



## **METOREX LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1934/005478/06)

JSE code: MTX

ISIN: ZAE000022745

Issuer code: MEMTX

("Metorex" or "the company")

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### **ACQUISITION BY METOREX OF 38.7% OF COPPER RESOURCES CORPORATION AND 5% OF MINIÈRE DE MUSOSHI ET KINSEDA SARL AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

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- Acquisition of significant copper interests in DRC
- In accordance with objective of developing long- life, high-quality orebodies
- Total acquisition cost £42.85m (about R600m) for 38.7% of CRC and 5% of MMK
- Further offer to minority shareholders of CRC at the same price to follow
- Increases Metorex's contained copper resource by about 2.4million tons

Charles Needham, CEO of Metorex, said:

**"The acquisition of this significant stake in CRC provides us with a major opportunity to enhance our already well established copper interests in the DRC. With high grades, the resources offer great potential to add materially to our future copper output. We look forward to working closely with management as we develop the mines to optimum production."**

#### **1. INTRODUCTION**

Shareholders are referred to the cautionary announcement dated 18 June 2007 ["cautionary announcement"] and are advised that on 2 July 2007, agreement was reached between Metorex and the Forrest Group, whereby Metorex will, subject to the fulfillment of the requirements set out in paragraph 2.5 below, acquire 29,247,126 ordinary shares representing 38.7% of Copper Resources Corporation ["CRC"] for £36.56 million (approximately R512million) together with 5 ordinary shares (5%) of the Minière de Musoshi et Kinsenda SARL ["MMK"], a 75% owned subsidiary of CRC, for £6.29 million (approximately R88.00 million), ["the transaction"], from the Forrest Group. The transaction will be satisfied by an issue of Metorex shares. An offer will be made to the CRC minority shareholders. This transaction represents an exciting addition to Metorex Group's portfolio of operations.

#### **2. THE TRANSACTION**

##### **2.1 Settlement of purchase consideration**

The transaction consideration of £42.85 million shall be satisfied by the issue of 25million ordinary Metorex shares. Of the 25million shares, 21.3million shares shall be ascribed to the purchase of the CRC shares and 3.7million shares to the purchase of the MMK shares.

##### **2.2 Offer to minority shareholders of CRC**

Metorex will make an offer to the minority shareholders of CRC at the same price as agreed with the Forrest Group. The Forrest Group has agreed to support the acquisition of the minority shareholders' interests by Metorex in every respect.

## 2.3 Information relating to CRC and MMK

CRC has significant copper interests in the Democratic Republic of the Congo ["DRC"] and is quoted on the Alternative Investment Market ["AIM"] operated by the London Stock Exchange plc. CRC holds a 75% interest in MMK in the DRC, a 20% free carried interest in the Hinoba-an copper project in the Philippines contingent upon the establishment of a Joint Venture with Glencore and a Chinese partner, and a 60% earn-in interest in the Haib copper project in Namibia. The transaction also provides an opportunity for Metorex to benefit from the historical knowledge, expertise and skills of the Forrest Group in the DRC and any related synergies.

MMK owns the Kinsenda, Musoshi and Lubembe copper deposits as well as various exploration permits totalling 572 km<sup>2</sup> situated in the southern portion of the Katanga Province of the DRC.

### Kinsenda Mine

The Kinsenda mine is located approximately 40 km South East of Kasumbalesa and is accessible via a tarred road from Kasumbalesa, or via the Tchinsenda border post with Zambia, which is 10 km from the mine. The Kinsenda mine has a JORC compliant measured/indicated resource of 17 mt at 5.1% Cu (867,000t of contained Cu) based on over 38,800m of drilling. There is an unquantified upside to the Kinsenda resource which will require additional drilling to upgrade to an inferred or indicated category.

An independent bankable feasibility study ["BFS"] was prepared for CRC by Mineral Engineering Technical Services ["METS"], a Perth based consultancy. The BFS estimates that the high-grade Kinsenda mine could be restarted by mid-2008 at a capital cost of US\$93.0 million. The BFS confirmed the highly profitable and attractive nature of the orebody with the copper headgrade averaging 4.92%. The BFS assumed an annual production rate of 1.2 mt of ore (3,350 tpd), equating to 54,000 tpa of contained copper in a 45% concentrate, at a cash operating cost of US\$0.71/lb. Metorex intends reviewing the proposed scale of operations, the assumptions made and the associated capital costs.

Infrastructure at Kinsenda consists of three inclined and one vertical shaft to 285m below surface constructed by Nippon Mining and mining commenced in 1977. Kinsenda reached peak production of 400,000 tpa at 5.93% Cu producing 24,000 tpa of finished Cu in 1984.

CRC has been engaged in refurbishment activities at the Kinsenda mine since mid-2006, with the intention of ramping up to production levels of 100,000 tpm by June 2008. Site activities included underground dewatering, re-equipping of the shaft and main levels, and the planning for a concentrator at Kinsenda to treat approximately 100,000 tons of ore per month. Mine dewatering at Kinsenda has reached the 260m level, and is expected to reach the 285m level by July 2007, which will allow the supporting, cleaning and preparation of the stopes for exploitation on that level. Procurement of long-lead equipment has commenced.

### Musoshi Mine

Infrastructure at Musoshi was constructed by a Japanese consortium that operated the mine from 1968 to 1983, and consists of a 475m deep vertical mine shaft with related main and sub-level development. Peak production from Musoshi was 1,67mta at 2.5% Cu (38,000t of finished Cu) in 1976. A surface concentrator with installed capacity of 1,5 mta (4.150 tpd) has been on care-and-maintenance for more than 10 years following closure of the mine in the early 1990's due to a lack of developed reserves and a low copper price. The mine has been flooded and the concentrator mothballed after strike action by the labour union.

