

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

SECOND SUPPLEMENTARY TARGET'S STATEMENT

AS AT 12 AUGUST 2022

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 SECOND supplementary target's statement issued by NME under section 644 of the *Corporations Act 2001* (Cth) (**SECOND Supplementary Target's Statement**) and is supplementary to Nex Metal's FIRST Supplementary Target Statement issued on 9 June 2022 (**FIRST Supplementary Target Statement**) and 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 SECOND Supplementary Target's Statement is dated 12 August 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 SECOND Supplementary Target's Statement.

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

A copy of this SECOND 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 SECOND Supplementary Target's Statement have the same meaning given to them in the Replacement Target's Statement and the FIRST Supplementary Target Statement, unless defined otherwise in this SECOND 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. Respective Updated Share Prices of Bidder and Target Companies

2.1 Background to Takeover Bid

On 14 September 2021, MCT announced its intent to make a conditional off-market all scrip bid for all of the ordinary paid shares in NME, stating that such an offer would offer shareholders a 30% premium to NME's most recent closing price (being \$0.037) as at 13 September 2021) by offering 4.81 MCT ordinary shares for 1 NME share on issue ("the Offer").

This offer was made upon the following factors:

- (a) MCT's share price on 13 September 2021 was \$0.010;
- (b) MCT calculated the following premiums:
 - (i) 30% based on the closing price of NME shares on 13 September 2021;
 - (ii) 29% based on the volume weighted average price of NME shares for the 15 trading days to 13 September 2021; and
 - (iii) 27% based on the volume weighted average price of NME shares for the 30 trading days to 13 September 2021.

On 24 September 2021, MCT issued its Bidder's Statement which valued its bid and the Offer as follows:

- (a) MCT's share price on 13 September 2021 was \$0.096;
- (b) NME's share price at 13 September 2021 was \$0.037; and
- (c) MCT calculated the following premiums based on the respective share prices on the following dates:
 - (i) 30% based on the closing price of NME shares on 13 September 2021;
 - (ii) 29% based on the volume weighted average price of NME shares for the 15 trading days prior to 14 September 2021;
 - (iii) 27% based on the volume weighted average price of NME shares for the 30 trading days prior to 14 September 2021; and
 - (iv) 20% premium to the closing share price of NME on 23 September 2021 being \$0.040.

On 29 October 2022, NME issued its Target Statement and on 8 November 2021 announced that it would duly issue a Supplementary Target Statement on 12 November 2021.

On 17 March 2022, NME issued a Replacement Target Statement (RTS) pursuant

to the orders of the Takeover Panel. In its RTS, NME's Directors recommended that shareholders reject the MCT Offer. The basis for which the Directors made their recommendation is summarised as follows:

- (a) The Directors considered that NME shares were worth more than the value of the MCT Offer (with NME shares being valued at \$0.0337 as at 11 March 2021);
- (b) The price offered to NME shareholders and the implied acquisition premium were highly unattractive, opportunistic and significantly less than market standard acquisitions for comparable transactions. As at 11 March 2022, NME calculated that MCT's Offer represented the following:
 - (i) A 9.0% discount to the last traded price of NME shares of \$0.037 per share on 11 March 2022;
 - (ii) A 9.6% discount to the 30-day Volume Weighted Average Price ("VWAP") of \$0.037 per NME share;
 - (iii) A 36.9% discount to the 180-day VWAP of \$0.053 per NME share;
 - (iv) A 38.8% discount to \$0.055 per NME share, being the most recent price that NME raised capital on 2 July 2020;
 - (v) A 58.4% discount to the 52-week high price of \$0.081 per NME share (representing the 52 weeks trading prior to the MCT Offer on 14 September 2021); and
 - (vi) A 34.7% premium to the 52-week trading low price of \$0.025 per NME share (representing the 52 weeks trading prior to the MCT Offer on 14 September 2021).
- (c) NME had a number of highly attractive near-term opportunities, including the ongoing work on Kookynie and Kookynie Tailings that were anticipated to create material valuation upside for NME shareholders.

On 30 May 2022, MCT issued its First Supplementary Bidder's Statement and provided a summary of its recently conducted Independent Expert Report (IER) conducted by BDO Corporate Finance (WA) Pty Ltd which concluded that the Offer was fair and reasonable to NME shareholders. This determination was found by BDO on the following grounds:

- (a) BDO considered the value of the share price to be between nil and \$0.010 (IER High Value), opting for a preferred value of \$0.003 (IER Preferred Value).
- (b) BDO prescribed the value of the share price of the Proposed Merged Entity (being MCT following acquisition of NME) as between \$0.007 and \$0.015, with a preferred value of \$0.011.
- (c) BDO indicated that an appropriate control premium to be between 20% - 30%.

On 31 May 2022, NME lodged its First Supplementary Target's Statement, however, did not comment on the relative share prices of either NME or MCT.

