs from any profit or loss for tax purposes that an individual shareholder may or may not realise. Individual shareholder circumstances are not considered, as is made clear in NME's Replacement Target's Statement.

The reference on Page 4 of the Replacement Target's Statement to Section 6 of the Replacement Target's Statement is to be removed.

5. Page 5

The Statement: *"NME regards Kookynie Tailings as "low-hanging fruit" and able to be monetised in the near term"*

Is to be replaced with:

"NME regards Kookynie Tailings as being able to be monetised in the near term"

See above at Page 2 for explanation of ownership of the KTRP by NME.

NME intends to commence processing the ore from the KTRP within the next 6 months.

The tailings are ore which have previously been processed and is a stockpiled at the tailings dam on the tenement M40/61. NME has already drilled and assayed the contents of the KTRP (refer to previous ASX announcements of NME dated 13/10/2017, 9/11/2017, 22/11/2017 and 25/1/2018).

NME considers that processing the ore at the KTRP (subject to market and economic conditions at the material time) will return a positive cashflow result to NME. NME will use its proprietary Nex Technologies to commence the processing of the ore, which means processing of the ore can be done on-site at the tenement and will eliminate transport costs for offsite processing elsewhere.

NME commenced the trial processing of the tailings during on 29 July 2020. This is now on hold pending a capital raising under a proposed rights issue. Please refer to the ASX platform for NME announcements dated [29/07/2020, 21/10/2020, 17/11/2020 and 26/02/2021 with respect to the trial.

6. Page 8

The Statement: "50% JVA expenditure as per budget provided by MCT but not yet approved by the Joint Venture or called"

Is to be read in conjunction with:

MCT disputes the statement: "50% JVA expenditure as per budget provided by Metalicity but not yet approved by the Joint Venture or called."

NME pursues its claim for expenditure made by MCT pursuant to the JVA.

MCT pursues its claim for expenditure against NME, despite the objections of NME.

NME, despite MCT's objections, issued Dispute Notices to MCT on 27 February 2022 and 3 March 2022 as prescribed pursuant to clause 27 of the JVA. NME disputes the validity of the JV Management Committee meetings and the retrospective cash calls of approximately \$1,178,330.22 by MCT. MCT opposes the objection by NME in respect of the grounds of NME's Dispute Notices.

MCT opposes to NME's Dispute Notices and issued a Dispute Notice on 22 April 2022 in relation to non-payment of the cash calls referred to above. In relation of MCT's cash call, NME opposes the claim of the Dispute Notice issued by MCT on 22 April 2022.

The Dispute Notices issued by both NME and MCT are subject to ongoing negotiations and informal mediation meetings between the parties. Upon there being a resolution of the respective Dispute Notices, the resolution of the respective Dispute Notices will be announced by NME on the ASX Platform.

If there is no mediated resolution between NME and MCT, the respective Dispute Notices and the contents contained within the respective Dispute Notices will be referred to the relevant courts for determination.

7. Page 6

The Statement: "NME is currently raising funding..."

Is to be read in conjunction with:

The Rights Issue proposed by NME is subject to Shareholder approval at a general meeting as per the Orders listed in the decision of Nex Metals Explorations Ltd [2021] ATP 12 dated 3 November 2021.

NME has prepared a Notice of Meeting for the proposed Rights Issue and has provided the draft of the Notice of Meeting to ASIC. ASIC is reviewing the draft Notice of Meeting, and subsequent to its review and there being no objection from ASIC or the Takeovers Panel, the Notice of Meeting will be issued to shareholders and announced on the ASX Platform. The timing of the general meeting pursuant to the Notice of Meeting will be held 28 days following the announcement of the Notice of Meeting on the ASX Platform and its issuance to shareholders.

8. Page 7

The statement:

Better Value

While MCT's Bidder's Statement offers NME shareholders 4.81 MCT shares for every 1 NME share, no cash is offered to NME shareholders.

The Rights Issue offers better value to NME shareholders...

is to be removed.