The Musoshi orebody is the northern extension of the Konkola North orebody in Zambia, and is located 1.5 km to the north west of Kasumbalesa in the DRC. Musoshi is a typical 'Ore Shale' deposit and is hosted in a fine-grained siltstone / argillaceous sandstone. The orebody is steeply dipping on the upper levels where it was mined using Sub-Level open stoping. The orebody thins to the east and west to widths of between 4m and 6m.

Musoshi has a quoted remaining inferred resource of 24 million tons at 2.4% Cu (576 000t of contained Cu). This resource lies below the lowest working level (385 Level). There is limited drilling below, indicating that mineralization continues at depth. Further investigations are necessary to quantify this potential.

In addition, a hematite iron ore deposit is known to exist on the lease area. This deposit has a strike length of approximately 15 km with an inferred resource estimate of 176 mt at 55%-60% Fe. Little is known of the metallurgical characteristics of this orebody, and its amenability to recovery and upgrading to a potentially saleable product.

#### Lubembe

The Lubembe orebody is located alongside the Zambian border 24km from Kinsenda. It is a copper deposit with the same configuration as Kinsenda (25° dip). An inferred resource of 47.5 mt at 2.2% Cu (1 040 000 tons contained Cu) has been delineated by roughly 12,000m of drilling with a strike length of 500m to 600m and an orebody width ranging from 5m – 70m.

This orebody was prospected firstly by "Union Miniere du Haut Katanga" in 1930 (8 drill holes and 2,500m) and later by SODIMICO in three different campaigns between 1972 and 1991 (31 drill holes and 9,800m).

The Lubembe deposit is currently poorly defined and requires additional infill drilling to improve confidence in the geological continuity and metallurgical characteristics. Lubembe has the potential to be mined as a bulk tonnage surface or underground mine.

In summary, CRC is the holding company of a group of mineral exploration and development companies with copper resources and reserves of up to 2.4million tons of contained copper which, subject to viability, could be placed into production sequentially.

## **2.4 Rationale**

The transaction furthers Metorex's objective of acquiring and developing long-life, high-quality ore bodies. MMK has a potential contained copper inventory of up to 2.4million tons, which will boost Metorex's current mining portfolio.

The Kinsenda mine alone, with grades in excess of 5% Cu, will add significant copper output to Metorex's current operations, and first production of copper concentrate is anticipated in mid-2008. Kinsenda has a life of mine of 13 years with the potential of extending the life through expansion of the resource via strike or dip drilling. The Musoshi mine has a tonnage potential at depth that could add incremental reserves to the MMK production profile, contingent upon an in depth economic evaluation. The Lubembe deposit, whilst requiring further evaluative work, has the potential to be mined as a bulk tonnage surface or underground mine.

The deposits are well suited to, and complement Metorex's existing mining, metallurgical and marketing skill base in the copper industry.

## 2.5 Conditions Precedent

The implementation of the transaction is conditional upon:

- the relevant regulatory approvals, including South African Reserve Bank, JSE Limited and AIM regulations;
- a satisfactory due diligence exercise carried out by Metorex.

## 2.6 Warranties

The transaction will be subject to the normal warranties and indemnities relating to transactions of this nature.

## 2.7 Financial Effects of The Transaction

The table below sets out the unaudited pro forma financial effects of the transaction. The unaudited pro forma financial effects are presented for illustrative purposes only and because of their nature may not give a fair reflection of the company's results, and financial position after the transaction.

The unaudited proforma financial effects have been compiled from the unaudited consolidated financial statements for the six months ended 31 December 2006, and are presented in a manner consistent with the format and accounting policies adopted by Metorex, and have been adjusted as described in the notes hereto.

The directors of Metorex are responsible for the preparation of the unaudited pro forma financial effects.

	Before the transaction	After the transaction	Percentage change (%)
Earnings per share (cents)	51.03	49.80	(2.41)
Headline earnings per share (cents)	51.44	50.18	(2.45)
Diluted earnings per share (cents)	49.35	48.29	(2.15)
Diluted headline earnings per share (cents)	49.74	48.65	(2.19)
Net asset value per share (cents)	358	516	44.13
Net tangible asset value per share (cents)	354	513	44.92
Actual number of shares in issue ('000's)	297 830	322 830	8.39
Weighted average number of shares in issue ('000)	294 796	319 796	8.48

### Notes:

1. The "Before the transaction" earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share figures are based on the weighted average number of shares in issue at 31 December 2006;
2. The adjustments to the earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share are based on the weighted average number of shares in issue at 31 December 2006 and are stated assuming that the transaction is effective 1 July 2006;
3. For net asset value and tangible net asset value calculations, it is assumed that the transaction is effective 31 December 2006 and based on the actual number of shares in issue at 31 December 2006.

### **3. EFFECTIVE DATE**

The transaction will become effective following fulfilment of the conditions precedent set out in paragraph 2.5 above.

### **4. CATEGORISATION OF THE TRANSACTION**

In terms of the Listings Requirements of the JSE Limited, the transaction is categorised as a Category 3 transaction. Accordingly, approval by Metorex shareholders is not required.

### **5. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT, DATED 18 JUNE 2007**

The cautionary announcement is hereby withdrawn.

**Johannesburg**

*4 July 2007*

**Enquiries:**

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**Sponsor**

Barnard Jacobs Mellet Corporate Finance (Pty) Ltd