



24 June 2024

Markets Announcement Office  
ASX Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

## Release of Fourth Supplementary Target's Statement – REJECT the Diatreme Offer

Metallica Minerals Limited ACN 076 696 092 (ASX: MLM) (**Metallica**) has today lodged with the Australian Securities and Investments Commission and sent to Diatreme Resources Limited ACN 061 267 061 (ASX: DRX) (**Diatreme**), a copy of its fourth supplementary target's statement dated 24 June 2024 (**Fourth Supplementary Target's Statement**) in response to the off-market takeover from Diatreme.

In accordance with section 647(3)(b) of the *Corporations Act 2001* (Cth) (as inserted by ASIC Corporations (Replacement Bidder's and Target's Statements) Instrument 2023/688), a copy of the Fourth Supplementary Target's Statement is attached to this notice.

An electronic copy of the Fourth Supplementary Target's Statement and updates in relation to the Offer will be made available at <https://www.metallicaminerals.com.au/asx-announcements>. Metallica shareholders with any questions in relation to the Offer, or who wish to request a hard copy of the Target's Statement, the Supplementary Target's Statement, the Second Supplementary Target's Statement, the Third Supplementary Target's Statement or the Fourth Supplementary Target's Statement, should contact [admin@metallicaminerals.com.au](mailto:admin@metallicaminerals.com.au).

Authorised for ASX release on behalf of the Board of Metallica.

For further information, please contact:

**Mr Theo Psaros**  
Executive Chairman  
+61 (7) 3249 3000

**Mr Scott Waddell**  
CFO & Company Secretary  
+61 (7) 3249 3000



24 June 2024

## Fourth supplementary target's statement issued by Metallica Minerals Limited ACN 076 696 092: update on DRX's unconditional takeover bid

### Introduction and important notices

This document is a supplementary target's statement dated 24 June 2024 (**Fourth Supplementary Target's Statement**) and is issued by Metallica Minerals Limited (ACN 076 696 092) (**Metallica**) under section 644(1) of the Corporations Act 2001 (Cth) (**Corporations Act**). This Fourth Supplementary Target's Statement supplements, and should be read together with, Metallica's target statement dated 24 April 2024 (**Target's Statement**), the first supplementary target's statement dated 22 May 2024 (**First Supplementary Target's Statement**), the second supplementary target's statement dated 4 June 2024 (**Second Supplementary Target's Statement**) and the third supplementary target's statement dated 18 June 2024 (**Third Supplementary Target's Statement**). This Fourth Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement, the First Supplementary Target's Statement, the Second Supplementary Target's Statement and the Third Supplementary Target's Statement. Unless context requires otherwise, terms defined in this Fourth Supplementary Target's Statement have the same meaning given in section 11 of the Target's Statement. The rules of interpretation in section 11.2 of the Target's Statement also apply to this document. A copy of this Fourth Supplementary Target's Statement was lodged with ASIC and given to the ASX on 24 June 2024. Neither ASIC, ASX nor any of their respective officers take any responsibility for the content of this Fourth Supplementary Target's Statement.

Metallica Minerals Limited (**MLM**) provides the following update to shareholders:

- As many shareholders will be aware, Diatreme Resources Limited (**DRX**) declared its off-market takeover bid for all the ordinary shares in Metallica unconditional on 17 June 2024.
- DRX's most recent change of substantial holder notice, dated 19 June 2024, discloses voting power in MLM of 58.20%.
- DRX's bid is due to close at 7.00pm Sydney time on Tuesday, 25 June 2024, unless extended. Because the DRX bid is unconditional, DRX may extend its offer at any time before it closes.
- **The MLM directors continue to recommend that MLM shareholders reject the Offer and reiterate the intention that each of the directors (all of whom hold Metallica Shares) intend to reject the Offer in respect of their own holding of Metallica Shares.** For completeness, the relevant interests of each of the directors of MLM in MLM shares is set out below:

