

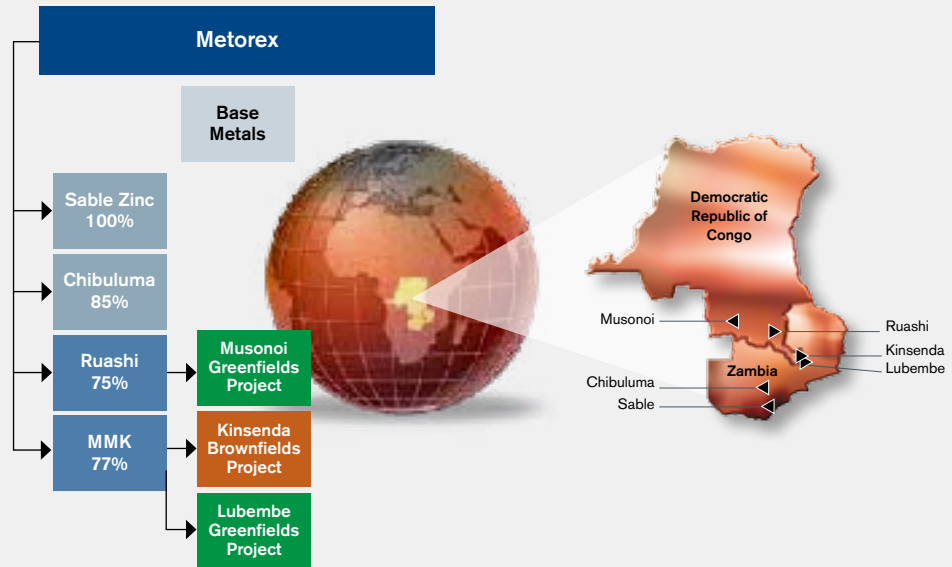


ANNUAL REPORT 2010
POSITIONED FOR GROWTH ▶

METOREX
L I M I T E D



Geographical location



Our business

Metorex is an established mid-tier mining Group, uniquely positioned in the southern African base metals mining industry as a copper and cobalt producer. Listed on the JSE, the Company is well positioned for growth and driven by its vision to expand mining and exploration activities from its current portfolio of Central African Copperbelt assets. The Company is developing and managing a portfolio of quality base metal assets using modern, mechanised mining and processing technologies supported by responsible mining policies.

Our products

Metorex is focused on the base metal industry, primarily copper and cobalt production. Reflected by rising demand, copper is used as a thermal conductor, electrical conductor, building material and in metal alloys. Cobalt is used in producing superalloys, wear-resistant alloys, lithium ion batteries, chemical compounds and colouring pigments.

Highlights

- ▶ Shareholder returns*
 - » Share price increased by **75% to 524 cps**
 - » Market capitalisation increased by **136%**
- ▶ Operating results**
 - » Sustainability initiatives gaining traction
 - » Copper production up by **21%**
 - » Cobalt production up by **62%**
 - » Production costs reduced by **36%**
 - » EBITDA increased by **247%**
- ▶ Restored balance sheet*
 - » Gross debt decreased from R2,11 billion to **R853 million**
 - » Net debt reduced from R2,09 billion to **R416 million**
 - » Cash on hand of **R436 million**
- ▶ Positioned for growth*
 - » Total copper mineral resources increased by **45%**
 - » Total cobalt mineral resources increased by **219%**
 - » Robust project pipeline in the DRC
 - » Kinsenda Project feasibility study nearing completion

* For the 18-month period ended December 2010 compared to the 12-month period ended June 2009.

** For the 12 months ended December 2010 compared to the 12 months ended December 2009.

Scope of this report

This report provides an overview of Metorex's Zambian and DRC-based operations for the period ended 31 December 2010 on a Group and on a mine-by-mine basis. It details the Company's financial statements and Mineral Reserves and Mineral Resources and looks ahead to the Group's prospects for the next 12-month reporting period. Exploration projects and non-operational sites are discussed in lesser detail. The Sustainable Development section of the report covers the activities of all operational mines as well as parts of our exploration and business development activities for the period ended 31 December 2010.

