

METOREX L I M I T E D

(Incorporated in the Republic of South Africa)
(Registration number 1934/005478/06)
Share code: MTX
ISIN: ZAE000022745
Issuer code: MEMTX
(**"Metorex"** or **"Company"**)

UPDATE REGARDING VALE OFFER AND JINCHUAN OFFER

1. INTRODUCTION

Metorex shareholders (**"Shareholders"**) are referred to the joint announcement of a firm intention by Jinchuan Group Limited (**"Jinchuan"**) to make a cash offer to acquire the entire issued and to be issued share capital of Metorex (**"Jinchuan Offer"**), published on the Securities Exchange News Service of the JSE Limited (**"SENS"**) on 5 July 2011 and in the press on 6 July 2011 (**"Jinchuan Firm Intention Announcement"**), which included details of the opportunity afforded to Vale S.A. (**"Vale"**) to amend its offer to acquire the issued and to be issued share capital of the Company (**"Vale Offer"**) by matching or bettering the terms of the Jinchuan Offer (such offer if made, an **"Amended Vale Offer"**).

Shareholders are further referred to the announcement published on SENS on 11 July 2011 notifying Shareholders of Vale's intention not to submit an Amended Vale Offer and are advised that Vale has agreed to the termination of the implementation agreement entered into between Vale and the Company dated 8 April 2011 (**"Vale Implementation Agreement"**), subject to receipt by Vale of the break fee provided for in the Vale Implementation Agreement, being an amount of R75,240,000 (**"Vale Break Fee"**).

The board of directors of Metorex (**"Board"**) and the independent board of Metorex (**"Independent Board"**) constituted in terms of the Companies Regulations, 2011, promulgated under the Companies Act, No 71 of 2008, as amended (**"Companies Act"**) met separately on Tuesday, 12 July 2011 to consider the:

- termination of the Vale Implementation Agreement and payment of the Vale Break Fee;
- withdrawal of their respective recommendations to Shareholders in respect of the Vale Offer detailed in the circular to Shareholders posted on 17 June 2011 (**"Vale Offer Circular"**);
- terms of the implementation agreement proposed by Jinchuan in relation to the Jinchuan Offer (**"Jinchuan Implementation Agreement"**); and
- recommendation of the Jinchuan Offer by the Board and the Independent Board.

2. ADVICE OF THE INDEPENDENT EXPERT

The Company has retained KPMG Services (Proprietary) Limited (**"KPMG"**) as independent expert (**"Independent Expert"**), as required under section 114(2) and (3) of the Companies Act to report on the Jinchuan Offer.

KPMG has furnished a preliminary opinion as at 12 July 2011 (**"Preliminary Opinion"**) to the Independent Board that it considers the Jinchuan Offer to be fair and reasonable to Shareholders and that the separate offer to the holders of options to acquire Metorex shares (**"Option Holders"**) is comparable to the offer to be made to Shareholders. The Preliminary Opinion, which may be subject to change, is based on information available to KPMG up to and including 1 July 2011 and is subject to the limitations and conditions to be set out in the formal opinion to be contained in the circular to Shareholders in relation to the Jinchuan Offer (**"Jinchuan Offer Circular"**).

3. PAYMENT OF VALE BREAK FEE, TERMINATION OF THE VALE IMPLEMENTATION AGREEMENT AND WITHDRAWAL OF THE RECOMMENDATION OF THE VALE OFFER

Following the decision by each of the Board and the Independent Board, taking into account the Preliminary Opinion, that the Company terminate the Vale Implementation Agreement by agreement with Vale and that the Vale Break Fee be paid, the Vale Implementation Agreement has been terminated. Accordingly, the Independent Board and each non-independent member of the Board has withdrawn its recommendation of the Vale Offer, including the recommendation that Shareholders vote in favour of the Vale Scheme (as defined below), as detailed in the Vale Offer Circular.

