

METALS X LIMITED
ABN 25 110 150 055

NOTICE OF GENERAL MEETING
EXPLANATORY MEMORANDUM
INDEPENDENT EXPERT'S REPORT
AND
PROXY FORM

The Independent Expert has concluded the proposal the subject of Resolution 1 is, fair and reasonable to the non-associated shareholders of the Company.

Date of Meeting
Tuesday, 27 October 2009

Time of Meeting
10.00am (WST)

Place of Meeting
Matilda Bay Room, Hyatt Regency Perth
99 Adelaide Terrace, East Perth, WA 6004

METALS X LIMITED
ABN 25 110 150 055

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the shareholders of Metals X Limited ("**Company**") will be held at 10.00 am (WST) on Tuesday, 27 October 2009 at Matilda Bay Room, Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia for the purpose of transacting the following business.

An Explanatory Memorandum containing information in relation to the following Resolution accompanies this Notice of Meeting.

Certain abbreviations and other defined terms are used throughout this Notice of Meeting. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Memorandum.

AGENDA

BUSINESS

Resolution 1 – Issue of Shares to APAC Resources Limited

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with section 611 item 7 of the Corporations Act and for all other purposes, the Company:

- (a) approves and authorises the Directors to allot and issue to APAC Resources Limited, a total of 178,000,000 ordinary fully paid shares in the Company at an issue price of 9 cents each; and*
- (b) agrees to the acquisition by APAC Resources Limited, by way of allotment referred to in paragraph (a) of this Resolution, 178,000,000 ordinary fully paid shares in the Company at an issue price of 9 cents each,*

in each case on the terms and conditions more particularly described in the Explanatory Memorandum accompanying this Notice of Meeting."

No votes can be cast on Resolution 1 by APAC Resources Limited or any associates of it.

Notes:

1. Further details of the above acquisitions are set out in the Explanatory Memorandum accompanying this Notice of Meeting, including further information required to be disclosed to shareholders under ASIC Regulatory Guide 74 and the Listing Rules of the Australian Securities Exchange.

2. Shareholders are urged to read the Independent Expert's Report prepared by Stantons International Pty Ltd (trading as Stantons International Securities) which report accompanies this Notice of Meeting and the Explanatory Memorandum. The Independent Expert has concluded that the proposal the subject of Resolution 1 is, fair and reasonable to the non-associated shareholders of the Company.

By order of the Board



Ms Fiona Van Maanen
Company Secretary
Dated: 23 September 2009

PROXIES

A shareholder entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote at this Meeting. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.

A proxy may, but need not be, a shareholder of the Company.

Proxy forms must reach the Company's share registry, Security Transfer Registrars Pty Ltd at least 48 hours prior to the Meeting. For the convenience of shareholders, a Proxy Form is enclosed.

SHAREHOLDERS WHO ARE ENTITLED TO VOTE

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 10.00 am on (48 hours before meeting) Sunday, 25 October 2009.

METALS X LIMITED
ABN 25 110 150 055

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Meeting of Metals X Limited ("**MLX**" or the "**Company**").

An Independent Expert's Report prepared by Stantons International Pty Ltd (trading as Stantons International Securities) ("**Stantons**") comments on whether the proposal the subject of Resolution 1 is fair and reasonable to the non-associated Shareholders.

Shareholders should note that Stantons has concluded that the proposal the subject of Resolution 1 is, fair and reasonable to the non-associated Shareholders.

The Directors recommend that Shareholders read this Explanatory Memorandum and the Independent Expert's Report in full before making any decision in relation to the Resolution.

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Memorandum.

Introduction and Summary of the Transaction

As announced on 31 August 2009, MLX has entered into an agreement for a funding arrangement with APAC Resources Limited ("**APAC**") whereby APAC would make a further investment in MLX under MLX's current 15% placement capacity. APAC currently holds 18.45% of the issued capital of MLX. The Company will issue place 178,000,000 ordinary fully paid shares to APAC at an issue price of 9 cents per Share. The placement will result in APAC holding approximately 29.08% of the issued capital of MLX. The placement to APAC is subject to:

- Foreign Investment Review Board approval; and
- Shareholder approval,

(the "**Transaction**").

As announced to the market, with the financial support of APAC as a cornerstone investor, the Company has embarked on a strategy to both grow the Company through acquisition and through crystallising the value of its existing assets where appropriate. The Directors believe the funding arrangement via the placement with APAC provides further financial security for MLX to move forward with its strategic plans in the interim. MLX intends to use the funds raised from the Transaction for exploration and development of the Company's existing projects and for working capital for the evaluation and acquisition of further projects.

Agreement

The Company and APAC have entered into an agreement which sets out the parties' obligations and rights regarding the Transaction ("**Agreement**"). Pursuant to the Agreement:

- MLX will issue 178,000,000 ordinary fully paid shares to APAC at an issue price of 9 cents per Share ("**Placement Shares**");
- the placement to APAC is subject to Foreign Investment Review Board approval and Shareholder approval ("**Conditions**");
- settlement of the Transaction will occur within 5 business days of the fulfilment of the Conditions and clearance of the APAC announcement from the Hong Kong Stock Exchange (if required); and

- MLX will apply for quotation of the Placement Shares to be placed to APAC immediately following settlement.

About APAC

APAC Resources Limited is a Hong Kong listed company backed by several People's Republic of China steel mills and the Shougang Group Corporation as its major shareholder which is one of China's largest steel makers.

APAC is an investment holding company which has historically focused on the trading of base metals, fabric products and other merchandise. APAC has a trading portfolio of listed securities and investments in the resources and related industries. APAC is incorporated in Bermuda with limited liability and listed on the Hong Kong Stock Exchange (HKEx: 1104).

APAC underwent a restructure during 2007 and introduced a new business trading in iron ore.

APAC focuses on the following strategies:

- attracting small to mid-sized Chinese steel mills to become strategic shareholders in APAC and consolidating their demand for raw materials;
- securing long term iron ore offtake for the small to mid-sized Chinese steel mills;
- creating a direct and efficient platform for small to mid-sized Chinese steel mills to trade and invest in overseas resource assets and/or companies; and
- identifying quality investments in the resources related sector and investment in resources assets either through corporate investments or direct project interests.

APAC has wound down trading in fabric products in 2008.

APAC invests in resources related securities to capitalise on expected long term growth in the resources industry and securities markets in Australasia. Existing investments include:

- Mount Gibson Iron Limited ("**MGX**") – APAC has a relevant interest in 26.03% of the issued capital of MGX; and
- China Primary Resources Holdings Limited ("**CPR**") (HKex 8117) – APAC has a relevant interest in 10.53% of the issued capital of CPR.

