



Metorex Limited

("The Group")

- Registration number 1934/005478/06 • Incorporated in the Republic of South Africa
- JSE code MTX ISIN ZAE000022745 • Issuer code MEMTX
- Listed on the JSE Limited and London Stock Exchange

Consolidated unaudited interim results for the period ended 31 December 2005

- Net earnings increased to R60,5 million from R6,7 million
- EBITDA increased to R136 million from R52 million
- Ruashi/Sable capital project 70% complete
- Profit contributions from all divisions
- Divisional expansion projects nearing completion

Consolidated income statement

	Six months 31 December 2005 (Unaudited) R000	Six months 31 December 2004 (Unaudited) R000
Mineral sales		
Copper	93 478	43 012
Coal	194 587	186 039
Fluorspar	66 950	48 729
Gold	195 623	179 610
Antimony	79 472	44 084
Other	—	788
Gross revenue	630 110	502 262
Realisation costs	54 623	38 129
On-mine revenue	575 487	464 133
Cost of production	456 876	415 746
Stock movement	1 806	(14 398)
Depreciation	33 357	24 444
Mining profit	83 448	38 341
Discontinued operations	(89)	(9 600)
Other income/(expenses)	19 495	(766)
Operating income before finance costs	102 854	27 975
Finance income	3 638	282
Finance costs	(4 308)	(8 039)
Income before taxation	102 184	20 218
Taxation – normal and STC	2 709	2 353
Taxation – deferred	24 067	8 087
Income after taxation	75 408	9 778
Income attributable to outside shareholders	14 909	3 060
Income attributable to ordinary shareholders	60 499	6 718
Earnings per share (cents)	21,21	3,58
Headline earnings per share (cents)	13,41	6,51
Diluted earnings per share (cents)	20,16	3,58
Diluted headline earnings per share (cents)	12,75	6,51
Dividend per share (cents)	—	—
Earnings per share and headline earnings per share are calculated using the following:		
Income attributable to ordinary shareholders	60 499	6 718
Profit on sale of assets, net of tax	(22 340)	(4 090)
Discontinued operations	89	9 600
Headline earnings (R000's)	38 248	12 228
Weighted average number of shares in issue (000's)	285 210	187 874

Consolidated balance sheet

	31 December 2005 (Unaudited) R000	30 June 2005 (Restated) R000
ASSETS		
Non-current assets		
Property, plant and equipment	695 404	568 727
Mineral rights	269 443	250 748
Goodwill	18 309	18 309
Investments	929	929
Rehabilitation trust fund	40 027	43 033
Deferred tax asset	2 862	16 170
	1 026 974	897 916
Current assets		
Inventories	49 034	47 691
Trade and other receivables	181 788	161 777
Derivative instruments	4 311	—
Taxation prepaid	4 962	4 985
Bank balances and cash	118 133	207 779
	358 228	422 232
Total assets	1 385 202	1 320 148
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital and premium	798 445	765 197
Hedging and translation reserve	(91 394)	(60 631)
Retained income	183 360	122 861
Share option equity	5 000	3 500
Equity reserve	(128 066)	(128 066)
	767 345	702 861
Minority interest	181 276	151 391
Non-current liabilities		
Long-term liabilities – interest bearing	42 982	48 953
Long-term provisions	76 225	72 645
Deferred tax liabilities	81 908	74 456
	201 115	196 054
Current liabilities		
Trade and other payables	136 718	162 577
Short-term borrowings – interest bearing	29 485	43 610
Short-term provisions	28 264	29 673
Derivative instruments	40 609	14 947
Bank overdraft	—	18 713
Taxation	390	322
	235 466	269 842
Total equity and liabilities	1 385 202	1 320 148
Net asset value per share (cents)	267	251
Net tangible asset value per share (cents)	260	245

Abridged consolidated cash flow statement

	Six months 31 December 2005 (Unaudited) R000	Six months 31 December 2004 (Unaudited) R000
Cash generated before working capital changes	115 371	53 669
Working capital changes	(41 682)	18 227
Cash generated by operations	73 689	71 896
Dividends paid	(2 567)	(1 500)
Taxation paid	(2 605)	(2 930)
Finance costs, net	(670)	(7 757)
Cash inflows from operating activities	67 847	59 709
Cash outflows from investing activities	(196 538)	(38 384)
Cash inflows/(outflows) from financing activities	57 836	(35 509)
Net decrease in cash and cash equivalents	(70 855)	(14 184)
Cash at beginning of year	189 066	(1 041)
Effect of foreign exchange rate changes	(78)	(102)
Cash at end of period	118 133	(15 327)

