



Target's statement

This is an important document and should receive your immediate attention.

If you are in any doubt about how to deal with it, please consult your stockbroker or other professional adviser: or telephone the company on 0436 121 809.

Target's statement by Nex Metals Explorations Ltd ACN 63 124 706 449

The directors of Nex Metals Explorations Ltd recommend that, in the absence of a higher offer, you

REJECT as lack of information.

the offer by

Metalicity Limited ACN 086 839 992

to acquire all your ordinary shares in Nex Metals Explorations Ltd ("Nex")

This is the target's statement dated 29 October 2021 given under sections 633, 638 and 639 of the Corporations Act 2001 (Cth) by Nex Metals Explorations Ltd in response to the bidder's statement dated 14 October 2021 served by Metalicity Limited on Nex Metals Explorations Ltd on 24 September 2021.

A copy of this target's statement was lodged with ASIC on 29 October 2021. ASIC takes no responsibility for the contents of this target's statement.

For personal use only



29 October 2021

Dear Nex shareholder

Enclosed is your directors' formal response to the offer from Metalicity Limited for all of your ordinary shares in Nex.

Your directors unanimously recommend that you reject the offer due to the lack of information.

To reject Metalicity's offer, simply ignore Metalicity's statement and do nothing at this stage and if you have any questions about the offer please consult your stockbroker or other professional adviser.

Yours sincerely,

Thomas Percy QC
Chairman

Glossary

See item 9

1 Important information

Key Dates

Bidder's Statement lodged with ASIC and ASX	24 September 2021
Offer Period opens	14 October 2021
Offer Period closes (unless Offer is extended or withdrawn)	15 November 2021

1.1 Nature of this document

This is a Target's Statement dated 29 October 2021 and is issued by Nex under part 6.5 of Chapter 6 of the Corporations Act in response to the off-market takeover offer made by Metalicity Limited in its Bidder's Statement.

A copy of this Target's Statement was lodged with ASIC and ASX on 29 October 2021. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

The Target's Statement is an important document and you should read it in its entirety.

1.2 Metalicity's Information in this Target's Statement

The information in this Target's Statement in relation to Metalicity has been prepared by Nex using publically available information including the Bidder's Statement. Nex and its directors are unable to verify the accuracy or completeness of that information. The information on Metalicity in this Target's Statement should not be considered comprehensive. Accordingly, to the maximum extent permitted by law, Nex does not make any representation or warranty, express or implied as to the accuracy or completeness of that information.

1.3 No investment or personal advice

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. This Target's statement should not be relied on as the sole basis for any investment decision in relation to Nex Shares or the Offer generally. You may wish to consult your own independent Legal, financial, taxation or other professional advice before making a decision as to whether or not to accept the Offer for your Nex Shares.

1.4 Disclaimer as to forward-looking statements

This Target's Statement contains forward-looking statements. All statements other than statements of historical fact are forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are beyond the control of Nex. Those risks and uncertainties include factors and risks specific to Nex as well as general economic conditions and conditions in the financial markets, exchange rates, interest rates and the regulatory environment, many of which are outside the control of Nex and its directors.

Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement. None of Nex, any of its officer, 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 (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statements.

The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Nex has no obligation to disseminate any updates or revisions to any statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required under Division 4 of Part 6.5 of the Corporations Act to update or correct this Target's Statement (i.e. for certain matters that are material from the point of view of a Shareholder) or under its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

1.5 Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdiction's 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.

1.6 Risk Factors

Nex Shareholders should note there are a number of risk factors attached to their investment in Nex and other risks associated with accepting Metalicity's Offer.

1.7 Privacy

Nex has collected your information from the Nex register of Nex Shareholders for the purpose of providing you with this Target's Statement. The type of information Nex has collected about you includes your name, contact details and information on your shareholding in Nex. Without this information, Nex would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Nex Shareholders to be held in a public register. Your name may be disclosed on a confidential basis to external service providers (such as print and mail service providers) and may be required to be disclosed to regulators such as ASIC and the ASX. If you would like to obtain details of the information held about you by Nex, please contact Nex.