APAC Shareholders

The major shareholders of APAC are as follows (as of 11 September 2009):

Shareholder	% of issued capital
Shougang Holding (through its subsidiaries)	16.80%
COL Capital Limited (through its subsidiaries)	10.80%
Mr Xu Ming Lin (through a wholly owned company)	9.08%
Mr Qing Ming Guo (through a wholly owned company but the shares were charged to Sun Hung Kai & Co Limited)	5.27%
Total "substantial shareholders"	41.85%
Other shareholders	58.05%
Total number of shares on issue	100.00

Further details on APAC and APAC's activities can be accessed on that company's web site at www.irasia.com/listco/hk/apac/index.htm.

Pro Forma Balance Sheet

Set out as follows is an unaudited consolidated balance sheet of the Company after completion of the Transaction on the basis of the unaudited accounts of the Company as at 30 June 2009:

METALS X LIMITED			
ABN 25 110 150 055			
	Balance Sheet		Proforma
	Audited	Placement	Balance
	30-Jun-09		Sheet
CURRENT ASSETS			
Cash and cash equivalents	6,949,489	15,952,500	22,901,989
Trade and other receivables	3,733,658		3,733,658
Inventories	15,984,563		15,984,563
Derivative financial instruments	-		-
Other assets	124,508		124,508
Other financial assets	4,255,260		4,255,260
	<u>31,047,478</u>	<u>15,952,500</u>	<u>46,999,978</u>
Assets of disposal group classified as held for sale	2,000,000		2,000,000
Total current assets	<u>33,047,478</u>	<u>15,952,500</u>	<u>48,999,978</u>
NON-CURRENT ASSETS			
Available-for-sale financial assets	400,000		400,000
Derivative financial instruments	114,928		114,928
Investment in associates	10,683,320		10,683,320
Property, plant and equipment	40,623,083		40,623,083
Mine properties and development costs	51,065,551		51,065,551
Intangible assets	20,109,104		20,109,104
Exploration and evaluation expenditure	51,567,468		51,567,468
Total non-current assets	<u>174,563,454</u>	<u>-</u>	<u>174,563,454</u>
TOTAL ASSETS	<u>207,610,932</u>	<u>15,952,500</u>	<u>223,563,432</u>
CURRENT LIABILITIES			
Trade and other payables	14,437,589		14,437,589
Interest bearing loans and borrowings	4,422,880		4,422,880
Provisions	1,463,213		1,463,213
	<u>20,323,682</u>	<u>-</u>	<u>20,323,682</u>
Liabilities directly associated with the assets classified as held for sale	886,260		886,260
Total current liabilities	<u>21,209,942</u>	<u>-</u>	<u>21,209,942</u>
NON-CURRENT LIABILITIES			
Provisions	4,562,400		4,562,400
Interest bearing loans and borrowings	5,630,858		5,630,858
Total non-current liabilities	<u>10,193,258</u>	<u>-</u>	<u>10,193,258</u>
TOTAL LIABILITIES	<u>31,403,200</u>	<u>-</u>	<u>31,403,200</u>
NET ASSETS	<u>176,207,732</u>	<u>15,952,500</u>	<u>192,160,232</u>
EQUITY			
Issued capital	274,280,247	15,952,500	290,232,747
Accumulated losses	(116,148,778)		(116,148,778)
Option premium reserve	17,907,652		17,907,652
Other reserves	(19,007)		(19,007)
Parent interests	<u>176,020,114</u>	<u>15,952,500</u>	<u>191,972,614</u>
Minority interests	<u>187,618</u>		<u>187,618</u>
TOTAL EQUITY	<u>176,207,732</u>	<u>15,952,500</u>	<u>192,160,232</u>

Capital Structure

As at the date of this Notice of Meeting, MLX has 1,187,661,782 Shares on issue. On completion of the Transaction, the Company will have 1,365,661,782 Shares on issue. The Top 20 Shareholders will be:

Shareholder	Number of shares	Voting Power %
Sun Hung Kai Investment Services Ltd (APAC Resources Limited account)	317,000,000	23.21
Jinchuan Group Limited	176,000,000	12.89
Sabatica Pty Ltd	89,742,210	6.57
J P Morgan Nominees Australia Ltd	76,600,423	5.61
Sun Hung Kai Investment Services Ltd (client account)	73,172,018	5.36
All-States Finance Pty Ltd	63,075,002	4.62
Ajava Holdings Pty Ltd	38,410,000	2.81
Sun Hung Kai Investment Services Ltd (client account)	27,880,281	2.04
Fitel Nominees Ltd	23,400,604	1.71
Peter Gerard Cook	21,550,000	1.58
Robmar Investments Pty Ltd	20,765,975	1.52
Donald Mark Okeby	20,431,501	1.50
Robert Pittorino	20,000,000	1.46
Liberty Management Pty Ltd	18,000,000	1.32
Merrill Lynch Australia Nominees Pty Ltd (Berndale account)	11,523,997	0.84
Sun Hung Kai Investments Services Ltd (Katong Assets Ltd account)	11,209,157	0.82
ANZ Nominees Ltd (Cash Income account)	9,594,752	0.70
Citicorp Nominees Pty Ltd	9,380,668	0.69
Western Bridge Pty Ltd (Harold K Hawkins account)	8,883,922	0.65
Bell Potter Nominees Ltd (BB Nom account)	7,720,000	0.57

MLX also has the following unquoted options on issue:

Number of options	Exercise Price	Expiry Date
700,000	28 cents	31/01/10
400,000	34 cents	30/04/10
5,900,000	20 cents	12/02/10
1,025,000	22 cents	31/01/10
2,800,000	40 cents	30/06/11
1,700,000	35 cents	31/08/11
4,000,000	46 cents	30/11/10
825,000	36 cents	31/03/12
1,000,000	45 cents	31/07/12
1,000,000	46 cents	30/11/10
500,000	13 cents	30/06/13

RESOLUTION 1 – ISSUE OF SHARES TO APAC RESOURCES LIMITED

Resolution 1 seeks Shareholder approval for:

- the allotment and issue to APAC of a total of 178,000,000 Shares; and
- the acquisition by APAC of 178,000,000 Shares.

A company is not required to obtain shareholder approval under Listing Rule 7.1 where shareholder approval is granted under item 7 of section 611 of the Corporations Act. Accordingly, shareholder approval to issue the Placement Shares is not required pursuant to Listing Rule 7.2 exception 16.

Section 611, Item 7 of the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition, that person's or someone else's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined under section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities; or
- (b) have power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

A person is an "associate" of another person if, amongst other things, they have entered into an agreement, arrangement or understanding for the purpose of controlling or influencing the composition of a company's board of directors or the conduct of affairs of such company.

