



UPDATE ON SHAREHOLDER NOTICE

Further to the announcement made on 3 September 2019, Metals X Limited (ASX: MLX) (**'Metals X'** or **'the Company'**) provides the following update in relation to the notices pursuant to sections 203D, 249D and 249N of the *Corporations Act 2001* (Cth) (**Corporations Act**) received on behalf of APAC Resource Strategic Holdings Ltd (**APAC**), holding approximately 8.8% of the Company, regarding its intention to move resolutions for the appointment and removal of directors of the Company (**Notice**).

Given the announcement on 2 September 2019 of the pending resignation of Chairman Mr Peter Newton at the upcoming annual general meeting (AGM), the Company will put the remaining resolution the subject to the Notice to its shareholders at the AGM, being APAC's proposed resolution for the appointment of one new director (Mr Brett Smith). APAC has provided the attached statement pursuant to section 294P of the Corporations Act and this will be incorporated in the meeting materials for the AGM.

The announced process to refresh the Metals X Board in the interests of all shareholders has commenced and is ongoing. While that progresses, the Company continues to focus on the substantial opportunities at the world class Renison Tin Operation and the execution of the Nifty Reset Plan announced on 1 May 2019. Metals X has regularly updated shareholders on the progress at both operations in recent months including in the Company's recent announcements 28 August 2019 ("2019 Nifty Resource and Reserve Update"), 4 September 2019 ("Nifty Copper Operations Update"), 6 September 2019 ("Renison Record Drill Intersection at Bell 50") and 9 September 2019 ("Renison Update: Outstanding Performance and Growth Potential").

The Company's meeting materials for the AGM, currently scheduled for Thursday 24 October 2019, will be finalised and sent to shareholders by 23 September 2019 as required by the Corporations Act.

ENDS



FURTHER ENQUIRIES

Damien Marantelli
Managing Director
damien.marantelli@metalsx.com.au

MEDIA ENQUIRIES

Michael Weir / Cameron Gilenko
Citadel-MAGNUS
M: +61 413 355 997

CORPORATE DIRECTORY

Level 5, 197 St Georges Terrace
Perth WA 6000 Australia
PO Box 7248
Cloisters Square PO WA 6850
+61 8 9220 5700
reception@metalsx.com.au
www.metalsx.com.au
ASX Code: MLX

10 September 2019

The Directors and Company Secretary
Metals X Limited
Level 5, 197 St Georges Terrace
Perth WA 6000

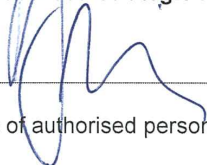
**REQUEST FOR DISTRIBUTION OF STATEMENT TO MEMBERS
PURSUANT TO SECTION 249P OF THE CORPORATIONS ACT 2001 (CTH)**

Reference is made to the notices given by the undersigned on 30 August 2019 under sections 203D(2), 249N and 249P of the *Corporations Act 2001* (Cth) (**Act**) and on 2 September 2019 under section 249D of the Act (**Notices**).

The undersigned is a member of Metals X Limited (ACN 110 150 055) (**Company**) holding at least 5% of the votes that may be cast on the resolutions referred to in the Notices.

Pursuant to section 249P(1) of the Act, the undersigned hereby requests that the Company gives to all of its members a copy of the **attached** statement in support of those of the resolutions referred to in the Notices that are proposed to be moved at the next general meeting of the Company.

Executed for and on behalf of **Sun Hung Kai**)
Investment Services Limited a company)
incorporated in Hong Kong by its authorised)
representatives in accordance with the laws of)
its jurisdiction of incorporation as nominee for)
APAC Resources Strategic Holdings Ltd)



Signature of authorised person

YEUNG Kin Sing

Name of authorised person



Signature of authorised person

Kevin TAI Yiu Kuen

Name of authorised person

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MEMBER'S STATEMENT PURSUANT TO SECTION 249P CORPORATIONS ACT 2001

APAC Resources Strategic Holdings Ltd (**APAC**), through its nominee Sun Hung Kai Investment Services Limited, as at 28 August 2019 holds 8.8% of the shares in Metals X Limited (**MLX**). APAC has been a shareholder of MLX since 2007.

The MLX share price has deteriorated significantly since it acquired Aditya Birla Minerals Limited (**ABY**) in 2016, which owns the Nifty Copper Mine (**Nifty**). APAC believes there remains tremendous value in MLX, primarily the Renison Tin Mine, but a fresh independent board is required to review the Nifty business case.

On 30 August 2019 and 2 September 2019, APAC gave notices to MLX requesting the directors of MLX to call a general meeting of MLX to remove Mr Peter Newton, Chairman of MLX, and Mr Milan Jerkovic, Non-Executive Director of MLX, from their position as directors of MLX and to appoint Mr Brett Smith as a director of MLX (**Notices**).