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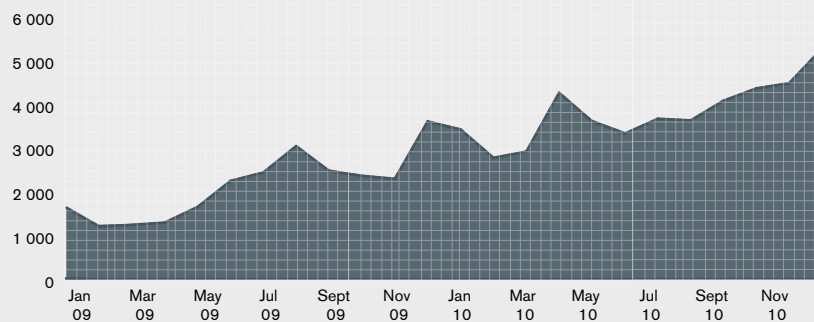
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Financial summary

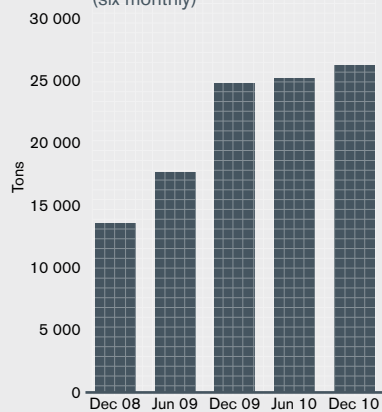
Performance		18 months December 2010	12 months June*	12 months June*	12 months June	12 months June
		2009	2008	2007	2006	2006
Gross revenue	R000	4 555 921	937 084	1 614 789	1 703 757	1 013 328
Gross revenue	US\$000	614 006	103 775	221 204	236 633	158 333
Mining profit before depreciation	R000	1 716 328	111 256	799 245	598 026	272 135
Mining profit before depreciation	US\$000	231 311	12 321	109 486	83 059	42 521
Mining profit margin	%	38	12	50	35	25
EPS	(cents)	96,3	(272,4)	159,4	183,5	54,3
HEPS	(cents)	55,1	23,9	131,7	110,5	47,7
Adjusted HEPS	(cents)	59,9	(8,5)	–	–	–
Market capitalisation	R000	5 251 858	2 227 614	8 856 460	8 048 840	3 237 093
Shares in issue	'000	1 002 263	742 538	369 173	324 550	289 026
Weighted average number of shares	'000	868 982	553 349	347 797	302 810	286 147
Share price	(cents)	524	300	2 399	2 480	1 120
ZAR/US\$ rate – average	(R/US\$)	7,42	9,03	7,30	7,20	6,40
ZAR/US\$ rate – closing	(R/US\$)	6,60	7,72	7,83	7,00	7,20

* Re-presented for assets held-for-sale.

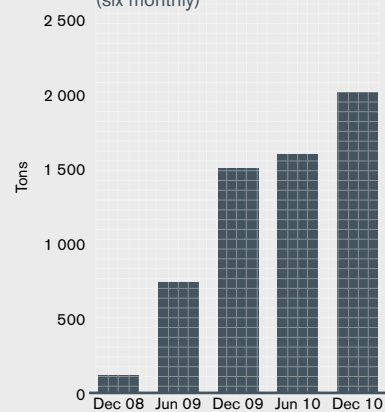
Market capitalisation (Rm)

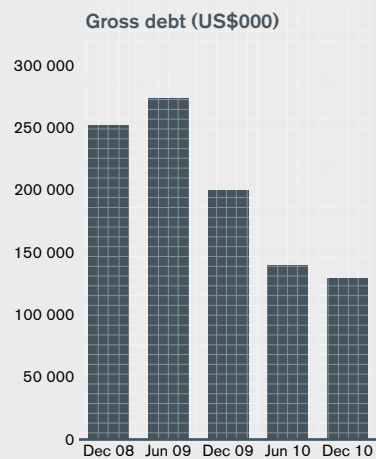
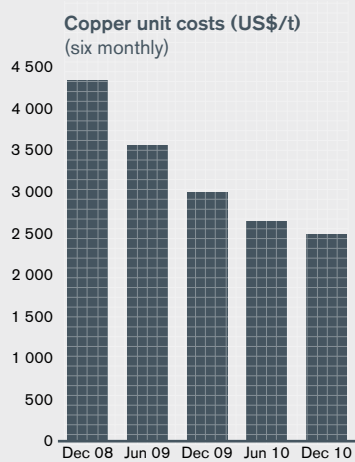


Copper production
(six monthly)

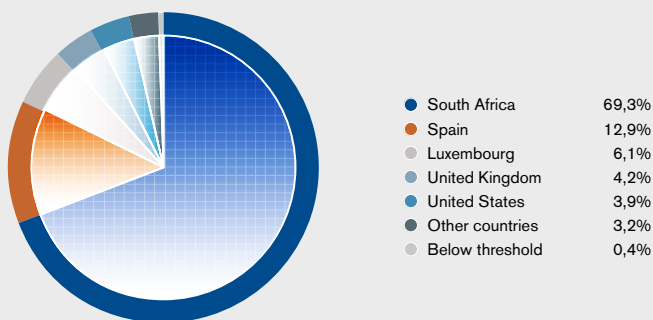


Cobalt production
(six monthly)





Shareholders' analysis: Geographic breakdown



Chairman's report



What a difference 18 months has made.

