

## **METOREX LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1934/005478/06)

JSE code: MTX

ISIN: ZAE000022745

("Metorex" or "the Company" or "the Group")

### **DETAILS OF A US\$ 100 MILLION CAPITAL RAISING AND A US\$100 MILLION REVISED RUASHI MINING SPRL ("RUASHI" OR "RUASHI PROJECT") DEBT PACKAGE, INCLUDING DECLARATION DATA OF A RENOUNCEABLE CLAW BACK OFFER ("CLAW BACK OFFER") AND FURTHER CAUTIONARY ANNOUNCEMENT**

***CEO Terence Goodlace said "This capital raising will significantly strengthen the Metorex balance sheet and sets the scene for new project development and value creation. We are pleased to have secured upfront subscription commitments and undertakings in excess of 80% of our capital raising target amount. The significant support expressed by key shareholders for our recapitalisation and growth strategy, combined with the ability to substantially reduce and in the near term ring-fence Metorex's project finance debt at Ruashi, will allow Metorex to enter into this new phase. Our new focus will be on sustainable growth and expansion, whilst maintaining strict operational, financial and technical standards. Currently, our potential development projects include the Central African Copperbelt deposits at Musonoi (Dilala East), Kinsenda and Lubembe in the DRC and Metorex will apply a disciplined approach in taking these assets up the value curve."***

#### **1. INTRODUCTION**

Metorex herewith announces a US\$ 100 million (with a Rand equivalent of approximately R750 million) capital raising programme (the "Equity Raising") and the simultaneous implementation of a US\$ 100 million Ruashi revised debt package (the "Ruashi Revised Debt Package" or "RRDP") (collectively referring to the Equity Raising and the RRDP as the "Capital Restructuring Programme").

## 1.1 Equity Raising

The purpose of the Equity Raising is to raise sufficient equity capital to, *inter alia*:

- trigger the RRDP and allow Metorex to access the significant benefits arising from the RRDP, as set out more fully in paragraph 1.2 below;
- take Metorex's promising development projects (i.e. Musonoi/Dilala East, Kinsenda and Lubembe) up the value curve through, *inter alia*, further drilling and tightening the reserve/resource estimates for the completion of bankable feasibility studies;
- provide sufficient working capital to the Group to comfortably service holding costs in respect of its development projects (in particular, Kinsenda) whilst further work is being carried out;
- allow Metorex to dispose of or to put on care and maintenance the non-profitable and cash consuming Consolidated Murchison division, which is the only remaining non-core operation within the Metorex portfolio, following the Group's strategy of successfully disposing of non-core assets during calendar year 2009; and
- recapitalise the Metorex balance sheet appropriately, including creating sufficient treasury reserves, to allow Metorex to embark on a sustainable growth path and to de-risk the business and asset portfolio.

The application of the proceeds from the Equity Raising is tabled below, assuming that the Claw Back Offer is subscribed to the extent of US\$ 100 million:

<b>Application of funds</b>	<b>US\$ million</b>
Copper Resources Corporation ("CRC") (holding costs and bankable feasibility studies)	23
Dilala East (Bankable feasibility study)	4
Consolidated Murchison closure/care and maintenance	13
Reduction of Ruashi Debt	35
Group treasury	25
<b>Total</b>	<b>100</b>

## **1.2 Ruashi Revised Debt Package**

In order to trigger the RRDP, Metorex will apply US\$ 35 million from the Equity Raising to reduce the outstanding capital balance on the Ruashi project finance facility (“Ruashi Debt”) from the current US\$ 135 million to US\$ 100 million.

The Ruashi Debt balance was recently reduced from US\$ 185 million to US\$ 135 million following the application of US\$ 50 million from the proceeds of the disposal of Vergenoeg Mining Company (Pty) Limited, as announced on 23 September 2009 and 21 December 2009.

In addition to the upfront payment required to trigger the RRDP, Metorex has to raise a minimum of US\$ 60 million in the Equity Raising. Metorex has already met this requirement by securing subscription commitments and undertakings of approximately US\$ 80 million, as more fully set out in paragraph 7 below.

