

# Notice of Annual General Meeting and Explanatory Memorandum

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**Metallica Minerals Limited ACN 076 696 092**

Date of Meeting: 24 November 2015

Time of Meeting: 10.00 am (Brisbane time)

Place of Meeting: HopgoodGanim Lawyers  
Level 7  
Waterfront Place  
1 Eagle Street  
Brisbane, Queensland

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of shareholders of **Metallica Minerals Limited ACN 076 696 092 (Metallica or Company)** will be held at the offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane on Tuesday 24 November 2015, commencing at 10.00 am (Brisbane time).

## Agenda

### Ordinary business

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#### Audited Financial Statements

Consideration and discussion of Audited Financial Statements for the year ended 30 June 2015 (**Audited Financial Statements**), which are being circulated to Shareholders who have elected to receive a paper copy of the Company's reports in the attached Annual Report. Shareholders who have given the Company an election to receive an electronic copy of the Company's reports and Shareholders from whom the Company has not received an election as to how they wish to receive the Company's reports can directly access the Audited Financial Statements on the Company's website at [www.metallicaminerals.com.au/news](http://www.metallicaminerals.com.au/news) and by selecting the link, under Annual Reports for 2015, titled "Annual Financial Report", which was released to the ASX on 28 September 2015.

#### Resolution 1 – Remuneration Report

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To consider and, if thought fit, pass the following Advisory Resolution:

*"That the Company be authorised to adopt the Remuneration Report for the year ended 30 June 2015".*

Terms used in this Notice of Meeting are defined in Section 9 of the accompanying Explanatory Memorandum.

The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

#### **Voting Restriction pursuant to Section 250R(4) of the Corporations Act**

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report;
- (b) a Closely Related Party of such a member.

However, the above persons may cast a vote on Resolution 1 if:

- (a) the person does so as a proxy; and
- (b) the vote is not cast on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member; and
- (c) either:
  - (1) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
  - (2) the voter is the chair of the meeting and the appointment of the chair as proxy:

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- (A) does not specify the way the proxy is to vote on the resolution; and
- (B) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

## **Voting Intention of Chair**

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 the subject of this Meeting, including Resolution 1, subject to compliance with the Corporations Act.

## **Resolution 2 - Re-election of Andrew Gillies as a director**

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

*“That in accordance with article 15.4 of the current Constitution of the Company and for the purposes of Listing Rule 14.5 and for all other purposes, Mr Andrew Gillies retires and being eligible, offers himself for re-election, to be appointed as a Director of the Company”.*

## **Resolution 3 – Ratification of previous issue of Securities**

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

*“That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue of securities in the Company to those persons listed and on such terms set out in Section 5 of the Explanatory Memorandum accompanying this Notice of Meeting (**Placees**).”*

Terms used in this Notice of Meeting are defined in Section 9 of the accompanying Explanatory Memorandum.

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- (a) the Placees; and
- (b) any associate of the Placees.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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## **Resolution 4 – Issue of Options to Andrew Gillies under Chapter 2E of the Corporations Act and LR 10.11**

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

*“That in accordance with Listing Rule 10.11 and for the purposes of Part 2E of the Corporations Act and for all other purposes the Company be authorised to issue 2,000,000 Options exercisable at \$0.10 per Option and expiring on 31 December 2016 to Mr Andrew Gillies who is a Related Party of the Company as described in the Explanatory Memorandum.”*

A copy of this Notice of Meeting and the accompanying Explanatory Memorandum has been lodged with the Australian Securities & Investments Commission in accordance with section 218 of the Corporations Act. Terms used in this Notice of Meeting are defined in Section 9 of the accompanying Explanatory Memorandum.

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- (a) Andrew Gillies; and
- (b) Any associate of Andrew Gillies.

