



7 June 2021

Dear Shareholder

On behalf of the Board, I am pleased to invite you to Metallica Minerals Limited's Extraordinary General Meeting (EGM) to be held at Level 35, Waterfront Place, 1 Eagle St, Brisbane, on 7 July 2021 at 11:30 am (AEST).

In light of the COVID-19 pandemic, the Company strongly encourages Shareholders to send in their proxy forms appointing the Chairman as their proxy rather than attend this meeting in person.

Based on ASIC's stated 'no-action' position concerning the sending of virtual company notices, this Notice of Meeting and accompanying Explanatory Statement are being made available to Shareholders electronically via the Investors Tab on the Company's website (<https://www.metallicaminerals.com.au/>) and the ASX market announcements platform (ASX:MLM).

Further information on how to vote virtually is set out in the Notice of Meeting.

The meeting has been called to give effect to changes to Metallica's board, namely the appointment of Messrs. Mark Bojanjac and Brad Sampson and consequential changes to Director Option exercise arrangements.

These board changes have impacts on existing director options (that are affected by voluntary escrow) and a new suite of director incentives that represent the Company's development aspirations that are explained in the Explanatory Statement

Sincerely

A handwritten signature in blue ink that reads "T J Psaros".

Theo Psaros,
Executive Chairman
Metallica Minerals Ltd



Notice of General Meeting and Explanatory Memorandum

Metallica Minerals Limited ACN 076 696 092

Date of Meeting: 7 July 2021

Time of Meeting: 11.30 am (Brisbane time)

Place of Meeting: Colin Biggers & Paisley, Level 35, 1 Eagle Street, Brisbane
QLD 4000

SPECIAL NOTICE REGARDING ATTENDANCE AT THIS MEETING

The Company strongly encourages Shareholders to send in their proxy forms appointing the Chair as their proxy rather than attend this meeting in person. Shareholders wishing to attend this meeting in person or have a person other than the Chair attend as a proxy should follow the instructions and dates on the attached proxy form so that appropriate arrangements can be confirmed in respect of social distancing and prevailing COVID-19 regulations.

ELECTRONIC DESPATCH ONLY

Based on ASIC's stated 'no-action' position concerning the sending of virtual company notices, this Notice of Meeting and accompanying Explanatory Statement are being made available to Shareholders electronically via the Company's website or the ASX market announcements platform (ASX code MLM).

This Notice of General Meeting and Explanatory Statement should be read in its entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser without delay.

Notice of General Meeting

Notice is hereby given that the General Meeting of Shareholders of **Metallica Minerals Limited ACN 076 696 092 (Metallica or Company)** will be held at Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street, Brisbane Qld 4000 on 7 July 2021, commencing at 11.30 am AEST.

Terms used in this Notice of Meeting are defined in Glossary of the accompanying Explanatory Memorandum (see Page 18).

Agenda

Resolution 1: Ratification of the issue of Options to Mahe Capital Pty Ltd

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, the issue of 44,426,423 Options to Mahe Capital Pty Ltd, as described in the accompanying Explanatory Statement, be ratified and approved."

Resolution 2: Ratification of the issue of Shares and Options to persons nominated by Mahe Capital Pty Ltd

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, the issue of 72,654,917 Shares to persons nominated by Mahe Capital Pty Ltd, as described in the accompanying Explanatory Statement, be ratified and approved."

Resolution 3: Confirm appointment of Mr Mark Bojanjac as a Director

To consider and, if thought fit, pass the following Resolution, as an Ordinary Resolution of the Company:

"That Mr Mark Bojanjac, having been appointed as a Director since the Company's last Annual General Meeting and who is eligible and has consented to act, be elected as a Director."

Resolution 4: Confirm appointment of Mr Brad Sampson as a Director

To consider and, if thought fit, pass the following Resolution, as an Ordinary Resolution of the Company:

"That Mr Brad Sampson, having been appointed as a Director since the Company's last Annual General Meeting and who is eligible and has consented to act, be elected as a Director."

Resolution 5: Approval to adopt new Employee Equity Incentive Plan

To consider and, if thought fit, pass the following resolution, as an ordinary resolution:

"That for the purposes of ASX Listing Rule 7.2 (Exception 13(b)) and for all other purposes, Shareholders approve the Employee Equity Incentive Plan and approve the issue of shares, Options or performance rights under the Employee Equity Incentive Plan, the terms and conditions of which are set out in the attached Explanatory Memorandum."

Notice of General Meeting

Resolution 6: Issue of Performance Rights to Directors

To consider and, if thought fit, pass each of the following as an ordinary resolution:

"That, for the purposes of section 195(4) and section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, the Shareholders approve:

- (a) **Resolution 6(a)** - *the issue of 1,600,000 Performance Rights to Scott Waddell;*
- (b) **Resolution 6(b)** - *the issue of 1,900,000 Performance Rights to Theo Psaros;*
- (c) **Resolution 6(c)** - *the issue of 265,000 Performance Rights to Mark Bojanjac; and*
- (d) **Resolution 6(d)** - *the issue of 265,000 Performance Rights to Brad Sampson,*

on and subject to the terms and conditions set out in the Explanatory Statement".

Resolution 7: Approval for the provision of assistance to Directors for exercise of Employee Options

To consider and, if thought fit, pass each of the following as an ordinary resolution:

"That, for the purposes of section 208 of the Corporations Act and for all other purposes, the Shareholders approve:

- (a) **Resolution 7(a)** - *the provision of a cashless loan to Mr Scott Waddell for the exercise of Employee Options held by Mr Waddell;*
- (b) **Resolution 7(b)** - *the provision of a cashless loan to Mr Theo Psaros for the exercise of Employee Options held by Mr Psaros; and*
- (c) **Resolution 7(c)** - *the provision of a cashless loan to Mr Andrew Gillies for the exercise of Employee Options held by Mr Gillies,*

on and subject to the terms and conditions set out in the Explanatory Statement".

Voting Exclusions

Resolutions 1 and 2:

The Company will disregard any votes cast on Resolutions 1 and 2 by any person who participated in the issues and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolutions 6 and 7:

The Company will disregard any votes cast on Resolutions 6(a), 6(b), 6(c) and 6(d) and Resolutions 7(a), 7(b) and 7(c) by any person who is expected to receive securities the subject of those Resolutions and any person who will obtain a material benefit as a result of the proposed issue, except a benefit solely in the capacity of a Shareholder, if the resolution is passed, and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Notice of General Meeting

By order of the Board

A handwritten signature in blue ink, appearing to read 'Scott Waddell', is written over a horizontal line.

Scott Waddell
Company Secretary
3 June 2021

Explanatory Memorandum

Introduction

The following information is provided to Shareholders of Metallica Minerals Limited ACN 076 696 092 (**Metallica** or the **Company**) in connection with the business to be considered at the General Meeting of Shareholders to be held at Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street, Brisbane Qld 4000 on 7 July 2021, commencing at 11.30 am AEST.

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in the Glossary.

1. Resolution 1: Ratification of the issue of Options to Mahe Capital Pty Ltd

1.1 Background to Resolutions 1 and 2

On 25 March 2021, the Company issued a Prospectus (**Right Issue Prospectus**) for a renounceable pro rata entitlement issue (**Offer**) fully underwritten by Mahe Capital Pty Ltd (**Mahe**) for the issue of up to 162,188,704 Shares and 1 free attaching Option for every 2 Shares taken up under the Offer, to raise up to \$4,865,661.

