APAC RESOURCES

APAC RESOURCES LIMITED

亞太資源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1104)

REQUEST TO CALL SHAREHOLDERS MEETING OF METALS X LIMITED

As at 23 June 2020, APAC Resources Limited ("**APAC**") beneficially owns 15.3% of Metals X Limited ("**MLX**"), a company incorporated in Australia and listed on the Australian Securities Exchange ("**ASX**"), of which more than 5% is held by Sun Hung Kai Investment Services Limited as nominee for APAC's wholly-owned subsidiary, APAC Resources Strategic Holdings Limited ("**APAC Strategic**").

On 22 June 2020 and 23 June 2020, APAC Strategic gave notices to MLX requesting the directors of MLX to call a general meeting of MLX to remove Mr. Patrick O'Connor ("**Mr. O'Connor**"), Mr. Brett Lambert ("**Mr. Lambert**") and Mr. Tony Polglase ("**Mr. Polglase**") from their position as directors of MLX, and to appoint Mr. Grahame White ("**Mr. White**") and Mr. Peter Gunzburg ("**Mr. Gunzburg**") as directors of MLX (the "**Notices**").

On 23 June 2020, MLX made an announcement to ASX that it has received notices regarding the intention of APAC Strategic to move resolutions for the appointment and removal of directors of MLX and requisitioning a meeting of shareholders to consider those resolutions, and that MLX will consider the notices, comply with its obligations under the Corporations Act of Australia and update its shareholders as required.

On 23 June 2020, APAC Strategic gave a notice to MLX requesting MLX to give a statement to its shareholders ("**MLX Shareholders**") in support of the resolutions for the appointment and removal of directors of MLX, the summary of which is as follows:

1. APAC believes that new leadership of MLX is required for the benefit of all MLX Shareholders as MLX continues to underperform

APAC believes MLX's directors should be elected by MLX Shareholders, not appointed by the previous board of MLX who were responsible for the disastrous Nifty Copper Mine ("**Nifty**") acquisition and the resulting losses.

APAC has requested the extraordinary general meeting of MLX to be held because it believes Mr. O'Connor, Mr. Lambert and Mr. Polglase are presiding over further destruction of shareholders' value in MLX.

From the end of September 2019 to the end of March 2020, the cash and working capital of MLX have fallen by A$36.8 million against a current market capitalisation of approximately A$74 million.

2. MLX propose to waste of even more money on the failed Nifty Operation

- **Failed strategic review:** Mr. O'Connor, Mr. Lambert and Mr. Polglase were entrusted to turn MLX around. In APAC's view, the results of the six month review of MLX are unacceptable, MLX have only been able to farm out the Paterson tenements. Failure to sell Nifty means that MLX will need to pay ongoing costs, and MLX's recent forecast is for an outflow of A$13.7 million per year.

- **Fresh commitment to waste even more money on Nifty:** MLX has already wasted A$200 million of shareholders' money on the Nifty underground mining operations (A$150 million related to Nifty mine cash outflows plus A$49 million acquisition cost). It is now proposing to spend an additional A$10 million on the feasibility study. Combined with ongoing care and maintenance costs, there is more than A$20 million to spend on Nifty in the next 12 months.

- **APAC believes it is risky to restart Nifty. A sale or spin off of the Nifty assets would have been a better option given the considerable costs.**

- **Significant risk in the Nifty Scoping Study:** APAC believes the Scoping Study sensitivity tables imply the project is marginal. A 10% drop in spot copper price or 14% drop in copper grade pushes the open pit NPV to zero.

- **Poor cashflow profile:** Proposed Nifty cash flow profile shows 75-80% of project cash flow to be received in the last four years. In the first six years, the strip ratio averages roughly 12:1. This is very high, especially when the average grade is only 1.24% copper. APAC believes the true cash flow of the open pit is being distorted by optimistic cash flows from the heap leach.