However, the Company need not disregard a vote if:

- (a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

## **Special Business**

### **Resolution 5 - Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A**

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To consider and, if thought fit, to pass the following resolution with or without amendment, as a Special Resolution:

*“That, pursuant to and in accordance with Listing Rule 7.1A, and for all other purposes, the Shareholders approve the issue of securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, over a 12 month period from the date of this Annual General Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and otherwise on the terms and conditions in the Explanatory Memorandum (**10% Securities**).”*

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Terms used in this Notice of Meeting are defined in Section 9 of the accompanying Explanatory Memorandum.

## **Voting exclusion statement**

The Company will disregard any votes cast on this Special Resolution by:

- (a) a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in their capacity as a holder of Shares, if the resolution is passed; and
- (b) an associate of those persons.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

## **Important Note:**

The proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

## **General business**

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To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

## **By order of the board**



John Haley  
Company Secretary

23 October 2015

# Explanatory Memorandum

## 1. Introduction

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The following information is provided to Shareholders of Metallica Minerals Limited ACN 45 076 696 092 (**Metallica** or the **Company**) in connection with the business to be considered at the Annual General Meeting of Shareholders to be held at the offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane on 24 November 2015, commencing at 10.00 am (Brisbane time).

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 Section 9.

## 2. Consider the company's annual report

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The Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to and forming part of the financial statements for the Company and its controlled entities for the financial year ended 30 June 2015 were despatched to Shareholders and released to the ASX Limited on 28 September 2015. The Company's Annual Report is placed before the shareholders for discussion. No voting is required for this item.

## 3. Resolution 1 – Adoption of Remuneration Report

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The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution in accordance with section 250R of the Corporations Act,.

The Remuneration Report is set out in the Directors' Report section of the Annual Report.

The Report, amongst other things:

- explains the Board's policy for determining the nature and amount of remuneration of Key Management Personnel of the consolidated entity;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Key Management Personnel of the consolidated entity including details of performance related remuneration and options granted as part of remuneration; and
- details and explains any performance conditions applicable to the remuneration of Key Management Personnel of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

There are restrictions on members of the Key Management Personnel and their Closely Related Parties and their proxies voting on Resolution 1, details of which are set out in the Voting Restriction Statement included in Resolution 1 of the Notice of Meeting.

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 the subject of this Meeting, including Resolution 1 subject to compliance with the Corporations Act.

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## 4. Resolution 2 - Re-Election of Mr Andrew Gillies as a Director

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Under Article 15.4, the Company's Constitution requires that, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office, provided that a Director must not hold office beyond the third annual general meeting following that Director's appointment or 3 years, whichever is longer. Mr Andrew Gillies was previously the Managing Director of the Company until his retirement from that role on 13 July 2015 but continues to be a Non-executive Director of the Company. Mr Gillies retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Director.

The Directors (with Mr Gillies abstaining) recommend that you vote in favour of this Ordinary Resolution.

## 5. Resolution 3 – Ratification of previous issue of Securities

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### 5.1 Securities issued by the Company in the previous 12 months

In the previous 12 months the Company has issued securities without Shareholder approval as set out below. These securities were issued within the capacity of the Company to issue not more than 15% of its capital in any 12 months period without Shareholder approval under Listing Rule 7.1.

Pursuant to Resolution 3, the Company is seeking the ratification by the Shareholders of the issue of the securities noted below.

### 5.2 Listing Rule 7.4 – Ratification of issue of Securities

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with Listing Rule 7.4, Shareholder approval is sought under Resolution 3 to ratify the issue of the securities set out below.

If Resolution 3 is approved it will have the effect of refreshing the Company's ability to issue up to a further 15% of its capital during the next 12 months without the need to obtain further Shareholder approval.

### 5.3 Listing Rule Information

For the purposes of Listing Rule 7.5:

(a) **Number of Securities issued**

4,000,000 unquoted options;

(b) **Price at which Securities issued**

Nil;

(c) **Terms of the Securities**

The options issued are unquoted options for ordinary fully paid Shares in the Company with:

- (A) 2,000,000 Options exercisable at 7.5 cents per Option and expiring 1 July 2016; and

# Explanatory Memorandum

- (B) 2,000,000 Options exercisable at 10 cents per Option and expiring on 31 December 2016;
- (C) Shares issued upon exercise of the Options will rank parri passu with all other fully paid ordinary shares on issue in the Company
- (d) **Names of the persons to whom the Securities were issued or the basis upon which those persons were determined**

The Options were issued to the Company's new Chief Executive Officer, Mr Simon Slesarewich;
- (e) **Use or intended use of the funds raised**

No funds were raised from the issue of the Options. Funds raised from the issue of the Shares were used for working capital.