Metorex successfully negotiated the RRDP with the Ruashi Debt lenders and achieved the following key objectives:

### **1.2.1 Ringfencing of Ruashi Debt**

In terms of the RRDP, the Ruashi Debt will be ringfenced within the Ruashi legal entity upon the total outstanding balance of the Ruashi Debt reducing to below US\$ 85 million and provided Ruashi fulfils various economic performance requirements (“Non-recourse Event”).

Furthermore, Metorex will be allowed, without incurring early repayment penalties or costs, to unilaterally trigger the Non-recourse Event by reducing the outstanding capital balance of the Ruashi Debt to US\$ 85 million or below, at its sole discretion, should it so wish. Should Metorex not elect to do so, the next instalment, which will become due on 1 January 2011 in terms of the new

repayment schedule applicable to the RRDP (refer to paragraph 1.2.2 below), would trigger the Non-recourse Event.

Terence Goodlace commented *“It is a very important milestone for Metorex to be able to automatically convert the existing Ruashi Debt into a non-recourse facility, thereby allowing Metorex to progress other projects without these being exposed to a single existing project and, if appropriate, also allowing Metorex to introduce prudent debt levels on a project specific level, without exposing shareholder funds to any single project.”*

### 1.2.2 Introduction of a Debt Holiday

Upon triggering the RRDP, the existing debt repayment profile will be restructured and Metorex will be granted a debt repayment holiday during calendar year 2010 (“Debt Holiday”).

The only payments that could arise during the Debt Holiday period, would be:

- voluntary repayments/pre-payments, at Metorex’s sole discretion and without Metorex incurring any early repayment costs or penalties; or
- surplus cash repayments under the revised Cash Sweep arrangement (refer to paragraph 1.2.5 below).

Furthermore, the six-monthly instalments in terms of the remainder of the Ruashi Debt term will reduce, from the current level of approximately US\$ 25 million, to approximately US\$ 16 million each.

Terence Goodlace commented *“The Debt Holiday will allow a significant strengthening of the Metorex balance sheet during the next twelve months by allowing Metorex to focus on growth and expansion projects, where we hope to create substantial shareholder value. It will also allow Metorex to comfortably live out the balance of the unfavourable pricing on hedges incurred during 2008, which expire by June 2010. The reduced instalment profile also considerably de-risks the Ruashi project and the debt balance and repayment profile will now be at sustainable levels.”*

### 1.2.3 Introduction of Hedging Freedom

In terms of the RRDP, Metorex will be granted hedging freedom on Ruashi's future copper production and there will not be a lender's requirement to incur further hedges. Metorex shareholders ("Shareholders") are referred to the SENS announcement dated 17 December 2009 detailing the current hedging position of the Group.

### 1.2.4 Securing the Debt Tenure

The existing Ruashi Debt facility requires all early repayments to be applied in inverse order of maturity, thereby effectively reducing the tenure of the debt and negatively affecting Metorex's future gearing position, both at the Ruashi level and on a Group basis. This repayment profile also does not allow Metorex to manage its cash flows pro-actively and affects the Group's ability to, *inter alia*, obtain favourable hedges on copper production and plan any future dividend declarations.

In terms of the RRDP, all payments, including payments under the Cash Sweep (refer to paragraph 1.2.5 below), will be applied pro rata in order of maturity.

Terence Goodlace said "*Effectively for the first time, the Ruashi project finance term and debt tenure has now been secured, which allows Metorex to properly and proactively plan and on an ongoing basis, implement its ideal capital structure. Furthermore, whilst the punitive hedges implemented during December 2008 remain in place until June 2010, there will be no pressure on Metorex to make any debt repayments.*"

### 1.2.5 Introducing Cash Distribution and Application Freedom

In terms of the existing Ruashi Debt structure, surplus cash generated by Ruashi has effectively been locked into the project finance facility, both in terms of repayments and from a debt securitisation perspective. A cash sweep arrangement is also in place, which could result in up to 75% of Ruashi's free

cash being applied against Ruashi debt, in inverse order of maturity, with no management discretion and restricted distributions to Metorex (“Cash Sweep”).