Abridged statement of changes in equity

	Six months 31 December 2005 (Unaudited) R000	Six months 31 December 2004 (Unaudited) R000
Shareholders equity at start of period	702 861	419 455
Ordinary shares issued	33 248	1 942
Hedging and translation reserve	(30 763)	(9 267)
Net income for the period	60 499	6 718
Share option equity	1 500	1 250
Total equity	767 345	420 098

COMMENTARY

SAFETY

The Group's safety record was marred by a fatal accident at O'okiep and Wakefield. Sincere condolences are extended to the families of the deceased.

The Group strives to conduct its activities with due regard to the safety and health of its employees and regrets the loss of life on its operations.

Financial results and cash flow

All of the divisions contributed to the Group's earnings during the period, with the largest contributors to the revenue account being coal and gold. Notable revenue increases were derived from Chibuluma copper sales and antimony sales from Consolidated Murchison.

The revenue from mineral sales increased by 26% to R630,1 million from the comparable period as a result of a combination of an increase in production and sales volumes and improved commodity prices. The main volume increases occurred in the copper, fluorspar and antimony sales and price improvements were experienced in all of the commodities. The most significant commodity price increases were experienced in copper (+43%) and antimony (+26%).

The increase of 10% in Group cash costs of production is largely due to increased volumes of production from all the divisions other than the coal division which experienced a 9% increase in costs due to higher stripping ratios and fuel price increases. Cash profit margins improved from 14% to 20% during the period and the profit from mining operations increased by 118% to R83,5 million. The coal group increased its empowerment shareholding from 9,5% to 26% with the introduction of R44 million in cash, which resulted in a non-mining income of R20 million. The taxation charge was largely deferred taxation.

The Group generated R115,4 million of cash before working capital changes, R196,5 million was spent on capital projects, mainly Ruashi and Sable and ended the period with cash balances of R118,1 million.

Earnings per share increased from 3,58 cents to 21,21 cents and headline earnings per share from 6,51 cents to 13,41 cents during the period.

Operating performance

STATEMENT OF FINANCIAL PERFORMANCE AND RELATED STATISTICS FOR THE SIX MONTHS ENDED 31 DECEMBER

Financial performance	2005	2004	2003	2002	
Gross revenue	(R'000)	630 110	502 262	525 596	487 003
EBITDA	(R'000)	136 300	62 019	32 565	73 163
•Cash mining profit margin	(%)	20	14	7	19
*EPS	(cents)	21,21	3,58	(12,36)	20,68
*HEPS	(cents)	13,41	6,51	(3,49)	22,00
Market capitalization	(R'000)	2 071 166	498 460	411 295	430 959
Shares in issue	('000)	287 662	188 098	175 019	139 019
Share price	(cents)	720	265	235	310
ZAR/US\$ rate – Average	(R/\$)	6,53	6,24	7,10	10,06
ZAR/US\$ rate – Closing	(R/\$)	6,31	5,67	6,58	8,53

DENOTES

- Cash mining profit percentage of net on-mine revenue.
- *Restated

OPERATIONAL PERFORMANCE FOR THE SIX MONTHS ENDED 31 DECEMBER

Copper

Chibuluma South		2005	2004	2003	2002
Tons milled	(t)	156	127	—	—
Headgrade	(%)	2,8	—	—	—
Overall recovery	(%)	79	—	—	—
Copper produced	(t)	3 380	—	—	—
Copper sold	(t)	3 462	—	—	—
Price	(\$/t)	4 135	—	—	—
Cash cost/ton sold	(\$/t)	2 512	—	—	—
*Cash mining profit margin	(%)	36	—	—	—

The Chibuluma production levels increased during the period by 59% and will continue to increase to design capacity of 15 000 tons of copper per year during the forthcoming six months, notwithstanding the fact that a barren area within the orebody has been experienced in the upper levels of the orebody.

The Chibuluma South mine and concentrator are operating efficiently and production levels are increasing with design capacity expected to be reached before the end of the financial year.