By approving Resolution 3 and ratifying of the previous issue of Options to those persons noted above will permit the Company to rely on Listing Rule 7.1 to raise further capital if required.

The Directors recommend that you vote in favour of Resolution 3.

## 6. Resolution 4: Issue of Options to Andrew Gillies under Chapter 2E of the Corporations Act and LR 10.11

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### 6.1 Background

The Directors have resolved to issue 2,000,000 Options to Mr Andrew Gillies, exercisable at \$0.10 per Option and expiring on 31 December 2016.

Approval for the issue of the issue of the Options to Mr Gillies is sought in accordance with Listing Rule 10.11 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

### 6.2 Option Terms

The Company proposes to issue to Mr Gillies 2,000,000 Options which will be exercisable at \$0.10 per Option and expiring on 31 December 2016. The remainder of the terms of the Options to be issued to Mr Gillies are set out in the Schedule to this Notice of Meeting.

### 6.3 Relevant Legislation - Chapter 2E of the Corporations Act and Listing Rule 10.11

#### **Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits a public company from giving a Financial Benefit to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition. Relevantly, there is an exception if the company first obtains the approval of its shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met (**Shareholder Approval Exception**).

A "Related Party" is defined widely in section 228 of the Corporations Act and includes, relevantly, a Director (or proposed Director) of a public company, any entity that controls (or is reasonably likely to control) a public company, and any entity that is controlled by a person or entity which is otherwise a Related Party, or there are reasonable grounds to believe that a person/entity is likely to become a Related Party of the public company.



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A “Financial Benefit” for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the Related Party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

## ***Listing Rule 10.11***

Listing Rule 10.11 requires that an entity must obtain the approval of Shareholders to issue Securities to a Related Party and in doing so must provide the information specified in Listing Rule 10.13, unless an exception applies.

## ***Listing Rule 7.1 - Issues exceeding 15% of capital***

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing in any 12 month period new Equity Securities equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period (**15% Capacity**) without the prior approval of a majority of disinterested shareholders, or the issue otherwise comes within one of the exceptions to Listing Rule 7.1 (**15% Rule**). However, under Listing Rule 7.2 (Exception 14), if approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1. Therefore the issue of the Options to Mr Gillies will not count towards the Company’s 15% Capacity under Listing Rule 7.1.

## **6.4 Shareholder Approval Requirement**

This proposed Resolution, if passed, will confer Financial Benefits and involve the issue of Options to Mr Gillies being a Related Party of the Company.

Therefore the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and Listing Rule 10.11.

As approval is being sought under Listing Rule 10.11, in accordance with Listing Rule 7.2 (Exception 14) approval will not be required under Listing Rule 7.1. Therefore the issue of the Options to Mr Gillies will not count towards the Company’s 15% Capacity under Listing Rule 7.1.

## **6.5 Information for Shareholders**

### ***Chapter 2E of the Corporations Act***

For the purposes of Chapter 2E of the Corporations Act and for all other purposes the following information is provided to shareholders:

(a) **The Related Parties to whom Resolution 4 would permit the financial benefit to be given (section 219(1)(a))**

The proposed financial benefit will be given to Mr Andrew Gillies who is a Director of the Company and therefore a Related Party.

(b) **The nature of the financial benefit (section 219(1)(b))**

The nature of the proposed financial benefit to be given is the issue of 2,000,000 Options to Mr Gillies which will be exercisable at \$0.10 per Option and expiring on 31 December 2016.