1.8 Shareholder enquire

Nex encourages Shareholders to email Nex on admin@nexmetals.com if you have any queries in relation to the Offer.

For queries regarding your Nex shareholding please contact Nex's share registry, Advanced Share Registry on (08) 9389 8033 or email at admin@advancedshare.com.au between 8.30am to 5.00pm (AWST).

Online: advancedshare.com.au

1.9 Rounding

Fractional entitlements of Nex Shareholders who accept the offer will be rounded to the nearest whole Metalicity Share. Figures, amounts, percentages, prices, estimates, calculations of a value and fractions in this Target's Statement may be subject to the effect of round. Accordingly, the actual figures may vary from those included in this Target's statement.

1.10 Charts, maps and diagrams

Any diagrams, charts, maps, graphs or 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, maps graphs and tables is based on information available at the date immediately prior to the date of this Target's Statement.

2 Overview of the Offer and frequently asked questions

This section contains an overview of key information regarding the Offer. It is not intended to address all relevant issues for Nex Shareholders and is intended as a summary only. This Section should be read in conjunction with the more detailed information contained in this Target's Statement and the Bidder's statement

Question	Answer
What is this Target Statement?	This Target Statement is Nex's response to Metalicity's unsolicited off-market takeover bid and includes important information to consider before deciding whether to accept Metalicity's Offer.
Who is Metalicity?	Metalicity describes itself as an Australian public company with its shares listed on the ASX
What is Metalicity offering for my Nex Shares?	<p>If you accept the Offer, subject to fulfilment or waiver of the Conditions you will be entitled to receive 4.81 Metalicity Shares for every one Nex Share you own.</p> <p>If you are an ineligible Foreign Shareholder (being a Nex Shareholder whose address as shown on the register of members of Nex is in a jurisdiction other than Australia or its external territories, New Zealand, Canada, United Kingdom and Singapore) and elect to participate in the Offer you will not receive Metalicity Shares.</p> <p>Instead you will be paid by the Nominee the net sale proceeds of the sale of the Metalicity Shares you would have otherwise been entitled to.</p>
What are Metalicity's Relevant Interests as at the Announcement Date in Nex?	4,073,941 shares or 1.53% of shares on issue
What options do I have as a Nex Shareholder?	<p>As a Nex Shareholder you have the following options in respect of your Nex Shares:</p> <ul style="list-style-type: none">• Reject the Offer and remain a Nex Shareholder. To reject the Offer you simply do nothing.• Sell your Nex Shares on the ASX unless you have previously accepted the Offer.• Accept the Offer by following the instructions in the Bidder's Statement.
What do your Directors recommend?	Your Directors unanimously recommend you reject the Offer, for the reasons set out in Section 3.1 of this Target's Statement.

What do your Directors intend to do with their own Shares?	All of your Directors intend to Reject the Offer in respect of the Nex shares they own
When do I have to decide?	<p>If you wish to follow your Directors recommendation to reject the Offer, you do not need to do anything. You should ignore all documents received from Metalicity.</p> <p>If you wish to accept the Offer, you must do so before its scheduled closing date. Metalicity has stated its Offer remains open until 5.00pm on 15 November 2021. Metalicity has reserved the right to extend the Offer Period in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances.</p>
Will Nex remain listed on the ASX?	<p>That depends on the outcome of the Offer.</p> <p>Assuming the Offer is successful and Metalicity acquires 90% or more of Nex Shares, Metalicity has said it will proceed to compulsory acquisition, which will result in Nex being delisted.</p> <p>It is open to Metalicity to amend or waive the conditions of the Offer and reduce the minimum acceptance level below 90%. In those circumstances it is not clear what will happen to Nex. Metalicity has not given any indication that it will amend or waive any of the Conditions of the Offer.</p>
Is the Offer only in respect of Nex Shares?	The Offer extends to all Nex Shares on issue at the date of the Announcement.
Will Metalicity increase its Offer?	<p>Metalicity has not declared its Offer to be final. It remains open for Metalicity to increase or amend its Offer if it chooses.</p> <p>Nex cannot say if Metalicity will increase its Offer as that is a matter for Metalicity.</p>
What happens if Metalicity increases its Offer or another offer emerges?	<p>If Metalicity increases its Offer or another offer emerges, your Directors will carefully consider the revised offer and advise Shareholders accordingly.</p> <p>If the Offer Consideration is subsequently increased by Metalicity after you have accepted the Offer, you will be entitled to the improved Offer Consideration.</p>