There are various exceptions to the prohibition in section 606, including under section 611 item 7 of the Corporations Act. Section 611 item 7 provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition of shares by virtue of an allotment or acquisition at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their associates.

Acquisition of a Relevant Interest

Under section 606(2) of the Corporations Act, a person is prohibited from acquiring a legal or equitable interest in securities of a company if, because of that acquisition:

- (a) another person acquires a relevant interest in issued voting shares of the company; and
- (b) someone's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90%.

Under section 608(3) of the Corporations Act, a person is deemed to have a relevant interest in any securities that a body corporate which the person controls or in which the person's voting power is above 20% has a relevant interest.

Resolution 1

Pursuant to the terms of the Agreement, the Company has, subject to Shareholder approval and satisfaction or waiver of the conditions precedent, agreed to allot a total of 178,000,000 Shares to APAC.

The following table sets out the current voting power in MLX held by APAC (and its associates) and the resultant voting power to be held by APAC as a result of the approval of Resolution 1 by Shareholders and the allotment and issue of the Placement Shares:

	Number of Shares held by APAC	Total Number of Shares	APAC Voting Power in MLX
Current	219,130,281	1,187,661,782 ¹	18.45%
Post Transaction	397,130,281	1,365,661,782	29.08%

Note 1: 80,130,281 of the Shares are beneficially held by Net Success Investments Limited, 139,000,000 of the Shares are legally and beneficially held by APAC Resources Strategic Holdings Limited, both wholly-owned subsidiaries of APAC.

Further details of the relevant interests of APAC in the voting power of MLX are set out in the Independent Expert's report prepared by Stantons.

The following paragraphs set out information required to be provided to shareholders under ASIC Regulatory Guide 74. Shareholders are also referred to the Independent Expert's Report prepared by Stantons accompanying this Explanatory Memorandum.

Identity of persons who will hold a relevant interest in the Shares to be allotted

The identity of the acquirer is APAC who following the issue of the Placement Shares will have voting power greater than 20% of the issued capital of MLX. APAC is not a related party of MLX.

Information regarding MLX and its business are set out above and in section 3 of the Independent Expert's Report.

Shares to which the allottees will be entitled immediately before and after the allotment

The above table sets out the present relevant interest in Shares held by APAC and the percentage of voting power APAC will obtain as a result of the approval of Resolution 1 by Shareholders and the allotment and issue of the Placement Shares (on an undiluted basis).

The table also sets out, as at the date of this Explanatory Memorandum, the relevant interest in other Shares held by APAC.

The identity, associations and qualifications of proposed directors

APAC do not intend to appoint any directors to the MLX board.

Future intentions of acquirers for the Company

MLX understands that APAC:

- (a) APAC intends to maintain the Company's current ongoing business and operations;
- (b) there are no proposals for APAC to inject further capital into the Company;
- (c) there are no proposals to change the current or future employment of the current employees of the Company;
- (d) there are no proposals whereby any property will be transferred between the Company and APAC or any person associated with any of them; and
- (e) there are no proposals to change the business of the Company or otherwise redeploy the fixed assets of the Company.

Intentions regarding the financial or dividend policies of the Company

There is no present intention to change the Company's existing policies in relation to financial matters or dividends.

Are the allotments fair and reasonable?

The Directors have commissioned Stantons to prepare a report on the question of whether the proposal is fair and reasonable to Shareholders not associated with APAC. That report is attached to this Explanatory Memorandum. Shareholders are urged to read the Independent Expert's Report.

Stantons concludes the transaction the subject of Resolution 1 is, fair and reasonable to the non-associated Shareholders.

Recommendations of Directors

The current Directors are Mr Peter Cook (Non Executive Chairman, Non Exec. Director), Mr Warren Hallam (Managing Director), Mr Scott Huffadine (Executive Director), Mr Mike Jefferies (Non Executive Director), Mr Peter Newton (Non Executive Director), Mr Wang Wei (Non Executive Director), Mr Yimin Zhang (Alternate Director to Wang Wei).

All Directors are considered independent for the purposes of Resolution 1, as they do not have any personal interest in the outcome of that resolution as they have the same interest as other non-associated Shareholders to the extent that they, or companies associated with them, hold Shares.

The Directors are of the opinion that the Transaction is in the best interests of MLX and its Shareholders and accordingly recommend that Shareholders vote in favour of Resolution 1.

The Independent Directors' recommendation that you vote in favour of Resolution 1 is based on the following reasons:

- Stantons has opined the Transaction is considered, fair and reasonable to the non-associated Shareholders;
- the funding arrangement via the placement with APAC provides financial security for MLX to move forward with its strategic plans. The intended use of the funds raised from the placement will be for exploration and development of the Company's existing projects and for working capital and for evaluation and acquisition of further projects;
- the additional market profile that the Company will have as a result of APAC's involvement with the Company; and
- as a major Shareholder after completion of the Transaction, APAC will have greater incentive to work towards to the future success of MLX.

The advantages and disadvantages of the Transaction are detailed in section 7 of the Independent Expert's Report.

The Directors consider that the advantages of the Transaction far outweigh the disadvantages and intend to vote and to cause their associates to vote in favour of Resolution 1.

No votes can be cast on Resolution 1 by APAC or any associates of APAC.

GLOSSARY OF TERMS

In this Explanatory Memorandum the following expressions have the following meanings:

"Agreement" means the agreement between the Company and APAC whereby MLX will issue to APAC the Placement Shares.

"APAC" means APAC Resources Limited, a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange (HKex1104).

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

"Board" means the board of Directors.

"Company" or **"MLX"** means Metals X Limited ABN 25 110 150 055.

"Corporations Act" means the Corporations Act (2001).

"Directors" means the directors of MLX from time to time.

"Explanatory Memorandum" means the information attached to the Notice of Meeting which provides information to Shareholders about the resolution contained in the Notice of Meeting.

"Independent Expert" means Stantons.

"Independent Expert's Report" means the independent expert's report prepared by Stantons with respect to the Transaction.

"Listing Rules" means the listing rules of ASX.

"Meeting" means the general meeting of Shareholders convened by this Notice.

"Notice" or **"Notice of Meeting"** means the notice of general meeting that accompanies this Explanatory Memorandum.

"Placement Shares" means 178,000,000 Shares referred to in Resolution 1.

"Resolution" means the resolution referred to in the Notice of Meeting.

"Share" means a fully paid ordinary share in the capital of MLX.

"Shareholder" means a holder of Shares.

"Stantons" means Stantons International Pty Ltd (trading as Stantons International Securities).

"Transaction" means the transaction contemplated by the Agreement whereby MLX will issue to APAC the Placement Shares.