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## (c) **Directors' Recommendation (section 219(1)(c))**

The Directors (with Mr Gillies abstaining) recommend that Shareholders vote in favour of Resolution 4. The Directors (with the exception of Mr Gillies) have formed the view that Resolution 4 be put to Shareholders for the following reasons:

- (1) the grant of the Options as proposed to Mr Gillies will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Gillies) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the exercise of the Options.

## (d) **Directors' Interest and other remuneration (section 219(1)(d))**

Mr Gillies has a material personal interest in the outcome of Resolution 4, as it is proposed that Options be issued to him.

Excluding the Options to be issued to Mr Gillies pursuant to Resolution 4, Mr Gillies (and entities associated with him) holds 10,700,000 Shares in the Company:

Other than the Options to be issued to Mr Gillies pursuant to Resolution 4, Mr Gillies shall receive remuneration of \$42,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a Non-executive Director.

## (e) **Valuation**

The Options are not currently quoted on the ASX and as such have no market value. The Options each grant the holder on exercise of each Option a right to one ordinary Share in the Company. Accordingly, the Options may have a present value at the date of their grant.

Various factors impact upon the value of Options including:

- (1) the period outstanding before the expiry date of the Options;
- (2) the underlying price or value of the securities into which they may be converted;
- (3) the proportion of the issued capital as expanded consequent upon the exercise of the Options and the issue of the resultant Shares (i.e. whether or not the shares that might be acquired upon exercise of the Options represent a controlling or other significant interest); and
- (4) the value of the resultant shares on the exercise of the Options.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model valuation formula and the Monte Carlo simulation).

The Company has commissioned an independent valuation of the Options, for the purposes of disclosing to Shareholders such information required to decide whether or not it is in the Company's interest to pass the Resolution 4 and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 Share Based Payments, using the Monte Carlo simulation which the most relevant methodology to calculating the value of the Options to be issued under Resolution 4.

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Inherent in the application of the Monte Carlo simulation are a number of inputs, some of which must be assumed. The data relied upon in applying the Monte Carlo simulation was:

- (1) a market price of Shares of 4.2 cents has been used which is the closing price on 23 September 2015 which is the Trading Date immediately before the valuation was carried out;
- (2) a volatility measure of 71.027%;
- (3) a risk-free interest rate of 1.88% for the Options proposed to be issued to Mr Gillies; and
- (4) a dividend yield of 0%.

Based on the independent valuation of the Options, the Company agrees that the total value of the Options to be issued to Mr Gillies pursuant to Resolution 4 is \$5,851.

- (f) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors (section 219(1)(e) and 219(2))**

There is no other information known to the Company or any of its Directors save and except as follows:

#### ***Market Price movements:***

The Options valuation noted above is based on a market price per Share of 4.2 cents which is the closing trading price on 23 September 2015 which is the Trading Date immediately before the valuation was carried out.

There is a possibility that the market price of the Shares will change up to the date of the General Meeting.

#### ***Trading history***

In the 12 months prior to 2 October 2015, the Company's trading history is as follows:

- the highest trading price was 7 cents on 2 October 2014;
- the lowest trading price was 4.1 cents on 2 October 2015; and
- The VWAP per Share over the 12 month period prior to 2 October 2015 was 5.37 cents.

The trading price of the Shares on the close of trading on 15 October 2015 (being the last trading day before this Notice of Meeting was printed) was 3.8 cents.

#### ***Opportunity Costs***

The opportunity costs and benefits foregone by the Company issuing the Options is the potentially dilutionary impact on the issued share capital of the Company. To the extent that the dilutionary impact caused by the issue of Options will be detrimental to the Company, this is considered to be more than offset by the advantages accruing from the Company securing the services of experienced and skilled Directors on appropriate incentive terms.

#### ***Taxation Consequences***

No stamp duty will be payable in respect of the grant of the Options. No GST will be payable by the Company in respect of the grant of the Options (or if it is then it will be recoverable as an input credit).

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AASB – Share Based Payment, requires that reporting entities must recognize services acquired in a share-based payment transaction as the services are received. The issue of Options is in return for services provided to the Company therefore these services are to be recognised.