<p>What happens if I accept the Offer and a superior offer is subsequently made by a third party for my Nex Shares?</p>	<p>If you accept the Offer you will be bound to sell your Nex Shares and will not be able to withdraw your acceptance except in very limited circumstances.</p> <p>Accordingly, if you accept the Offer you will be unable to accept any other superior offer that may emerge. As at the date of this Target's Statement your directors are not aware of any possibility that an alternative superior offer will be made in the foreseeable future or at all.</p>
<p>What happens if I do nothing?</p>	<p>You will remain a Nex Shareholder.</p> <p>If Metalicity acquires between 50.1% and 90% of Nex Shares under the Offer, you will be a minority shareholder of Nex.</p> <p>If Metalicity acquires 90% or more of Nex Shares, Metalicity states that it intends to compulsorily acquire your Nex Shares.</p>
<p>If I accept the Offer now can I withdraw my acceptance later?</p>	<p>You have limited rights to withdraw your acceptance. In particular, once you have accepted the Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw your Nex Shares from the Offer or otherwise dispose of your Nex Shares, except as follows:</p> <ul style="list-style-type: none"> • if, by the end of the Offer Period the Conditions have not been satisfied or waived, the Offer will automatically terminate and your Nex Shares will be returned to you (other than as set out in Section 11.5 of the Bidder's Statement): or • if the Offer Period is postponed for more than one month and the obligations of Metalicity to deliver the consideration are postponed for more than one month and, at that time, this Offer is subject to one or more of the Conditions, you may be able to withdraw your acceptance.
<p>Can Metalicity extend the closing date of its Offer?</p>	<p>Yes. Metalicity has stated that its Offer remains open until 15 November 2021, unless it is withdrawn or extended under the Corporations Act. Metalicity has reserved the</p>

	<p>right to extend the Offer Period in accordance with the Corporations Act.</p> <p>In addition, the Offer Period may be extended automatically in certain circumstances</p>
Can I be forced to sell my Nex Shares?	<p>You cannot be forced to sell your Nex Shares unless Metalicity is legally entitled to proceed to compulsory acquisition.</p> <p>If Metalicity does compulsorily acquire the outstanding Nex Shares following its acquisition of at least 90% of Nex Share under the Offer, you will receive the same Offer Consideration for your Nex Share that you would have received under the offer, but it will take longer for you to receive the Offer Consideration.</p>
Can I accept the Offer for only some of my Nex Shares?	No. The terms of the Offer allow you to accept the Offer only for all of your Nex Shares.
When will I receive the Offer Consideration if I accept the Offer?	<p>It is important to note that you will not receive any Offer Consideration until the Conditions are satisfied or waived. The required date from notification of the status of the Conditions is (subject to extension in accordance with the Corporation Act). As the offer currently remains conditional, there is no guarantee that you will receive the Offer Consideration if you accept the Offer.</p> <p>If Metalicity declares the Offer as unconditional, you will receive your Offer Consideration by the earlier of :</p> <ul style="list-style-type: none"> • one month after the date of your acceptance or Metalicity's Offer; and • 21 days after the end of the Offer Period.
Will I need to pay brokerage or stamp duty if I accept the Offer?	Brokerage or stamp duty is not payable by you in respect of your acceptance. If your Nex Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Nex Shares are registered in the name of a broker, bank custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.
Are there any taxation implications of accepting the Offer?	A general outline of the tax implications for certain Australian- resident Nex Shareholders

	of accepting the Offer is set out in Section 7 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances.
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3 Directors' recommendation

The directors unanimously recommend that you reject the offer due to the lack of information.

3.1 Recommendation

Your directors unanimously recommend that you reject the Offer.

