

METOREX LIMITED

A NEW FOCUS FOR THE FUTURE

(Incorporated in the Republic of South Africa)

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("Metorex" or "the Group")

RE-CAPITALISATION AND DISPOSAL OF THE CONSOLIDATED MURCHISON OPERATIONS ("CONS MURCH"), A DIVISION OF METOREX

Metorex, a focussed base metals mining group, listed on the JSE Limited, is pleased to announce that it has entered into a sale of business agreement ("the Agreement") with To The Point Growth Specialists (Pty) Limited ("TTP"), subject to certain suspensive conditions, in terms of which it will dispose of Cons Murch to Cons Murch Mine (Pty) Limited ("Cons Murch Mine"), which is held as to 74% by TTP (indirectly) and 26% by the Cons Murch Black Economic Empowerment Trust ("the BEE Trust"), subject to certain terms and conditions as set out below ("the Transaction").

Terence Goodlace CEO said: "The re-capitalisation and socially responsible disposal of Cons Murch represents the final step in Metorex's strategy to re-focus operationally as a base metals company. We are pleased to have concluded a transaction with TTP which is led by Bernard Swanepoel, and that the existing employees have an opportunity to participate in the mine's future through a BEE Trust which will have a 26% shareholding in the operations."

1. COMMERCIAL RATIONALE AND KEY TERMS PERTAINING TO THE TRANSACTION

Metorex previously disclosed its intention to focus on the growth and development of its copper/cobalt assets and to dispose of non-core assets. This Transaction represents the final sale in the disposal process.

The disposal of Cons Murch has been challenging as a consequence of, *inter alia*, the following factors:

- significant operating losses for an extended period of time; and
- recapitalisation and operational reorganisation required to become a sustainable mining operation.

Facing the above challenges, Metorex had two options with regard to Cons Murch, namely:

- closing and rehabilitating the mine ("Closure Option"); or
- partially recapitalising the operation and disposing of it as a going concern in an orderly fashion to a third party with appropriate management skills, expertise and access to further capital to render the Cons Murch operation sustainable ("Disposal Option").

Shareholders were informed that the Closure Option or Disposal Option should not exceed a cost of US\$13 million or R100 million.

The Closure Option included many inherent social and economic complexities. Metorex sought to secure the ongoing employment of staff at Cons Murch and wanted to provide a platform for the future development and sustainability of the mining operations possible in the Disposal Option.

The Transaction presents an opportunity for Metorex to implement the Disposal Option in an orderly and socially responsible fashion, whilst limiting the financial effects on Metorex. The Transaction will be implemented in three phases in accordance with the Agreement being Part A, Part B and Part C as follows:

1.1 Part A

Metorex will dispose of the Cons Murch business together with the employees of Cons Murch to Cons Murch Mine for a purchase consideration of R1. Metorex will retain the existing mining license ("Old Order Mining Right"), the existing new order prospecting right ("Prospecting Right") and the responsibility for the marketing and sale of all gold and antimony produced by Cons Murch Mine. All mining and processing activities will be conducted by Cons Murch Mine on a contract mining basis until Part B of the Transaction is completed.

1.2 Part B

Following the conversion of the Old Order Mining Right into a new order mining right ("Mining Right") and the granting of consent by the Department of Mineral Resources ("DMR") in terms of S11 of the Mineral and Petroleum Resources Development Act ("S11 Consent"), Metorex will transfer to Cons Murch Mine (i) the Mining Right for a consideration of R1 and (ii) the obligation to rehabilitate the mine and accordingly Metorex will transfer R25 million from the Metorex rehabilitation fund to the Cons Murch Mine rehabilitation fund.

In the event that the conversion of the Old Order Mining Right into the Mining Right or S11 Consent is not obtained and Cons Murch Mine does not wish to continue as a contract miner for Metorex, Metorex has the option but not the obligation to purchase the shares of Cons Murch Mine for a consideration of R1.

1.3 Part C

Following granting of S11 Consent for the transfer thereof, Metorex will transfer the Prospecting Right to Cons Murch Mine for a consideration of R1.

In terms of the Agreement:

- Metorex undertakes to fund a further maximum amount of R15 million to the Metorex rehabilitation fund in respect of Cons Murch;
- save for unrecorded liabilities owed by Metorex to *bona fide* trade creditors that arose prior to 1 May 2010 and for warranties provided by Metorex in respect of its authority to carry on the business which is the subject of the Transaction, its ability to enter into and execute the Agreement and its title to the Old Order Mining Right, the Mining Right and the Prospecting Right, Metorex will not be exposed to any future claims in terms of the Transaction, in an amount in excess of R5 million;
- Metorex will contribute an amount of R51 million, less any costs incurred or to be incurred between the signature date and the closing date of Part A of the Transaction, towards the recapitalisation of Cons Murch; and
- the balance of the initial agreed recapitalisation of Cons Murch, being an amount of R20 million, shall be provided by a subsidiary of TTP.

2. TTP UNDERTAKINGS

TTP has undertaken to procure an equity investment of R20 million in Cons Murch Mine ("TTP Equity Contribution") and has undertaken to provide Cons Murch Mine with adequate financial support for a minimum period of 12 months from the completion of Part A of the Transaction ("TTP Undertaking").

3. SUSPENSIVE CONDITIONS

3.1 Part A

The Transaction is subject to the fulfilment and/or waiver of a number of conditions typical to a transaction of this nature including, *inter alia*, the following suspensive conditions:

- TTP providing proof of its financial ability to make the TTP Equity Contribution and provide the TTP Undertaking;
- Cons Murch Mine receiving the TTP Equity Contribution by 30 November 2010;
- Metorex transferring a maximum amount of R15 million to the Metorex rehabilitation fund in respect of Cons Murch by 30 November 2010; and
- the Parties obtaining all regulatory approvals required for the implementation of the Transaction by 15 December 2010, or such later date as the Parties may agree in writing.

3.2 Part B

The transfer of the Mining Right is subject to, *inter alia*, the fulfilment and/or waiver of the following suspensive conditions:

- the granting of the approval for the conversion of the Old Order Mining Right to the Mining Right by the DMR on or before 31 December 2013; and
- the DMR granting S11 Consent approving the transfer of the Mining Right to Cons Murch Mine on or before 31 December 2013.

3.3 Part C

Part C of the Transaction remains subject to the fulfilment and/or waiver of the following suspensive condition:

- the DMR granting S11 Consent to transfer the Prospecting Right to Cons Murch Mine and registration at the Minerals and Petroleum Titles Registration Office on or before 31 December 2013.

4. CATEGORISATION

The Transaction is not a categorised transaction in terms of the Listings Requirements of the JSE Limited and details thereof have been provided to keep shareholders informed of Metorex's ongoing activities.

Johannesburg
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