## **Other Consequences**

The value of the services acquired by the Company is to be measured at the fair value of the equity instrument granted, where 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 tradeable, 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 to be issued.

## **Dilutionary Effect**

The effect that the issue of the Options, assuming that the conversion is effected, and that none of the existing options on issue in the Company have been exercised, is as follows:

|  | Current     |            | Post Share Issue on exercise of Options * |            |
|--|-------------|------------|---|------------|
|  | Securities  | Percentage | Securities                                | Percentage |
| Ordinary shares - Current Shareholders (excluding shares held by Andrew Gillies) | 156,191,830 | 93.59%     | 156,191,830                               | 92.48%     |
| Ordinary shares – held by Andrew Gillies   | 10,700,000  | 6.41%      | 12,700,000                                | 7.52%      |
| Total ordinary shares  | 166,891,830 | 100%       | 168,891,830                               | 100%       |
| Unquoted Options   | 6,000,000   | 100%       | 6,000,000                                 | 100%       |

\*Note: The dilutionary impact set out in this table assumes that no option holder exercises their options other than Mr Gillies and that no other securities are issued by the Company.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by Resolution 4.

## **Listing Rule 10.13**

For the purposes of Listing Rule 10.13 and for all other purposes the following information is provided to Shareholders:

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(f) **10.13.1 and 10.13.4: Name and relationship of the Related Party**

The Related Party is Mr Andrew Gillies, a Director of the Company.

(g) **10.13.2: Maximum Number of Securities to be issued (if known) or the formula for calculating the number of Securities to be issued**

The maximum number of Equity Securities to be issued are 2,000,000 Options.

(h) **10.13.3: Date by which the Securities will be issued**

The Company will issue the Options as soon as possible but in any event within one month following this Meeting.

(i) **10.13.4: Issue price and terms of the Securities**

The Options are exercisable at \$0.10 per Option and expire on 31 December 2016. The remainder of the terms of the Options to be issued to Mr Gillies is set out in Schedule 1. Any Shares issued as a result of the exercise of the Options will rank pari passu with all of the other fully paid ordinary shares on issue in the Company.

(j) **10.13.6A: Intended use of funds raised**

No funds are being raised by the issue of the Options to Mr Gillies.

(k) **10.13.6: Voting exclusion statement**

A voting exclusion statement is set out in Resolution 4 in the Notice of Meeting.

## Special Business

### 7. Resolution 5 – Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period

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#### 7.1 Introduction

Pursuant to Resolution 5, the Company is seeking Shareholder approval to issue an additional 10% of issued capital over a 12 month period in accordance with Listing Rule 7.1A. If passed, this resolution will allow the Company to issue and allot up to 16,689,183 Shares (**10% Securities**) each at an issue price of at least 75% of the volume weighted average price (**VWAP**) for the Company's quoted class of Securities (calculated over the last 15 days on which trades in the quoted Securities are recorded, and immediately before the date on which the price at which the Shares are to be issued is agreed, or if not within 5 trading days of that date, the date on which the Shares are issued) (**Issue Price**). The actual number of Shares that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula prescribed in Listing Rule 7.1A.2 (see below).

This approval is sought pursuant to Listing Rule 7.1A which enables small and mid cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary Shareholders by special resolution at the annual general meeting (**AGM**), to issue an additional 10% of issued capital over a 12 month period from the date of the AGM (**Additional 10% Issue**). The Additional 10% Issue under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without Shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the 10% Securities to raise funds for the Company and as non-cash consideration (further details of which are set out below).

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Funds raised from the issue of 10% Securities are intended to be used as follows:

- fund the Company's Bauxite, Mineral Sands and other Projects; and
- working capital.

## 7.2 Listing Rule 7.1A

### (a) General

#### (1) Eligibility

An entity is eligible to undertake an Additional 10% Issue if at the time of its AGM it has a market capitalisation of \$300 million or less and it is not included in the S&P/ASX300 Index.