In terms of the RRDP:

- the Cash Sweep will be limited to a fixed 25% of surplus cash generated by Ruashi;
- the Cash Sweep will automatically terminate when the Ruashi Debt level reaches US\$ 75 million;
- any repayments under the Cash Sweep will be applied in order of maturity, *pro rata* to the outstanding instalments over the term of the Ruashi Debt; and
- Metorex will have full discretion over the distribution and application of any surplus cash generated by Ruashi, even during the period whilst the 25% Cash Sweep operates.

Terence Goodlace said *“These significant changes will allow Metorex, and ultimately our shareholders, to have much earlier access to the upside of Ruashi, especially once we exit the 2008 hedges from 1 July 2010 onwards. Cash distribution freedom will also allow the Group to now progress other developments whilst maintaining a healthy ring-fenced gearing ratio at project level.”*

#### 1.2.6 Removing the requirement for a Debt Service Reserve Account

In terms of the existing Ruashi Debt facility, Ruashi is required to build up a US\$ 25 million debt service reserve account (“DSRA”) as exclusive security to the Ruashi lenders.

In terms of the RRDP, the DSRA requirement has been waived and will fall away immediately.

Terence Goodlace said *“This will effectively free up a further US\$ 25 million from the Group’s medium term cash flow profile and allow Metorex to apply surplus funds generated within the Group towards other developments or, at Metorex’s discretion, directly against debt.”*

#### 1.2.7 Ensuring No Remaining Breach Events

Upon triggering the RRDP, the Ruashi lenders will provide an umbrella waiver of existing breaches under the Ruashi Debt facility, subject to, *inter alia*, the implementation of the RRDP and the reduction of Ruashi Debt to below US\$ 100 million.

Terence Goodlace said *“It was very important to Metorex to obtain this comfort from our Ruashi lenders to allow shareholders to participate in the Capital Raising without fear of a breach that could adversely affect the application of funds arising from the Capital Raising.”*

## **2. BACKGROUND INFORMATION ON METOREX**

During 2008, Metorex was forced to revise its growth strategy to one of survival. The implementation and execution of this “survival” strategy has been successful in allowing the Company to survive the trying economic conditions of the past 18 months, but has also allowed the Group to redefine itself as a base metals mining company with a portfolio of operating and exploration assets in the Democratic Republic of the Congo (“DRC”) and Zambia.

During 2009 the Company restructured its management team resulting in the establishment of a core technical executive team and a newly constituted board of directors (“Board”) which was charged with assessing the Company’s financial and operational position and developing a strategy to maximise Shareholder value.

The subsequent operational initiatives, which were primarily focused on the development of Ruashi, have resulted in:

- the completion of a new Ruashi resources and reserve statement and resultant new mine plan;
- the establishment of pits 1 and 2 at Ruashi;
- Ruashi processing in excess of 300 000 tons of copper ore during the quarter ended December 2009;
- the recoveries at Ruashi nearing the projected design;
- logistical issues at Ruashi receiving urgent attention;
- projected production at Ruashi being 36 000 tons of copper per annum and between 4 000 to 5 000 tons of cobalt per annum; and
- the current costs per ton of copper at Ruashi being less than US\$2 800 (net of cobalt credits, excluding financing charges).

The capital spend at Ruashi for the 2009 financial year amounted to R752 million (US\$ 98 million) and Ruashi's SX/EW plant is now substantially complete. There were, and continue to be, bottlenecks and commissioning issues but these are being systematically addressed and solved through constraint management. Key capital items outstanding include the acid plant, the cobalt drying section and the crusher front-end with its associated coarse ore stockpile, which is to be commissioned.

In addition to the completion of the Ruashi Project the Group remains committed to the development of its other promising copper and cobalt assets held in the DRC. These being Kinsenda and Lubembe, which are held through CRC and a small percentage directly by Metorex, and Dilala East (also known as Musonoi), which forms part of Ruashi Holdings (Pty) Limited. During 2009, cash constraints delayed the exploration work needed at the CRC assets, namely the Kinsenda and Lubembe projects. These two projects are situated near Kasumbalesa on the DRC/Zambian border.