9. Page 8

The statement: *"There is no certainty that NME will gain a relevant interest in more than 50% of the issued share capital of the Company. The Rights Issue in contrast is not subject to any conditions and would allow NME shareholders being able to receive the new shares in a shorter time frame"*.

Is to be replaced with:

"There is no certainty that MCT will gain a relevant interest in more than 50% of the issued share capital of the Company."

10. Page 8

The Statement: "Nex under the joint venture agreement maintains in its own right the first right to all processing (Using Nex Technologies) from the joint venture tenements and all the rights to the KTRP which would provide significant incomes to NME alone".

Is to be read in conjunction with:

In respect of the processing of the KTRP and the ownership of the ore by NME, please see above at Page 2.

The basis upon which NME considers that it owns the KTRP, in addition to Page 2 above, is as follows:

1. Pursuant to clause 4.2 of the JVA, the KTRP is not subject of the JVA. Clause 4.2 provides as follows:

Development Works not subject to Agreement

The Parties agree that any Development Works undertaken by NME whether prior to or following the Effective Date is not subject of this Agreement.

(Clause 1.1 of the JVA defines development as the development of a commercial mining operation for Minerals.)

NME relies on clause 4.2 to support its position of its sole 100% ownership of the KTRP.

2. NME has operated upon the KTRP prior to the commencement of the JVA. (Please refer to ASX announcements dated 13/10/2017 and 9/11/2017).
3. NME has instigated commercial mining operations in relation to the KTRP as of 9/11/2017 (see ASX announcement of the same date), which was prior to the commencement of the JVA.
4. Following the commencement of the JVA with MCT, NME has solely and exclusively conducted and performed 100% of the works on the KTRP with no contributions being provided by MCT and no disputes in relation to the KTRP being formally issued by MCT in respect of the KTRP.

NME considers that it has a first right of refusal of processing of the Kookynie Project pursuant to clause 4.3 of the JVA. Clause 4.3 is as follows:

4.3 Assessment of NME Technologies for studies

In the event that the Parties agree to undertake a Scoping Study or Pre-Feasibility Study following formation of the Joint Venture, the Parties agree to assess the use of the NME Technologies in undertaking the Scoping Study or Pre-Feasibility Study, as applicable.

The Parties Acknowledge NME has the first right of refusal to offer the technologies to the Joint Venture on commercial terms.

This first right of refusal if accepted by the Joint Venture on commercial terms would allow NME to generate income as a processing company in its own right and separate to the JVA.

11. **Page 8**

The statement: "Outlined below is a table detailing how the proceeds obtained through the Rights Issue are proposed to be used..."

Is to be read in conjunction with:

The rights issue proposed by NME is subject to an ASIC no objection statement for the Notice and subject to Shareholder approval at a general meeting.

The timing of this meeting is uncertain but will be held within 28 days of a no objection statement from ASIC and the Takeovers Panel as to the Notice and ASX approval. The Company is currently liaising with ASIC to finalise the Notice.

The Directors and their associates have no intention nor are permitted to repay any debt to related parties pursuant to any rights issue proceeds.

12. **Page 9**

The statement "*NME expects for the rights issue to be fully underwritten...*"

Is to be removed.

13. **Page 10**

The word "Offer" in the Statement:

Potential effect of the Offer on control of the Company

The potential effect of the Offer on control of the Company is as follows:

- (a) If all eligible shareholders take up their Entitlement, then the Offer will practically have no effect on control of the Company.
- (b) In the more likely event, there is a Shortfall:
 - a. eligible shareholders who do not subscribe for their full entitlement of Shares under the Offer will be diluted relative to those shareholders who subscribe for some or all of their entitlement as shown by the table below. Refer to the table below for examples on how the dilution may impact Shareholders; and
 - b. the Directors reserve the right to place the Shortfall within 3 months of the closing date. Shortfall Shares will be issued at a price not less than the issue price of new Shares under the Rights Issue, although the Directors reserve the right to issue any Shortfall at a higher price than the issue price.

Is to be replaced with the term "Rights Issue".

