



## LETTER TO SHAREHOLDERS

The Board of Metals X Limited (“**Metals X**” or the “**Company**”) provides the following response to the recent letter from activist shareholder APAC Resources Strategic Holdings Ltd (“**APAC**”) to shareholders of Metals X.

As shareholders would be aware, APAC has lodged a 249D Notice with Metals X seeking to appoint its representative, Mr Brett Smith (APAC Executive Director and Deputy Chairman), to the Metals X Board and calling for the removal of two Metals X directors (see ASX announcement ‘Receipt of Shareholder Notices’ 3 September 2019).

**Your Board is concerned that APAC’s actions in this matter are consistent with our observation of their common modus operandi of achieving a position of effective control or significant influence over companies on an opportunistic basis through aggressive means. In support of this concern, your Board notes that APAC has launched board change campaigns through 249D Notices at 4 out of 5 of its current material investee companies (being investments with a shareholding of over 10%), including Metals X. APAC appears to have achieved arguably effective control or significant influence in 3 out of 4 (excluding Metals X), of its current material investee companies without paying a control premium to shareholders.**

In their letter to Metals X shareholders, APAC have made certain assertions which are addressed on a point by point basis on the following page. However, your Board makes the following general comments:

- ▶ The under-performance of the Nifty Copper Operations (“**Nifty**”) has been fully recognised and acknowledged by your Board;
- ▶ Changes were made to the Board and executive team in late 2018;
- ▶ Following those changes, a thorough review of the Nifty operation was undertaken resulting in the release of the Nifty Reset Plan in May 2019 which has been clearly articulated to shareholders;
- ▶ We are on the verge of delivering meaningful improvements at Nifty and the Board believes that APAC’s actions are opportunistic and extremely disruptive;
- ▶ The Company’s ongoing and growing success with its Renison Tin Operations joint venture provides demonstrated evidence of the ability of the Board and management team to turn a previously unprofitable and run-down mine into a world-class, high margin and long life asset; and
- ▶ One Metals X director the subject of APAC’s 249D notice has resigned and the Non-Executive Chairman has announced his intention to resign at the coming Annual General Meeting, and a Board refresh process has commenced with the aim of securing two new fully independent directors who are capable of bringing significant and relevant expertise to the Board to the benefit of all shareholders.

**Your Board are unanimous in their view that the candidate put forward by APAC Resources is not the appropriate addition to the Board and continue to recommend that shareholders vote AGAINST that resolution (being Resolution 6) at the upcoming Annual General Meeting.**

Your Board always welcomes shareholder feedback and will take action accordingly if such action is considered to be justified and in the best interests of all shareholders. In the current situation the Board does not believe that APAC’s actions are consistent with this position.

**Peter Newton**  
Chairman

**Damien Marantelli**  
Managing Director

FURTHER ENQUIRIES

**Damien Marantelli**

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**METALS X LIMITED**

Your Board provides specific responses to the claims made by APAC in their recent letter to Metals X shareholders as follows:

**1. APAC believes urgent changes to the Board are required to turn around the Nifty Copper Operation**

**The Metals X Board has previously acknowledged and taken responsibility for the underperformance at Nifty and decisive action was taken with changes made to the Board and executive team in late 2018. A thorough review of Nifty was subsequently undertaken resulting in the Nifty Reset Plan announced in May 2019; the plan is currently being implemented.**

In September 2019 director Mr Milan Jerkovic stepped down from the Board and Chairman Mr Peter Newton announced his intention to resign at the Annual General Meeting on 24 October 2019.

The Board announced on 2 September 2019 that it had embarked on a “board refresh” process to strengthen the Company and complement the existing leadership team. This process is nearing completion and the Company expects to be able to advise on the new Directors shortly.

**2. APAC claims their candidate Mr Brett Smith is capable of contributing to the turnaround of Nifty**

**Metals X has reviewed Mr Brett Smith’s credentials, including assessing Mr Smith against other potential candidates under the board refresh process, and has concluded that he does not have the specific operational experience that the Board desires.**

A detailed update on Mr Smith’s candidacy and the Board refresh process was made to the ASX on 4 October 2019.

The Board continues to recommend that shareholders vote against the appointment of Mr Brett Smith under Resolution 6 of the Notice of Annual General Meeting.

**3. APAC wants to conduct an independent review of Nifty**

**This review has already occurred and resulted in the Nifty Reset Plan which was announced in May 2019.**

The Nifty Reset Plan provided a clear roadmap to turn around the operation. The challenge has not been underplayed, with significant investment and effort required to unlock the inherent value in the substantial geological opportunity of the orebody.

The Company is only midway through Phase 1 of the Plan (achieving mining throughput rates of 2Mtpa in the March Quarter 2020) and the lead indicators (such as development rates, paste capacity and developed stocks) have been very encouraging. Regular announcements and updates on progress have been made to shareholders and the Company has reaffirmed several times that the Phase 1 production target remains on track.

The Board will continue to review performance at Nifty.

**4. APAC claims it is not seeking control of the Board**

**The Board’s observation is that APAC has a long history of achieving positions of substantial influence or effective control over companies on an opportunistic basis through aggressive means.**

In support of this concern, your Board notes that APAC has launched board change campaigns through 249D Notices at 4 out of 5 of its current material investee companies (being investments with a shareholding of over 10%), including Metals X. APAC has achieved arguably effective control or material influence in 3 out of 4 (excluding Metals X) of its current material investee companies without paying a control premium to shareholders.

**ENQUIRIES**

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