

Supplementary Notice of Annual General Meeting and Explanatory Memorandum

Notice was given on 11 October 2023 that the annual general meeting of the shareholders of Metallica Minerals Limited ACN 076 696 092 (**Company**) will be held at HWL Ebsworth, Level 19, 480 Queen Street, Brisbane QLD 4000 on 22 November 2023 at 9:30 am (Brisbane time).

This supplementary notice of Annual General Meeting (**Supplementary Notice of Meeting**) and supplementary explanatory memorandum (**Supplementary Explanatory Memorandum**) are supplemental to the Company's notice of Annual General Meeting (**Original Notice of Meeting**) and explanatory memorandum (**Original Explanatory Memorandum**) dated 11 October 2023 and should be read in conjunction with the Original Notice of Meeting and the Original Explanatory Memorandum.

This Supplementary Notice of Meeting and Supplementary Explanatory Memorandum contain important supplementary information to the Original Notice of Meeting and the Original Explanatory Memorandum. In particular, this Supplementary Notice of Meeting and Supplementary Explanatory Memorandum contains details of amendments to resolutions proposing to issue Options pursuant to resolutions 3-5 (**Remuneration Resolutions**) set out in the Original Notice of Meeting.

The Company has made changes to the Remuneration Resolutions in light of stakeholder feedback received in respect of the Remuneration Resolutions.

Important information regarding the appointment of proxies is set out in the notes at the end of this Supplementary Notice of Meeting. If you have appointed, or intend to appoint, a proxy to vote on your behalf at the Annual General Meeting, you should read this information in full. If you have any questions, please do not hesitate to contact Scott Waddell (Company Secretary) on +61 7 3249 3000 during business hours.

By order of the Board



Scott Waddell
Company
Secretary

31 October 2023

Supplementary Notice of Annual General Meeting

IMPORTANT INFORMATION REGARDING THE APPOINTMENT OF A PROXY

A replacement proxy form for the Annual General Meeting accompanies this Supplementary Notice of Meeting and Supplementary Explanatory Memorandum (**Replacement Proxy Form**)

If you are a shareholder of the Company and you are unable to attend and vote at the Annual General Meeting, and wish to appoint a proxy, and you: (a) have not already lodged a proxy form accompanying the Original Notice of Meeting and Original Explanatory Memorandum (**Original Proxy Form**); or (b) have already lodged an Original Proxy Form but wish to change any of your votes in light of the matters set out in this Supplementary Notice of Meeting and Supplementary Explanatory Memorandum, please complete and return the enclosed Replacement Proxy Form.

A proxy need not be a shareholder of the Company. Further details about the appointment of a proxy are set out in the Original Notice of Meeting and Original Explanatory Memorandum.

You may lodge a Replacement Proxy Form in substitution for an Original Proxy Form. If you have already lodged an Original Proxy Form and subsequently lodge a Replacement Proxy Form, only votes cast on the Replacement Proxy Form will be counted.

If you have already lodged an Original Proxy Form and do not lodge a Replacement Proxy Form, then votes cast on the Original Proxy Form will be counted (including in respect of resolutions 3 - 5 set out in the Original Notice of Meeting).

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 in accordance with the procedure set out in the Original Notice of Meeting.

Supplementary Explanatory Memorandum

Supplementary information regarding Resolutions 3 - 5 (**Remuneration Resolutions**) in the Original Notice of Meeting sought prospective shareholder approval for the issue of Options, to Mr Theo Psaros, Mr Stuart Bradley Sampson, and Mr Mark Bojanjac.

Following stakeholder feedback received in respect the Remuneration Resolutions, the Board has determined that the Exercise Price for each Option should be increased from 2.6 cents to 4.5 cents.

Parts of the Original Notice of Meeting are deleted and replaced with the following to give effect to the above:

1. paragraph 3.4(e) of the Original Explanatory Memorandum is deleted and replaced with the following:
 - (e) (**Value of financial benefits**) the value of the Options and the pricing methodology are set out in Schedule 1 to this Explanatory Memorandum, wherein the Options are valued for accounting purposes as follows (assuming a share price of \$0.022 per share – the MLM share price dated 24 September 2023):
 - (i) **Resolution 3** - 8,000,000 Options to Mr Theo Psaros - \$104,865;
 - (ii) **Resolution 4** - 5,000,000 Options to Mr Stuart Bradley Sampson - \$65,541; and
 - (iii) **Resolution 5** - 5,000,000 Options to Mr Mark Bojanjac - \$65,541.
2. the reference to '\$266,393' in paragraphs 3.4(p) and 3.4(r) of the Original Explanatory Memorandum (being the aggregate value of the Options proposed to be issued pursuant to the Remuneration Resolutions) is deleted and replaced with '\$235,948'
3. the Exercise Price of '2.6 cents' in paragraph (c) in Schedule 1 of the Original Explanatory Memorandum is deleted and replaced with '4.5 cents'
4. the Options Valuation attached at Schedule 2 of the Original Explanatory Memorandum is deleted and replaced with the replacement Options Valuation that accompanies this Supplementary Notice of Meeting.