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14. Page 12

The Statement: "The Offer may create a capital gains tax liability for NME Shareholders"

To be read in conjunction with:

NME Shareholders who accept the Offer may be able to defer capital gains tax via scrip-for-scrip rollover relief. However, MCT must acquire at least 80% of the voting shares in NME for NME Shareholders to qualify. There is a substantial risk that MCT will not be able to achieve this level of acceptance.

If scrip-for-scrip rollover relief is not available, this may result in a capital gains tax liability for NME Shareholders who accept the Offer.

15. Page 16,19

The Statements: "The Directors encourage you to ... read the independent expert's reports (as per orders by the Takeover Panel, see media release dated 17 December 2021 and 11 February 2022) which is prepared and will be published on the ASX platform once completed"

Is to be removed and replaced with:

There is an Independent Expert Report (IER) commissioned by MCT which was issued on 6 May 2022 on the ASX platform and has been dispatched to Shareholders by MCT, NME has engaged with a separate Expert but no IER, either as a draft or completed version is done.

NME has considered the BDO IER and continues to work with its advisors to assess the Basis for BDO's conclusion.

NME believes the BDO report does not consider the following drivers of value adequately being the potential conversion of NME debt to equity (subject to shareholder approval) and the fact that Admiral Bay is written down to zero on the MCT balance sheet.

NME and its expert will model the effect of these changes on the relative value of NME and MCT and intends to provide the conclusions of this independent assessment to the market on the ASX platform and dispatch to shareholders when available.

The Directors recommendation may change on the receipt of this report and its review by the Directors.

16. Page 26

The Statement: "NME holds a suite of highly prospective tenements in the greater Kookynie and Yundamindra area".

Is to be read in conjunction with:

The tenements identified are the same as those in the JVA as amended from

time to time as new tenements are added and others are relinquished or reduced as required by the Mining Act.

There is no longer any dispute that MCT is the owner of 51% of the Kookynie tenement and that NME is the owner of 49% of the Kookynie tenement which form the Kookynie Project.

Shareholders of NME should note that Yundamindra tenements are under plaint by MCA Nominees Pty Ltd, an unrelated party which holds tenements north of Yundamindra since May 2018. Whilst under the terms of the JVA NME is required to defend the plaint itself and expected to defend the action in the normal course of events there can never be certainty of outcome until the finding of the Warden. The hearing date has been listed in the Wardens Court from 17 to 30 June 2022. Either with a successful or negative outcome both parties to the action have a right to appeal with the ultimate decision resting with the Minister.

Kym Mining Pty Ltd (a subsidiary of MCT) has applied to the Warden to be a Joinder to those proceedings. NME does not intend to object to that application. MCA Nominees Pty Ltd has objected to Kym Mining application to be a party to the proceedings, however as of today's date Kym Mining Pty Ltd have been joined on a limited basis with a further hearing due on 17 June 2022.

17. Page 32

The Statement: "\$328,000 of share application monies received from a Director, shown as a current liability in the statement of financial position as at 30 June 2021, will be transferred to equity when the shares are issued"

Is to be read in conjunction with:

The Alternate Director has agreed in writing not to pursue payment until NME is in a financial position to do so or is converted into equity with the approval of shareholders at a general meeting, which is required under related party rules.

There are no terms, conditions or limitations that attach to the forbearances that are not disclosed in the Supplementary Target's Statement.

In light of the current Takeover Bid, NME intends that the funds be repaid when it is in a Financial Position to do so. NME notes the difficulty in issuing any shares under the current takeover circumstances.

18. Page 32

The Statement: "The possible sale of mining tenements, recognised as exploration and evaluation assets in the statement of financial position as at 30 June 2021"

Is to be read in conjunction with:

These tenements relate to the JVA tenements. Neither party has a pre-emptive right over each other's interest. NME could sell its interest (whether 49% or

whatever diluted interest at the time) to either MCT as a separate transaction or to other independent party/ies. NME notes recent announcements by other listed entities on the ASX in and around Kookynie which are looking at Mergers and Acquisitions in the region of the JV tenements. This is speculative and is not intended to infer that any Company would purchase or otherwise enter into an agreement with NME as a standalone entity.