DIRECTOR	NUMBER
Theo Psaros	9,542,982 Shares
	8,000,000 MLMAS*
Stuart Bradley Sampson	534,063 Shares
	5,000,000 MLMAS*
Mark Bojanjac	213,860 Shares
	5,000,000 MLMAS*

# Having an exercise price of \$0.045 and an expiry date of 29 November 2028.

- However, the board of MLM is cognisant of a number of factors that may mean that MLM shareholders would prefer to accept the Offer, including:
  - given the statement of intentions of DRX in the bidder's statement, it may not be attractive to remain a minority holder of MLM;
  - in particular, if DRX achieves voting power of 75% it has stated that it intends to apply to delist MLM from ASX – MLM shareholders who require liquidity in the short to medium term may prefer to accept the DRX offer, rather than hold unlisted shares in MLM;
  - if MLM shareholders believe that DRX will obtain voting power of 90% and proceed to compulsory acquisition, the receipt of consideration from DRX under the offer will likely be considerably quicker than under the compulsory acquisition process; and
  - there is, in the view of the board of MLM, no longer any likelihood of an alternative or competing proposal on more favourable terms, at least in the near term.

Each of these points is discussed in turn below.

- In the Third Supplementary Target's Statement, the board of MLM noted that, notwithstanding the MLM board recommendation, MLM shareholders who are concerned about remaining shareholders in MLM in circumstances where it is controlled by DRX may consider it preferable to accept the DRX offer. In that regard, the board of MLM noted that the level of acceptances for DRX's offer was well short of the compulsory acquisition threshold of 90% (which continues to be the case). The MLM board also noted that Metallica Mineral's Small Shareholder Action Group (**SSAG**), which has disclosed aggregate holdings in excess of 13.2%, are unlikely to accept the Offer in the absence of an increase in the offer consideration.<sup>1</sup> The board of MLM wishes to clarify two important matters in that regard:
  - Firstly, in its announcement of 17 June 2024 declaring its bid unconditional, DRX also declared its offer '*best and final*', which means that DRX's offer consideration will not be increased. This means that one of the objectives of the SSAG, to have DRX increase its offer price, will not be achieved in the context of DRX's current bid -
  - In particular, the SSAG is a group of MLM shareholders who consider themselves associates by virtue of them each acting in concert in relation to the affairs of MLM related to the takeover bid by DRX. So far as the board of MLM is aware, there is no binding agreement between any of those shareholders, therefore it is reasonable to expect that they will have different views on whether the current circumstances of the DRX bid mean that they will accept the bid or continue to reject the bid.
- Another important consideration, identified in the Third Supplementary Target's Statement, was the potential de-listing of MLM from the ASX by DRX. In particular, section 8.3 of DRX's

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<sup>1</sup> Article by mining.com.au: "Small Metallica shareholders rally for fairer takeover offer", Angela East, 29 May 2024.

bidder's statement, says that if DRX gains effective control of at least 50.1% of MLM shares but is unable to proceed to compulsory acquisition it would seek to remove MLM from the official list of ASX. As previously mentioned, ASX's guidance note on the removal of entities from the official list of ASX notes that, in respect of removal following a takeover bid, ASX would require DRX to have acceptances under its Offer in respect of 75% of the Metallica shares on issue in order to de-list MLM. There are additional conditions that ASX requires be satisfied before agreeing to delist MLM, including that there are fewer than 150 holders with a marketable parcel of shares in MLM remaining. Those shareholders who are not minded to accept the DRX offer, but who require liquidity in the short to medium term, may need to consider the risk of DRX being successful in seeking to delist MLM in the event that DRX bid achieves acceptances sufficient to give DRX voting power of 75% in MLM. Given that DRX's voting power is currently 58.20%, DRX would need to receive acceptances in respect of an additional 16.80% before this condition to delist is satisfied (in addition to satisfying the other conditions required by ASX). Even if this condition is satisfied, ASX generally requires a period of three months of trading to occur prior to the delisting becoming effective, so most holders will have an opportunity to dispose of their shares in MLM on-market after the DRX takeover bid has closed.