As required by the Listing Rules, the Company's market capitalisation will be based on the closing price on the Trading Day before the AGM, and will be released by the Company to the ASX at that time. The calculation of market capitalisation will be based on the Closing Price of the Shares in the main class of Shares of the Company, on the last Trading Day on which trades in the Shares were recorded before the date of the AGM, multiplied by the number of Shares on issue (in that main class, but excluding restricted securities and securities quoted on a deferred settlement basis).

For illustrative purposes only, as at 23 September 2015 the Company's market capitalisation is \$7,009,457 based on the Closing Trading Price of 4.2 cents on that date.

The Company is not included in the S&P/ASX300 Index as at the time of issue of this Notice of Meeting and the Company does not expect that it will be included in the S&P/ASX300 Index at the date of the Annual General Meeting.

The Company is therefore an eligible entity and able to undertake an Additional 10% Issue under Listing Rule 7.1A.

In the event that the Company is no longer an eligible entity to undertake an Additional 10% Issue after the Company has already obtained ordinary security holders' approval, the approval obtained will not lapse and the Company will still be entitled to undertake the Additional 10% Issue.

#### (2) Shareholder approval

The ability to issue the 10% Securities under the Additional 10% Issue is conditional upon the Company obtaining Shareholder approval by way of a Special Resolution at the Annual General Meeting. Pursuant to Listing Rule 7.1A, no Shares will be issued until and unless this Special Resolution is passed at Annual General Meeting.

### (b) Issue Period – Listing Rule 7.1A.1

Shareholder approval of the Additional 10% Issue under Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained and expires on the earlier to occur of:

- (1) the date that is 12 months after the date of the Annual General Meeting at which the approval is obtained; or
- (2) the date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking)

or such longer period if allowed by ASX.

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If approval is given for the Additional 10% Issue at the Annual General Meeting on 24 November 2015 then the approval will expire, unless there is a significant change to the Company's Business, on 24 November 2016.

## (c) **Calculation for Additional 10% Issue – Listing Rule 7.1A.2**

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at AGM may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Shares calculated in accordance with the following formula:

### **(A x D) – E**

**A** is the number of Shares on issue 12 months before the date of issue or agreement:

- (1) plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- (2) plus the number of partly paid Shares that became fully paid in the 12 months;
- (3) plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
- (4) less the number of fully paid Shares cancelled in the 12 months.

**D** is 10 percent.

**E** is the number of Shares issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

## (d) **Listing Rule 7.1A.3**

### (1) **Shares**

Any Equity Securities issued under the Additional 10% Issue must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of this notice of meeting, the Company has 166,891,830 quoted Shares on issue (and no other Equity Securities which are quoted). Accordingly, the Company is only seeking approval to issue ordinary Shares (and no other class of Equity Securities) under the Additional 10% Issue in addition to its 15% capacity permitted under Listing Rule 7.1.

### (2) **Minimum Issue Price**

The issue price for the 10% Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Shares in the same class calculated over the 15 Trading Days immediately before:

- (A) the date on which the price at which the 10% Securities are to be issued is agreed; or
- (B) if the 10% Securities are not issued within 5 Trading Days of the date in paragraph (A) above, the date on which the 10% Securities are issued.

As required by the Listing Rules, the Company's market capitalisation based on the closing price on the Trading Day before the Annual General Meeting will be released by the Company to the ASX at that time.



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## (e) **Information to be given to ASX – Listing Rule 7.1A.4**

If Resolution 5 is passed and the Company issues any 10% Securities under Listing Rule 7.1A, the Company will give to ASX:

- (1) a list of allottees of the 10% Securities and the number of 10% Securities allotted to each (this list will not be released to the market); and
- (2) the following information required by rule 3.10.5A, will be released to the market on the date of issue:
  - (A) details of the dilution to the existing holders of Shares caused by the issue;
  - (B) where the Shares are issued for cash consideration, a statement of the reasons why the Company issued the Shares as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing Shareholders would have been eligible to participate;
  - (C) details of any underwriting arrangements, including any fees payable to the underwriter; and
  - (D) any other fees or costs incurred in connection with the issue.