“Your Company has substantially restored its reputation and can now address its new growth initiatives with renewed confidence and vigour.”

Dear fellow shareholder

My last Chairman's review covering the 12-month period to 30 June 2009 reported on a Company whose very survival had been, and was, precarious, and summarised the action plans being implemented to restore your Company to health. It is now my pleasure to report on the 18-month period to 31 December 2010 and to record the dramatic progress made by your Company.

What a difference 18 months has made!

Significant features of this past period have been:

- a clear strategic focus on base metals following the sale of non-core assets;
- the restoration of the Company's balance sheet;
- the dramatic and steady improvement in all management and operational disciplines resulting in strong, sustainable and rising cash flows generated in safe working conditions;
- an improvement in the holistic operating environment of the Company, in particular its stakeholder relationships and the prices and prognosis of its output; and
- significant progress in advancing the new project pipeline.

As a consequence, your Company has substantially restored its reputation and can now address its new growth initiatives with renewed confidence and vigour.

Safety, health, environment and communities ("SHEC")

The ongoing implementation of a holistic Group SHEC strategy incorporating leading industry practice is a priority at Metorex. Your Board and management is committed to a no-compromise top-down culture of safety and health excellence. The Group had another fatality-free year.

The detailed status of SHEC matters is set out on pages 22 to 33 of this report. Shareholders will note steady progress across all areas and in particular the baseline monitoring and addressing of environmental issues at existing operations and progress towards identifying, tackling and resolving issues at legacy operations.

Corporate Social Responsibility ("CSR") is a strategic focus and priority for Metorex.

Worldwide, government, NGOs and local communities are increasingly demanding higher but variable standards of CSR performance from mining companies and international trends towards the "legalisation" of CSR in mining and the recognition of the rights of indigenous peoples and communities is strengthening. The process is complicated by poor communication and unrealistic expectations and frequently exacerbated by the dichotomy between mining operations and extreme poverty and social degradation in surrounding communities.

Metorex has recognised that CSR, correctly and effectively implemented, is a potential competitive advantage and can be economically advantageous in the medium term. Through

public-private partnership arrangements Metorex seeks to leverage its capital and services delivery capacity at affordable cost to the benefit of its surrounding communities. In particular, Metorex is investing in creating effective communication channels with these stakeholders to deliver these benefits.

Metorex's CSR activities are summarised on pages 29 to 30.

Operating and financial results

Group copper and cobalt production increased by 145% to 76 409 tons and by 488% to 5 123 tons respectively in the 18-month period to 31 December 2010 as compared to the 12-month period to 30 June 2009 and, importantly, increased in each of the five six-month periods throughout this and the prior reporting period.

Mining profit before depreciation for the 18-month period to 31 December 2010 amounted to R1,72 billion (2009 12 months: R111 million) of which R851 million represents the last six months. Adjusted headline earnings per share amounted to 59,9 cents (2009 12 months: 8,5 cents loss) of which 32,2 cents was earned in the last six months of the 18-month period.

These improved financial performances, reported in ZAR, are despite a 20% strengthening in the average Rand/US\$ exchange rate leading to lower Rand-based earnings.

With production and cost control continuing to improve, and with higher prevailing copper prices, this trend should continue into 2011.

Net Group debt at financial period-end decreased from R2,1 billion to R416 million, despite capital investment of R865 million partly incurred on advancing and retaining the new project portfolio. This was achieved from the proceeds of the sale of non-core assets, R940 million, the capital raising in March 2010 of R900 million and operational cash flows. The Group is currently forecasted to substantially be in a zero net debt position well prior to the end of 2011, before taking into account the funding of the planned new investment in the Kinsenda Mine.

Chibuluma achieved excellent performance throughout the reporting period with all planned operational metrics of "Value, Volume, Quality, Cost, Capital and Cash Flow" ("VVQ3C") being achieved or exceeded. Chibuluma's standard is to be a "Model Mine in Zambia" and this has been met.

At the Ruashi Mine, planned operational metrics improved steadily throughout the period with targeted production levels being reached during several months in the last period, except when output was negatively impacted by transformer and rectifier failures during June and November 2010. These failures were caused by power supply spikes damaging electrical equipment inadequately designed and engineered for the variable power supply operating environment.

Chairman's report

continued

Management has taken action to design and instal new circuitry equipment and back-up capacity designed to limit the adverse impact of future variable power supply.

It is gratifying to report that Ruashi's Mineral Resource Management function and associated mine planning is now operating to acceptable standards and that, despite 18 months of depletion, the new Mineral Reserve and Resource inventory has increased. In addition, the new sulphide ore project under evaluation should further extend the mine life or utilise excess processing capacity.