ANNEXURE A - INDEPENDENT EXPERT'S REPORT

Stantons International Pty Ltd trading as

Stantons International Securities

ABN 41 103 088 697

AFS Licence No. 319600

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
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15 September 2009

The Directors
Metals X Limited
Level 3, Hyatt Centre
123 Adelaide Terrace
EAST PERTH WA 6004

Dear Sirs

RE: METALS X LIMITED ("METALS X" OR "THE COMPANY") (ABN 25 110 150 055) ON THE PROPOSALS THAT SHAREHOLDERS APPROVE THE ISSUE OF 178,000,000 SHARES AT 9 CENTS EACH TO APAC RESOURCES LIMITED ("APAC") TO RAISE \$16.02 MILLION. MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001

1. Introduction

- 1.1 We have been requested by the Directors of Metal X to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposal to issue 178,000,000 ordinary shares in Metals X at an issue price of 9 cents each to raise a gross \$16,020,000 to APAC. Resolution 1 in the Notice of Meeting ("Notice") and the Explanatory Memorandum attached to the Notice refers to further details. The proposed issue of 178,000,000 shares to APAC is known for the purposes of this report as the Placement.
- 1.2 Following discussions in August 2009, Metals X entered into an Interim Funding Arrangement with APAC on 31 August 2009. The Placement is subject to shareholder approval and FIRB approval and is being made to alleviate short term liquidity issues, provide further working capital and allow extra funds to seek new business opportunities in the mineral industry.
- 1.3 Under Section 606 of The Corporations Act ("TCA"), a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:
- (a) From 20% or below to more than 20%; or
 - (b) From a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

- 1.4 After the Placement of shares, the APAC Group will increase their current shareholding from 219,130,281 shares (approximately 18.45%) to 397,130,281 shares (approximately 29.08%) before the exercise of any share options. There would be 1,365,661,872 shares on issue. We have been advised by Metals X that 80,130,281 shares in Metals X are currently held in the names of Sun Hung Kai Services (Client Account) for Net Success Investments Limited, a wholly owned subsidiary of APAC and 139,000,000 shares in the name of APAC Resources Strategic Holdings Limited, a wholly owned subsidiary of APAC. The ultimate beneficial owner of the 219,130,281 shares is APAC. Other shares held in the name of Sun Hung Kai Services are not held for the benefit of the APAC Group but for other non related clients of the APAC Group.
- 1.5 Therefore a notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA should be accompanied by an Independent Expert's Report stating whether it is fair and reasonable to allow the issue of 178,000,000 shares to APAC at 9 cents each to raise a gross \$16,020,000. To assist shareholders in making a decision on the proposal outlined in resolution 1 the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposal is fair and reasonable to the non-associated shareholders of Metals X.
- 1.6 Apart from this introduction, this report considers the following:
 - Summary of opinion
 - Implications of the proposals
 - Corporate history and nature of business
 - Future direction of Metals X
 - Basis of valuation of Metals X shares
 - Premium for control
 - Consideration as to fairness and reasonableness
 - Conclusion as to fairness and reasonableness
 - Sources of information
 - Appendix A and Financial Services Guide
- 1.7 In determining the fairness and reasonableness of the transaction pursuant to Resolution 1 we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming

100% ownership of the “target” and irrespective of whether the consideration is scrip or cash. An offer is “reasonable” if it is fair. An offer may also be reasonable, if despite not being “fair”, there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. Regulatory Statement 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non associated shareholders if the transactions proceed compared with if they do not.

Accordingly, our report in relation to resolution 1 comprising the approval to place (issue) 178,000,000 Placement Shares to APAC, is concerned with the fairness and reasonableness of the proposal with respect to the existing non-associated shareholders of Metals X and whether the APAC Group is paying a premium for control.

- 1.9 **For the purposes of Section 611 (item 7) of TCA, in relation to the approval to issue 178,000,000 Placement Shares to APAC, in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 7 of this report, the proposal as outlined in paragraph 1.1 and resolution 1 may on balance collectively be considered to be fair and reasonable.**

2. Implications of the Proposals

- 2.1 As at 14 September 2009, there are 1,187,661,782 ordinary fully paid shares on issue in Metals X. The significant registered fully paid shareholders as at 2 September 2009, based on the top 20 shareholders list were believed to be:

	No. of fully paid shares	% of issued fully paid shares
Jinchuan Group Limited	176,000,000	14.82
Sun Hung Kai Investment Services Limited (Client Account APAC Resources)	139,000,000	11.70
Sabatica Pty Ltd	89,742,210	7.56
JP Morgan Nominees Australia Limited	76,600,423	6.45
Sun Hung Kai Investment Services Limited (Client Account)	73,172,018	6.16
All States Finance Pty Ltd	63,075,002	5.31
Ajava Holdings Pty Ltd	38,410,000	3.23
Sun Hung Kai Investment Services Limited (Client Account)	27,880,281	2.35
	<hr/> 610,707,916	<hr/> 57.58

The top 20 shareholders at 2 September 2009 owned approximately 72.94% of the ordinary issued capital of the Company. The number of shares on behalf of the APAC Group is referred to in paragraph 1.4 of this report and in the Explanatory Statement to Shareholders. 20,922,018 shares are registered in the name of Sun Hung Kai Investment Services Limited (Client Account) that are not for the benefit of the APAC Group.

- 2.2 As at 14 September 2009, there were 19,850,000 unlisted options exercisable between 13 cents and 46 cents and the last date to exercise is 30 June 2013.
- 700,000 options exercisable at 28 cents each by 31 January 2010
 - 5,900,000 options exercisable at 20 cents each by 12 February 2010
 - 400,000 options exercisable at 34 cents each by 30 April 2010
 - 1,025,000 options exercisable at 22 cents each by 31 January 2010
 - 2,800,000 options exercisable at 40 cents each by 30 June 2011
 - 1,700,000 options exercisable at 35 cents each by 31 August 2011
 - 4,000,000 options exercisable at 46 cents each by 30 November 2010
 - 825,000 options exercisable at 36 cents each by 31 March 2012
 - 1,000,000 options exercisable at 45 cents each by 31 July 2012
 - 1,000,000 options exercisable at 46 cents each by 30 November 2010
 - 500,000 options exercisable at 13 cents each by 30 June 2013
- 2.3 If the Placement is made of 178,000,000 Placement Shares the number of total ordinary shares on issue would increase to 1,365,661,872 and the number of ordinary shares held by the APAC Group in its own right would be 397,130,281 (there are other shares held in the name of Sun Hung Kai Investment Services Limited, a wholly owned subsidiary of APAC that are not held for the beneficial interest of APAC).
- 2.4 The current Board of Directors is not expected to change in the near future following the passing of resolution 1 at proposed shareholders meeting. New directors may be appointed in the future.