## (f) **Listing Rule 7.1 and 7.1A**

The ability of an entity to issue Shares under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 166,891,830 Shares, and, subject to Resolutions 3 and 5 being passed, will have the capacity to issue:

- (1) 25,033,775 Shares under Listing Rule 7.1; and
- (2) 16,689,183 Shares under Listing Rule 7.1A.

The actual number of Shares that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula prescribed in Listing Rule 7.1A.2 (as above).

## 7.3 **Specific Information required by Listing Rule 7.3A**

### (a) **Minimum Price of Securities issued under Listing Rule 7.1A – Listing Rule 7.3A.1**

Pursuant to and in accordance with Listing Rule 7.3A.1, the 10% Securities issued pursuant to approval under Listing Rule 7.1A must be not less than 75% of the VWAP for the Company's Shares over the 15 Trading Days immediately before:

- (1) the date on which the price at which the 10% Securities are to be issued is agreed; or
- (2) if the 10% Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the 10% Securities are issued.

The Company intends to issue the 10% Securities in accordance with Listing Rule 7.1A and will disclose to the ASX the Issue Price on the date of issue of the 10% Securities.



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## (b) Risk of economic and voting dilution – Listing Rule 7.3A.2

As provided by Listing Rule 7.3A.2, if the Additional 10% Issue is passed by Shareholders and the Company issues the 10% Securities, there is a risk of economic and voting dilution to the existing ordinary Security Holders of the Company. The Company currently has on issue 166,891,830 Shares. Upon the Additional 10% Issue, and subject to the approval of Resolution 5, the Company will have approval to issue an additional 15,995,199 Shares. (The exact number of additional Shares to be issued under the Additional 10% Issue will be calculated in accordance with the formula contained in Listing Rule 7.1A.2 and set out above). Any issue of 10% Securities will have a dilutive effect on existing Shareholders.

There is a specific risk that:

- (1) the market price for the Company's Shares may be significantly lower on the date of the Issue than it is on the date of the AGM; and
- (2) the 10% Securities may be issued at a price that is at a discount to the market price for the Company's Shares on the issue date,

which may have an effect on the amount of funds raised by the issue of the 10% Securities.

As required by Listing Rule 7.3A.2, Table 1 below shows the economic and voting dilution effect, in circumstances where the issued capital has doubled and the Market Price of the Shares has halved. Table 1 also shows additional scenarios in which the number of issued capital has increased (by both 50% and 100%) and the Market Price of the Shares has:

- decreased by 50%; and
- increased by 100%.

**Table 1**

| Issued Capital   | 50% decrease in Market Price<br>2.1 cents |                | Current Market Price<br>4.2 cents |                | 100% increase in Market Price<br>8.4 cents |                |
|--|---|----------------|-----------------------------------|----------------|--|----------------|
|  | 10 % Voting Dilution (Shares)             | Capital Raised | 10 % Voting Dilution (Shares)     | Capital Raised | 10 % Voting Dilution (Shares)              | Capital Raised |
| <b>Present Issued Capital =</b><br>166,891,830<br>Shares   | 16,689,183                                | \$350,473      | 16,689,183                        | \$700,946      | 16,689,183                                 | \$1,401,891    |
| <b>50% Increase in Capital =</b><br>250,337,745<br>Shares  | 25,033,775                                | \$525,709      | 25,033,775                        | \$1,051,419    | 25,033,775                                 | \$2,102,837    |
| <b>100% Increase in Capital =</b><br>333,783,660<br>Shares | 33,378,366                                | \$700,946      | 33,378,366                        | \$1,401,891    | 33,378,366                                 | \$2,803,783    |

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## **Assumptions and explanations**

- The Market Price is 4.2 cents based on the closing price of the Shares on ASX on 23 September 2015 which is the market price which has been used for calculating the value of the Options granted to Mr Gillies in Resolution 4.
- The above table only shows the dilutionary effect based on the Additional 10% Issue and not the 15% under Listing Rule 7.1
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The Company issues the maximum number of 10% Securities available to it under the Additional 10% Issue.
- The Issued Capital has been calculated in accordance with the formula in Listing Rule 7.1A(2) as at 23 September 2015.
- The issue price of the 10% Securities used in the table does not take into account the discount to the Market Price (if any).