With the planned commissioning of the new acid plant in August 2011 and planned improvements to the cobalt drying function, Ruashi is expected to further lower its structural operating costs and improve its efficiency. Emphasis remains on improving systems, ongoing training and developing its human capital.

Strategic initiatives

My Chairman's review for the year ended June 2009 set out seven action steps, then underway, to address and complete the strategic objectives set by the Company. All of these action steps were successfully completed.

The last non-core asset disposal was that of the Consolidated Murchison division. The transaction achieving this objective was announced in September 2010 and is summarised on page 116. This process took longer than planned, but your Company participated in a responsible and constructive manner to ensure the survival of that operation, associated jobs and the effected community. Despite the anticipated strong recovery of the antimony market, Metorex is comfortable that divesting of this mining operation enhances its strategic focus.

In summary, the current strategic status of the Company is:

Focus

The exclusive focus of your Company is now base metals with particular preference initially to copper.

This focus allows Metorex to develop the depth of technical and regional operating skills which are essential as a competitive advantage and the experience and lessons learnt in establishing and operating copper mines in the Copperbelt, and especially the Democratic Republic of Congo ("DRC").

Restored balance sheet

On 29 March 2010 Metorex issued a Circular to Shareholders regarding a partial clawback and rights offer of 250 million new shares at a subscription price of R3,60 per share. This offer closed on 16 April, was oversubscribed, and the Company raised R900 million. The purpose of this equity raising was:

- to trigger the Ruashi revised debt package which facilitated the subsequent "ringfencing" of Ruashi debt and freed the Company from most of the restrictions and covenants under which it had operated;

- to provide funds to progress Metorex's promising development projects (Kinsenda, Lubembe and Musonoi/Dilala East) up the value curve;
- to give the Company the funds to progress the disposal of Consolidated Murchison; and
- to recapitalise the Metorex balance sheet.

This equity raising has achieved its stated objectives. We thank those equity subscribers for their support.

Returning the Company to growth

The Company has made considerable progress in advancing its development projects. It is particularly gratifying that the Company managed to retain and eventually acquire 100% of Copper Resources Corporation which company houses its Kinsenda and Lubembe projects. These projects, together with Dilala East, will enable Metorex to reach its objective of over 100 000 tons per annum of copper produced and represents the immediate growth targets and future.

Mindful of past experiences, Metorex executives have focused considerable effort in the professional evaluation, design and project planning for these development projects, and details of the progress made and status thereof are set out on pages 42 and 43.

A proposal to go ahead with the Kinsenda project will shortly be evaluated by the Metorex Board. The scale and funding of this high-grade new mine will be within the sensible funding capacity of the Company given its current balance sheet and cash flows generated from existing operations.

The Metorex liquidity crisis

The causes and immediate consequences of the capital cost overruns at the Ruashi project in mid-2008 and thereafter were dealt with in the 2009 Chairman's review which described remedial action taken. It is perhaps quite pertinent to reflect upon the crisis and its consequences in the light of future new projects planned by the Group.

With regard to cause, the following is an extract from the 2009 Chairman's review:

"While a large portion of this capital cost overrun was the result of massive input cost increases, particularly in steel and cement, poor project management and weak engineering design and estimating also played a significant role. More importantly, weak costing, planning and reporting disciplines failed to alert your Board to the resultant funding shortfall. This exacerbated a situation which could otherwise have been addressed in a pre-emptive fashion in a more stable financial environment"

Metorex has, during the past 18 months, dramatically improved its costing, planning and reporting disciplines as well as all facets of corporate governance and oversight. In addition, its new projects are being designed and engineered to rigorous standards while project management processes have been

strengthened. I believe that Metorex's new projects will be successfully built within design parameters and am particularly confident that your management and Board will be alerted to any unforeseen problems in time to take corrective action.

It is sobering that the initial US\$120 million capital cost overrun resulted in additional estimated consequential costs to Metorex of at least a further US\$280 million, primarily from commissioning delays and engineering rebuilds, a sale of non-core assets at an inopportune time in the business cycle and in particular from the costs of ill-advised hedging contracts forced upon the Company by its lenders.

If the old adage that "what does not kill makes strong" holds any truth, then your Company has indeed emerged mercifully fast from this US\$400 million (R3,7 billion at that time) ordeal a wiser and stronger Company able to tackle the future with confidence.

The Metorex Board and corporate governance

Mr John Hopwood, a director of experience, wisdom and exemplary diligence, passed away on 19 March 2010. He is missed. To replace John, the Company was fortunate to secure the services of Ms Hester Hickey as a director and Chair of the Audit Committee. Her professional qualifications and past experience are particularly suitable to our requirements. In August 2010 the Company appointed Mr Peete Molapo as a director. Peete is an economist and central banker by background with experience and high-level contacts in southern Africa.