On 14 June 2022, MCT issued its Second Supplementary Bidder's Statement and addressed the following topics:

- (a) Further to the Bidder's Statement (issued on 24 September 2021) and based on the closing price of MCT shares on 23 September 2021 being \$0.01, the implied value of the Offer was \$0.0481 per NME share.
 - (i) MCT brought attention to the variation of the implied value of the Offer and how disclosure concerning the topic had been raised in Sections 2.1.2 and 10.6.2 of the Bidder's Statement (issued on 24 September 2021).
 - (ii) MCT further addressed the potential for further variance of the implied value of the Offer with fluctuations of the MCT share price.
- (b) MCT provided the following updated figures in respect of the premium presented by the Independent Expert's valuation of NME:
 - (i) Based on the closing price of MCT shares being \$0.01 on 13 September 2021 (last trading day prior to the announcement of the Offer), the Offer is a 381% to the IER High Value.
 - (ii) Based on the theoretical fully-diluted ex rights price from the Rights Issue of 0.5389 cents (TERP), the Offer is a 159% premium to the IER High Value.
 - (iii) Based on the issue price under the Rights Issue of 0.5 cents (Rights Issue Price), the Offer is a 141% premium to the IER High Value.
- (c) Furthermore, based on the Premia analysis contained in the Second Supplementary Bidder's Statement, MCT calculated the following:
 - (i) Based on the Value Pre-Rights Issue (as at \$0.048), the Offer is a 1,503% premium to the IER Preferred Value.
 - (ii) Based on TERP, the Offer is a 764% premium to the IER Preferred Value.
 - (iii) Based on the Rights Issue Price (being allocated at \$0.024), the Offer is a 702% premium to the IER Preferred Value.
- (d) Using NME's closing price on 13 September 2021, MCT determined that the Offer is a 30% premium to the closing price of \$0.037, and in addition identified the following:
 - (i) Based on the TERP, the Offer values NME as \$0.026 per NME share, being a 30% discount to NME's closing price of \$0.037 as at 13 September 2021; and
 - (ii) Based on the Rights Issue Price of \$0.024, the Offer values NME at

\$0.024 per NME share and provides a 35% discount to NME's closing price of \$0.037 as at 13 September 2021.

- (e) Finally, based on the MCT closing price of \$0.04 on 7 June 2022, the Offer values NME at \$0.019 per NME share and offers a 48% discount to the closing price of NME shares as at \$0.003 on 7 June 2022.

2.2 Current Share Price Considerations

As of 9 August 2022, both NME and MCT have the respective share prices as follows:

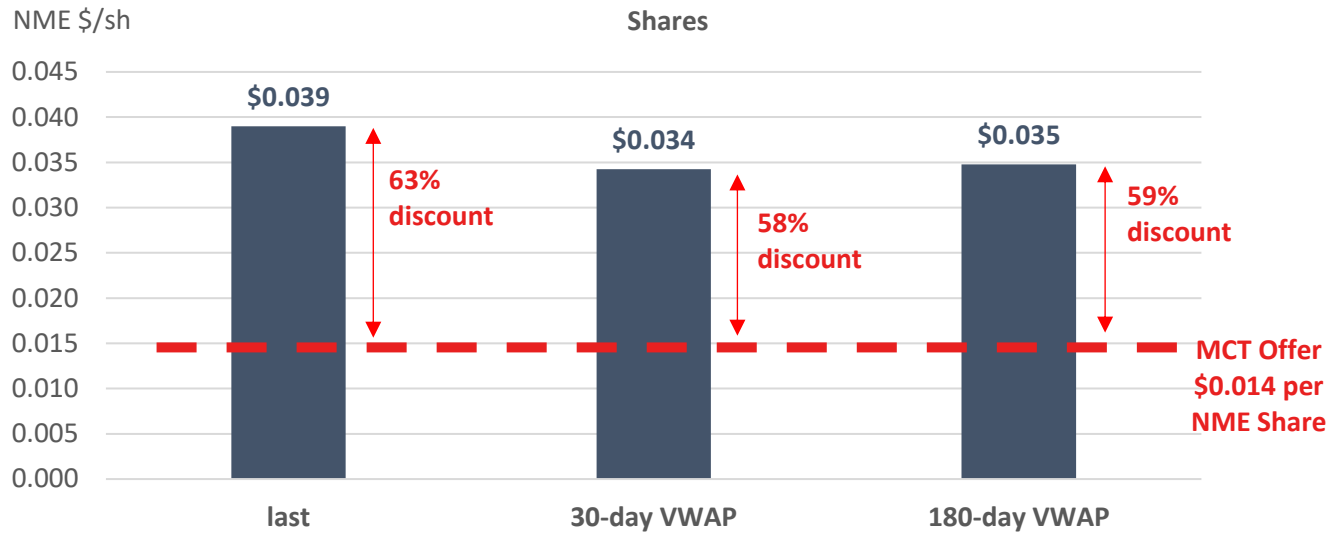
- NME: \$0.039 with a market capitalisation of \$10.41M
 - The current share price of NME is 5.4% greater than NME's share price of \$0.037 on 13 September 2021 (being the last day prior to the announcement of the Offer); and
 - The current share price is 30.0% greater than NME's share price of \$0.03 on 4 June 2022.
- MCT: \$0.003 with a market capitalisation of \$10.37M
 - The current share price of MCT is 70% less than MCT's share price of \$0.010 on 13 September 2021 (being the last day prior to the announcement of the Offer); and
 - The current share price is 25% less than MCT's share price of \$0.004 on 4 June 2022.

MCT's Offer currently values NME shares at \$0.014 (based on MCT's last share price of A0.003 on 9 August 2022).

The value of the Offer represents a material discount to the recent trading prices of NME shares, as detailed below:

- (i) A 63% discount to the last traded price of NME shares of \$0.030 per share on 9 August 2022;
- (ii) A 58% discount to the 30-day Volume Weighted Average Price ("VWAP") of \$0.034 per NME share;
- (iii) A 59% discount to the 180-day VWAP of \$0.035 per NME share;

The MCT Offer is a Material Discount to the Recent Trading Prices of NME Shares



3. DIRECTORS' AUTHORISATION

This SECOND Supplementary Target's Statement has been approved by a resolution passed by the Directors of NME.