19. Page 32

The Statements: "Included in current payables is an amount of \$1,950,976 payable to the Directors of the consolidated entity. The Directors have agreed to not seek cash payments for their unpaid balances until the consolidated entity is in a financial position to pay."

And

"Included in current payables is an amount of \$306,788 payable to Allens Business Group Pty Ltd, an entity controlled by the Director, Ken Allen. Allens Business Group Pty Ltd have agreed to not seek cash payments for this unpaid balance until the consolidated entity is in a financial position to pay;"

Are to be read in conjunction with:

The amount of \$1,950,976 relates to unpaid Directors fees and Salaries. The Directors have signed Deeds of acknowledgments for these amounts. There is no interest payable or accruing. The Directors could at their election seek;

- cash payment for the full or part payment of the outstanding balances.
- Convert the full or part amount to equity (at the approval of shareholders at a general meeting).
- Seek combination of cash or equity (with shareholder approval at a general meeting).

In any event, all the directors, have agreed in writing (via executed Deeds of Acknowledgment) and in good faith not to seek payment for the monies owed.

No interest is payable or accruing on the balances outstanding.

This is consistent with the going concern notes in the NME half year 31 December 2021 Financial Statements (Note 1, page 20).

No interest is payable or accruing on the balances outstanding.

With respect to Allens Business Group Pty Ltd debt of \$306,788 this has no interest attaching to the debt and in good faith and in writing has not sought payment until NME is in a financial position to do so. These conditions are disclosed in the Quarterly Appendix 5B (Statement of Cashflows) to the ASX. This is consistent with the going concern notes in the NME half year 31 December 2021 Financial Statements.

It should be noted that Directors have no intention nor are permitted to repay any debt to related parties pursuant to any rights issue proposed.

There are no terms, conditions or limitations that attach to the forbearances that are not disclosed in the Supplementary Target's Statement.

20. Page 33

The Statement: "Pursuant to the Joint Venture Agreement, NME maintains the rights to the KTRP"

Is to be read in conjunction with the disclosure in section 2 above.

NME has undertaken works during the period since the JVA commencement on a 100% basis. There is a clear dispute clause in the JVA which if MCT disputed the ownership of the KTRP would and has not been activated by MCT. As far as the Joint Venture Agreement is concerned (MCT have a 51% interest in the Kookynie Project) MCT has not disputed this assertion. That MCT may assert otherwise outside the framework of the JVA carries no contractual weight under the JVA and therefore as far as the JVA is concerned, there is no dispute

In the event of a dispute between NME and MCT with respect to the terms of the JVA, there is a dispute resolution mechanism contained in clause 27.

To date, MCT has not issued a dispute resolution notice raising concerns or issue with the 100% ownership of KTRP by NME. NME considers that prior to the formation of the JV work commenced prior to the JV being entered into between NME and MCT and therefore is excluded from any claim by MCT.

Furthermore, NME continues to conduct works on KTRP Tailings and did so during the JVA without MCT's involvement see item 5 (page 5) above. Although NME considers that it has a 100% interest in the KTRP MCT disputes this claim.

21. Page 30, 31

Pages 30 and 31 be replaced with the following tables:

Below is the latest Statement of Financial Position as at 31 December 2021, which have been reviewed by the auditor, but remain unaudited.

This is provided to update the Statement of Financial Position with the half year accounts as at 31 December 2021 pursuant to the Takeover's Panel identified information deficiencies as per the media release dated 28 April 2022 (TP22/34).