We believe that your Board remains well balanced in terms of skills, including mining, finance, technical and social skills, experience and background and is in accordance with the Company's evolving transformation objectives. An optimal balance of non-executive members, and indeed independent non-executive and executive members, has also been achieved and this Board and its various subcommittees are nearly King III compliant. Details of this Board's functions and the background of its members are set out in this annual report.

Operating environment

World Bank forecasts for growth in world GDP for 2011 and 2012 are 4,5% and 4,4% respectively, in particular growth in emerging economies, especially China, have driven strong growth for copper demand. Recent events in the Middle East and consequential rises in the oil price may temper these forecasts. Sluggish supply responses have led to actual and expected shortfalls leading to a positive prognosis for copper prices in the period ahead. The outlook for cobalt is both less positive and less certain.

Metorex's operating environments in both Zambia and the DRC are challenging. In Zambia, ongoing disputes over unilateral changes to the fiscal regime spoil an otherwise steady picture. In the DRC your Company has made considerable progress in developing an effective modus operandi and I am particularly

encouraged by steadily improving communications and relationships with community and regional stakeholders.

Prospects

Given steady-state production platforms at the major operations of Chibuluma and Ruashi and strong forecast copper prices, your Company views its prospects in the forthcoming period with confidence. Major value-adding initiatives will be the construction and development of the new Kinsenda Mine and further advances in the Ruashi Sulphides, Lubembe and Dilala East projects.

Recent corporate developments

Since your Company sharpened its strategic focus, divested itself of non-core assets and started to deliver positive and improving operational results, your Company has been approached on numerous occasions by parties, some highly credible, interested in acquiring the Company. Late in 2010 a highly disciplined and professional process has been implemented under a tight legal and confidentiality regime to facilitate the necessary data access to qualified and credible parties.

The process culminated in Metorex issuing a cautionary announcement on Monday, 28 March 2011 and on 8 April 2011 announcing a binding offer from Vale SA. to acquire all of the fully diluted shares in Metorex at a price of R7,35 per share (excluding Metorex's shareholding in Sable Zinc). Details thereof will be made available by circular to shareholders who will have the opportunity to consider this offer and decide accordingly. Your Board has an unfettered fiduciary duty to consider any subsequent superior offers, subject to the payment of a break fee.

It is worth noting that, without exception, a major attraction and source of additional value to interested parties has been the desire to acquire the services of your Company's management going forward.

Your Board shall continue to act in the very best interests of shareholders throughout this process.

Appreciation

Your Company's Board, the executive team so capably led by Terence Goodlace and all staff have put in an enormous effort to restore your Company to health and to lay a solid platform for future growth. On behalf of our shareholders my appreciation to you all.

The counsel and support of my fellow directors, past and new, during this past year is appreciated.

What a difference 18 months has made!



R G Still

26 April 2011

Chief Executive Officer's report



A focused base metals company

“Metorex has undergone a complete transformation into what it is today – a focused growing based metals Company operating on the Central African Copperbelt.”

Metorex, over the last 18 months, has undergone a complete transformation from a financially stressed diversified mining Company into what it is today – a focused growing base metals Company operating on the Central African Copperbelt. This shift emanated from a strategic study which highlighted the strong fundamentals for base metals and a need to focus Company competencies and resources to pursue operational excellence and advance the Metorex growth projects in the Democratic Republic of Congo (“DRC”). Pursuant to the new Metorex strategy, was an improved operating environment, which changed from one of rock-bottom commodity prices during the 2008 global financial crisis to, in our case, one of a robust demand for copper, constrained copper supply and subsequent buoyant copper prices.

Restoring the balance sheet

During the reporting period we announced the sale of all of the Metorex-owned Pan African Resources shares for gross proceeds of R386 million and the disposal of our entire shareholding in Vergenoeg for a cash consideration of R462 million. We were also pleased to announce that Metorex had successfully raised R900 million through the implementation of a partial clawback offer. The sale of the loss-making Consolidated Murchison was also announced during this period. These activities, together with the revised Ruashi debt package, ensured the ringfencing of the Ruashi debt, improved hedging profiles and placed the Company in a sound position to focus on its base metals growth strategy. This strategy included the production ramp-up at Ruashi and new project developments on the Central African Copperbelt.

Over the 18 months ended December 2010 the gross, and debt net of cash balances, have been reduced by 147 percent and 80 percent respectively. Gross debt has reduced from R2,1 billion (US\$274 million) at the end of June 2009 to R853 million (US\$129 million) at the end of December 2010.

Restoring reputation

At an operational level there have been major changes and save for transformer/rectifier challenges at Ruashi there were pleasing performance levels.