3. Corporate History and Nature of Business

- 3.1 Metals X which is listed on the ASX is a resource company primarily focused on the exploration and development of tin projects centred in Tasmania. The Company's major projects are as follows:

- The Bluestone Tin project held by a subsidiary Bluestone Mines Tasmania Pty Ltd in Tasmania ("BMT"). This project is subject to a Heads of Agreement ("HOA") with Yunnan Tin Group (Holding) Company Limited ("YTG") whereby Metals X may sell to YTG up to a 60% interest in all of the assets and undertakings of BMT for \$60,000,000. The first stage is an unconditional 50% interest for \$50,000,000. BMT will grant YTG a 24 month Call Option to acquire an additional 10% interest in the Tasmanian tin assets for \$10,000,000 exercisable at any time in the 24 month period. The Call Option is subject to certain milestones if exercised within 12 months. YTG will grant BMT a put option commencing 12 months after Completion which enables BMT to put the same 10% interest to YTG if the Call Option has not been exercised by YTG. The option performance milestones over the first 12 months of the joint venture are:
 1. Minimum production of 6,000 tonnes of tin metal contained in concentrate
 2. Average cash operating costs for the operations for the first 12 months not exceeding the actual cash operating costs for the 6 months to 30 June 2009.

The assets to be purchased by YTG exclude cash debtors and tin metal in stocks on the commencement date. YTG will assume its proportional share of environmental performance bonds on settlement. YTG will indemnify and hold harmless BMT for its proportional share of liabilities to financiers in

respect of financed equipment. Effective from the Completion Date, BMT and YTG will form an unincorporated joint venture effective for the development, mining and processing of ore from the Tenements with each party having a 50% participating interest. The Assets include the Renison Bell Underground mine, the Mt Bischoff open pit mine, the Renison Tin Concentrator Plant, the Rentails Tailings Re-treatment Project and related infrastructure and rights. Subject to agreement between BMT and YTG on price and commercial terms, YTG or its nominee will have the right to enter into a future take-off sales contract for BMT's participating interest share of the projected output of the joint venture.

The HOA is subject to FIRB and Chinese Government approvals, neither of which have been obtained as at the date of this report. It is also subject to the approval of the Tasmanian Director of Mineral Resources to the transfer of up to a 60% interest in the Tenements to YTG and execution by the parties of the Transaction Documents;

- A 100% interest in the yet to be developed Wingellina Nickel Project that has a purported global resource of 180 Mt at 1% nickel which includes 167 Mt as measured and indicated. A first phase feasibility study was completed in mid 2008 showing a robust concept for the construction of a nickel and cobalt operation to produce 40,000 tpa of nickel and 3,500 tpa of cobalt with a mine life of 40 years at an operating cost of less than US\$3.50 per pound of nickel after cobalt credits;
 - The Nickel Division also receives revenue from a royalty portfolio which includes a 0.375% gross sale royalty of all production from BHP's Mt Keith Nickel Mine and holds a 0.375% royalty over 100 sq kms of tenements immediately north of Mt Keith and to the immediate south of Honeymoon Well ("the Kingston royalty") (the Kambalda royalty expired on 31 August 2009) (no proceeds received on the latter royalty right);
 - A 29.62% (50,626,089 shares) in the ASX listed company Westgold Resources Limited ("Westgold"), a company that has a promising potential gold prospect in the Northern Territory. As at 15 September 2009, the sale price of an Westgold share on ASX was around 47 cents;
 - A 11.35% (7,661,858 shares) in the ASX listed company, Aragon Resources Limited ("Aragon"). On 15 September 2009, the sale price of an Aragon share on ASX was around 14 cents; and
 - A 75% interest in Agaton Phosphate Pty Ltd and a 6.85% (5,000,000 shares) shareholding interest in the ASX listed company, Icon Resources Limited ("Icon"). On 15 September 2009, the sale price of an Icon share on ASX was around 9.0 cents.
- 3.2 A summarised unaudited balance sheet of the Metals X Group is outlined in paragraph 5.4.1 of this report.

4. Future Directions of Metals X

4.1 We have been advised by the directors and management of Metals X that:

- There are no proposals currently contemplated either whereby Metals X will acquire any properties or assets from APAC or where Metals X would transfer any of its property or assets to APAC;
- The composition of the Board will not change in the short term as a result of the proposed Placement;
- The Company is raising further working capital through the issue of 178,000,000 Placement Shares with APAC at an issue price of 9.0 cents per share. The monies received from the Placement if approved would be \$16,020,000 and would be used to alleviate short term liquidity issues, provide further working capital and allow extra funds to seek new opportunities in the minerals industry;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company will endeavour to enhance the value of its interests in its existing mineral assets and seek new opportunities in the mining industry. In particular it has entered into the HOA with YTG as noted in paragraph 3.1 above. The proposed sale of up to 60% of the Tin Assets and entering into a 50/50 joint venture with YTG has yet to be finalised and is subject to the conditions noted above (that may or may not occur).

5. Basis of Valuation of Metals X

5.1 Shares

5.1.1 In considering the proposals as outlined in Resolution 1, we have sought to determine whether the issue price of the shares to APAC is in excess of the current fair value of the shares in Metals X on issue and whether the proposed Placement is at a price that Metals X could make to unrelated third parties and then conclude whether the proposal is fair and reasonable to the existing non associated shareholders of Metals X.

5.1.2 The valuation methodologies we have considered in determining a theoretical value of a Metals X share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The recent market prices of Metals X shares.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to Metals X current operations, a lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity, we have considered these methods of valuation not to be relevant for the purpose of this report. The Company recently undertook further assessments of all of its tin projects and royalty rights and as at 30 June 2009 wrote down certain mineral assets to what were considered to be fair values. Some of the mining assets were not impaired as the discounted net present value indicated no

impairment. The exploration and development of any of new projects such as Wingellina cannot proceed without further expenditure on exploration and evaluation and ultimately further funds for capital and working capital expenditure. Currently, Metals X does not have sufficient funds and thus any perceived technical values of the projects is theoretical as without funds further exploration activities and development will not be possible. Refer below for details on the net asset backing of the Metals X group as at 30 June 2009.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Metals X could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Metals X have formed the view that there is unlikely to be any takeover bids made for Metals X in the immediate future. However, if the 178,000,000 Placement Shares are issued, APAC will increase control to approximately 29.08% of the expanded ordinary issued capital of Metals X before the exercise of any outstanding share options.

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an unaudited consolidated Balance Sheet of Metals X as at 30 June 2009.