4. JINCHUAN IMPLEMENTATION AGREEMENT AND RECOMMENDATION

Following the termination of the Vale Implementation Agreement, Metorex has entered into the Jinchuan Implementation Agreement. The Jinchuan Implementation Agreement contains provisions relating to the implementation of the Jinchuan Offer, certain undertakings of Metorex including terms regarding the conduct of business of Metorex during the period between 5 July 2011 and the date of implementation of the Jinchuan Offer, the payment of break fees and the manner in which third party approaches will be dealt with by Metorex. Further details of the said provisions regarding third party approaches and break fees are set out in paragraphs 5 and 6 of this announcement respectively.

Jinchuan has proposed that the Board implement the Jinchuan Offer by way of a scheme of arrangement ("**Jinchuan Scheme**"), which will be implemented in terms of section 114 of the Companies Act, and by way of a separate offer to the Option Holders.

Based on the facts and circumstances in existence as at 12 July 2011 and the Preliminary Opinion, each of the Board and the Independent Board has decided to recommend to Shareholders that they vote in favour of the resolutions to be proposed at the general meeting of Shareholders to be convened to consider and, if deemed fit, approve the Jinchuan Scheme.

The substance of the external advice and the views of the Board and Independent Board will be detailed in the Jinchuan Offer Circular in compliance with the Companies Act.

5. THIRD PARTY APPROACHES

Metorex has agreed that it will not (and will procure that no subsidiary of Metorex or representative of Metorex or any of its subsidiaries will) directly or indirectly:

- 5.1. solicit or initiate any expression of interest, enquiry, proposal or offer from any person in respect of any alternative offer or proposal which might reasonably be considered to be likely to preclude the Jinchuan Offer or its implementation (an "**Alternative Proposal**");
- 5.2. participate in any discussions or negotiations relating to any Alternative Proposal unless such Alternative Proposal is more favourable to Shareholders as determined by the Board acting in good faith (a "**Superior Proposal**"); or
- 5.3. agree to, approve or recommend an Alternative Proposal or enter into any agreement related to an Alternative Proposal, unless it constitutes a Superior Proposal,

save that the Board will not be precluded from furnishing non-public information to and/or entering into a confidentiality agreement and/or discussions with any person in relation to an Alternative Proposal, if i) the Board (or any properly constituted sub-committee of the Board) concludes in good faith that such action is required to ensure compliance with their directors' fiduciary duties and ii) Metorex has given Jinchuan advance written notice of the name of the party or parties proposing the Alternative Proposal. Metorex will provide Jinchuan with any non-public information provided to a third party in connection with an Alternative Proposal which has not already been provided to Jinchuan.

Should an Alternative Proposal constitute a Superior Proposal, then, prior to the Board approving or recommending and/or entering into an agreement in respect of the Superior Proposal, Metorex shall provide Jinchuan with a copy of the document in which the Superior Proposal is made and afford Jinchuan five business days to amend the Jinchuan Offer on financial and/or other terms more favourable than those contained in the Superior Proposal.

6. JINCHUAN BREAK FEE

In terms of the Jinchuan Implementation Agreement, Jinchuan has undertaken to pay Metorex a break fee ("**Jinchuan Break Fee**") (the following being a description of the detailed terms set out in the Jinchuan Implementation Agreement, which will take precedence over what is set out in this announcement regarding the Jinchuan Break Fee):

- 6.1. in the amount of R182,000,000, if the Jinchuan Scheme fails as a result of the failure to obtain the consent of any of the following for the Jinchuan Scheme, provided that the Jinchuan Offer has not already lapsed as a result of a failure of any other condition:
 - 6.1.1. the National Development and Reform Commission of the People's Republic of China;
 - 6.1.2. the State owned Assets Supervision and Administration Commission of the People's Republic of China;
 - 6.1.3. the Ministry of Commerce of the People's Republic of China ("**MOFCOM**") (including MOFCOM approval of the Jinchuan Scheme under the competition laws of the People's Republic of China); or
 - 6.1.4. the State Administration of Foreign Exchange of the People's Republic of China;
or
- 6.2. in the amount of R75,240,000, if the Jinchuan Scheme fails as a result of the failure to obtain the consent of any of the following for the Jinchuan Scheme, provided that the Jinchuan Scheme has not already lapsed as a result of the failure of any other condition:
 - 6.2.1. the Zambian Competition and Consumer Protection Commission;
 - 6.2.2. the Zambian Securities Exchange Commission and the Zambian Ministry of Finance; or
 - 6.2.3. joint venture partners holding certain rights that may be triggered by the implementation of the Jinchuan Offer.

The Jinchuan Break Fee will not be payable if, as at the date that any of the above consents are finally refused or as at the Long Stop Date (as defined in the Jinchuan Firm Intention Announcement), as the case may be, Metorex has entered into any agreement to give effect to, and the Board has approved or recommended, any Alternative Proposal, or if the failure to have obtained the consent which gave rise to the payment of the Jinchuan Break Fee has been caused by Metorex's failure to comply with any obligation imposed on it in breach of the Jinchuan Implementation Agreement.

Jinchuan has furnished an irrevocable and unconditional bank guarantee in favour of Metorex from the Bank of China Limited, Johannesburg branch, as security for the payment of the Jinchuan Break Fee.

7. METOREX BREAK FEE

In terms of the Jinchuan Implementation Agreement, Metorex has undertaken to pay Jinchuan a break fee of R91,000,000 ("**Metorex Break Fee**") if any of the following events or circumstances occur:

- 7.1. the majority of the Independent Board, after having recommended the Jinchuan Offer, withdraws or modifies or qualifies their recommendation of the Jinchuan Offer;
- 7.2. Metorex or the Board formally approves or recommends and/or enters into an agreement to effect a Superior Proposal;
- 7.3. an Alternative Proposal is announced and the transaction contemplated in that Alternative Proposal is completed; or
- 7.4. Metorex fails to implement the Jinchuan Scheme by refusing or failing to take the necessary procedural steps to attempt to implement the Jinchuan Scheme pursuant to the Companies Act, unless such refusal or failure is as a result of a Superior Proposal having been proposed.

8. VALE SCHEME MEETING

The Vale Offer Circular sets out details of the Vale scheme meeting convened for 10h00 on Friday, 22 July 2011 ("**Vale Scheme Meeting**") to consider and if deemed fit, approve the implementation of the Vale Offer by way of a scheme of arrangement ("**Vale Scheme**").

Shareholders are advised that the Vale Scheme Meeting shall take place as detailed in the Vale Offer Circular. Shareholders are further advised that it is a condition precedent to the completion of the Jinchuan Offer that the Vale Scheme is put to the vote at the Vale Scheme Meeting and is not adopted as a result of a failure to procure the required majority.

Metorex has received irrevocable undertakings totalling 26.43% of the issued share capital of Metorex to vote against the resolutions contained in the notice attached to the Vale Offer Circular. This percentage is sufficient to constitute a quorum for the Vale Scheme Meeting and constitutes the required percentage of the voting rights to cause the said resolutions to fail to be adopted.

9. JINCHUAN OFFER CIRCULAR

Further details of the Jinchuan Scheme will be included in the Jinchuan Offer Circular including, *inter alia*, a notice of the general meeting of Shareholders, a form of proxy and a form of surrender and transfer. The Jinchuan Offer Circular is expected to be posted to Shareholders during early August 2011.

10. RESPONSIBILITY STATEMENT

The Independent Board accepts full responsibility for the information contained in this announcement. To the best of their knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the import of the information contained herein.

Johannesburg
14 July 2011

Lead financial advisor and investment bank to Metorex: Standard Bank
Joint financial advisor and transaction sponsor to Metorex: One Capital
Legal advisor to Metorex: Cliffe Dekker Hofmeyr
Independent expert to Metorex: KPMG
Investor relations advisor to Metorex: College Hill