A major initiative aimed at modernising and improving approaches to safety, health, environment and community have met with success. Hazard identification and risk management has been elevated at all levels within the organisation. Metorex has a zero-harm focus and there have been no fatalities for over 30 months. The Group attained a lost-time injury rate of 1,0 per million man-hours worked for the six months ended 31 December 2010 as against 2,1 per million man-hours worked for the 12 months ended 30 June 2009. The implementation of the Metorex Safe Production Rules gained momentum at all operations over the reporting period. Chibuluma introduced self-contained self-rescuers for all of their underground teams and installed anti-collision avoidance systems on all underground vehicles. Great strides have been made with occupational hygiene initiatives and environmental systems and practices. A full social scan was completed for all operations to understand the impact, expectations and actions needed with the communities which surround our mines. The Group has also developed and is implementing an integrated electronic IsoMetrix risk management system.

Chief Executive Officer's report

continued

All of the operations have implemented measures aimed at debottlenecking key aspects of their businesses, thus focusing on increasing volumes mined, improving values (grades) mined, delivering quality feed to the plants and ensuring costs, capital and cash flows are optimised. Ruashi has continued with its production build-up and reached record levels of production. During the period the mine commenced with the construction and completion of the acid plant. This US\$13 million project should reduce operating costs at Ruashi by up to 5%. Ruashi also commenced a study on an improved cobalt drying circuit and it is planned to complete a feasibility study on this project in 2011. Chibuluma excelled in its performances while Sable Zinc struggled to improve output due to the lack of third-party ores which reduced its ability to maximise throughput capability.

Group operational performance for the 12-month periods ended 31 December:

	2010	2009	2008
Copper production (t)	51 569	42 484	26 736
Cobalt production (t)	3 622	2 237	388
Costs of production (US\$/t)*	2 563	4 030	3 677
EBITDA (R000)**	1 128 411	324 960	897 288

*Copper costs, net of cobalt credits.

**Excludes non-recurring items.

Growth

The Group has moved rapidly to mobilise teams for all associated activities needed to advance exploration drilling, conceptual and feasibility studies for the development projects as well as organic growth initiatives on the operating assets.

On a 100 percent basis, the Group now has a total copper resource of 4,7 million tons of copper and 330 000 tons of cobalt, and initiatives have been implemented to convert these resources to reserves.

At Ruashi, exploration activities were focused on expanding the resource base and advancing the Ruashi Sulphides project. Positive results have been forthcoming and the resource and reserve position at Ruashi has improved. Ruashi has a total resource of 1 244 000 tons of contained copper and 160 000 tons of contained cobalt and total reserves of 523 000 tons of copper and 88 000 tons of cobalt. The Ruashi Sulphides project is aimed at extending the life of Ruashi, thus establishing the optimum mining and processing methods needed to utilise Phase 1 infrastructure.

The Group has substantially completed the Kinsenda bankable feasibility study. This 14,6 million ton high-grade resource at 5,7% copper is planned to deliver 22 000 tons of copper per annum at competitive unit costs once in full production. The planned capital costs for the mine are US\$130 to US\$150 million and the 18-month project should commence in July 2011. Board approval for the project is expected by June 2011. Funding for the project should be secured through additional loans of US\$66 million and the balance of the project will be financed from Group operating cash flows.

Activities at the Lubembe project were focused on the drilling programme and scoping studies to determine the mining and processing options for the mine. A full SAMREC-compliant resource was completed and first released in July 2010. This 93 million ton resource at 2% copper provides for either a high-volume low-grade or low-volume high-grade mine. A full rescoping exercise is underway utilising the latest resource model. A pre-feasibility study will be initiated once the new scoping studies are complete.

During March 2010 we completed and announced a maiden SAMREC-compliant resource for the Dilala East deposit (Musonoi) and this project could provide further diversity and depth to the Metorex copper-cobalt asset portfolio. The 19 million ton resource at relatively high grades of 2,9% copper and 0,9% cobalt could translate into a high-value operation. Drilling continues to fully establish the resource and, once completed, we intend moving the project towards completing a bankable feasibility study. The title for this project is still with Gécamines.

An initiative to increase exploration activity in and around the Chibuluma Mine commenced in October 2010. This resource replacement programme includes extension drilling and regional geophysical surveys.

Prospects

At present, Metorex is the only South African JSE-listed mining company operating on the Central African Copperbelt and the Company is well positioned to commence the Kinsenda project in 2011. Key to our risk-based approach to growth is that we will "grow within our means" and not put our shareholders at risk. My thanks go out to the team at Metorex for their enthusiasm and drive to succeed and restore Metorex to a Company with a great reputation. In addition, I would like to thank the Metorex shareholders for their patience and support during 2009 and 2010 and we look forward to delivering additional value into the future.