Lubembe may, subject to feasibility studies, be potentially amenable to efficient open-pit mining and low stripping ratio oxide open-pit operation.

A feasibility study continues to be advanced for the Dilala East (Musonoi) project in Kolwezi. This virgin deposit is of a similar style to the nearby Kamoto underground mine and is located approximately two kilometres north of the town of Kolwezi and is adjacent to the Katanga Mining Limited operations.

### **3. CONDITIONS PRECEDENT**

The RRDP remains subject to the fulfilment of, *inter alia*, the following terms and conditions:

- Metorex raising and receiving a minimum of US\$ 60 million in shareholders' equity by no later than 30 April 2010;
- approval by the Export Credit Insurance Corporation of South Africa;
- execution of all related facility and security amendment documentation; and
- a pre-payment to be made against Ruashi's term loan facilities so that the total outstanding balance on these facilities is less than US\$ 100 million by 30 April 2010.

### **4. THE CLAW BACK OFFER**

The Board, after consultation with its corporate advisors, has decided to raise the required capital through the performance of the Claw Back Offer. The Company requires US\$100 million (approximately R750 million) for the purposes described above, but in order to satisfy the appetite for the Company's shares at the proposed issue price and provide for any possible future exchange rate fluctuations, the Company has decided to set the total quantum of the Claw Back Offer to R900 million thereby allowing Shareholders the opportunity to increase their stake in the Company at the proposed issue price by applying for excess securities.

In terms of the Claw Back Offer, 250 000 000 new Metorex ordinary shares of 10 cents each ("Claw Back Shares") will be offered to Shareholders at a price of R3.60 per share ("Subscription Price"), which represents a 14% discount to the 30 day volume weighted average share price of Metorex ordinary shares as at 27 January 2010, in the ratio of 33.233 Claw Back Shares for every 100 Metorex ordinary shares held on Friday, 19 March 2010 ("Record Date").

The Claw Back Offer has been subscribed for to the extent of US\$ 80 million through a combination of commitments to the Claw Back Offer ("Subscriptions") and irrevocable undertakings by Shareholders to follow their rights in terms of the Claw Back Offer ("Irrevocables"). A liquidity fee of 1.5% will be paid to those Shareholders which provided Subscriptions ("Subscribers") and a 1% liquidity fee will be paid to those

Shareholders which provided Irrevocables (“Investors”).

The monies committed by the Subscribers in terms of the Claw Back Offer will be received by the Company before the commencement of the Claw Back Offer thereby guaranteeing that the RRDP comes into effect as in excess of US\$ 35 million is guaranteed to be received by Metorex.

The Claw Back Offer remains conditional, *inter alia*, upon:

- approval by the JSE Limited (“JSE”) of the listing of the Claw Back Shares and the Claw Back Offer circular incorporating revised listing particulars; and
- registration of the Claw Back Offer circular incorporating revised listing particulars with the Companies and Intellectual Property Registration Office (“CIPRO”).

## 5. THE SUBSCRIBERS

The Subscribers to the Claw Back Offer are detailed below:

<b>Institutional Commitments</b>	<b>ZAR</b>	<b>US\$</b>
Industrial Development Corporation of South Africa Limited 1	150,000,000	20,000,000
Polaris Capital Management, LLC 1	135,000,000	18,000,000
Minerales Y Productos Derivados S.A. 2	100,000,000	13,333,333
Coronation Asset Management (Pty) Limited 1	82,500,000	11,000,000
The Standard Bank of South Africa Limited 2	70,000,000	9,333,333
Old Mutual Investment Group South Africa 2	49,320,000	6,576,000
<b>Total</b>	<b>586,820,000</b>	<b>78,242,667</b>

1 US\$ Commitment converted to ZAR at ZAR7.50/US\$

2 ZAR Commitment converted to US\$ at ZAR7.50/US\$

The Subscribers have committed to subscribe for 167 172 223 Claw Back Shares at the Subscription Price. The Commitments are on the basis that Shareholders, recorded in the register as such on the Record Date, be afforded the opportunity to subscribe for the Claw Back Shares in terms of this announcement and the related circular to be posted to Shareholders detailing the terms and conditions of the Claw Back Offer.