Supplementary Explanatory Memorandum

Schedule 1- Valuation of Options

Reference: V100104
Contact: Ian Wood



25 October 2023

Scott Waddell
Metallica Minerals Ltd
Level 1, North Tower
527 Gregory Terrace
Fortitude Valley QLD 4006
swaddell@metallicaminerals.com.au

OPTIONS VALUATION

You have requested us to provide an independent valuation of options to be issued to employees for the purpose of presentation at an Annual General Meeting.

The valuation of the options 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 options 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 options is in consideration of future services, the fair value of the services cannot be reliably measured. As such, the value of the options to be issued needs to be used as the reliable measurement of the services provided.

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

OPTION VALUATION MODEL

The options valuation model to be adopted has to provide a valuation of the options 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 options (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 options to be issued to employees. The exercise price of the options has been set at \$0.045 per option. 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 options 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 options. If the grant of options is subject to shareholder approval the grant date is the date on which the approval is obtained.

The options in question have a proposed grant date of 29 November 2023, being the proposed date of the Annual General Meeting. As the grant date of the options is in the future, the share price at the time of issue has been estimated as the share price on 24 October 2023. This share price was \$0.022.

Scenarios have been provided for an increase in share price in increments from \$0.025 to \$0.040 to show the comparative value of the options provided.

EXPECTED LIFE OF THE OPTIONS

The expected life of the options 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 options 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 options, and no other factors which would indicate that this would be a likely occurrence.

Therefore, no adjustment to the expected life of the options 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 5 years months was 89.020%. 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 options.

Therefore a volatility of 89.020% has been used as the expected future share price volatility over the life of the options.

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 options 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 options.

RISK FREE RATE

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

The interest rates were taken from historical data available from the Reserve Bank of Australia for 5 year Treasury Bonds.

NUMBER OF OPTIONS 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 options at the grant, or issue, date. Instead, the number of options 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 options 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 options issued are not subject to performance requirements which might result in the options not vesting to the employees. As a result, the number of options to be vested has not been adjusted to take into account any possible vesting restrictions.

The number of options provided to employees is 18,000,000 options.

BLACK-SCHOLES VS BINOMIAL MODEL

Our engagement is to provide a valuation of options 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 options issued to employees. 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.

TAX VALUE OF OPTIONS – ASSESSABLE INCOME

Where employees receive options or shares in a company under an employee share scheme at a discount to their market value, the amount of the discount is included in their assessable income in the year in which the shares or rights are received.

Metallica Minerals Ltd has provided options to a number of employees for nil consideration, resulting in the full value of the options being included in the employee's assessable income.

As the options issued are unlisted rights, their market value is, at the choice of the individual:

- (a) The market value of the right (as calculated above); or
- (b) The amount determined by the application of the regulations.

The amount determined by the regulations is the greater of:

- (a) The market value of the share that may be acquired by exercising the right less the exercise price (intrinsic value); and
- (b) The value determined by reference to the calculation method in Division 83A Income Tax Assessment Act 1997.

In the present case, the calculation method contained in Division 83A has been used as the market value is less than the exercise price.

Any vesting conditions do not affect the valuation of the market value of the options under Division 83A.

The market values of the rights at the time of issue are attached in Appendix 1.

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.

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 Black-Scholes and Binomial model calculations provided valuations for the options to be issued by the company. These valuations were checked and considered reasonable when taking into account the various influencing factors, such as time to expiry and company share price volatility.

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 CAANZ

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.

APPENDIX 1

Metallica Minerals Limited Valuation of Performance Rights Issued



Series	1	2	3	4	5	Total
No of options	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	
Issue Date	29 November 2023	29 November 2023	29 November 2023	29 November 2023	29 November 2023	
Vesting Date	29 November 2023	29 November 2023	29 November 2023	29 November 2023	29 November 2023	
Expiry Date	29 November 2028	29 November 2028	29 November 2028	29 November 2028	29 November 2028	
Share Price (S)	\$0.022	\$0.025	\$0.030	\$0.035	\$0.040	
Exercise Price (X)	\$0.045	\$0.045	\$0.045	\$0.045	\$0.045	
Time to Expiry (T)	5.00	5.00	5.00	5.00	5.00	
Risk Free Rate (Rf)	4.29%	4.29%	4.29%	4.29%	4.29%	
Dividend Yield (D)	0.00%	0.00%	0.00%	0.00%	0.00%	
Volatility (σ)	89.020%	89.020%	89.020%	89.020%	89.020%	
Black-Scholes Value	\$0.013	\$0.015	\$0.019	\$0.024	\$0.028	
Binomial Model Value	\$0.013	\$0.015	\$0.019	\$0.024	\$0.028	
Total Value	\$235,948	\$278,254	\$350,580	\$424,928	\$500,884	
Accounting allocation						
30 June 2024	\$235,948	\$278,254	\$350,580	\$424,928	\$500,884	
Total Allocation	\$235,948	\$278,254	\$350,580	\$424,928	\$500,884	
Taxation Valuation						
Months to Expiry	60	60	60	60	60	
Share price at issue	\$0.022	\$0.025	\$0.030	\$0.035	\$0.040	
Tax Value	\$0.000	\$0.000	\$0.000	\$0.000	\$0.001	
Total Taxable Income	\$0	\$0	\$0	\$4,050	\$13,770	