- **Unrealistic mining cost forecasts:** Forecast mining costs of A$3.2/t is low compared to peers. E.g. Pilbara Minerals' Pilgangoora Expansion DFS implied A$4.5/t for larger average mining volumes in a less remote location. A A$1/t increase in mining costs will reduce cashflows by almost A$200 million.

- **Restarting an old SXEW is fraught with risk:** It involves rebuilding leach pads, potential liner replacement, and uncertain recoveries on a mix of remnant ore with 0.44% copper and oxide ore at 0.9% copper.

- **Huge upfront capex:** If Nifty open pit is developed, A$67m of upfront capex is needed, and for the first six years the project only generates A$135-140 million cash flow.

3. **APAC believes the future for MLX is in the Renison Tin Mine (“Renison”)**

- **Renison is the core cashflow generating asset but is also underperforming:** In December 2019, MLX downgraded FY20 production by 13% and increased AISC by 8%. There has been an A$3m outflow from Renison assets in the last two quarterly reports.

- **Investment at Renison is important and MLX should not put further strain on its balance sheet by spending on Nifty:** APAC is supportive of the Area 5 development. Due to capex required to develop Area 5, Renison will not generate positive cash flow until FY23. Also, principal repayments are now required for the Citi debt facility, which creates a further drag on MLX’s finances.

- **Renison’s updated 10 year mine life provides a solid outlook:** With a strong board and management team, APAC believes it is possible that MLX could become a significant global tin producer and a potential consolidator of tin assets. MLX currently produces 3% of global mine tin production and is the only hard rock tin producer in a Tier 1 Jurisdiction.

- The International Tin Association forecasts a need for new mine supply in the medium term as demand remains on a path of steady upward growth, while production from existing mines decline.

- **Shareholders are being asked to again spend more funds at Nifty, adding further strain on MLX’s finances during a period where MLX should be prioritising investment in Renison.**

4. **APAC believes the appointment of new directors of MLX is required for the benefit of all MLX Shareholders**

The proposed new directors have extensive relevant experience in senior executive roles and a comprehensive understanding of the resources sector. Their appointment will substantially improve the in-house capabilities of MLX and put MLX in a stronger position to maximise its shareholders’ value going forward:

- **Mr. Grahame White:** Mr. White is a construction and mining executive with comprehensive experience in Australia and Asia. Mr White has held numerous executive management positions in the resources sector and recently served on the boards of Central West Rural, Forge Group Limited and the Queensland Resource Council.

- **Mr Peter Gunzburg:** Peter Gunzburg has over 20 years’ experience acting as a public company director, stockbroker and investor. Peter is executive chairman of BARD1 Life Sciences Limited and has previously been a director of Resolute Ltd, Australian Stock Exchange Ltd, Eyres Reed Ltd, CIBC World Markets Australia Ltd and Fleetwood Corporation Ltd.

- APAC would be supportive of the two new independent directors of MLX forming a committee to locate and appoint **additional independent directors of MLX** with relevant expertise to assist MLX in its reconstruction and ongoing operations. This committee would potentially engage third party recruitment firms to further establish the independence of this process.

APAC Strategic will continue to pursue the appointment of Mr. White and Mr. Gunzburg to the board of MLX and the removal of Mr. O'Connor, Mr. Lambert and Mr. Polglase as directors of MLX, unless Mr. O'Connor, Mr. Lambert and Mr. Polglase resign prior to the next general meeting.

By Order of the Board
APAC Resources Limited
Andrew Ferguson
Executive Director

Hong Kong, 24 June 2020

As at the date of this announcement, the directors of APAC are:

Executive Directors
Mr. Brett Robert Smith *(Deputy Chairman)* and Mr. Andrew Ferguson *(Chief Executive Officer)*

Non-Executive Directors
Mr. Arthur George Dew *(Chairman) (Mr. Wong Tai Chun, Mark as his alternate)*, Mr. Lee Seng Hui and Ms. Lam Lin Chu

Independent Non-Executive Directors
Dr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis and Mr. Wang Hongqian

* *For identification purpose only*