In evaluating the offer and making your decision, you should:

- read the Bidder's Statement in its entirety;
- read the Target's Statement in its entirety;
- be aware that the Offer is conditional on a number of conditions being satisfied or waived before the expiry of the Offer Period; consider the option;
- Section 5 (Summary of Metalicity's Offer and other important information) of this Target's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain independent financial, legal, taxation or other professional advice on the Offer and your options as set out in this Target's Statement.

3.2 Reasons you should reject the Offer

In assessing the Offer, the Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement. The reasons for your Board's recommendation to Reject the Offer are:

Reason 1

Lack of information including but not limited to long outstanding mineral resource estimates, which would provide a better valuation of both Metalicity and Nex .

Reason 2

Nex under the joint venture agreement maintains in its own right the first right to all processing from joint venture tenements.

Reason 3

Nex maintains in its own right, under the joint venture all the rights to the tailings project at Kookynie which would provide significant incomes to Nex alone.

Reason 4

Nex as a standalone entity can continue to develop other mining projects in its own right

3.3 Directors of NEX Metals Explorations Ltd

The directors of Nex Metals Explorations Ltd are:

Thomas Percy QC

Kenneth Malcolme Allen

Hock Hoo Chua

Directors' interests in Nex Metals Explorations Ltd shares

The number, description, and amount of Nex shares in relation to which each director of Nex has a relevant interest are as follows:

Director	Number of Nex shares held	Held by
Thomas Percy QC	1,016,000	Thomas Percy QC
Kenneth Malcolm Allen	7,658,303	Kenneth Malcolm Allen
Hock Hoo Chua	860,000	Hock Hoo Chua

Directors' intentions

Each of the directors who holds Nex Metals Explorations Ltd shares, or on whose behalf Nex Metals Explorations Ltd shares are held, does not intend to accept the offer in respect of the Nex Metals Explorations Ltd shares held by them or on their behalf.

Directors' interests in Metalicity shares or other securities

No Director of Nex has a relevant interest in any shares or other securities of Metalicity or any other company in the Metalicity group

Dealings in Nex shares or other securities by associates

No director or other associate of Nex has bought or sold Nex shares or other shares or securities of Nex in the last three months

Dealings in Metalicity shares or other securities by associates

No director or other associate of Nex has bought or sold Metalicity shares or other shares or securities of Metalicity in the last three months

No agreement with any of Nex's directors

There is no agreement made between any director of Nex and any other person in connection with or conditional upon the outcome of the offer.

Payments and benefits

No benefit has, or will be given to a person:

in connection with the retirement of a person from a board or managerial office in Nex or a related body corporate of Nex; or who holds, or has held a board or managerial office in Nex or a related body corporate of Nex, or a spouse, relative or associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of Nex.

Interests of Directors in any contract with Metalicity

No director of Nex has an interest in any contract entered into by Metalicity or its related bodies corporate.

Material changes in financial position of Nex

To the knowledge of each of the directors of Nex Metals Explorations Ltd, the financial position of Nex Metals Explorations Ltd has not materially changed since 30 September 2021 (the date on which the most recent unaudited financial statements were prepared / of the last balance sheet tabled at a general meeting).

Other information relevant to the making of a decision by Nex shareholders

There is no other information material to the making of a decision by a shareholder whether or not to accept the offer, being information that is within the knowledge of any of the directors of Nex that has not previously been disclosed to shareholders of Nex, other than as set out in the Metalicity statement and elsewhere in this statement.

Consents

This Nex's statement contains statements made by, or statements based on statements made by Kenneth Malcolm Allen and Thomas Percy QC.

Each of those persons:

has consented to the inclusion of each statement they have made, and each statement which is based on a statement they have made, in the form and context in which the statements appear; and has not withdrawn that consent before this target's statement was lodged with ASIC.

4 Your alternatives as a Nex Shareholder

4.1 Nex Directors Unanimous Recommendation

Your directors unanimously recommend that you reject the Offer due to the lack of information.