Metals X (unaudited) 30 June 2009	
\$000's	
Current Assets	
Cash assets	6,949
Receivables	3,734
Inventories	15,984
Prepayments	125
Other financial assets	4,255
Assets of disposal group classified as held for resale	2,000
	33,047
Non Current Assets	
Available for sale financial assets	400
Derivate financial assets	115
Investments in associates	10,683
Property, plant and equipment	40,623
Intangible assets	20,109
Mine property and development costs	51,065
Exploration and evaluation expenditure	51,568
	174,563
Total Assets	207,610
Current Liabilities	
Trade creditors and other accruals	14,438
Provisions	1,463
Interest Bearing Debt	4,422
Other liabilities associated with assets classified as held for resale	887
	21,210
Non Current Liabilities	
Provisions	4,562
Interest Bearing Debt	5,631
	10,193
Total Liabilities	31,403
Net Assets	176,207

Metals X (unaudited) 30 June 2009	
\$000's	
Equity	
Issued capital	274,280
Reserves	17,889
Accumulated losses	(116,149)
	<u>176,020</u>
Minority interests	187
Net Equity	<u><u>176,207</u></u>
Number of shares on issue	1,187,661,782
Net book value per share (cents)	14.8

- 5.4.2 The unaudited book net tangible asset backing as at 30 June 2009 equates to approximately 14.8 cents per share based on 1,187,661,782 ordinary shares on issue. Assuming the issue of 178,000,000 Placement Shares at 9 cents per share to raise a gross \$16,020,000 and a net \$15,952,500 after capital raising costs of \$67,500 and ignoring losses incurred post 30 June 2009, the net asset backing would rise to approximately \$192,159,000 and the number of shares on issue would be 1,365,661,782 for a net asset backing per share of approximately 14.0 cents.
- 5.4.3 We have accepted the book amounts of Metals X for all current assets and non current assets. We have been assured by the management of Metals X that they believe the carrying value of all current assets and liabilities at 30 June 2009 are fair and not materially misstated. However we note that the majority of the net assets of Metals X comprise mining property, plant and equipment (\$40.623 million), capitalised mine development costs (\$51.065 million), capitalised exploration costs (\$51.567 million) and intangibles made up of development projects (\$5.24 million) and nickel royalties (\$14.868 million). Collectively, these assets are known as the mineral assets. The Company has reviewed cash flow forecasts applicable to such mining assets as at 30 June 2009 and using acceptable valuation techniques have impaired the mining assets by a total of approximately \$13.78 million. The Directors of Metals X consider the written down values of the mining assets to represent at least fair values as at 30 June 2009. Some of the mining assets based on a discounted net present value of cash flow forecasts may be worth more than book values as at 30 June 2009. No account has been taken of the implied valuation as a result of the proposed dealings with YTG. An external technical valuation of the mineral assets of Metals X has not been undertaken as it is considered more appropriate (for the purpose of considering the fairness and reasonableness of the proposed issue of 178,000,000 Placement Shares to APAC) to consider the market value of the Metals X shares based on recent sales and taking into account the issue price of shares. Refer to paragraph 5.5 below.
- 5.4.4 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Metals X and other parties. We also note it is not the present intention of the Directors of Metals X to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Metals X based on the market perceptions of what the market considers a Metals X share to be worth. The market has either generally valued the vast majority of junior/mid size mineral exploration and development companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for Metals X shares and the market is kept fully informed of the activities of the Company.

5.5 Market Price of Metals X Fully Paid Ordinary Shares

5.5.1 We set out below a summary of the fully paid share prices of Metals X since 1 March 2009 to the date immediately prior to the announcement of the details of the capital raisings via a Placement on 31 August 2009.

	High Cents	Low Cents	Last Sale Cents	Volume Trade
March 2009	8.2	6.5	7.5	7,177
April 2009	13.5	7.5	12.5	12,672
May 2009	14.5	10.0	11.0	19,471
June 2009	15.5	11.0	11.0	63,956
July 2009	14.0	10.0	10.5	16,081
August 2009	12.0	10.5	11.0	17,139

On 2 June 2009, a total of 30,284,256 shares in Metals X were traded on ASX. On 24 July 2009 (share price was around 11/12 cents), the Company announced the proposal with YTG as noted above.

5.5.2 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. In the case of Metals X, current liquidity is not strong and it is noted that cash and receivables as at 30 June 2009 totalled \$10.68 million whilst trade creditors and accruals totalled \$14.44 million. Although there are inventories totalling \$15.98 million it normally takes between 4 to 6 weeks to convert to receivables and then cash (some of which may now be converted to cash or receivables). The Company lost approximately \$57.54 million in the year ended 30 June 2009, including a gross loss on operations of \$37.82 million (this included impairment write downs that were non cash items). The Company may need to undertake a capital raising of some significance to provide a buffer to the tin operations and for general working capital to use to advance its current operations for the evaluation of other mining opportunities. The future profitability of the tin operations is dependent inter-alia on tin prices, exchange rates, production rates and costs of production. Based on the unaudited adjusted 30 June 2009 book values of Metals X assets, Metal X has net equity of \$176,207,000 and a value per share of 14.8 cents although the theoretical technical value may be higher or lower. It may be arguably more suitable to value a Metals X share more towards the net asset backing and a lesser weight on the market trades in March to August 2009 due to the moderate level of liquidity in the shares. However the net assets of the Company as at 30 June 2009 include the mineral assets as noted above. The true or recoverable values of these mineral assets may be higher or lower depending on whether they could be successfully exploited through their sale or through further exploration and development. The Company currently does not have the funds to exploit all of these assets (in particular the non-tin mining assets) without significant capital raisings which are very difficult in the current market. Since the beginning of May 2009 and to 29 August 2009, the day before the announcement of the proposed Placement with APAC, the Company's shares have traded in the range of 10.0 cents to 15.5 cents range having reached 15.5 cents for one day only on 12 June 2009. Our preferred valuation methodology is to use the preannouncement prices with limited consideration of the adjusted net asset backing.

It is noted that over the past several years, the vast majority of mineral exploration companies listed on the ASX were trading at significant premiums to appraised technical values although post October 2008 due the economic crisis in some cases have traded at a discount to cash asset backing. We are of the opinion that it is fair to use a range of market values over the past three months as one of the indicators of what an Metals X share is worth but this is not exclusive as we have also considered the net asset backing of the Company and the probability that the share price would fall in the near future without the YTG proposal proceeding as the Company is losing money. There is no guarantee that the YTG proposal will be consummated and in the meantime cash funds are required for working capital and exploration and evaluation of existing projects. The share price has ranged from 10.0 cents to 15.5 cents over the past three months on low to moderate volume of sales. In the main, the shares have traded in the more narrow range of 10.5 cents to 12.0 cents. It is noted that the share price did not react significantly to the YTG announcement on 24 July 2009. In fact, since that date (when the share price was around 12.5 cents), the shares have traded below that price (except for several days following the YTG announcement) and in the main between 10.5 cents and 11.5 cents. It is noted that on 9 September 2009, the share price of a Metals X share trading on ASX approximated 10.5 cents, although on 14 September 2009, the share price had recovered to 12.0 cents.