NME CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 31 Dec 2021*	AUDITED 30 June 2021	AUDITED 30 June 2020

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	\$	\$	\$
Current Assets			
Cash and cash equivalents	52,714	490,926	570,377
Receivables	3,204	3,204	22,683
Other Assets	22,034	3,877	4,506
Total Current Assets	77,952	498,007	597,566
Non-Current Assets			
Exploration and evaluation expenditure	1,010,378	913,296	269,664
Plant and equipment	67,438	67,852	20,356
Total Non-Current Assets	1,077,816	981,148	290,020
TOTAL ASSETS	1,155,768	1,479,155	887,586
LIABILITIES			
Current Liabilities			
Payables	2,776,505	2,636,427	3,035,390
Borrowings	475,087	343,780	2,086,420
Provisions	271,816	264,810	264,952
Total Current Liabilities	3,523,408	3,245,017	5,386,762
TOTAL LIABILITIES	3,523,408	3,245,017	5,386,762
NET LIABILITIES	(2,367,640)	(1,765,862)	(4,499,176)
EQUITY			
Issued capital	24,058,753	24,058,753	19,877,247
Option reserves	2,260,245	2,260,245	2,260,245
Accumulated losses	(28,686,638)	(28,084,860)	(26,636,668)
TOTAL DEFICIT	(2,367,640)	(1,765,862)	(4,499,176)

(ii) Consolidated Income Statement and Statement of Other Comprehensive Income

The consolidated statements of income and other comprehensive income of NME are set out below and have been extracted from the audited consolidated statements of income and other comprehensive income for the financial year ending 30 June 2020 and the financial year ending 30 June 2021 and half year ended unaudited 31 December 2021.

NME CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

	UNAUDITED 31 Dec 2021*	AUDITED 30 June 2021	AUDITED 30 June 2020
	\$	\$	\$
Other Income	5,3275	64,276	523,765
Expenses	(607,105)	(1,512,468)	(704,564)
(Loss) before income tax benefit	(601,778)	(1,448,192)	(180,799)
Income tax benefit	-	-	-
(Loss) for the year	(601,778)	(1,448,192)	(180,799)
Total comprehensive loss for the year	(601,778)	(1,448,192)	(180,799)
Basic loss per share (cents)	(0.23)	(0.57)	(0.09)

* Reviewed half year accounts as lodged with ASX on 16 March 2022.

Extracted from the unaudited consolidated statement of financial position of NME as at 31 December 2021.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a net loss of \$601,778 and had net cash outflows from operating activities of

\$1,430,847 for the year ended 31 December 2021. As of that date, the consolidated entity had net current liabilities of \$2,698,553 and net liabilities of \$2,367,640.

The Directors believe that there are reasonable grounds to believe that consolidated entity will be able to continue as a going concern after consideration of the following factors:

- \$328,000 of share application monies received from a Director, shown as a current liability in the statement of financial position as at 30 June 2021, will be transferred to equity when the shares are issued.
- The possible sale of mining tenements, recognised as exploration and evaluation assets in the statement of financial position as at 30 June 2021.
- The issue of shares for cash from capital raising to be conducted in accordance with the Corporations Act 2001.
- Included in current payables is an amount of \$1,950,976 payable to the Directors of the consolidated entity. The Directors have agreed to not seek cash payments for their unpaid balances until the consolidated entity is in a financial position to pay.
- Included in current payables is an amount of \$306,788 payable to Allens Business Group Pty Ltd, an entity controlled by the Director, Ken Allen. Allens Business Group Pty Ltd have agreed to not seek cash payments for this unpaid balance until the consolidated entity is in a financial position to pay.
- Allens Business Group Pty Ltd, an entity controlled by the Director, Ken Allen, has agreed to cover any short-term funding needs up to \$750,000.

The NME Board encourages all NME Shareholders to read the whole of this First Supplementary Target's Statement and the Replacement Target and each takeover document in full. Further information relating to MCT's Offer can be obtained from NME's website at www.Nexmetals.com or the ASX announcements platform at <https://www2.asx.com.au/markets/company/nme> (ASX:NME).

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

22. DIRECTORS' AUTHORISATION

This FIRST Supplementary Target's Statement has been approved by a

resolution passed by the Directors of NME.

Dated 8 June 2022

Signed by and behalf of the Board of Nex Metals Explorations Ltd.



Kenneth M Allen

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