Each Director who has an interest in Nex Shares intends to reject the offer in relation to those Nex Shares

4.2 Options available to Nex Shareholders

You have the following three options available to you:

Option One

Reject the Offer

If you wish to retain your Nex Shares and reject the Offer you need to TAKE NO ACTION in relation to the Offer. In particular you should not complete or return the acceptance Form that accompanied the Bidder's Statement nor should you respond to any documentation sent to you by Metalicity or any other communication from Metalicity (including telephone solicitation or canvassing by Metalicity or its representatives).

If you decide to do nothing, you should be aware of the risks associated with rejecting the Offer, including the rights of Metalicity to compulsorily acquire your Nex Shares in certain circumstances.

Option Two

Sell your Nex Shares on the ASX

During the Offer Period, you may sell your Nex Shares on-market through ASX at the prevailing market price for cash (less any brokerage), provided you have not already accepted the Offer for those Shares.

The latest trading price for Nex Shares may be obtained from the ASX website www.asx.com.au using the code "NME".

If you sell your Nex Shares on-market, you will:

- receive cash consideration for that sale of your Shares;
- will lose the ability to accept Metalicity's Offer and receive the Offer Consideration (and any possible increase in the Offer Consideration) in relation to those Shares;
- will lose the ability to accept any offer from a competing bidder if one eventuates;
- may incur a brokerage charge;
- will lose the opportunity to receive future returns from Nex in relation to those Nex Shares; and
- may incur a tax liability on the sale.

You should contact your broker for information on how to sell your Nex Shares through ASX and your tax adviser to determine your tax implications from such a sale.

Option Three

Accept the Offer

Your Nex Directors recommend that you reject the Offer due to the lack of information

However, if you choose to accept Metalicity's Offer;

- will not receive the Offer Consideration unless and until each of the Conditions of the Offer are accepted or waived;

- will not receive any benefit generated by delivery of the Company's strategy which in the opinion of your Directors, may provide a better outcome for Nex Shareholders in the longer term;
- will only be able to withdraw your acceptance and sell your Nex Shares in limited circumstances, meaning that you would not be able to accept any offer from a competing bidder if one eventuates. See Section of this Target's Statement; and
- will exit your investment in Nex completely and will not benefit if the market price for Nex Shares on the ASX trades above Metalicity's implied offer value of cents (as at 2021).

If Metalicity increases the Offer Consideration, all Nex Shareholders, whether or not they have already accepted the Offer before then, will be entitled to receive the increased Offer Consideration.

5 Summary of Metalicity's offer and other important information

5.1 Summary of the offer

On 24 September 2021 Metalicity lodged its Bidder's Statement with ASIC and ASX for its off-market takeover bid for all the issued capital of Nex.

The key terms of the Offer are summarised in the table below;

The Offer	Metalicity is offering to buy all of your Nex Shares, subject to the terms and conditions set out in the Bidder's Statement. You may accept the Offer for all of your Nex Shares only. You cannot accept the Offer for part of your holding.
Offer Consideration	Metalicity is offering 4.81 Metalicity Shares for every one Nex Share you hold. No cash is being offered for your Nex Shares.
Implied Offer value	4.81 cents per Nex Share
Who is the Offer made to?	Section of the Bidder's Statement sets out the person to whom the Offer is made. If you are an Ineligible foreign Shareholder and elect to participate in the Offer, you will not receive Metalicity Shares. Instead, you will be paid by the Nominee the net proceeds of the sale of the Metalicity Shares you would have otherwise been entitled to.
Conditions of the Offer	The Offer is subject to a number of conditions.
Notice of status of Conditions	No change of condition notified as at the date of this Target Statement
Offer Period Closes	15 November 2021

6 About Nex

6.1 Current Capital Structure

As at the date of this Target's Statement, Nex has on issue 267,014,768 fully paid ordinary shares

6.2 Substantial Holders

As at the date of this Target's Statement, the following persons held an interest in Nex Shares of more than 5% as disclosed in notices or not disclosed in notices provided to the ASX;

Name	Number of Nex Shares	Percentage of Nex Shares
B3 Prospecting Pty Ltd	17,000,000	6.37%