T P Goodlace

26 April 2011

Directorate

Robert Still (55)

BCom (Hons), CA (SA), IMM

Chairman of the Board
Independent Non-executive Director
Member of the Remuneration Committee
Chairman of Nomination Committee

Rob started his career as a chartered accountant, becoming a partner of Ernst & Whinney before leaving in 1986 to co-found the JSE-listed exploration and mining company Rhoex Limited. Since that time Rob has been involved in both the senior and junior sectors of the mining industry worldwide and has held both executive and non-executive director positions in mining and exploration companies listed in South Africa, Australia, Canada and the UK. Rob has participated in the development of several new mining projects including Rhovan, KZN Titanium Sands, Pangea Goldfields, Southern Mining (Corridor Sands), Great Basin Gold (Burnstone), Pan African Resources and Zimbabwe Platinum Mines Limited. He is currently Chairman of Pangea Exploration, a private company active in exploration, mining project development and mining finance. Rob was appointed to the Metorex Board in February 2005 and as Deputy Chairman in November 2007. He was appointed Chairman of the Board in January 2009.

Terence Goodlace (51)

NHD: Metalliferous Mining, BCom, MBA, SAIMM (member)

Chief Executive Officer
Member of the SHEC Committee

Terence was appointed Chief Executive and Director of the Board with effect from 2 March 2009. Terence was previously the Group Chief Operating Officer at Gold Fields where he worked for almost 27 years in various capacities including strategic planning, heading up the international mining portfolio, heading up the South African mining portfolio and holding various line management positions on operating mines. In addition to his role of Metorex CEO, Terence is on the board of Impala Platinum Holdings Limited and Vergenoeg Mining (Pty) Limited.

Alberto Barrenechea Guimón (67)

Non-executive Director
Member of the Remuneration Committee

Alberto Barrenechea is Chairman and CEO of the Minersa Group of companies. He also is or has been director of several mining, chemical, biotechnological, other industrial, and asset management companies in Europe, America and Africa. Alberto has 34 years of industry

experience. Alberto was appointed as a non-executive director of Metorex in May 2002.

Hester Hickey (57)

BCompt Hons, CA (SA)

Independent Non-executive Director
Chair of the Audit Committee

Hester currently acts as a consultant, as well as non-executive director, trustee and audit committee chair for various organisations, including Two Rivers Platinum, AngloGold Ashanti Pension Fund, the Sentinel Mining Industry Pension Fund, the Mine Employees Pension Fund representing the Chamber of Mines, Omnia Limited and Glenrand MIB. Her previous roles include Senior Manager: Corporate Governance at Liberty Life, General Manager: Risk Consulting at Marsh South Africa and partner at Ernst & Young. Hester has extensive experience in African mining through 10 years of experience with AngloGold Ashanti. Additionally, Hester was Chair of the South African Institute of Chartered Accountants for two years and also chaired their Audit, HR and Finance committees. She completed two terms over a period of seven years as a member of the Johannesburg Municipality audit committee. Hester joined the Metorex Board as a non-executive director and as the Chair of the Audit Committee in May 2010.

Nonkululeko ("Nkuli") Kgositsile (36)

Independent Non-executive Director
Member of the SHEC Committee

Nkuli has a background in journalism and was a founder of the Voice of Soweto Community radio station and is an entrepreneur with her own entertainment company. She brings a dynamic wealth of experience in a social and political capacity in Africa, having been educated in a number of southern African countries. Nkuli was appointed as a non-executive director of the Board of Metorex Limited in August 2009.

Victor Mabuza (40)

BCom (Acc)

Independent Non-executive Director
Chairman of the Remuneration Committee
Member of the Audit Committee

Victor is an independent corporate finance adviser. He has advised on many mining company ESOPs, including African Rainbow Minerals Limited, Anglo Platinum Limited, Gold Fields Limited and Northam Platinum, and black economic empowerment transactions



including NEF Asonge, Sasol Inzalo and Vodacom YeboYethu. Victor has held various executive, directorship and board positions in retail, corporate and investment banking and has worked for companies including Standard Bank, ABSA, Stanlib and the National Empowerment Fund. Victor joined the Board of Metorex as an independent non-executive director, and was appointed as Chairman of the Remuneration Committee in August 2009.

Peete Molapo (56)

BA (Econ), Postgraduate Dip, MA (Econ)

Independent Non-executive Director
Member of the Audit Committee

Peete has an economics and financial background, and in his long career of over 20 years in the financial sector he occupied a number of senior positions, among which can be mentioned serving as the Chief Executive Officer of the Lesotho National Development Corporation, a post he held until July 2009. Before then he was employed as the Deputy Governor of the Central Bank of Lesotho. He joined the Central Bank of Lesotho from the African Development Bank (AfDB) where he was an executive director.