The salient features of the subscription agreements to be entered into by the Subscribers (“Subscription Agreements”) are detailed below:

i. Liquidity fee

In consideration for the Subscribers agreeing to subscribe for the Claw Back Shares at the Subscription Price, Metorex shall pay to the Subscribers a liquidity fee equal to 1.5% (one and a half percent) of the total value subscribed for in terms of the Claw Back Offer.

ii. Suspensive conditions

The Subscription Agreements are conditional upon the fulfilment of, *inter alia*, the following suspensive conditions:

- the RRDP becoming unconditionally operative; and
- Metorex obtaining Subscriptions and Irrevocables to the cumulative value of no less than R375 million.

Further Subscriptions may be obtained from Subscribers until the opening of the Claw Back Offer, at the discretion of the Board.

## 6. THE INVESTORS

The Investors to the Claw Back Offer currently comprise Beankin Investments (Pty) Limited which has undertaken to follow its rights in terms of the Claw Back Offer to the extent of a minimum of US\$ 2 million (R15 million at R7.50/US\$ 1).

Further Irrevocables may be obtained from Investors until the opening of the Claw Back Offer, at the discretion of the Board.

## 7. SUMMARY OF ALL COMMITMENTS

The collective quantum of the commitments to the Claw Back Offer received by Metorex in the form of Subscriptions and Irrevocables from the Subscribers and Investors, respectively, is summarised in the table below:

<b>Institutional Commitments</b>	<b>ZAR</b>	<b>US\$</b>
Industrial Development Corporation of South Africa Limited <sup>1</sup>	150,000,000	20,000,000
Polaris Capital Management, LLC <sup>1</sup>	135,000,000	18,000,000
Minerales Y Productos Derivados S.A. <sup>2</sup>	100,000,000	13,333,333
Coronation Asset Management (Pty) Limited <sup>1</sup>	82,500,000	11,000,000
The Standard Bank of South Africa Limited <sup>2</sup>	70,000,000	9,333,333
Old Mutual Investment Group South Africa <sup>2</sup>	49,320,000	6,576,000
Beankin Investments (Pty) Limited <sup>1</sup>	15,000,000	2,000,000
<b>Total</b>	<b>601,820,000</b>	<b>80,242,667</b>

<sup>1</sup> US\$ Commitment converted to ZAR at ZAR7.50/US\$

<sup>2</sup> ZAR Commitment converted to US\$ at ZAR7.50/US\$

As illustrated above, Metorex has obtained firm commitments to receive a total of US\$ 80.2 million, thereby ensuring the fulfilment of a condition to the implementation of the RRDP.

## **8. PRO FORMA FINANCIAL EFFECTS OF THE CLAW BACK OFFER**

The *pro forma* financial effects of the Capital Restructuring are being prepared by the Board and are expected to be published on SENS and in the South African press on or about 1 February 2010.

Until such time as the *pro forma* financial effects of the Capital Restructuring have been published, Shareholders are referred to the further cautionary announcement in paragraph 13 of this announcement below.

## **9. SALIENT DATES AND TIMES OF THE CLAW BACK OFFER**

The salient dates and times of the Claw Back Offer are provided below:

**2010**

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Finalisation date announcement released on SENS and the London Stock Exchange ("LSE") on	Friday, 5 March
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Finalisation date announcement released in the South African press on	Monday, 8 March
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Last day to trade in Metorex shares in order to settle by the Record Date and to qualify to participate in the Claw Back Offer	
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(cum entitlement) on	Friday, 12 March
Listing of letters of allocation (“LA’s”) on the JSE commences at commencement of trading on	Monday, 15 March
Metorex shares commence trading ex-rights on the JSE at commencement of trading on	Monday, 15 March
Record Date for participation in the Claw Back Offer at the close of business on	Friday, 19 March
Claw Back Offer circular and form of instruction posted to Shareholders, where applicable, on	Tuesday, 23 March
Claw Back Offer opens at commencement of trading on	Tuesday, 23 March
Dematerialised Shareholders will have their accounts at their Central Securities Depository Participant (“CSDP”) or broker automatically credited with their entitlement on	Tuesday, 23 March
Certificated Shareholders on the register will have their entitlement credited to an account held with the transfer secretaries on	Tuesday, 23 March
Last day to trade in LA’s on the JSE on	Wednesday, 31 March
Listing of Claw Back Shares on the JSE commences at commencement of trading on	Thursday, 1 April
Claw Back Offer closes – payments to be made and form of instruction in respect of LA’s lodged by certificated Shareholders by 12:00 on	Friday, 9 April
Record Date for LA’s on	Friday, 9 April
Dematerialised Shareholders’ accounts will be updated with entitlements and debited by their CSDP or broker and certificates posted to certificated Shareholders on	Monday, 12 April
Results of Claw Back Offer announcement released on SENS and to the LSE on	Monday, 12 April
Results of Claw Back Offer announcement released in the South African press on	Tuesday, 13 April