6.3 Directors

Name and Title	Title
Thomas Francis Percy	Non-Executive Chairman
Hock Hoo Chua	Non-Executive Director
Kenneth Malcolme Allen	Managing Director

6.4 Your Directors' interests and dealings in Nex Shares

(a) Interests in Nex Securities

As at the date of this Target's Statement, the Nex Directors and their respective interests in Nex Shares are set out in the table below;

Name	Nex Shares held by or on behalf of the Director
Thomas Percy	1,016,000
Hock Hoo Chua	86,000
Kenneth Malcolme Allen	7,658,303

(b) Trading by Directors in Nex Shares

As at the date of this Target's Statement, the Nex Directors and their respective interests in Nex Shares are set out in the table below;

Name	Nex Shares acquired by or on behalf of the Director in the preceding four months	Nex Shares disposed by or on behalf of the Director in the preceding four months
Thomas Percy	Nil	Nil
Hock Hoo Chua	Nil	Nil
Kenneth Malcolme Allen	Nil	Nil

6.5 Your Directors interests and dealings in Metalicity securities

(a) Interests in Metalicity Shares and other securities

As at the date of this Target's Statement, no Director has a Relevant Interest in any securities of Metalicity.

(b) Dealings in Metalicity securities

No Nex Director has acquired or disposed of a Relevant Interest in any securities of Metalicity in the four months ending on the date immediately before the date of this Target's Statement.

6.6 Material litigation

Since May 2018, Nex has been defending an application for forfeiture by an unrelated third party over the tenements held at Yundamindra. These has progress to a further court hearing date in June 2022.

6.7 Benefits and agreements with Metalicity

None

6.8 ASX announcements

Nex is a disclosing entity under the Corporations Act and therefore has continuous disclosure obligations under that legislation and also under the ASX Listing Rules.

Nex is required to immediately disclose to the market through ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of Nex Shares.

Nex is in compliance with its continuous disclosure obligations under the corporations act and the ASX Listing Rules. Nex's announcements are available free of charge from the ASX website at www.asx.com.au (ASX code; NME).

7 Taxation consequences

7.1 Taxation Treatment of the Exchange of Nex Shares for Metalicity Shares

The proposed acquisition by Metalicity involves participating investor receiving 4.81 Metalicity Shares for every one Nex Share currently held. The Offer is conditional, amongst other matters, on Metalicity achieving 90% minimum acceptance.

Ineligible Foreign Shareholders in Nex will not receive Metalicity Shares under the arrangement. Instead ineligible Foreign Shareholders will be paid the net proceeds of the sale of the Metalicity Shares they would otherwise be entitled to.

The following overview of Australian tax implications associated with the disposal of Nex Shares is confined to Australian resident investors who hold their shares on capital account.

(a) Rollover Relief

Where certain conditions are met, scrip-for-scrip rollover will be available under Subdivision 124-M of the Income Tax assessment Act 1997. Where scrip-for-scrip rollover is available and chosen, existing Australian resident Nex shareholders who would otherwise make a capital gain on disposal of the Nex Shares will defer that capital gain until they dispose of the Metalicity Shares that are acquired under the Offer.

A number of conditions must be met for scrip for scrip rollover to be available. Importantly, for rollover relief to be available, it is necessary that Metalicity become the owner of 80% or more of the voting shares in Nex.

For completeness, we set out below the further conditions that must be satisfied for scrip for scrip rollover to be available;