### **(c) Final date for issue – Listing Rule 7.3A.3**

As required by Listing Rule 7.3A.3, the Company will only issue and allot the 10% Securities during the 12 months after the date of this Annual General Meeting, 24 November 2015. The approval under Resolution 5 for the issue of the 10% Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (the disposal of the main undertaking of the Company) before the anniversary of the Annual General Meeting.

### **(d) Purpose – Listing Rule 7.3A.4**

As noted above, the purpose for which the 10% Securities may be issued include to raise funds for the Company and as non-cash consideration (further details of which are set out below). Funds raised from the issue of 10% Securities are intended to be used as follows:

- fund the Company's SCONI, Mineral Sands and other Projects; and
- working capital.

### **(e) Shares Issued for Non-cash consideration – Listing Rule 7.3A.4**

The Company may issue 10% Securities for non-cash consideration, such as the acquisition of new assets or investments. If the Company issues Shares for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Shares complies with Listing Rule 7.1A.3.

### **(f) Company's Allocation Policy – Listing Rule 7.3A.5**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of 10% Securities pursuant to the Additional 10% Issue. The identity of the allottees of Shares will be determined on a case-by-case basis having regard to the factor including but not limited to the following:

- (1) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing Shareholders can participate;
- (2) the effect of the issue of the 10% Securities on the control of the Company;
- (3) the financial situation and solvency of the Company; and

# Explanatory Memorandum

(4) advice from corporate, financial and broking advisers (if applicable).

The allottees of the 10% Securities under the Additional 10% Issue have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the Additional 10% Issue will be the vendors of the new assets or investments.

(g) **Details of all equity securities issued where previously obtained Shareholder approval under listing rule 7.1A – Listing Rule 7.3A.6**

The Company previously obtained Shareholder approval under Listing Rule 7.1A at the previous Annual General Meeting held on 20 November 2014 but has not issued any Equity Securities under this authority.

As the Company previously obtained Shareholder approval under Listing Rule 7.1A, the following information is provided to Shareholders, in accordance with Listing Rule 7.3A.6 regarding the total number of equity securities (quoted and unquoted) issued in the past 12 months preceding the date of the Meeting (that is, since 20 November 2014):

**Listing Rule 7.3A.6(a) and (b): Total equity securities issued in previous 12 months**

|   |  |
|---|--|
| Number of equity securities on issue on at commencement of 12 month period  | 166,891,830 Shares<br>2,512,500 Unlisted Options   |
| Equity securities issued in prior 12 month period*  | A. 2,000,000 Unlisted Options exercisable at 7.5 cents per Options and expiring 1 July 2016; and<br><br>B. 2,000,000 Unlisted Options exercisable at 10 cents per Option expiring on 31 December 2016;<br><br>Shares issued upon exercise of the Options will rank parri passu with all other fully paid ordinary shares on issue in the Company |
| Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period (assuming all Options currently on issue are exercised) | 2.31%  |
| Name of persons who received securities   | Simon Slesarewich, Chief Executive Officer of the Company under his employment contract  |
| Price   | Nil  |
| Total consideration   | Nil  |

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## (h) Voting Exclusion Statement

A voting exclusion statement is included in this Notice. At the date of the Notice, the proposed allottees of any 10% Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the 10% Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

## 8. Voting entitlement

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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 10am (Brisbane time) on Sunday 22 November 2015. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

## 9. Interpretation

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

**AGM** means annual general meeting;

**ASIC** means the Australian Securities & Investments Commission;

**ASX** means the ASX Limited;

**Business Day** means a day on which all banks are open for business generally in Brisbane;

**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;

**Eligible Entity** has the meaning given to that term in the Listing Rules;

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**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;

**Meeting** means the Annual General Meeting to be held on 24 November 2015 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;

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

**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.

**Subsidiaries** has the meaning given to that term in the Corporations Act;

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

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Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to: John Haley Ph: 07 3249 3000