The decline shaft development has been accelerated in order that larger stopes are available for stoping and to compensate for losses in the upper areas due to the barren area. The equipment is in good order and management is focused on increasing production levels. The present copper price has assisted with the cash flows and cash generation now exceeds the capital development costs.

Coal

Wakefield		2005	2004	2003	2002
ROM production (excl. Eskom)	(t)	2 006 735	2 032 547	1 269 568	1 219 612
Yield	(%)	56	58	57	57
Produced	(t)	1 133 388	1 178 877	723 654	695 179
Sold (excl. Eskom)	(t)	1 143 910	1 136 029	737 644	742 931
Sold – Eskom	(t)	377 199	722 060	—	—
Price (excl. Eskom)	(R/t)	162	147	130	123
Cash cost/tonne sold (excl. Eskom)	(R/t)	139	119	116	99
*Cash mining profit margin	(%)	15	25	5	18

Coal sales were largely in line with the comparable period with the exception of Eskom coal sales. These sales were affected by an illegal strike during July, which hampered production at two of the collieries. This situation has been resolved. The Middelburg Townlands Colliery expansion is complete, which increases the monthly run-of-mine coal production by approximately 60%. Coal prices and demand for low phosphorus coal have been affected by the softening of ferro-chrome and stainless steel prices and the strong rand.

The new plant at Wakefield has been commissioned to produce export quality coal and increase the monthly production levels from 70 000 tons of saleable coal to 110 000 tons per month.

Application has been made for an export entitlement through the Richards Bay Coal Terminal. Should this application be successful, a dedicated rail siding will be required to be constructed on the mine site.

Fluorspar

Vergenoeg		2005	2004	2003	2002
Tons milled	(t)	229 023	213 118	227 750	221 871
CaF ₂ grade	(%)	44	42	41	37
CaF ₂ recovery	(%)	73	71	68	62
Acidspar produced	(dmt)	66 240	64 034	63 032	51 930
Acidspar sold	(dmt)	68 610	50 905	64 825	51 096
Price (Acidspar)	(R/dmt)	927	842	767	976
Cash cost/ton sold	(R/t)	430	413	445	471
*Cash mining profit margin	(%)	33	33	8	37

The fluorspar production and sales volumes for all grades increased by 19% and 28% respectively and the plant expansion is nearing completion. Sales volumes are expected to be approximately 180 000 tons during the 2006 calendar year, which is an increase of approximately 20% on the previous year. Fluorspar prices have continued to strengthen.

Vergenoeg has improved the quality of the fluorspar produced, which has resulted in increased demand for the product. To meet this demand the plant has expanded its throughput.

Gold

Barberton		2005	2004	2003	2002
Tons milled	(t)	157 452	161 980	169 067	—
Headgrade	(g/t)	11,44	10,27	10,96	—
Overall recovery	(%)	92	91	92	—
Produced	(kg)	1 660	1 510	1 701	—
Sold	(kg)	1 648	1 561	1 747	—
Price: Spot	(R/kg)	96 772	83 322	86 172	—
Hedge	(R/kg)	90 133	100 423	100 957	—
Cash cost/kg sold	(R/kg)	80 769	86 765	73 665	—
*Cash mining profit margin	(%)	16	8	26	—

Gold production from Barberton Mines has increased by 10% from the comparable period as a result of improved grades.

The underground development programme and machinery upgrades should assist with increasing production tonnage and replacing mined ore reserves.

Antimony

Consolidated Murchison		2005	2004	2003	2002
Tons milled	(t)	225 733	223 129	247 729	278 280
Produced: Sb	(mtu)	341 289	245 543	271 124	249 637
Au	(kg)	372	379	366	463
Sold: Sb	(mtu)	326 041	239 429	263 049	286 840
Au	(kg)	370	381	360	457
Price: Sb	(\$/mtu)	37,30	29,70	22,30	17,00
Au	(\$/oz)	464	412	359	318
Cash cost/mtu sold•	(R/mtu)	116	154	260	86
*Cash mining profit margin	(%)	24	(8)	(21)	24

• Net of gold revenue

Antimony production and sales volumes have increased by approximately 38% as a result of improved grades.

The antimony price has increased by 26% in dollar terms and 32% in rand terms from the previous period.

Improved grades and improved commodity prices have resulted in a return to profitability and the application of cash flows to shaft deepening at Monarch Shaft and increased underground development at Beta Shaft.