- (i) As a consequence of a single arrangement, shareholders exchange shares in Nex for shares in Metalicity.
- (ii) All voting shareholders in Nex are entitled to participate in the restructure.
- (iii) Participation is available on substantially the same terms for all owners of interests in Nex (eg all ordinary shareholders participate on the same terms).
- (iv) The takeover is not to be carried out in contravention of the provisions in paragraphs 612(a) to (g) of the Corporations Act 2001.
- (v) The Nex Shareholder acquired its shares post –CGT (after 20 September 1985) and, apart from the rollover, would make a capital gain on the disposal of the shares.
- (vi) The Nex Shareholder chooses to obtain the rollover.
- (vii) Each Nex Shareholder informs Metalicity in writing of the cost base of their shares in Nex worked out just before the CGT event happened to those shares.
- (viii) Where Metalicity is a member of a wholly-owned group, a member of the group can issue equity (other than a replacement interest, being the shares in Metalicity) or owe new debt, under the arrangement, to an entity that is not a member of the group and in relating to the replacement interest.
- (ix) If either Nex or Metalicity had less than 300 shareholders just before the exchange, or were members of the same group, additional conditions must be satisfied if the parties did not deal with each other at arm's length. Further, if a shareholder has a "significant stake" or "common stake" in Nex and Metalicity, additional rules apply. Under the rules, the choice to apply the rollover must be made in a specific way and Metalicity's cost base of ordinary shares must be worked out in a particular way. We would not think these additional conditions would need to be satisfied in this case.
- (x) The Nex Shareholders do not receive any other consideration apart from replacement interests in Metalicity. If other consideration is received only a partial rollover is available.

Where the rollover is available, and a shareholder elects the rollover;

- (xi) A capital gain which would otherwise be realised on disposal of the shares in Nex is disregarded; and
- (xii) Each Nex Shareholder's cost base in the Nex Shares is allocated to the Metalicity Shares acquired.

(b) **Where rollover relief is not available**

Where rollover relief is not available, Australian resident Nex shareholders will be subject to CGT on the disposal of those shares. The following overview of Australian tax implications associated with the disposal of shares is confined to Australian resident investors who hold their Nex Shares on capital account.

The disposal of a share by an investor will give rise to a CGT event where the investor holds their share on capital account. Australia tax resident investors will;

- make a capital gain where the capital proceeds received on the disposal of the share exceed the cost base of the share; or
- make a capital loss where the capital proceeds received on the disposal of the share are less than the reduced cost base of the share.

The capital proceeds will generally be equal to the amount received for the disposal of the share or in this case, the market value of the Metalicity Shares received (or that the shareholder is entitled to receive) in respect of the disposal.

If an investor is an individual or complying superannuation entity and has held the Nex Share for at least 12 months or more before disposal of the share, the shareholder will generally be entitled to a "CGT discount" for any capital gain made on the disposal of each share. Where the CGT discount applies, any capital gain arising (after applying any available capital losses) may be reduced by:

- 50% in the case of individuals; or
- One-third in the case of complying superannuation entities.

Investors that are companies are not entitled to a CGT discount.

Any resulting net capital gain is included in an investor's assessable income.

Where the disposal results in a net capital loss and the investor has no remaining capital gains to offset, the capital loss is carried forward and may be available to be offset against capital gains in future years (subject to the satisfaction of any applicable loss recoupment rules). Capital losses cannot be used to reduce ordinary assessable income (only capital gains).

7.2 Taxation treatment of dividends

The treatment of the dividends which may be paid to investors whilst holding Metalicity Shares will vary depending on the nature of the investor and the extent to which any dividends are payable.

In the event that it is not likely that dividends will be paid by either Nex or Metalicity during the Offer Period no further advice is provided on the tax treatment of dividends. Investors should not hesitate to seek advice from their own advisors if they have any doubts surrounding their own circumstances.

7.3 Quotation of Tax File Number

It is not compulsory for Australian resident Shareholders to provide Metalicity with details of their Tax File Number (TFN) or Australian Business Number (ABN). However, a failure to quote a TFN or ABN (or proof of exemption) to a public company will result in the company being required to withhold an remit tax at the top marginal rate (currently 45% plus 2% Medicare levy) from unfranked dividends paid to the relevant Australian resident shareholder. The amount withheld in these circumstances should be available as a credit against the investor's tax liability.

7.4 Goods & Services Tax (CGT)

No GST is applicable to the issue or transfer of the shares given that, under current law, shares in a company are an input-taxed financial supply for GST purposes. However, investors may incur GST on cost that relate to their participation in the proposed offer and should seek their own independent advice in relation to the GST implications.

7.5 Stamp Duty

On the basis that investors are disposing of shares and not acquiring shares no stamp duty should be payable by investors.

