

14 February 2020

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

Attention: Dale Allen

Dear Dale

Further to your letter dated 11 February 2020 with respect to Nex Metals Exploration Ltd (Nex or the Company) December 2019 Appendix 5B we respond separately to each of the following questions and requests for information:

1. Does NME expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

Answer: The Company expects to have Negative cashflows in the foreseeable future albeit at a reduced rate. Under the terms of the Metalicity Ltd (ASX: MCT) agreement as announced on 6 May 2019, MCT becomes responsible for tenement expenditure including rent. rates and required exploration expenditure on all Nex tenements, Nex continues to have minimal overhead expenditure.

2. Has NME taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: As disclosed in the June Appendix 5B the Company has outstanding receivables of \$620,692 which is repaid to the Company on an ongoing basis, which is sufficient to meet on going expenditure over the next 12 months. The Company is in discussions via an intermediary with respect to further funding and we have no reason at this point to believe that will not be successful.

3. Does NME expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, the Company believes that it will be able to continue its operations and meet its objectives which is to develop its tenements sufficiently to commence production and or the production of a processing mill. The combination of the Metalicity Ltd agreement, per point 1 above and limited cashflow outgoings. In addition, the proposed Convertible Note conversion as announced on 13 November 2019 which will eliminate the debt and any accrued and future interest payments. The Company in conjunction with Metalicity Ltd is in discussions with parties with respect to 3rd party processing, which will be announced to the market when there is a successful outcome.

4. Please confirm that NME is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.

Answer: The Company confirms that it is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.

5. Please confirm that NME's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of NME with delegated authority from the board to respond to ASX on disclosure matters.

Answer The above response is by an officer with delegated authority from the Board.

In addition to the above the Company advises that various funds totalling \$27,956 have been received subsequent to the end of the quarter from a letter of support from a Director as disclosed in the 30 June 2019 annual report. Circa \$350,000 remains on the support letter available to the Company. In addition, subsequent to lodging the Appendix 5B the Company has had further cost reductions to meet any shortfall. Funds are still be received as per question 2 above.

Yours Faithfully



Kenneth M Allen

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11 February 2020

Reference: 13813

Mr Kenneth Allen
Company Secretary
Nex Metals Exploration Limited

By email: ken@nexmetals.com

Dear Mr Allen

Nex Metals Exploration Limited ('NME'): Appendix 5B Query

ASX refers to NME's Appendix 5B quarterly report for the period ended 31 December 2019 lodged with ASX Market Announcements Platform on 2 February 2020 (the 'Appendix 5B').

ASX notes that NME has reported:

- negative net operating cash flows for the quarter of \$42,000;
- cash at the end of the quarter of \$23,000; and
- estimated cash outflows for the next quarter of \$70,000.
- *'The Company received additional funding subsequent to the end of the Quarter to meet ongoing expenditure for the next quarter' ('Additional Funds').*

Please advise the quantum of the Additional Funds and the date the Additional Funds were received by NME?

It is possible to conclude, based on the information in the Appendix 5B that if NME were to continue to expend cash at the rate indicated by the Appendix 5B, NME may not have sufficient cash to continue funding its operations.

In view of that, ASX asks NME to respond separately to each of the following questions and requests for information:

1. Does NME expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has NME taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does NME expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that NME is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that NME's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of NME with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **2:00 PM AWST Friday, 14 February 2020**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in NME's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, NME's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to NME's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that NME's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in NME's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Dale Allen
Principal Adviser, Listings Compliance (Perth)

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