- Other than liquidity, MLM's status on the official list of ASX does provide some important protections for minority shareholders in MLM. In particular, DRX has identified in section 8.2.4 of the DRX bidder's statement, an intention to undertake an operations review to inform the best pathway to develop MLM's assets, including "*potential inclusion of those assets in the Cape Silica Joint Venture*" (of which Sibelco is the other joint venture participant). While MLM is listed, any such transfer would need to be approved by MLM shareholders, both as a disposal of its main undertaking and as a disposal of a substantial asset to a related party (Listing Rule 10.1), the latter of which would require the preparation of an independent expert's report and a vote of MLM shareholders (excluding DRX). If MLM was removed from the official list of ASX, while the directors of MLM would still need to satisfy their statutory and fiduciary duties as directors of MLM in deciding the terms of which they would agree to transfer the CFS Project to the Cape Silica Joint Venture, there would be no obligation on the parties to obtain an independent expert's report for the transaction or to obtain MLM shareholder approval. Accordingly, the board of MLM considers that there is protection under the Listing Rules for MLM shareholders seeking to retain economic exposure to MLM's primary asset by rejecting the bid, however, those same shareholders need to carefully consider whether they continue to be comfortable in that position if the minority protections in the ASX Listing Rules are no longer available (because MLM is delisted from the ASX).
- If DRX closes its bid but does not achieve the compulsory acquisition threshold, the MLM board expects that DRX will take steps to re-comprise the board of directors of MLM to reflect a majority of DRX nominees. DRX will then control the strategic direction of MLM. While there are protections and restrictions on DRX using its influence to transfer the CFS Project at an undervalue, the protections to ensure that MLM's assets are exploited in the most advantageous way for MLM shareholders are more difficult to apply, particularly given the complexity of resource development projects. In particular, given MLM and DRX are effectively competitors in the race to export silica sand from the region, any delays MLM's project experiences in that regard would delay the CFS Project's path to production, which

might benefit DRX. Obviously, DRX's nominees on the board of MLM have statutory and fiduciary obligations to act in the best interests of MLM, but the effectiveness of business judgements by directors, particularly on issues as complex as resource project development, can be difficult to question.

- Since the Third Supplementary Bidder's Statement was lodged, the MLM board has received formal confirmation from the Interested Party (as defined in the Second Supplementary Target's Statement) that it will not pursue a transaction with MLM. Accordingly, the MLM board re-iterates that it is unlikely that any alternative proposal will arise, and any MLM shareholder who intends to reject the DRX offer ought to be aware of the risk that it may take time for MLM minority shareholders to realise their investment in MLM (if at all) and there is no guarantee that MLM minority shareholders will achieve consideration any better than that available to MLM shareholders now under the DRX offer.
- As mentioned in the Third Supplementary Target's Statement, DRX has written to MLM seeking nominees to comprise a majority of the board of MLM. DRX has not disclosed the identity of the proposed nominees, nor has it proposed any protocols or other governance arrangements to deal with conflict of interest during the period when its bid is on foot or in respect of consideration of any competing proposal. MLM expects preliminary discussions on these topics to commence with DRX shortly. While the board of MLM consider it entirely appropriate that DRX has board representation commensurate with its ownership interests in MLM, the board of MLM is conscious of the fact that while the DRX bid remains open (and there is uncertainty as to whether the level of acceptances will be sufficient to achieve the compulsory acquisition threshold), there needs to be strong and independent representation of the minority shareholders in MLM. Ultimately, DRX has the ability to requisition a general meeting and pass ordinary resolutions to re-comprise the MLM board, including by electing a majority of directors to the MLM board.

### **Approval of Supplementary Target's Statement**

This Fourth Supplementary Target's Statement has been approved by a resolution passed by the Metallica Directors. All Directors voted in favour of the resolution on 24 June 2024.