8 Additional Information

8.1 Information included in this Target's Statement

This Target Statement is required to include all the information that Nex Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but;

- 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
- only if the information is known to any Director of Nex.

The Directors of Nex are of the opinion that the information that Nex Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept Metalicity's Offer is;

- 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) and
- the information contained in this Target's Statement.

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

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

- the nature of the Nex Shares;
- the matters that Nex Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Nex Shareholders' professional advisers; and
- the time available to Nex to prepare this Target's Statement.

8.2 Takeover response costs

The Offer will result in Nex incurring expenses that would not otherwise have arisen in 2021. These include legal, financial and other expenses from advisers engaged by Nex to assist in responding to the Offer. The total cost of the takeover response depends on the outcome of the Offer, the duration of the Offer and required response activities, as well as the complexity of the issues addressed in the response. Therefore, it is difficult to estimate the likely total cost to Nex. These defence costs will be reflected in Nex's financial results for the financial year ending 30 June 2022.

8.3 Documents lodged with ASIC or given to ASX

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements which are made, on documents lodged with ASIC or given to ASX. In accordance with this class order, the consent of Metalicity or the ASX (respectively) is not required for the inclusion of such statements in this Target's Statement. Any Nex Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Nex.

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

- fairly representing what purports to be a statement by an official person, or
- that are correct and fair copies of, or extracts from, what purports to be a public official document, published book, journal or comparable publication, provided the statement was not made, or published in connection with the Offer, or Metalicity or Nex or any business, property or person the subject of the Bidder's statement or this Target's Statement.

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

Neither ASIC, nor the ASX nor their respective officers take any responsibility for the contents of this Target's Statement.

8.4 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by your Directors.

Signed for and on behalf of Nex Metals Explorations Limited by;



Kenneth Malcolme Allen

Managing Director

Date: 29 October 2021

9 Glossary

Term	Meaning
Acceptance Form	The form with that title that accompanies the Bidder's Statement and which forms part of the Offer
AWST	Australian Western Standard Time
Announcement Date	24 September 2021
ASIC	Australian Securities and Investments Commission
Associate	Has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act (as modified by ASIC from time to time) as it section 12(1) of that Act included a reference to this Target's Statement and Nex was the designated body
ASX	ASX Limited ABN 98 008 624 691 or, where the context otherwise requires, a financial market operated by it known as the Australian Securities Exchange
ASX Listing Rules	The Listing Rules of ASX, as amended or replaced
AUD or A\$ or \$	Australian dollars
Bidder's Statement	The Bidder's Statement by Metalicity dated 24 September 2021 setting out the terms and other information in relation to the Offer
CGT	Capital Gains Tax
Condition	Each defeating condition to which Metalicity's Offer is subject, as set out in section 11.8 of the Bidder's Statement
Corporations Act	The Corporations Act 2001 (Cth)
Director/s	A director of Nex
GST	Goods and Services Tax
Offer	The off-market takeover bid by Metalicity for all Nex shares other than those already owned by Metalicity, as described in the Bidder's Statement

Offer Consideration	The consideration due to you as a result of your acceptance of the Offer once it is declared or becomes unconditional
Offer Period	The period during which the Offer will remain open for acceptance in accordance with section of the Bidder's Statement
Offer Price	Four point eight Metalicity Shares for every one of your Nex Shares offered by Metalicity, on the terms set out in the Bidder's Statement, for the purchase of Nex Shares that exist at the Register Date
Metalicity	Metalicity Limited
Metalicity Share	A fully paid ordinary share in the capital of Metalicity
Nex	Nex Metals Explorations Ltd
Nex Share	A fully paid ordinary share in the capital of Nex
Nex Shareholder	Any shareholder of Nex Shares
Register Date	The time and date set by Metalicity under section 633(2) of the Corporations Act being
Relevant Interest	Has the meaning given in sections 608 and 609 of the Corporations Act
Target's Statement	This document, being the statement of Nex under Part 6.5 of the Corporations Act in response to the Offer
Voting Power	Has the meaning given in section 610 of the Corporations Act
VWAP	Volume Weighted Average Price