Considering ASX Listing Rule 7.3.3 allows the issue of shares at a discount of up to 20% of the market value (weighted average over five days where the issue price is not predetermined) then it is accepted that the ability of issuing shares to APAC pursuant to resolution 1 is in the range of 8.0 cents to 9.6 cents, being 80% of 10.0 cent and 12.0 cents share prices. It is noted that over the past 6 months or so there have been a number of share issues at discounts of up to 50% of market values as the ability to raise capital in the current world wide economic circumstances has been severely reduced and this is so particularly for mineral exploration companies. Anecdotal evidence would suggest that a discount to the 28 August 2009 share price (the last sale price before the day of the announcement to make a Placement with APAC) of 11.0 cents would need to be in the range of 7.5 cents to 9.0 cents. We note that at the time of negotiations with APAC commenced and were finalised, the share price of an Metals X share trading on ASX was around 10.5 to 11.5 cents and thus an issue price at 9.0 cents (as proposed) is a discount to market of between 14.28% to 21.73%. This range of discount is considered reasonable.

5.5.3 The future value of a Metals X share will depend upon, inter alia:

- The future commercialisation of the existing mineral interests and the successful exploitation of potential new acquisitions;
- The state of the tin, nickel and other base metal markets (and prices) and foreign exchange rates;
- Cash position of Metals X;
- The state of Australian and overseas stock markets;
- Membership and control of the Board;
- General economic conditions; and
- Liquidity of shares in Metals X.

5.5.4 Our view is that less weighting should be given to the asset backing of a Metals X share, particularly in view of the Company's financial position and lack of working capital. Although the share prices may not necessarily reflect fair values in the current economic circumstances of the Company our preferred methodology due

to the financial position of the Company is to ascribe a value to a Metals X share based on the pre announcement prices. In conclusion, we consider that the fair value of a Metals X share falls in the range of 10.5 cents to 12.0 cents, with a preference towards the middle range. On this basis our preferred value of a Metals X share is 11.25 cents per share. It is noted that the Directors of Metals X considered that the fair value of Metals X shares at the time of discussions with APAC was in the range of 10.5 to 11.5 cents but acknowledging that a placement of shares would need to be undertaken at a discount to market.

6. Premium for Control

- 6.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve (increase) control of the Company.
- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. As noted above, APAC's beneficial interest in Metals X would increase from approximately 18.45% to approximately 29.08% if APAC subscribed for the 178,000,000 Placement Shares at 9 cents each as envisaged under resolution 1. Accordingly, we have addressed whether premiums for control will be paid.
- 6.3 The pre announcement of the Placement market value of a Metals X share lies in the range of approximately 10.5 cent to 12.0 cents. As APAC is acquiring Placement Shares at 9.0 cents each it could be argued that on balance APAC is probably not paying a premium for control. However the shareholders of Metals X are arguably better off as the Company would receive an estimated net \$15,952,500 in November 2009 that will alleviate short term liquidity issues and provide cash for working capital on the tin projects and cash for additional exploration and evaluation of the non-tin projects.
- 6.4 We note that currently APAC does not have representation on the Metals X Board. Following the passing of resolution 1 it is not envisaged in the short term to appoint a representative of APAC to the Board. In the future APAC may seek to appoint one person to the Metals X Board. APAC will thus not "control" the Board.

7. Fairness and Reasonableness of the Proposed Placement

- 7.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Placement of 178,000,000 Placement Shares to APAC pursuant to Resolution 1 of the Notice.

Advantages

- 7.2 By entering into the proposal with APAC, Metals X increases its cash reserves (it will raise a net \$15,952,500). Obtaining access to a significant amount of cash funds in the current environment is extremely difficult and thus the Company and its shareholders should benefit. As at 30 June 2009 cash and receivables were only around \$10.68 million and trade creditors were around \$14.44 million. This should alleviate cash flow concerns in the immediate future.
- 7.3 In the event that the capital raising does not proceed or the Company cannot raise adequate working capital, there is the strong likelihood that the share price of a

Metals X share may fall from present prices. Metals X, in the absence of a capital raising will experience liquidity concerns and there is no guarantee that the proposal with YTG will be consummated.

- 7.4 The issue price of the Placement Shares is at a discount to market that is not unreasonable. In the current market it is extremely difficult for exploration companies such as Metals X to raise equity and if raised significant discounts to recent traded share prices would need to be offered. It is not uncommon to offer discounts in the current market of between 20% and 50%. It is noted in a recent newspaper article that the average discount for small to mid cap companies (that included industrial and mineral companies) was around 22.2%. Arguably it could be higher for mineral exploration/producer companies that are not profitable and have negative cash flows. It was estimated by Metals X that to undertake a capital raising of around \$16,000,000 the issue price would be in the range of 6.5 cents to 9.0 cents. If the lower prices were used, the number of shares that would need to be issued would approximate 246,000,000. At any price below 9.0 cents per share would result in more shares being issued than the 178,000,000 Placement Shares proposed to be issued to APAC.
- 7.5 There is an incentive for APAC to ensure Metals X becomes a viable mineral exploration and development company as APAC will continue to have a significant interest in Metals X. APAC is taking a risk in investing further funds into Metals X as to a large extent, Metals X future share price may be determined by the exploitation and/or commercial success (or otherwise) of its exploration portfolio (including the Bluestone Tin Tasmanian assets and other mineral assets owned by Metals X). There is a huge incentive for the APAC Group to make Metals X a successful company and have the share price rise considerably. All shareholders would benefit from a rise in the share price.
- 7.6 The Company currently has several main exploration areas of interest that are undeveloped. Such projects and other potential exploration opportunities cannot be explored without additional funding being made available. The Placement would raise significant additional funds to assist the Company in advancing such projects.
- 7.7 No brokerage costs are being paid for the total Placement of 178,000,000 Placement Shares. It is normal for brokerage fees to be approximately up to 6.5% of the cash raised. This is a considerable saving to the Company.

Disadvantages

- 7.8 The number of fully paid ordinary shares on issue initially rises by 178,000,000 to 1,365,661,782. This represents an approximate 14.99% increase in the ordinary shares of the Company.
- 7.9 An influential shareholding of the Company is being given to the APAC group in that they would immediately have voting control of approximately 29.08% of the expanded ordinary issued capital after the successful ratification and implementation of resolution 1. This is an increase of approximately 10.63% and APAC can stop special resolutions being passed as its new shareholding will exceed 25%.
- 7.10 The proposed issue price is below the net asset backing per share value of over 14 cents. However, we do not consider that undue weighting should be given to asset backing as share issues of ASX listed companies are normally undertaken

based on share prices and more often than not at a discount to market. In addition, as discussed above, APAC is not paying a premium for increased control. However, we note that there is one other significant shareholder being Jinchuan Group Limited that has a current 14.82% interest in the Company (this would reduce to approximately 12.89% post the issue of the 178,000,000 Placement Shares).