**Notes:**

1. Dematerialised shareholders are required to notify their duly appointed CSDP or broker of their acceptance of the Claw Back Offer in the manner and time stipulated in the agreement governing the relationship between the Shareholder and his CSDP or broker.
2. All times indicated are South African times unless otherwise stated.
3. Share certificates may not be dematerialised or rematerialised between Monday, 15 March 2010 and Friday, 19 March 2010, both days inclusive.
4. The CSDP / broker accounts of dematerialised shareholders will be automatically credited with new Metorex shares to the extent to which they have accepted the Claw Back Offer. Metorex share certificates will be posted, by registered post at the Shareholders' risk, to certificated Shareholders in respect of the Claw Back Shares which have been accepted.
5. CSDPs or brokers effect payment in respect of dematerialised Shareholders on a delivery versus payment method.

**10. EXCESS APPLICATIONS**

Shareholders will be invited to apply for additional Claw Back Shares over and above their entitlement. Should there be excess Claw Back Shares available for allocation, these will be allocated to applicants in a manner viewed as equitable in terms of the Listings Requirements of the JSE.

The right to apply for excess Claw Back Shares is transferable upon renunciation.

**11. RESTRICTIONS**

The Claw Back Shares have not been and will not be registered for the purposes of the Claw Back Offer under the securities laws of the United Kingdom, Canada, United States of America or any other country outside South Africa and accordingly, except as stated below, are not being offered, sold, taken up, re-sold or delivered directly or indirectly to rights recipients with registered addresses outside South Africa. Therefore, the circular, incorporating revised listing particulars, detailing with details of the Claw Back Offer will be

sent to them for information purposes only. In this regard, the approval of the Registrar in terms of section 142(2) (a) of the Companies Act is being obtained. The rights attributable to such rights recipients will, if a premium can be obtained over the expenses of sale, be sold on the JSE, for the benefit of such rights recipients as soon as practicable. However, if the net proceeds of sale in relation to any such rights recipient are less than R5.00, they will be retained for the benefit of Metorex. No letters of allocation will be sent, therefore, to any rights recipient whose registered address is in the United Kingdom, Canada, the United States or any other country outside South Africa.

Should there be any variations to these restrictions before the finalisation of the Claw Back Offer, the details of such variation will be announced on SENS.

## **12. CIRCULARS**

A circular to Shareholders containing details of the Claw Back Offer and incorporating revised listing particulars will be posted to shareholders on or about Tuesday, 23 March 2010.

The Claw Back Offer is subject to the approval of the circular and letters of allocation by the JSE and CIPRO.

## **13. RENEWAL OF CAUTIONARY ANNOUNCEMENT**

Shareholders are referred to the further cautionary announcement released by the Company on 21 December 2009 and are advised that the *pro forma* financial effects pertaining to the Capital Restructuring will be published on or about Monday, 1 February 2010, until which publication Shareholders are advised to continue exercising caution when dealing in the Company's securities.

Johannesburg  
29 January 2010

**Corporate and Debt Advisor, Sole Bookrunner and Lead Sponsor**

One Capital

**Attorneys**

Cliffe Dekker Hofmeyr Incorporated

**Bankers to Metorex**

The Standard Bank of South Africa Limited

**Independent Sponsor**

Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited