

Corporate governance

INTRODUCTION

Our vision at Metorex is to grow our mining activities in southern Africa by acquiring, developing and managing a portfolio of quality long-life mineral resource projects.

Our management philosophy is that of centralised strategic logic, combined with a strong decentralised profit centre concept at operational level, which gives management at our mines the confidence and flexibility to conduct their operations efficiently. The elements that contribute to the success of Metorex include a natural caution, operational leanness, controlled overheads, rigid cost control, strong accountability, efficient capital expenditure, utilisation of specialist consultants, and the quality of the orebody. Best business practice in respect of corporate governance and internal controls throughout the Group were adhered to and specifically with regard to:

COMPLIANCE WITH THE KING II REPORT ON CORPORATE GOVERNANCE

The Metorex Group endorses the code of corporate governance as set out in the King II Report as well as in the Listings Requirements of the JSE. In the opinion of the directors, the Group has complied in all material aspects with the code of King II and the JSE throughout the current financial year.

In supporting the code, the Board reviews and enhances the Group's systems of internal control and governance on a continual basis to ensure that its business is managed ethically and in conformity with accepted standards of best practice. The directors of Metorex are committed to the principles of fairness, accountability, responsibility and transparency in all their dealings with our stakeholders.

CODE OF ETHICS

The Group's code of ethics requires all employees within the Group to act with the utmost good faith and integrity in all transactions and with all stakeholders with whom they interact. It commits Metorex and its employees to sound business practices and compliance with legislation.

Metorex is committed to operating in accordance with the highest standards of professional and business ethics by maintaining a Board of directors and management as well as the development of a community of employees with the highest ethical levels.

The Company has developed a code of ethics which complies with sound corporate governance principles, and has the full support of the Board of directors and senior management. The Company has also established a method for reporting fraud which is well communicated to all staff and management. Further insight regarding the Company's code of ethics can be obtained via our website: www.metorexgroup.com.

Amongst the principles to which the directors, management and employees dedicate themselves are:

- compliance with legislative and regulatory provisions;
- the protection of human life by following sound safety, health and environmental practices;
- treating all employees and stakeholders with respect;
- not discriminating against any person;
- providing employees with equality of opportunity, based on merit;
- ensuring that the quality of life of stakeholders is maintained by seeking to improve, rather than adversely affect, the environment;
- upholding the integrity of all stakeholders;
- respecting the cultural background of stakeholders;
- avoiding all potential conflicts of interest by being transparent in the declaration of all interests;
- only using Company resources for the benefit of the Company and its shareholders; and
- providing all employees with the opportunity to grow and advance.

THE BOARD

The Board of directors sets overall Group policy, which provides input and makes decisions on matters of strategic importance. The roles of the Chairman and Chief Executive Officer are separated to ensure that no one person has unfettered powers.

The main responsibilities of the Board are to:

- determine the Company's purpose and values;
- determine the strategy to achieve its purpose;
- exercise leadership, enterprise, integrity and judgement in directing the Company so as to achieve continuing prosperity for its shareholders;
- ensure that procedures and practices are in place that protect the Company's assets and reputation;
- monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans;
- ensure that the Company complies with all the relevant laws, regulations and codes of best business practice;
- ensure that technology and systems used in the Company are adequate to run the business properly and for it to compete through the efficient use of its assets, processes and human resources;
- identify key risk areas and key performance indicators of the business in order for the Company to generate economic profit, so as to enhance shareholders' value in the long term;
- regularly assess its performance and effectiveness as a whole; and that of individual directors, including the CEO; and
- ensure that the Company has developed a succession plan for its executive directors and senior management.

The Board of directors meets quarterly and is responsible for preparing financial statements, monitoring executive management and exercising control over Group activities.

ANNUAL FINANCIAL STATEMENTS

In accordance with the requirements of the Companies Act, 1973, the directors are responsible for the preparation of annual financial statements, which fairly present the state of affairs of the Company and the Group and that the accounting policies, supported by reasonable and prudent judgements and estimates, have been applied consistently. The directors are further responsible for ensuring that applicable accounting standards have been adhered to. The external auditors are responsible for carrying out an independent examination of the financial statements and reporting their findings thereon in accordance with statements of International Standards on Auditing.

ACCOUNTABILITY AND CONTROL

The Board of directors recognises its responsibilities to retain full and effective control over the Group, review strategy, plan operational and financial performance, consider acquisitions, disposals and major capital expenditures, manage stakeholder communications and other material matters reserved for its decisions. There is also a provision in the Group's articles of association for decisions to be taken between meetings by way of directors' written resolutions.

The directors set standards and management implements systems of internal control to meet their responsibilities aimed at reducing the risk of error, fraud or loss in a cost-effective manner. This includes the proper delegation of responsibilities within a defined framework, accounting procedures and adequate segregation of duties. These controls are monitored throughout the Group, and all employees are required to maintain the highest ethical standards to ensure that business practices are conducted in a beyond-reproach manner under reasonable circumstances.

The directors are of the opinion, based on information obtained from management as well as internal and external auditors, that the internal accounting controls are adequate, and the financial records may be relied on for the preparation of the financial statements as presented.

Board composition

Mr Robert Still	– Non-Executive Chairman
Mr Terence Goodlace	– Chief Executive Officer
Mr Alberto Barrenechea	– Non-Executive Director
Mr Pierre Chevalier	– Non-Executive Director
Mr John Hopwood	– Independent Non-Executive Director – Appointed November 2009
Mr Nkuli Kgositsile	– Independent Non-Executive Director
Mr Victor Mabuza	– Independent Non-Executive Director
Mr Les Paton	– Independent Non-Executive Director
Mr Maritz Smith	– Chief Financial Officer

Corporate governance continued

ROTATION AND SELECTION PROCESS OF DIRECTORS

The retirement of directors follows a staggered process, with one-third of the directors retiring at each annual general meeting, and no director serving for more than three years without being re-elected by the members in general meeting. Retiring directors are free to make themselves available for re-election and may, as such, be re-elected at the annual general meeting at which they retire. All new directors appointed during the year are also subject to the approval of the shareholders. A summarised curriculum vitae of each retiring director is circulated to shareholders with the notice of annual general meeting, in terms of the Company's articles of association.

The Company in general meeting may also from time to time increase or reduce the number of directors and may also determine in what rotation such increased or reduced number is to go out of office.

Non-Executive directors are individuals of calibre and credibility, and have the necessary skill and experience to bring judgement to bear, independent of management, on issues of strategy, performance, resources, transformation and diversity and they also maintain the balance of power between shareholders and management. Non-Executive directors do not receive any remuneration from the Company for their services as directors other than the fees as reflected in the annual financial statements (refer to note 29 of the financial statements).

All Non-Executive directors receive remuneration in the form of share options in line with the Company's previous remuneration policies (refer to note 29 of the annual financial statements).

Executive directors

Executive directors are directors that are involved in the day-to-day management and running of the business and are in full-time salaried employment of the Company.

Non-Executive directors

Non-Executive directors are directors that are not involved in the day-to-day management of the business and are not full-time salaried employees of the Company and/or any of its subsidiaries.

Board committees

In order to aid and assist the Board and its directors in discharging their duties and responsibilities, specific responsibilities have been allocated to four committees, namely: the Audit Committee, the Remuneration Committee, Nomination Committee and the SHEC Committee.

All the Board committees are chaired by a Non-Executive director and these committees are free to seek independent, professional advice at the Company's expense if so required. Mr R G Still was appointed as a temporary Executive Chairman as announced 20 January 2009. This term ended in May 2009.

Audit Committee

Messrs A J Laughland (Chairman) and R G Still serve as members of the Audit Committee, which meets semi-annually. Three meetings were held in the current financial year. Subsequently, Mr J G Hopwood was appointed Chairman and Mr A J Laughland retired.

The Audit Committee has satisfied itself that Mr M Smith has the appropriate expertise and knowledge to fulfil the role of Financial Director.

The external and internal auditors have unrestricted access to the committee and representatives of the external auditors attend the committee meetings by invitation.

The principal functions of the committee, as set out in the formal terms of reference, are to review the financial statements and accounting policies, the effectiveness of internal controls and to review and discuss the risks facing the Group and the findings and recommendations of the internal and external auditors, as well as the appointment of the auditors, the remuneration, scope of the audit and the control of the internal audits. The use of auditors for non-audit services is controlled by the committee. Deloitte & Touche was involved in the capital raising initiative and provided the accountant's report.

SHEC Committee

Messrs L J Paton (Chairman), T P Goodlace, D Castle and T J Faber serve as members of the SHEC Committee, which meets at least quarterly. Metorex has engaged an external consultant, Mr H Moorcroft, to advise the Group and SHEC Committee on safety and health matters. In addition a new Group Environmental Consultant will be appointed to the Group with effect 15 November 2009. Subsequent to year-end N Kgotsitsile joined the SHEC Committee.

One meeting was held in the current financial year as this committee was established on 14 May 2009.

The principal role of the committee is highlighted on page 42 – 44.

Remuneration Committee and Nomination Committee

The Remuneration Committee, which comprises Messrs V Mabuza (Chairman), A Barrenechea, L J Paton and R G Still, meets quarterly and reviews directors' and senior management's salaries. This is done by reviewing salaries in the marketplace to ensure that the Company is competitive and offers reward for individual contributions which enhance the performance and achievements of the Group. The directors' remuneration and emoluments are disclosed in the annual financial statements (refer to note 29).

The committee also puts recommendations forward with regard to new share option grants in terms of the Group Share Incentive Plan. This is done by reviewing similar trends in the marketplace, assessment of management performance as well as Group and subsidiary performance.

The Nomination Committee comprises Messrs R G Still (Chairman) and L J Paton.

Board and committee meeting attendance

Year ended 30 June 2009

	Board		Audit		Remuneration Committee		SHEC	
	Held while member	Attended	Held while member	Attended	Held while member	Attended	Held while member	Attended
R G Still (Chairman)	6	6	3	2	3	3		
T P Goodlace (CEO)	2	2			1 [#]	1 [#]	1	1
A Barrenechea	6	6			3	3		
P Chevalier	3	2						
A J Laughland	6	5	3	3				
L J Paton	3	3			3	3	1	1
M Smith (CFO)	6	6	3	3 [#]	1 [#]	1 [#]		
A S Malone	4	4						
C D S Needham	6	6	1	1				
E W Legg	5	5						
K C Spencer	4	4						

[#] By invitation

DIRECTORS' INTERESTS

The declaration of directors' interests is a standard item on the Board agenda. A register of interests is maintained and retained by the Company Secretary. When a director declares an interest in a specific matter, such director is recused from voting on such matter.

Corporate governance continued

INTERNAL CONTROL

The directors set policies and management implements systems of internal control to meet their responsibilities aimed at reducing the risk of error, fraud or loss in a cost-effective manner. This includes the proper delegation of responsibilities within a defined framework, accounting procedures and adequate segregation of duties. These controls are monitored throughout the Group, and all employees are required to maintain the highest ethical standards to ensure that business practices are conducted in a beyond-reproach manner under reasonable circumstances.

The directors are of the opinion, based on information obtained from management as well as internal and external auditors, that the internal accounting controls are adequate, and the financial records may be relied on for the preparation of the financial statements as presented.

INTERNAL AUDIT

The internal audit function is currently performed by Moore Stephens MWM. This function provides management with an independent objective consulting and assurance service that reviews matters relating to control, risk management and corporate governance.

The function's responsibility is to independently assess and appraise the systems of internal control and the policies and procedures of the Group, in order to monitor how adequate and effective they are in ensuring the achievement of organisational objectives, the relevance, reliability and integrity of management and financial information, the safeguarding of assets and compliance with relevant policies, procedures, laws and regulations.

The internal audit function reports directly to the Audit Committee. Bi-annual operational visits are undertaken to each of our operations and the results of these audits are tabled at Audit Committee meetings. A corporate governance review was also conducted by the internal audit function during the financial year.

RISK MANAGEMENT

The Board of directors accepts its accountability and responsibility for risk management and has delegated to the Audit Committee responsibility for monitoring strategic risks. A consolidated Group risk register is presented to the Metorex Board every six months.

The Board of directors meets quarterly and is responsible for the Group's system of internal financial and operational control. The Group's internal controls are designed to provide reasonable, but not absolute, assurance with regard to the integrity and reliability of the financial statements and to safeguard, verify and maintain accurate records of the Group's assets and efficient management of the Group's resources, and facilitate the early detection of potential fraud, liability, loss and material misstatement, whilst complying with applicable laws and regulations.

During the year under review, nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred. A material breakdown is defined as a critical weakness in process or financial systems which could result in a material loss, contingency or uncertainty requiring disclosure in the published annual financial statements.

The Board of directors is responsible for the maintenance of proper disaster management policies at an operational and Group level, to ensure prompt effective action in case of any emergencies during the course of general business operations.

Effective risk management is about identifying the potential risks which can impact the enterprise's objectives, improving understanding of the causes and consequences of those risks, and working to reduce uncertainty and/or increase the ability to control events or outcomes.

Some of the risks associated with our entities and to which they, to the best of their abilities, attempted to mitigate directly, are:

Financial

- volatility in commodity prices, which are subject to normal supply and demand pressures as well as, increasingly, speculative activity;
- foreign exchange rate volatility, as a result of product sales and costs being Dollar denominated;
- interest-rate risk;
- inflation;
- credit and liquidity risks;
- rising labour, commodity input costs, sourcing bottlenecks and financing costs; and
- risk financing.

Political

- changes in the regulatory environment and associated costs;
- potential political instability in countries in which the Group operates; and
- security of tenure of operations.

Operational

- unexpected events which may impact on production targets being met;
- logistical risks to and from the DRC;
- ore reserves – forecasting and delivery; and
- exploration and project development risks, due to long-lead times and uncertainty inherent in these activities.

Environmental and social

- the cost impact of increasingly stringent environmental and social requirements and potential unexpected changes to these requirements;
- local community demands and expectations;
- infrastructure development and reliability can significantly impact on costs; and
- climate/weather can have an important bearing on the consistency of operating results.

Health and safety

- HIV, malaria, TB and other diseases;
- occupational health and safety risks; and
- risk of changes to health and safety legislation and the potential costs of these.

Human resources

- the cost of training and retaining employees due to a lack of skills and experience in the industry.

Within Metorex Limited it is the Board's responsibility to ensure that the Company maintains a system of internal financial controls to provide reasonable assurance regarding the reliability of the financial information used within the business for publication and that assets are safeguarded. The Board has delegated this duty to the Audit Committee which regularly reviews risk identification and mitigation procedures and reports back to the Board.

Economic risk is the danger that the economy as a whole will perform poorly. When the whole economy experiences a downturn, it affects stock prices, the job market, and the prices of consumer products.

Market risk is the chance that the entire market will decline, thus affecting the prices and values of securities. Market risk in turn, is influenced by outside factors such as interest rate changes.

Inflation risk is the danger that the currency invested in will buy less in the future because prices of consumer goods rise. When the rate of inflation rises, investments have less purchasing power. This is especially the case with investments that earn fixed rates of return. For as long as investments are held at constant rates, they are threatened by inflation. Inflation risk is tied to interest-rate risk, because interest rates often rise to compensate for inflation.

Corporate governance continued

Industry risk is the chance that a specific industry will perform poorly. When problems plague one industry, they affect the individual business involved, as well as the securities issued by those businesses. They may also cross over into other industries.

The Group's financial risk management activities are also discussed in note 25 to the financial statements.

COMPANY SECRETARY AND PROFESSIONAL ADVICE

The Company Secretary is appointed by the Board. The Company Secretary's statement of compliance is set out on page 56 of the financial statements.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring compliance with procedures and regulations of a statutory nature. Furthermore, all directors are entitled to seek independent professional advice concerning the affairs of the Group at the Group's expense, should they believe that course of action would be in the best interests of the Group.

The Company Secretary is also responsible for alerting directors to any relevant changes to the Companies Act, the Insider Trading Act and the JSE Listings Requirements, as well as any other statutory regulations or laws affecting them in their capacity as directors.

EMPLOYMENT EQUITY

The Group is committed to providing fair and equitable treatment for all employees and creating a workplace in which individuals of ability and application can develop rewarding careers at all levels, regardless of ethnicity or gender, and is in the process of executing an employment equity programme that focuses strongly on providing training and development opportunities for historically disadvantaged groups.

In compliance with the Employment Equity Act (1998), the Group submitted a report and future action plan to government and has been working towards achieving those targets set out in the report and action plan.

GOING CONCERN

Subject to a successful implementation of the Group's strategy aimed at reducing and restructuring the Ruashi project debt, the directors are satisfied that the Group will be a going concern for the foreseeable future, and have adopted the going-concern basis in preparing these financial statements.

STAKEHOLDER COMMUNICATION

The Group is committed to transparency and to ensuring regular and open communication with its various stakeholders. The members of the Group's Executive Committee, and more specifically the executive directors, are available at all times to address shareholder queries and concerns. All communication takes full cognisance of the obligations placed on the Group by its listing and the regulatory environment in which it operates.

The Group's communication with its shareholders is premised on a clear understanding of shareholders' desire to maximise returns on investment and that, in order to do so, they and/or their advisers require equitable, timeous access to operating, financial and other information relevant to the health of the Group.

Information defined or deemed to be influential on the Group's share price is first released to the market via the JSE Limited's Stock Exchange News Service ("SENS") and, as soon as possible thereafter, to local and international media and to the addressees on the Group's electronic shareholder database. These addressees include shareholders, fund managers, and analysts. All information is also available on the Group's website.

Information relating to the Group's operating and financial performance is released proactively to the market at least bi-annually in the same way, and sometimes more frequently, as determined by circumstances. The Group disseminates its results by means of a leaflet which is distributed to all shareholders on the database.

The Group hosted frequent analysts' briefings during the year under review and will be hosting such briefings on a regular basis in the future.