Other factors

- 7.11 There is always the distinct possibility that the YTG proposal will proceed, that if it eventuates, will provide an initial cash injection into the Metals X group of \$50,000,000 (and it may rise to \$60,000,000). Any potential cash from the YTG proposal would probably not occur until November 2009 and possibly later (depends on the approval processes such as FIRB and Chinese Government). Also under the YTG proposal, 50% of the Tasmanian Tin Assets are in effect being sold and a new 50/50 joint venture would be formed with YTG. Future cash flows that are being forecast to be positive over life of mines would be reduced by 50% relating to the Bluestone tin assets. The Placement provides a buffer in case the YTG transaction does not proceed or is delayed plus alleviating short term liquidity issues.
- 7.12 The Company has interest in various ASX listed companies as noted in section 3.1 of this report. If sold at market values of early September 2009, the Company could raise between \$20 million and \$25 million. However, the Company's directors consider that the investments are strategic and that each of the companies has promise. In any event, it may be difficult to sell on market all of the shares in a short period of time, particularly the 50,626,089 shares held in Westgold.
- 7.13 Discussions were held with the Company's normal stockbroker on a capital raising, however the directors of Metals X were advised that it would be extremely difficult to raise funds and the stockbroker was not prepared at the current time to support a capital raising, however was not against the Company making a private placement to APAC.

8. Conclusion as to Fairness and Reasonableness

- 8.1 **After taking into account the factors referred to in section 7 above and elsewhere in this report, we are of the opinion that the proposed approval of the issue of the 178,000,000 Placement Shares to APAC at 9 cents each as noted in paragraph 1.1 and resolution 1 in the Notice may be considered, on balance, to be fair and reasonable to the non-associated shareholders of Metals X.**

9. Sources of Information

- 9.1 In making our assessment as to whether the proposal to issue 178,000,000 Placement Shares to APAC at 9 cents each as outlined in paragraph 1.1 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and its mining assets that is relevant to the current circumstances. In addition, we have held discussions with the management of Metals X about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Metals X.

9.2 Information we have received includes, but is not limited to:

- Draft Notices and Explanatory Statement to Shareholders of Metals X prepared in September 2009;
- The Placement Funding agreement between Metals X and APAC of August 2009;
- Discussions with management and directors of Metals X;
- Details of historical market trading of Metals X ordinary fully paid shares recorded by ASX for the period 1 January 2009 to 15 September 2009 (10.30am);
- Shareholding details of Metals X as at 2 September 2009;
- Announcements made by Metals X to the ASX to 15 September 2009 (10.30am);
- The cash flow forecasts of Metals X for 2009/10, including impairment work-papers as at 30 June 2009 and cash flow forecasts on the tin assets to 2014;
- Audit reviewed accounts of Metals X for the six months ended 31 December 2008 and un-audited accounts of Metals X for the year ended 30 June 2009; and
- Details of historical market trading of Westgold, Aragon and Icon ordinary fully paid shares recorded by ASX for the period 1 July 2009 to 15 September 2009 (10.30am).

9.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)



J P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 15 September 2009, relating to the issue of 178,000,000 Placement Shares at 9 cents each to APAC as outlined in paragraph 1.1 of the report and resolution 1 in the Notice of Meeting to Shareholders proposed to be distributed to shareholders in late September 2009.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Metals X or APAC other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$20,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Metals X or APAC. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and its affiliated company Stantons International Services Pty Ltd. Stantons International Securities and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Metals X in order to assist them to assess the merits of the proposal as outlined in resolution 1 and the Explanatory Statement to which this report relates. This report has been prepared for the benefit of Metals X's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Metals X and its assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of the Metals X Group. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities, Stantons International Pty Ltd, and Stantons International Services Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Metals X and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Metals X has agreed:

- a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd) to recover any loss or damage which Metals X may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Metals X; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd) against any claim arising (wholly or in part) from Metals X or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Metals X or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Metals X directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 15 September 2009**

1. Stantons International Securities ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.
2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and Stantons International Services Pty Ltd.

From time to time, SIS, Stantons International Pty Ltd and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities Pty Ltd
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

METALS X LIMITED
ABN 25 110 150 055

PROXY FORM

Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953
Facsimile: (08) 9315 2233

Appointment of Proxy

If appointing a proxy to attend the General Meeting on your behalf, please complete the form and submit it in accordance with the directions on the reverse of the page.

I/We _____ of _____ being a shareholder/shareholders of Metals X Limited pursuant to my/our right to appoint not more than two proxies, appoint:

<input type="checkbox"/>	The Chairman of the Meeting (mark with an "X")	OR	<input type="text"/>	Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.
			<input type="text"/>	Write here the name of the person you are appointing as a second proxy

or failing him/her, (if no proxy is specified above), the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the General Meeting to be held at 10.00 am (WST) on Tuesday, 27 October 2009 at the Matilda Bay Room, Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia and at any adjournment of that meeting.

Voting directions to your proxy – please mark to indicate your directions

RESOLUTION	For	Against	Abstain *
1. Issue of Shares to APAC Resources Limited	<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.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Executed in accordance with section 127 of the Corporations Act:

Individual or Shareholder 1	Joint Shareholder 2	Joint Shareholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director & Sole Company Secretary	Director	Director/ Company Secretary

Dated this _____ day of _____ 2009

Contact Name **Contact Business Telephone / Mobile**

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or under the hand of an officer of the Company or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is Chairperson, the proxy must vote on a poll and must vote that way, and
 - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in anyway that the proxy sees fit.

6. The Chairman intends to vote all undirected proxies in favour of the resolution.
7. To be effective, forms to appoint proxies must be received no later than 48 hours before the time appointed for the holding of this General Meeting **that is by 10.00 am (WST) on Sunday, 25 October 2009** by:
 - mailing your proxy to the Company at its share registry, **Security Transfer Registrars Pty Ltd, PO Box 535, Applecross WA 6953; OR**
 - depositing your proxy with the Company at its share registry, **Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross WA 6953; OR**
 - faxing your proxy to **08 9315 2233 / 08 9220 5757** (if within Australia) or **+61 8 9315 2233 / +61 8 9220 5757** (if sent from overseas).

NB. Where a proxy form is faxed, the time of receipt will be determined by the receiving fax imprint and not the time as marked from the originating fax.