RUASHI/SABLE PROJECT

The capital development programme at the Ruashi mine site in the DRC is progressing well and the concentrator is approximately 70% complete and is expected to be in production before the end of the financial year. The project has been established with the assistance of GRD MinProc, Group 5 and various local contractors. Gecamines and the local authorities and community have been supportive and various social projects have been implemented.

Progress has been made on the preparation of a Bankable Feasibility Study on Phase II of the Ruashi project with a confirmatory drilling programme having been completed, metallurgical sampling collected for testwork and geophysical and hydrogeology having been evaluated.

A financial lead arranger and project advisors are being short-listed for appointment to assist with the metallurgical flow sheets, environmental impact assessments, social plans and financing arrangements. Ruashi Mining sprl has also been awarded prospecting rights to additional ore resources/exploration targets, which will require an exploration programme to commence during the current calendar year.

The processing complex at Kabwe in Zambia is also progressing well with ore leaching having already commenced. The electrowinning circuit requires certain piping and power supply for commissioning and the acid and solvent extraction plants will be operational during the latter part of 2006. This plant will be commissioned and available for processing of the Ruashi concentrate by April 2006.

Tenders for transport contractors to move the concentrate from Lubumbashi to Kabwe have been submitted and marketing contracts are being finalised.

FUTURE PROSPECTS

Assuming sustained strength in the ZAR/US\$ exchange rate and with expansions in three of the four divisions and the pending introduction of earnings from Ruashi, the Group is envisaging a period of sustained earnings growth and the opportunities that this will bring from an organic and acquisitive growth perspective.

CAPITAL EXPENDITURE AND COMMITMENTS

Group capital expenditure totalled R199 million (2004: R36 million), which was mainly related to the Ruashi/Sable projects, Chibuluma South production ramp-up, the Middelburg Townlands expansion project and Vergenoeg plant expansions.

Contracted capital commitments at 31 December 2005 amount to R73,5 million (2004: R11,9 million), whilst uncontracted commitments amount to R141,2 million (2004: R33,6 million).

Operating lease commitments, which fall due within the next year, amount to R13,5 million (2004: R4,3 million), whilst commitments of R16,3 million (2004: R10,8 million) fall due during the next four years.

Shares issued

- (1) 31 August 2005: 3,3 million shares at R4,41/share; 18 October 2005: 2,9 million shares at R5,05/share – To increase the Metorex Limited shareholding in Ruashi Holdings to 84%.
- (2) July 2005 – Dec 2005: 1,53 million shares at an average of R3,05/share – Share Option implementations.

Accounting policies

The unaudited consolidated interim results have been prepared in accordance with International Financial Reporting Standards applicable to Interim Financial Reporting. The accounting policies are consistent with those adopted in the financial year ended 30 June 2005, except for the application of IFRS2: Share-based payments and the adoption of the Revised International Accounting Standards forthcoming from the IAS improvements project and new IFRS issued by the International Accounting Standards Board.

Implications of adopting IFRS2: Share-based payments

IFRS2, share-based payments becomes effective for Metorex Limited for the financial year ending 30 June 2006. In terms of IFRS, Metorex Limited now recognises the cost of share options (share-based payments) from 1 July 2005. IFRS2 required that all options granted after 7 November 2002, not vested by 1 July 2005, be accounted for.

Metorex has adopted an appropriate valuation model to fair value the employee share options. The value of the share options has been determined as of the grant date of the options and has been expensed on a straight-line basis over the expected exercise period. Based on this model, the following costs for the financial years ending after 7 November 2002 and with share option grants qualifying for IFRS2 have been accounted for:

2004	: R1 million	(against opening retained earnings)
2005	: R2,5 million	(against opening retained earnings)
2006	: R1,5 million	(current year – interim reporting only)

The corresponding entry for the above adjustments was shareholders' equity within the share-based payment reserve.

The effect on opening shareholders' equity is nil. The 31 December 2004 half year earnings of R7 968 million have been restated to R6 718 million, the difference being the share-based costs for that year. These costs are included in other expenses. Earnings per share, headline earnings per share and diluted earnings per share have also been restated.

DIVIDEND

With the funding requirements on new project developments and current expansions in three of the four divisions, no dividend is declared for the six months ended 31 December 2005.

By order of the board

A S Malone

Chairman

17 February 2006

C D S Needham

Managing Director

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