Pursuant to the Company's underwriting agreement with Mahe for the Offer, the Company also agreed to issue 9,731,322 Options to Mahe, based on the amount of funds sought under the Offer.

On 23 April 2021, the Company issued a Supplementary Prospectus pursuant to which it advised that, as a result of excess demand under the Shortfall Offer (as defined in the Rights Issue Prospectus), it had agreed to issue an additional 71,166,667 New Shares and 35,583,334 attaching New Options under the Offer to raise an additional \$2,135,000 (**Follow-on Placement**). As a result, the number of Options to which Mahe became entitled as underwriter of the Offer increased to 14,001,322 Options.

The Follow-on Placement and the issue of Options to Mahe as consideration for its services as underwriter to the Offer were made without Shareholder approval and the securities will be issued under the Company's existing capacity under Listing Rule 7.1 and Listing Rule 7.1A.

1.2 Listing Rules:

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

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Accordingly, the Company issued the following Options to Mahe and pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 1:

Name of person to whom Options will be issued	Mahe Capital Pty Ltd.
Number of securities to be issued	14,001,322 Options.
Issue price of securities	The Options were issued for nil consideration.
Terms of issue	MLMOB: The Options are quoted and can be exercised at an exercise price of \$0.06 per Option, and expire on 25 March 2024.
Date of issue	27 April 2021.
Consideration	No funds will be raised from the issue.
Purpose of the issue	Consideration to Mahe Capital for services provided to the Company.
Voting exclusion	A voting exclusion statement is set out in the Notice of Meeting.

Directors' Recommendation

The Directors unanimously recommend that you vote in favour of this Resolution.

2. Resolution 2: Ratification of the issue of Shares and Options pursuant to the Follow-on Placement to nominees of Mahe Capital Pty Ltd

2.1 Background

As stated above in relation to Resolution 1, the Company has conducted the Follow-on Placement. The Follow-on Placement is not subject to any of the exemptions in Listing Rule 7.2 and hence was undertaken pursuant to the Company's issue capacity under Listing Rules 7.1 and 7.1A.

2.2 Listing Rules

As stated above, Listing Rule 7.4 sets out an exception to Listing Rule 7.1 allowing the Shareholders to ratify the issue of Shares and Options pursuant to the Follow-on Placement, with the result that those Shares and Options will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1. Under the Follow-on Placement, 72,654,917 of the Shares issued occurred under Listing Rule 7.1 and it is in respect of those Shares that approval under Listing Rule 7.2 is sought.

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Accordingly, pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 2:

Name of person to whom Shares and Options were issued	Persons nominated by Mahe Capital Pty Ltd.
Number of securities to be issued	72,654,917 Shares
Issue price of securities	\$0.03 per Share
Terms of issue	The Shares issued rank equally with the Company's other fully paid ordinary shares on issue.
Date of issue	27 April 2021
Consideration	\$0.03 per Share
Purpose of the issue	Pursuant to the Follow-on Placement, as set out by the Company on 23 April 2021 in its Supplementary Prospectus.
Voting exclusion	A voting exclusion statement is set out in the Notice of Meeting.

3. Resolution 3: Confirmation of appointment of Mr Mark Bojanjac as a Director

3.1 Background

Mr Bojanjac was appointed as a Director on 13 May 2021. Since Mr Bojanjac was appointed after the Company's last Annual General Meeting, he now stands for re-election as a Director.

Mr Bojanjac is a Perth-based company Director with more than 20 years significant experience in ASX resource companies, including those that have taken exploration projects into production. He is currently Executive Chairman of PolarX Limited (ASX: PXX) and Non-executive Director of Kula Gold Limited (ASX: KGD). He was previously Non-executive Director and later Managing Director of Adamus Resources, leading the transition of the company to a gold producer.

3.2 Board recommendation

The Board, with Mr Bojanjac abstaining, recommends that Shareholders vote in favour of Resolution 3. The Chair intends to exercise all available proxies in favour of Resolution 3.

4. Resolution 4: Confirmation of appointment of Mr Brad Sampson as a Director

4.1 Background

Mr Sampson was appointed as a Director on 13 May 2021. Since Mr Sampson was appointed after the Company's last Annual General Meeting, he now stands for re-election as a Director.

Mr Brad Sampson is a Brisbane-based internationally experienced business leader, director and mining professional, with more than 30 years' resources industry experience. He brings significant mine development and operating experience to the Metallica Board along with listed company governance experience across multiple international jurisdictions. Brad has experienced all aspects of mining operations, having worked in leadership roles through the entire cycle of exploration, development, operations and closure.

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Mr Sampson has represented the Resources Industry in Australia through roles such as Deputy Chair of the Chamber of Mines in Kalgoorlie, and as a representative on the Minerals Council of Australia. Brad is currently CEO and Director of Kore Potash Plc (AIM: KP2, ASX: KP2, JSE: KP2) and Non-executive Director of Agrimin Ltd (ASX: AMN).

4.2 Board recommendation

The Board, with Mr Sampson abstaining, recommends that Shareholders vote in favour of Resolution 4. The Chair intends to exercise all available proxies in favour of Resolution 4.

5. Resolution 5 – Adoption of Employee Equity Incentive Plan

5.1 General

Pursuant to Resolution 5, the Company is seeking Shareholder approval for the issue of securities under the Company's Employee Equity Incentive Plan (the **EEIP**) for the purposes of Listing Rule 7.2, Exception 13(b). Listing Rule 7.2, Exception 13(b) would enable securities issued under the EEIP over the next three (3) years to be excluded from the calculation of the number of securities issued for the purposes of ASX Listing Rules 7.1 and 7.1A.

A summary of the terms of the EEIP are set out in Schedule 1 to this Explanatory Memorandum.

5.2 ASX Listing Rules

As stated above, subject to certain exceptions, Listing Rule 7.1 restricts a listed company from issuing or agreeing to issue Equity Securities in any 12 month period equivalent in number to more than 15% of the Company's ordinary securities on issue, without the approval of its Shareholders. As a result, any issue of securities by the Company to eligible employees under the EEIP would reduce the Company's 15% capacity to issue Shares under Listing Rule 7.1.

Exception 13 of Listing Rule 7.2 however, allows the Company to issue securities under the EEIP without the issue of such securities being counted towards the Company's 15% issue capacity under Listing Rule 7.1, where Shareholders have approved the issue of securities under the EEIP as an exception to Listing Rule 7.1, within three years prior to the issue of the securities. Resolution 5 is being put to Shareholders for this purpose and will allow the Company to utilise Exception 9 of Listing Rule 7.2 for three years from the date of the Resolution being passed.

5.3 Information for Shareholders

In accordance with Exception 9 of Listing Rule 7.2, the Company advises as follows:

- (a) since Shareholders last approved an incentive plan on 29 November 2019, 10,000,000 options and no shares have been issued under the 2019 Plan; and
- (b) a summary of the key terms of the EEIP are set out in Schedule 1.

5.4 Further considerations

The Company believes that it will derive a significant benefit by incentivising its Directors, senior management and key employees through the issue of securities under the EEIP. Additionally, the Company believes it to be in the best interests of the Company to preserve the maximum commercial flexibility to issue Equity Securities that is afforded to it by Listing Rules 7.1 and 7.1A.

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6. Resolutions 6 (a), (b), (c) and (d) - Issues of Performance Rights to Directors

6.1 General - Financial benefits to related parties

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 6,370,542 Performance Rights (**Performance Rights**) to Messrs Scott Waddell (Resolution 6(a), Theo Psaros (Resolution 6(b), Mark Bojanjac (Resolution 6(c) and Brad Sampson (Resolution 6(d)) (**Related Parties**) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a Related Party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Performance Rights constitutes giving a financial benefit and Messrs Waddell, Psaros, Bojanjac and Sampson are Related Parties of the Company by virtue of being Directors.

In addition, ASX Listing Rule 10.11.1 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a Related Party, or a person whose relationship with the entity or a Related Party is, in ASX's opinion, such that approval should be obtained (Listing Rule 10.11.3), unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Performance Rights to the stated Related Parties.

6.2 Section 195(4) of the Corporations Act

Each of the Directors has a material personal interest in the outcome of Resolutions 6(a), (b), (c) and (d) (as applicable to each Director) in this Notice of Meeting by virtue of the fact that those Resolutions are concerned with the issue of Performance Rights to Directors.

Section 195 of the Corporations Act provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a material personal interest are being considered.

In the absence of Shareholder approval under section 195(4) of the Corporations Act, the Directors may not be able to form a quorum at a Board meeting necessary to carry out the terms of these Resolutions. The Directors have accordingly exercised their right under section 195(4) of the Corporations Act to put the issue to Shareholders to determine.

6.3 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Performance Rights:

- (a) (**Identity of Related Parties**) the Related Parties are Messrs:
 - (1) **Resolution 6(a)** - Mr Scott Waddell;
 - (2) **Resolution 6(b)** - Mr Theo Psaros;

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- (3) **Resolution 6(c)** - Mr Mark Bojanjac; and
- (4) **Resolution 6(d)** - Mr Brad Sampson.
- (b) **(Nature of financial benefits)** the maximum number of Performance Rights (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
- (1) **Resolution 6(a)** - 1,600,000 Performance Rights proposed to be issued to Scott Waddell;
- (2) **Resolution 6(b)** - 1,900,000 Performance Rights proposed to be issued to Theo Psaros;
- (3) **Resolution 6(c)** - 265,000 Performance Rights proposed to be issued to Mark Bojanjac; and
- (4) **Resolution 6(d)** - 265,000 Performance Rights proposed to be issued to Brad Sampson.
- (c) **(When financial benefits will be granted)** the Performance Rights will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) **(Consideration for financial benefits)** the Performance Rights will be granted for nil cash consideration and accordingly no, funds will be raised by the issue;
- (e) **(Terms and conditions of Performance Rights)** the terms and conditions of the Performance Rights are set out in Schedule 2 to this Explanatory Memorandum;
- (f) **(Value of financial benefits)** the value of the Performance Rights and the pricing methodology are set out in Schedule 3 to this Explanatory Memorandum, wherein the Performance Rights are valued as follows:
- (1) **Resolution 6(a)** - 1,600,000 Performance Rights to Mr Scott Waddell - \$48,532;
- (2) **Resolution 6(b)** - 1,900,000 Performance Rights to Mr Theo Psaros - \$57,632;
- (3) **Resolution 6(c)** – 265,000 Performance Rights to Mr Mark Bojanjac - \$8,038; and
- (4) **Resolution 6(d)** - 265,000 Performance Rights to Mr Brad Sampson - \$8,038.
- (g) **(Relevant interests of Related Parties)** the interests of the Related Parties in Equity Securities of the Company, are set out below in the table showing Directors' interests in the securities of the Company:

Director	Shares	MLMOB Options	Employee Options	Performance Rights ¹
Mr Scott Waddell	2,000,000	500,000	4,000,000	1,600,000
Mr Theo Psaros	2,000,000	500,000	3,000,000	1,900,000
Mr Mark Bojanjac	Nil	Nil	Nil	265,000
Mr Brad Sampson	Nil	Nil	Nil	265,000
Mr Andrew Gillies	2,400,000	600,000	3,000,000	Nil

Note 1: Assumes Resolutions 6(a), 6(b), 6(c) and 6(d) are approved by Shareholders.

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- (h) **(Remuneration of Related Parties)** - the following table shows the annual remuneration paid to Directors inclusive of superannuation for the past financial year and the financial year ending 30 June 2020. The salary and fee amounts are not anticipated to change for the financial year ending on 30 June 2021, except that Mr Psaros became executive chairman on 21 May 2020 at a salary of \$10,000 per month until 1 February 2021, when his monthly salary was increased to \$15,000 per month due to the additional workload.

Director	Total for Financial Year ending 30 June 2020 (\$)	Superannuation	Salary and Fees	Share based payments
Mr Theo Psaros	\$77,216	-	\$74,786	\$2,430
Mr Andrew Gillies	\$49,732	\$3,814	\$43,448	\$2,430
Mr Scott Waddell	\$160,020 ¹	-	\$156,780	\$3,240
Mark Bojanjac	Nil	Nil	Nil	Nil
Brad Sampson	Nil	Nil	Nil	Nil

¹ Mr Scott Waddell was Interim CEO until 21 May 2020 and became CFO from this date

The Company has agreed to the following remuneration packages for Mr Bojanjac and Mr Sampson:

- (1) Mr Bojanjac - \$50,000 consulting fees per annum exclusive of GST; and
 - (2) Mr Sampson - \$50,000 wages per annum inclusive of Superannuation.
- (i) **(Dilutionary effect of financial benefits)** if the Performance Rights granted to the Related Parties are exercised, a total of 4,030,000 Shares would be issued. This will increase the number of Shares on issue from 557,732,777 to 561,762,777 (assuming that no other securities are exercised or other Shares are issued), with the effect that the shareholding of existing Shareholders (other than the Related Parties concerned) would be diluted by an aggregate of 0.72%, comprising 0.28% by Mr Waddell, 0.34% by Mr Psaros, 0.05% by Mr Bojanjac and 0.05% by Mr Sampson;
- (j) **(Price of Securities)** the trading history of the Shares on ASX in the 3 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.047	3 March 2021
Lowest	\$0.027	30 April 2021
Last	\$0.036	2 June 2021

- (k) **(Purpose of financial benefits)** the primary purpose of the grant of the Performance Rights to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors;
- (l) **(Opportunity costs and accounting treatment)** it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Performance Rights upon the terms proposed.

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The Performance Rights granted to the Related Parties have been valued at \$122,241 in aggregate (see Schedule 3), which will be expensed in the Company's Accounts over 2 years;

(m) **(Reasons for vote in favour of the Resolutions)** the Directors, with:

- (1) Mr Waddell abstaining in relation to Resolution 6(a) due to his material personal interest in the outcome of Resolution 6(a);
- (2) Mr Psaros abstaining in relation to Resolution 6(b) due to his material personal interest in the outcome of Resolution 6(b);
- (3) Mr Bojanjac abstaining in relation to Resolution 6(c) due to his material personal interest in the outcome of Resolution 6(c); and
- (4) Mr Sampson abstaining in relation to Resolution 6(d) due to his material personal interest in the outcome of Resolution 6(d),

recommend that Shareholders vote in favour of Resolutions 6(a), 6(b), 6(c) and 6(d) for the following reasons:

- (1) the Company is currently in the development and exploration phase of its growth, which means that it is not generating revenues or profits, and does not anticipate doing so in the near term. As a result, the Company's sources of funding are limited and it therefore needs to closely monitor its cash reserves and mitigate cash expenditure. Accordingly, the Company considers that a more appropriate way to remunerate its Directors is through equity-based incentives, such as the Performance Rights;
- (2) the grant of Performance Rights to the Related Parties will align the interests of the Related Parties with those of other Shareholders;
- (3) vesting conditions are an appropriate indicator for Director performance at its current stage of growth; and
- (4) as stated above, it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Performance Rights;

(n) **(Reasons for vote against the Resolutions)** the Company considers that the following are reasons why Shareholders may vote against Resolutions 6(a)-(d):

- (1) if the Performance Rights vest and are exercised, Shares will be issued to the Directors which will dilute and reduce the voting power of Shareholders (by a maximum of 0.72%); see section (i) for further information on the maximum dilution of Shareholders' interests resulting from the Performance Rights being exercised into Shares;
- (2) using the valuation in Schedule 3, the grant of the Performance Rights will increase the total remuneration being paid to the Directors (by \$122,241 in aggregate), which Shareholders may not agree with; see section 0 for further information on the remuneration of Directors;
- (3) the grant of the Performance Rights will require the Company to recognise their value as an expense on the Company's statement of financial performance, which in turn will increase the size of anticipated losses; see section (l) for further information on the accounting treatment of the Performance Rights;
- (4) if the Performance Rights vest and are exercised, the additional number of Shares on issue will necessarily cause the value of a Share to reduce, which in turn may be reflected by a fall in the Share price on ASX; and

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- (5) even if the vesting conditions for the Performance Rights are achieved, there is no guarantee that the Share price will retain its value for long or at all. Therefore, the Performance Rights may vest and be converted into Shares, but the benefit to Shareholders who retain their Shares may not be realised if the Share price subsequently falls.
- (o) **(Additional information required under Listing Rule 7.13)** In addition to the information above, the Company provides the following additional information pursuant to Listing Rule 7.13:
- (1) *Listing Rule 10.13.2 - the category in rules 10.11.1-10.11.5 into which the persons fall and why* - Messrs Waddell, Psaros, Bojanjac and Sampson are Related Parties of the Company by virtue of being Directors, as contemplated in Listing Rule 10.11.1;
- (p) **(Other information)**
- (1) In forming their recommendations, each Director considered the experience of each other Related Party, the current Market Price of Shares, the current market practices when determining the number of Performance Rights to be granted as well as the performance hurdles and expiry date of those Performance Rights; and
- (2) The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to approve Resolutions 6(a), 6(b), 6(c) and 6(d).

6.4 Listing Rule 7.1

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Rights to the Related Parties, as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Performance Rights to the Related Parties will not be included in the 15% calculation of the Company's Equity Security issue capacity.

7. Resolutions 7(a), (b) and (c) - Approval for the provision of assistance to Directors for exercise of Employee Options

7.1 Terms of Employee Options

Mr Waddell, Mr Psaros and Mr Gillies respective hold the following Options (**Employee Options**):

- (a) Mr Scott Waddell - 4,000,000 Employee Options;
- (b) Mr Theo Psaros - 3,000,000 Employee Options; and
- (c) Mr Andrew Gillies - 3,000,000 Employee Options.

The terms of the Employee Options, which have vested, are as follows:

- (a) **Grant Date:** 12/12/2019;
- (b) **Exercise Price:** \$0.029;
- (c) **Expiry Date:** 23/6/2022;
- (d) **Escrow of shares issued upon exercise of Employee Options:** ends 23 December 2022; and

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- (e) **Cessation of office:** should a Director holding the Employee Options cease to hold that office (except where dismissed from employment by the Company), the Employee Options will lapse if not exercised within 3 months of cessation of office.

7.2 Standing down of Mr Gillies and Mr Waddell as Directors and effect of escrow

It is proposed that Mr Gillies and Mr Waddell will retire from their roles as Directors shortly after the Meeting.

The effect of the terms of the Employee Options and the Incentive Plan Rules is that the Employee Options held by Mr Gillies and Mr Waddell will lapse if not exercised within 90 days of their retirement as Directors after this Meeting, but the Shares issued upon exercise will be subject to escrow until 23 December 2021 and therefore cannot be sold to fund resulting tax liability and costs of exercise.

In order to avoid the financial burden that would result from this situation and in recognition of the services provided to the Company by Mr Waddell, Psaros and Gillies, the Company has agreed, subject to Shareholder approval, to provide each of these Directors with a mechanism (via an agreement) to fund exercise of their Employee Options, as follows:

Each of Mr Waddell, Mr Gillies and Mr Psaros may exercise his Employee Options prior to their expiry, but pay the aggregate Exercise Price to the Company no later than 31 December 2021, provided that the amount then payable to the Company will be the lesser of:

- (a) the aggregate Exercise Price of the relevant Employee Options; and
- (b) the proceeds (**Sale Proceeds**) received by the Director from the on-market sale of the Shares issued on exercise of the options (**New Shares**) after their release from Escrow on 23 December 2022); and

no interest will be payable.

7.3 General - Financial benefits to related parties

Shareholders are referred to Section 6.1 above in relation to rules governing the provision of financial benefits to related parties of the Company.

Messrs Waddell, Psaros and Gillies are related parties of the company and the provision of the benefits described above, which defer payment of option exercise amounts until resulting Shares can be sold, are financial benefits for which exceptions set out in sections 210 to 216 of the Corporations Act do not apply. Accordingly, Shareholder approval is sought for the grant of the financial benefits as described (**Exercise Assistance**) to Messrs Waddell, Psaros and Gillies respectively.

7.4 Shareholder Approval

Chapter 2E of the Corporations Act

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, the following information is provided in relation to the proposed grant of the Exercise Assistance:

- (a) (**Identity of Related Parties**) the Related Parties are:
 - (1) **Resolution 7(a)** - Mr Scott Waddell;
 - (2) **Resolution 7(b)** - Mr Theo Psaros; and
 - (3) **Resolution 7(c)** - Mr Andrew Gillies.

Explanatory Memorandum

- (b) **(Nature of financial benefits)** the financial benefits being provided to Mr Waddell, Mr Psaros and Mr Gillies respectively, are the Exercise Assistance described in Section 7.2(a) above;
- (c) **(When financial benefits will be granted)** the right to exercise the relevant Employee Options will accrue immediately to each of Messrs Waddell, Psaros and Gillies if Shareholders approve each of Resolutions 7(a), 7(b) and 7(c), while each of Messrs Waddell, Psaros and Gillies **(Related Parties)** must exercise the relevant options before their Expiry Date; in the case of Mr Waddell and Mr Gillies, who plan to retire from office as Directors shortly after the Meeting, their Employee Options must be exercised within 90 days, while Mr Psaros must exercise his Employee Options by no later than 23 June 2022;
- (d) **(Consideration for financial benefits)** the Exercise Assistance is granted for nil cash consideration;
- (e) **(Terms and conditions of Loan Agreements)** the terms and conditions of the Exercise Assistance are set out above in Section 7.2(a);
- (f) **(Value of financial benefits)** the value of the Exercise Assistance is as follows (ignoring money to be paid to the Company by each no later than 31 December 2022):
 - (1) **Resolution 7(a)** - Mr Scott Waddell - re 4,000,000 Employee Options - \$116,000;
 - (2) **Resolution 7(b)** - Mr Theo Psaros - re 3,000,000 Employee Options - \$87,000;
 - (3) **Resolution 7(c)** - Mr Andrew Gillies - re 3,000,000 Employee Options - \$87,000.
- (g) **(Relevant interests of Related Parties)** the interests of the Related Parties in securities of the Company are set out in Section 6.3(g) above.
- (h) **(Remuneration of Related Parties)** the remuneration and emoluments from the Company to the Related Parties for the previous financial year are set out in Section 6.30 above;
- (i) **(Dilutionary effect of financial benefits)** There is no dilutionary effect, as the Employee Options are already on issue and have vested;
- (j) **(Purpose of financial benefits)** the primary purpose of Exercise Assistance is assist the Directors with funding exercise of their Employee Options in circumstances where they are unable to access cash from sales of underlying Shares to meet resulting tax liabilities and costs of exercise;
- (k) **(Opportunity costs and accounting treatment)** it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the financial benefits, as no cash is advanced by the Company;
- (l) **(Reasons for vote in favour of the Resolutions)** the non-interested Directors recommend that Shareholders vote in favour of Resolutions 7(a), 7(b) and 7(c) based on the rationale expressed in Section 7.2; and
- (m) **(Other information)** The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to approve Resolutions 7(a), 7(b) or 7(c).

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Notes:

1. Chair voting intentions

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions, subject to compliance with the Corporations Act.

2. Voting Entitlement

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 8 pm (AEST GMT + 10) on 5 July 2021. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

3. Voting by Corporate Representative

A body corporate that is a Shareholder, or that has been appointed as a proxy, may appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring evidence of appointment to the General Meeting, including any authority under which it is signed, unless it has previously been given to the Company.

4. Voting by Attorney

A Shareholder may appoint an attorney to vote on their behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company no later than 11.30 am AEST, 5 July 2021.

5. Proxy, representative and voting entitlement instructions

5.1 Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a Shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the Shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a Shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under section 250D of the Corporations Act.

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **lodged by** any of the following methods:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

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BY MAIL

Metallica Minerals Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

Deliver it to Link Market Services Limited during business hours (Monday to Friday, 9:00am-5:00pm):
Level 12
680 George Street
Sydney NSW 2000

Your completed proxy form (and any necessary supporting documentation) must be lodged online or received by Link Market Services no later than 11.30 am (AEST GMT +10) 5 July 2021 being 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this notice.

5.2 Signing instructions

You must sign the proxy form as follows in the spaces provided:

- | | |
|--------------------|--|
| Individual: | Where the holding is in one name, the holder must sign. |
| Joint Holding: | Where the holding is in more than one name, any one of the security holders may sign. |
| Power of Attorney: | To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it. |
| Companies: | Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A) of the Corporations Act does not have a Company Secretary, a Sole Director can also sign alone. |

Otherwise, this form must be signed by a Director jointly with either another Director or a Company Secretary.

Please indicate the office held by signing in the appropriate place.

5.3 Key Management Personnel

Key Management Personnel and their Closely Related Parties will not be able to vote your proxy on Resolutions 6 and 7 unless you direct them how to vote. This does not apply to the Chairman, who is able to vote undirected proxies. If you intend to appoint a member of the Key Management Personnel as your proxy, please ensure that you direct them how to vote on relevant resolutions by marking either "For", "Against" or "Abstain" on the Proxy Form.

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If you intend to appoint the Chairman as your proxy, you can direct him to vote by marking either “For”, “Against” or “Abstain” on the box for Resolutions 6 and 7 on the Proxy Form, or by marking the Chairman’s box on the Proxy Form (in which case the Chairman will vote in favour of these items of business and all other Resolutions included in the Notice).

Glossary

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

Meeting means General Meeting;

ASIC means the Australian Securities & Investments Commission;

ASX means the ASX Limited;

Chair means the chairperson of the Meeting;

Closely Related Party (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member’s spouse; or
- (c) a dependant of the member or the member’s spouse; or
- (d) anyone else who is one of the member’s family and may be expected to influence the member, or be influenced by the member, in the member’s dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of the definition of closely related party;

Company means Metallica Minerals Limited ACN 076 696 092 (ASX: MLM);

Constitution means the constitution of the Company from time to time;

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

Directors or Board means the board of directors of the Company from time to time;

EEIP means the Company’s Employee Equity Incentive Plan;

Employee Options means the 10,000,000 Options expiring on 23 June 2022, as set out in the Company Appendix 2A dated 27 April 2021.

Explanatory Memorandum means the explanatory statement accompanying this Notice;

Key Management Personnel has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity;

Listing Rules means the official listing rules of the ASX as amended from time to time;

Market Price has the meaning given to that term in the Listing Rules;

Explanatory Memorandum

Meeting means the General Meeting to be held on 7 July 2021 as convened by the accompanying Notice of Meeting;

Notice of Meeting or **Notice** means the notice of meeting giving notice to shareholders of the Meeting, accompanying this Explanatory Memorandum;

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of shareholders;

Ordinary Securities/Shares has the meaning given to that term in the Listing Rules;

Resolutions means the resolutions set out in the Notice of Meeting;

Security has the meaning given in the Listing Rules;

Security Holder means a holder of a Security of the Company;

Shares means fully paid ordinary shares in the Company from time to time;

Shareholder means a shareholder of the Company;

Special Resolution means a resolution:

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and
- (b) that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution.

Trading Day has the meaning given to that term in the Listing Rules.

VWAP means the volume weighted average price of securities traded on the ASX market and the Chi-X market over a given period (subject to limitations under the Listing Rules).

Any inquiries in relation to the resolutions or the Explanatory Memorandum should be directed to: Scott Waddell on 07 3249 3000.

Explanatory Memorandum

Schedule 1- Summary of terms and conditions of Employee Equity Incentive Plan

(a) **Operation**

The Board is responsible for administering the EEIP in accordance with the EEIP Rules. A grant of Performance Rights and/or Options under the EEIP will be subject to both the EEIP Rules, ASIC Class Order 14/1000 (or any amendment to or replacement of that Class Order) and the terms and conditions of the specific grant.

(b) **Eligibility**

The EEIP is open to certain contractors and employees (including Directors) of the Company who are invited by the Board to participate in the EEIP (**Participants**). The Board may invite Participants to apply for Shares (including in these terms and conditions, a right to the issue of a Share), Performance Rights and/or Options under the EEIP in its absolute discretion.

(c) **Grant**

The Board may offer Participants the right to apply for Shares, Performance Rights and/or Options subject to conditions and/or performance hurdles and terms of issue determined by the Board in its sole discretion.

(d) **Vesting**

The vesting of a Performance Right will be conditional on the satisfaction of any conditions and performance hurdles attaching to the Performance Right. Performance hurdles will be determined by the Board in its discretion and specified in the Participant's invitation letter.

Where relevant performance hurdles are met, then the Performance Rights will vest and be convertible into Shares.

The vesting of an Option will be conditional on the satisfaction of any conditions attaching to the Option. Conditions will be determined by the Board in its discretion and specified in the Participant's invitation letter.

Unvested Shares will vest on conditions determined by the Board in its discretion and specified in the Participant's invitation letter.

(e) **Assistance with the exercise of Options**

An offer may specify that at the time of exercise of the Options, the Participant may elect or that the Participant and the Directors may agree in writing that the Participant will not to be required to provide payment of the Exercise Price but that on exercise of those Options the Company will transfer or allot to the Participant that number of Shares equal in value to the positive difference between the then market value of the Shares at the time of exercise and the Exercise Price that would otherwise be payable to exercise those Options (with the number of Shares rounded down to the nearest whole Share).

An offer may specify that at the time of exercise of the Options, or Directors may agree in writing at any time prior to exercise of Options, that a sum equal to the aggregate Exercise Price of Options may be advanced by the Company to the Participant as a loan, on the provision that the loan is secured against and repayable only upon the sale of Shares, Options and Performance Rights held by the Participant (whether vested or not) or against other assets acceptable to the Company and repayable on terms agreed by the Directors.

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(f) **Lapse of Performance Rights and Options**

All Performance Rights, Options and Shares that have not vested on or before the expiry date will automatically lapse. Performance Rights, Shares and Options will also lapse if the applicable performance hurdles and/or conditions attaching to them are not met within a prescribed period determined by the Board in its discretion.

(g) **Dealing with Performance Rights and Options**

Unvested Shares, Performance rights and Options are not transferable, except on the Participant's death, to its legal personal representative.

(h) **Conversion into Shares**

Each Performance Right will entitle a Participant to one Share upon vesting. Each Option will entitle a Participant upon vesting to subscribe for one Share at the Exercise Price specified by the Board in the Participant's invitation letter.

Shares issued as a result of the vesting and exercise of Performance Rights and/or Options will rank equally with the Shares currently on issue.

(i) **Maximum number of securities**

The Board may grant such number of Shares, Performance Rights and/or Options under the EEIP as the Board determines so long as no limit specified, imposed or calculated by any relevant policy or guideline of ASIC, including any regulatory guide, class order or condition for relief, is exceeded.

(j) **Dealing with Options and Performance Rights**

A Participant may not engage in any dealing with any Shares, Options or Performance Rights issued under the Plan, unless:

- (1) the prior consent of the Board is obtained, which consent may impose such terms and conditions as the Board sees fit; or
- (2) such assignment or transfer occurs by force of law upon the death of a Participant to the Participant's legal personal representative.

(k) **Hedging not allowed**

If restricted by law, a Participant may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to any Options or Performance Rights.

(l) **New issues, reorganisations of capital and winding up**

- (1) Participants holding Options or Performance Rights are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
 - (A) their Options or Performance Rights under the Plan have vested; and
 - (B) they exercise their Options or Performance Rights and receive Shares before the record date for the determination of entitlements to the new issue of securities and participate as a holder of Shares.
- (2) In accordance with the Listing Rules, the Company will give Participants notice of any new issue of securities before the record date for determining entitlements to the new issue.

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- (3) If the Company makes a pro rata issue of Shares (except a bonus issue) to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option or Performance Right before the record date for determining entitlements to the pro rata issue, the Exercise Price of the Option or Performance Right will be reduced according to the formula specified in the Listing Rules.
- (4) If the Company makes a bonus issue of Shares to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option or Performance Right before the record date for determining entitlements to the bonus issue, then the number of underlying Shares over which the Option or Performance Right is exercisable will be increased by the number of Shares which the Participant would have received if the Participant had exercised the Option or Performance Right before the record date for the bonus issue. No adjustment will be made to the Exercise Price.
- (5) If there is a reorganisation of the issued capital of the Company (including a consolidation, subdivision, reduction or return) then the rights of a Participant (including the number of Options or Performance Rights to which each Participant is entitled and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(m) **Winding up**

If a resolution for a members' voluntary winding up of the Company is proposed (other than for the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Participants of the proposed resolution. Subject to the Option Vesting Conditions or Performance Right Vesting Conditions, the Participants may, during the period referred to in the notice, exercise their Options or Performance Rights.

(n) **Fractions of Shares**

Fractions in the aggregate number only will be disregarded in determining the total entitlement of a Participant.

(o) **Termination of employment or office**

If a Participant ceases to be an officer/employee/contractor due to resignation, dismissal for cause or poor performance or any other circumstances determined by the Board to constitute the Participant a Bad Leaver (**Bad Leaver**), then, subject to compliance with the Listing Rules and the Corporations Act:

- (A) any Unvested Shares held by the Participant will be forfeited by the Participant;
 - (B) Unvested Options and Unvested Performance Rights held by the relevant Participant will immediately lapse; and
 - (C) Vested Options or Vested Performance Rights that have not been exercised will lapse on the date the person ceases to be an employee/contractor.
- (6) If a Participant ceases to be an employee/contractor for reasons other than as a Bad Leaver (**Good Leaver**):
- (A) all Unvested Shares held by the Participant will be forfeited by the Participant;
 - (B) Unvested Options and Unvested Performance Rights held by the relevant Participant will immediately lapse; and

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- (C) Vested Options or Vested Performance Rights that have not been exercised will continue in force and remain exercisable for 90 days after the Participant ceases to be an employee/contractor.

(p) **Change of Control Events**

Except to the extent otherwise provided in the offer to a Participant, if a takeover offer for the Company's Shares becomes unconditional or another transaction occurs pursuant to which control of the Company changes (as defined in the Plan Rules), all Unvested Shares, Unvested Options and Unvested Performance Rights held by a Participant will automatically vest and become immediately exercisable with such vesting deemed to have taken place immediately prior to the effective date of the change of control Event, regardless of whether or not the employment, engagement or office of the Participant is terminated or ceases in connection with the Change of Control Event.

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Schedule 2 - Terms and conditions of the Performance Rights

The following terms and conditions apply to the Performance Rights:

1.2 Definitions

In this Schedule, unless the context otherwise requires:

Group means the Company and all of its related bodies corporate (as that term is defined in the Corporations Act).

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

1.3 Milestones

The Performance Rights convert in 3 equal tranches into ordinary shares on achievement of all the following successive performance hurdles (**Hurdles**):

Hurdle 1: The VWAP of the MLM share price for the month of June 2022 (based on trading days during that month) is at least 20% higher than the VWAP of the MLM share price for the month of June 2021.

Hurdle 2: The total JORC resource of silica sand held by the Company in relation to its Cape Flattery Silica Sands "Project is at least 50 million tonnes, with at least 25 million tonnes included at the measured and/or Indicated JORC category.

Hurdle 3: The Company has successfully completed the Pre-Feasibility Study for the Cape Flattery Silica Project and released the results of this study to the ASX.

1.4 Vesting

The Performance Rights will vest and convert into Shares on the date all the Hurdles have been satisfied.

1.5 Conversion

Upon vesting, each Performance Right will convert into one Share.

1.6 Expiry

Any Performance Right that has not vested within 13 months of the date of this Meeting will automatically lapse.

1.7 Participation in entitlements and bonus issues

Holders of Performance Rights will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

1.8 Adjustment for bonus issue

If securities are issued pro rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends by way of dividend reinvestment), the number of Performance Rights to which holders of Performance Rights are entitled will be increased by that number of securities which the holder would have been entitled if the Performance Rights held by the holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Corporations Act and the Listing Rules at the time of the bonus issue.

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1.9 Reorganisation of capital

In the event that the issued capital of the Company is reconstructed, all the holder's rights as a holder of Performance Rights will be changed to the extent necessary to comply with the Listing Rules at the time of reorganisation provided that, subject to compliance with the Listing Rules, following such reorganisation the holder's economic and other rights are not diminished or terminated.

1.10 Dividend and voting rights

The Performance Rights do not confer on the holder an entitlement to vote or receive dividends.

1.11 Change in control

Upon:

- (a) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and:
 - (i) having received acceptances for not less than 50.1% of the Company's shares on issue; and
 - (ii) having been declared unconditional by the bidder; or
- (b) 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 a Milestone, Performance Rights on issue will automatically convert to that number of Shares which when issued together with all Shares issued under any other class of Performance Rights then on issue in the Company, is equal to the lesser of one Share per Performance Right and 10% of the total Shares on issue at that time. Performance Rights that are not converted into Shares will continue to be held by the holder on the same terms and conditions.

1.12 Issue of Shares

Shares to which the holder is entitled on vesting of the Performance Right will be issued to the holder as soon as practicable after the Vesting Date. All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

1.13 Quotation

The Company will not apply for quotation of the Performance Rights on the ASX. The Company will apply for the Shares to be quoted on the ASX in accordance with the Listing Rules.

1.14 Cleansing statement or prospectus

The Company will issue, where required to enable Shares issued on exercise of Performance Rights to be freely tradeable on the ASX, a cleansing statement under section 708A(5) of the Corporations Act at the time Shares are issued. Where a cleansing statement is required, but cannot be issued, the Company will have a prospectus available in relation to the Shares which complies with the requirements of the Corporations Act.

Explanatory Memorandum

Schedule 3 - Valuation of the Performance Rights



Reference: V100104
Contact: Ian Wood

24 May 2021

Mr Scott Wardell
Metallica Minerals Ltd
71 Lytton Road
East Brisbane QLD 4169
swaddell@metallicaminerals.com.au

PERFORMANCE RIGHTS VALUATION

You have requested us to provide an independent valuation of performance rights to be issued to management for the purpose of disclosing expenses in the company's financial statements and presentation at an Annual General Meeting.

The valuation of the performance rights issued is attached in Appendix 1.

SHARE BASED PAYMENTS

AASB 2 Share Based Payment requires that reporting entities must recognise services acquired in a share-based payment transaction as the services are received. The issue of performance rights is in return for employment services provided to the company, therefore the value of these services is to be recognised.

The value of the services acquired by the company is to be measured at the fair value of the equity instruments granted, where the fair value of the services provided cannot be estimated reliably. As the issue of performance rights is in consideration of future services, the fair value of the services cannot be reliably measured. As such, the value of the performance rights to be issued needs to be used as the reliable measurement of the services provided.

As the performance rights will not be listed on the ASX and will not be tradable, the market value of the performance rights cannot be readily determined from any sales data. Therefore, a pricing model is necessary to provide a value for the rights issued.

The performance rights do not have any voting rights, rights to dividends, rights to capital and have no entitlement to participate in new issues offered to ordinary shareholders of the company.

As the performance rights convert to ordinary shares, they can be treated like an option with no exercise price. As such, an option valuation model is appropriate to value the performance rights issued.

Liability limited by a scheme approved under Professional Standards Legislation

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➤ Option valuations ➤ Business valuations ➤ Business value growth strategies ➤ Succession planning
➤ Employment share scheme design & implementation ➤ Staff bonus plan design & implementation

OPTION VALUATION MODEL

The options valuation model to be adopted has to provide a valuation of the performance rights issued in accordance with AASB 2. Namely the model has to take into account the following factors:

- The Exercise Price (X)
- The share price at the time of issue (S)
- The expected life of the performance rights (T)
- The share's expected volatility (σ)
- Expected dividends (D)
- The expected risk-free interest rate (rf)

EXERCISE PRICE

The exercise price is set in accordance with the terms and conditions of the performance rights to be issued to management. The exercise price of the performance rights has been set at \$0.00 per right. As the exercise price has presently not been altered, and there is no intention that it be altered, no adjustment to the exercise price is to be made.

SHARE PRICE AT THE TIME OF ISSUE

The time of issue is the day on which the performance rights are granted. Grant date is defined in AASB 2 as being the date on which the company and the recipient agree to the terms of the rights. If the grant of performance rights is subject to shareholder approval the grant date is the date on which the approval is obtained.

The performance rights in question have a proposed grant date of 1 July 2021, being the date on which shareholders are expected to vote at the annual general meeting to approve the issue of the rights. As the grant date of the performance rights is in the future, the share price at the time of issue has been estimated as the share price on 19 May 2021. This share price was \$0.034.

EXPECTED LIFE OF THE PERFORMANCE RIGHTS

The expected life of the performance rights will be taken to be the full period of time from grant date to expiry date. While there may be an adjustment made to take into account any expected early exercise of the rights or any variation of the expiry date by the company, there is no past history that either of these factors would warrant an earlier exercise of the performance rights, and no other factors which would indicate that this would be a likely occurrence.

Therefore, no adjustment to the expected life of the performance rights has been made.

SHARE PRICE VOLATILITY

The company has a long history of share transactions by which to gauge the company's share price volatility, and this data provides some indication of the expected future volatility of the company's share price. The share price volatility over the last 12 months was 115.139%. Due to the company's historical share price movements, and the relative percentage of each movement against the share price, it is expected that this volatility will not change significantly over the life of the performance rights.

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Therefore a volatility of 115.139% has been used as the expected future share price volatility over the life of the rights.

EXPECTED DIVIDENDS

The company has not declared dividends in the past and does not expect to declare dividends in the future. As a result, no adjustment has been made to the pricing of the performance rights to take into account payment of dividends, to reflect the expectation that dividends are not expected to be declared over the period of the life of the rights.

RISK FREE RATE

The risk free rate is the implied yield at the date the performance rights were issued on zero-coupon national government bonds with a remaining life equal to the life of the rights.

The interest rates were taken from historical data available from the Reserve Bank of Australia for 2 year Treasury Bonds.

NUMBER OF PERFORMANCE RIGHTS ON ISSUE

AASB 2 requires that where the grant (or vesting) of an equity instrument is conditional upon satisfying specified vesting conditions (except market conditions), those vesting conditions are not taken into account when calculating the fair value of the performance rights at the grant, or issue, date. Instead, the number of rights included in the measurement is adjusted to reflect the likelihood of those vesting conditions being met. The amount treated as remuneration is based on the number of rights that are expected to vest.

As a result, in accordance with AASB 2, the number of shares to be vested must be adjusted to take into account any expected forfeitures.

The Performance Rights convert to ordinary shares on achievement of each the following respective performance hurdles (Hurdles), with 1/3 of the total rights converting as each condition is met:

- (a) Condition 1: The VWAP of the MLM share price for the month of June 2022 (based on trading days during that month) is at least 20% higher than the VWAP of the MLM share price for the month of June 2021.
- (b) Condition 2: The total JORC resource of silica sand held by the Company in relation to its Cape Flattery Silica Sands "Project is at least 50 million tonnes, with at least 25 million tonnes included at the measured and/or Indicated JORC category.
- (c) Condition 3: The Company has successfully completed the Pre-Feasibility Study for the Cape Flattery Silica Project and released the results of this study to the ASX.

Explanatory Memorandum

As discussed with management, there is no historical data on the likelihood of meeting the JORC and Pre-feasibility performance criteria. The current expectation of management is that employees will meet the performance requirements, as they will wish to have 100% of their performance rights issued to them. As such, there has been no adjustment to the number of performance rights included in the calculation of the amount to be expensed in the financial statements.

This position needs to be regularly reviewed, as any employees who cease employment prior to 100% of their rights vesting, will result in the expense in the financial statements having to be adjusted.

As the vesting conditions attaching to one third of performance rights are market conditions (i.e. the Volume Weight Average Price (VWAP) for the month of June 2022 must be 20% greater than the VWAP for June 2021) this is taken into account when estimating the value of the rights, rather than the number of rights which are to be expensed by the company. As such, there has been no adjustment to the number of performance rights included in the calculation of the amount to be expensed in the financial statements.

The total number of performance rights expected to be offered to management is 8,836,941 rights.

BLACK-SCHOLES VS BINOMIAL MODEL VS MONTE CARLO SIMULATION

Our engagement is to provide a valuation of performance rights for the purposes of disclosing expenses in the financial statements in accordance with AASB 2 Share Based Payment.

Upon reviewing the factors to be taken into account and the variables to be calculated, it is considered that both the Black-Scholes and binomial model are relevant to calculating the value of the performance rights issued to management with the JORC and Pre-feasibility conditions. The Binomial method allows for significant customisation of the calculation process, particularly to take into account the payment of dividends. However, as the company does not pay dividends, both models provide similar valuations. Both calculations are provided for comparison.

One third of the performance rights to be issued will have a vesting condition that the VWAP for the month of June 2022 must be 20% higher than the VWAP for the month of June 2021. As this is a market condition, the vesting condition is to be taken into account when calculating the value of the rights.

Upon reviewing the factors to be taken into account and the variables to be calculated, it is considered that a Monte Carlo Simulation is the most relevant methodology to calculating the value of the rights to be issued to directors.

Both Black-Scholes and Binomial model calculations are provided for comparison.

DISCLAIMER

This report has been prepared from information provided by the directors of Metallica Minerals Ltd, and from other information available to the public. Whilst Value Logic Pty Ltd has taken proper care in assessing the completeness and accuracy of this information, it has not conducted an audit of the information or of the business. Value Logic Pty Ltd's report should not therefore be construed as an auditor's opinion.

Explanatory Memorandum

Value Logic Pty Ltd does not hold an Australian Financial Services Licence. This report is not intended to influence a person in making a decision in relation to a particular financial product.

CONCLUSION

Upon taking into account the above factors, the Binomial model calculation provided valuations for the performance rights with JORC and Pre-Feasibility conditions to be issued by the company to management. The valuations were checked and considered reasonable when taking into account the various influencing factors, such as time to expiry, and company volatility.

The Monte Carlo Simulation calculations provided the most appropriate valuations for the performance rights issued by the company that will have the VWAP market condition. These valuations were checked and considered reasonable when taking into account the various influencing factors, such as time to expiry, company share price volatility and vesting conditions attaching to the performance rights.

Should you have any queries, please do not hesitate to contact the writer.

Yours Sincerely



Value Logic Pty Ltd
Encl.

Name of Valuer:	Ian Wood
Name of Firm:	Value Logic Pty Ltd
Professional Qualifications:	B. Bus (Acc), LLB., CA, certificate of public practice holder with ICAA
Statement of experience:	Over 20 years working in public practice, valuing options, convertible notes and performance rights issued by companies and valued for the purposes of AASB 2 and ITAA 1997 and ITAA 1936.
Statement of independence:	This valuation has been prepared with regard to the standards provided under APES 225 Valuation Services. The opinion provided is an independent opinion of value and in providing my opinion I do not consider that I have been influenced by any factors that would cause my independence to be influenced or compromised. Fees charged for this valuation have been calculated on the basis of time, work and professional expertise required to provide this opinion. They have not been calculated on, or were contingent upon, in any way, the outcome of the opinion provided.

Explanatory Memorandum

APPENDIX 1

Metallia Minerals Limited Valuation of Performance Rights Issued



Series	Directors - Condition 1	Directors - Condition 2	Directors - Condition 3	Employees - Condition 1	Employees - Condition 2	Employees - Condition 3	Total
No of options	1,343,333	1,343,333	1,343,333	1,602,314	1,602,314	1,602,314	
Issue Date	1 July 2021	1 July 2021	1 July 2021	1 July 2021	1 July 2021	1 July 2021	
Vesting Date	1 July 2022	1 July 2022	1 July 2022	1 July 2022	1 July 2022	1 July 2022	
Expiry Date	1 July 2022	1 July 2022	1 July 2022	1 July 2022	1 July 2022	1 July 2022	
Share Price (S)	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034
Exercise Price (X)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Time to Expiry (T)	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Risk Free Rate (Rf)	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%
Dividend Yield (D)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Volatility (σ)	115.139%	115.139%	115.139%	115.139%	115.14%	115.14%	115.14%
Black-Scholes Value	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034
Binomial Model Value	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034
Monte Carlo Value	\$0.023			\$0.023			
Total Value	\$30,897	\$45,672	\$45,672	\$36,853	\$54,477	\$54,477	\$268,048
Accounting allocation							
30 June 2022	\$30,812	\$45,547	\$45,547	\$36,752	\$54,328	\$54,328	\$267,314
30 June 2023	\$85	\$125	\$125	\$101	\$149	\$149	\$734
Total Allocation	\$30,897	\$45,672	\$45,672	\$36,853	\$54,477	\$54,477	\$268,048
Taxation Valuation							
Months to Expiry	12	12	12	12	12	12	
Share price at issue	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034
Tax Value	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034	\$0.034
Total Taxable Income	\$45,673	\$45,673	\$45,673	\$54,479	\$54,479	\$54,479	\$300,456



METALLICA MINERALS LIMITED
ACN 076 696 092


LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Metallica Mineral Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:30am (AEST) on Monday, 5 July 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

 **ONLINE**
www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

PROXY FORM

I/We being a member(s) of Metallica Minerals Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **11:30am (AEST) on Wednesday, 7 July 2021 at Colin Biggers & Paisley, Level 35, 1 Eagle Street, Brisbane Qld 4000** (the Meeting) and at any postponement or adjournment of the Meeting.


The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Ratification of the issue of Options to Mahe Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6d Issue of 265,000 Performance Rights to Brad Sampson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Ratification of the issue of Shares and Options to persons nominated by Mahe Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7a Approval for the provision of a cashless loan to Mr Scott Waddell for the exercise of Employee Options held by Mr Waddell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Confirm appointment of Mr Mark Bojanjac as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7b Approval for the provision of a cashless loan to Mr Theo Psaros for the exercise of Employee Options held by Mr Psaros	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Confirm appointment of Mr Brad Sampson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7c Approval for the provision of a cashless loan to Mr Andrew Gillies for the exercise of Employee Options held by Mr Gillies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval to adopt new Employee Equity Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6a Issue of 1,600,000 Performance Rights to Scott Waddell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6b Issue of 1,900,000 Performance Rights to Theo Psaros	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6c Issue of 265,000 Performance Rights to Mark Bojanjac	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