Following receipt of the Notices, but prior to notifying MLX shareholders about APAC's Notices, MLX announced on 2 September 2019 that Mr Jerkovic had resigned as a director of MLX and that Mr Newton intends to step down from the MLX board at the Annual General Meeting of MLX.

Despite Mr Jerkovic's resignation, APAC maintains its request for a general meeting of MLX to be called and the resolutions regarding Mr Newton's removal (unless he resigns prior to the next general meeting) and Mr Smith's appointment to be passed (**Resolutions**).

APAC encourages all MLX shareholders to vote 'FOR' the Resolutions. Further information supporting the Resolutions (including Mr Smith's curriculum vitae) can be found on APAC's website at www.apacresources.com/en_US/MLX.html

1. DESTRUCTION OF SHAREHOLDER VALUE

In APAC's view, there has been significant destruction of shareholder value:

- The share price is down 76% since 29 November 2016, which is the day after Westgold Resources (**WGX**) was spun out and the best like-to-like comparison.
- The share price performance of MLX (-76%) has been extremely poor against other base metal producers listed on the ASX, including OZ Minerals +10%, Sandfire Resources -7%, Finders Resources +36% and Avanco Resources +129% over the same period.¹
- Whilst owning Nifty, the MLX market cap has declined from a peak of A\$740m to A\$96m as at 2 September 2019 despite the A\$50m placement in July 2018. Effective on 23 September 2019, MLX will cease to be included in the S&P/ASX 300 Index.
- This share price underperformance comes despite stronger commodity prices. Comparing average prices against the spot price on the Nifty effective date of 1 August 2016, copper prices have averaged 28% higher (A\$8,214/t vs A\$6,437/t) and tin prices have averaged 14% higher (A\$26,865/t vs A\$23,622/t).
- After the MLX and WGX demerger, MLX reported cash, working capital and investments of A\$127m as at December 2016. This has fallen to A\$58m at June 2019 despite Renison mine cashflow and the A\$50m placement.
- The recently announced new A\$35m debt facility implies expectations for further cash outflow.

2. A\$143M SPENT TO HALVE PRODUCTION AT NIFTY IN THREE YEARS

Nifty has consistently underperformed targets set by MLX.

- Target copper production rates have been progressively pushed back and MLX has not come close to meeting their Nifty targets¹.

- Since acquiring Nifty, MLX has reported total mine outflows of A\$94m. This is on top of the net acquisition price of A\$49m paid by MLX for ABY, leading to a total cost of A\$143m on Nifty to date.²
- MLX have owned Nifty for three years, which in APAC's view is more than enough time to turn around operations. Over this time, Nifty production has gone backwards at an alarming rate, falling 59% from 7,571t in JunQ 2016 (ABY's last full period of ownership) to 3,072t in JunQ 2019. Cash operating costs have increased 31% from A\$2.96/lb to A\$3.88/lb, despite a significantly lower Australian Dollar.
- It is extremely concerning that Nifty cashflows continue to deteriorate, progressively increasing from a A\$10m outflow in JunQ 2018 to A\$17m in JunQ 2019 and averaging A\$14m outflow per quarter over the past five quarters.¹

3. NEW LEADERSHIP REQUIRED FOR BENEFIT OF ALL SHAREHOLDERS

APAC is a major shareholder of MLX and it is appropriate for APAC to nominate a Non-Executive Director to the MLX board.

Mr Smith will bring the required expertise and skills to the MLX board to assess the Nifty business case and develop the appropriate strategy. Mr Smith has a track record of successfully turning around mining companies such as Prodigy Gold NL and Dragon Mining Ltd.

Subject to the resolutions being passed, APAC will support the appointment of one additional independent director as soon as a suitable candidate can be identified.

At this stage, and subject to an independent review, APAC is not proposing changes to management but believes that a thorough and independent review of Nifty is urgently required to assess future direction.

4. MR BRETT SMITH

- Mr Smith has over 30 years' experience in natural resources, including precious and base metals, coal and iron ore.
- Mr Smith has previously held senior management positions at multinational engineering and construction companies including Ausenco. He is the Executive Director of Dragon Mining since January 2014. Mr Smith led the financial turnaround at Dragon Mining, from A\$23m loss in 2013 and returning it to profitability, while completing the development of two new mines and a Hong Kong listing.
- Mr Smith is currently Executive Director of APAC Resources Limited and Non-Executive Director of Tanami Gold NL and Prodigy Gold NL, where he contributed to its turnaround as a successful gold explorer.

¹ Substantiating charts are available on the APAC website at www.apacresources.com/en_US/MLX.html.

² Based on MLX share price at 4 August 2016 and last reported ABY cash balance of A\$92m at 30 June 2016.