Peete formerly held positions on several boards including SADC Development Finance Resource Centre (DFRC) Botswana (Chairman), Lesotho Brewing Company (Chairman), Nedbank Lesotho, Lesotho Sun International, Lesotho Milling Company, Students in Free Enterprise (SIFE – Chairman). He obtained a BA in Economics from the National University of Lesotho and holds an MA in Economics as well as a postgraduate diploma in National Accounts and Economic Statistics from the University of East Anglia, Norwich, England.

Peete has now established his own consultancy company and is currently working on a United Nations Industrial Development Organisation (UNIDO) sponsored project for developing a new Industrial Policy for Lesotho.

Peete was appointed to the Metorex Board and as a member of the Audit Committee on 20 August 2010.

Les Paton (59)

BSc (Univ of PE), BSc (Hons) Geology, BCom (Univ of SA), PrSciNat, FGSSA

Independent Non-executive Director
Chairman of the SHEC Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Les recently retired as executive director of Impala Platinum Holdings Limited after 35 years of service to that group. His career incorporates spells in base metal exploration in southern Africa, as well as gold and platinum geological exploration and mining. Les is experienced in the evaluation and technical overview of projects and in project management. He joined the Metorex Board as an independent non-executive director in January 2009.

Maritz Smith (34)

BCom (Hons), CA (SA)

Chief Financial Officer

Maritz, who is a chartered accountant, joined Metorex in 2002 from Deloitte & Touche. He has overall responsibility for the Group's financial affairs and reporting. Maritz was appointed to the Metorex Board as Alternate Director in November 2007 and as Group Financial Director in January 2009.

Board committee membership

Audit Committee	SHEC Committee
H Hickey (Chair)	L Paton (Chairman)
P Molapo	N Kgositsile
V Mabuza	T Goodlace
Remuneration Committee	Nomination Committee
V Mabuza (Chairman)	R Still (Chairman)
R Still	L Paton
L Paton	
A Barrenechea	



Executive Committee



Lloyd Chester Bradford (48)

BSc (Hons) Chemical Engineering

Group Metallurgical Manager

Before joining Metorex in June 2005, Lloyd spent 19 years working for Anglovaal Mining in various operational and technical roles. He has gained experience across a wide range of metallurgy, from precious metals, base metals and industrial minerals to other products such as uranium and acid. He has spent 10 years in various capacities working on operations and also 14 years in a head office environment where he has led feasibility studies, carried out design work and provided technical consulting to operations. Current responsibilities include providing technical input into metallurgical-related projects and operations.



Darryll John Castle (42)

BSc (Eng) Civil Engineering, BCom, MBA (UCT), CFA

Chief Operating Officer

Before joining Metorex in March 2009, Darryll was executive director of Zungu Investments Company, a diversified BEE company with interests in mining, finance, media and other industrial interests. Darryll was responsible for Africa Vanguard Resources, a mining company with joint ventures with Uranium One, Harmony, Rockwell Diamonds and Gold One.

Prior to this Darryll was a fund manager and analyst with STANLIB Asset Management, one of South Africa's largest asset managers. Darryll managed several high-profile funds, and held positions on the STANLIB Executive Committee, was Head of Mining and Resources and Head of Mutual Funds.

Darryll previously worked for Billiton in the mining environment, and started his career at Transnet as a civil engineer. Darryll resigned effective 1 May 2011. Nicholas James has been appointed to this position as announced on SENS on Thursday, 14 April 2011.



Trevor John Faber (39)

BSc Engineering (Mining)

Group Mining Engineer

Trevor joined Metorex in June 2006 as Project Manager for Ruashi phase II. His early career incorporated operational and construction management experience obtained mainly in the South African platinum sector. More recently Trevor was appointed as Technical Director at Ridge Mining and was responsible for the development of its Blue Ridge Platinum Mine in Groblersdal.

Trevor's role on Exco is twofold. He is responsible for advancing the Group's growth projects along the value curve as well as for general oversight of all technical issues related to mine design, layout, scheduling and implementation.



Charles Denby Stockton Needham (57)

Corporate Affairs

Charles joined Metorex in 1983. His specific expertise lies in the field of financing, financial reporting, management reporting, hedging and corporate affairs, as well as in-depth knowledge of and experience in the Metorex Group operations. Charles is active in the interface between corporate and operational management.



Colleen Ann Parkins (43)

BSc (UCT), BSc (Hons) (UCT), MSc (Zoology) (UCT), MSc (Quantitative Resource Ecology) (UCT), MBA (Wits), PrSciNat

Group Environmental Consultant

Colleen has 16 years of experience in mining environmental management including specialist studies assessing the impact of marine mining on the environment, Environmental Management Co-ordinator at Namdeb Diamond Corporation in Namibia, Manager – Environmental Services for De Beers Consolidated Mines and Environmental Consultant at Metago Environmental Engineers. Colleen joined Metorex in 2009 as its Environmental Consultant.



Timothy Paul Williams (44)

BSc (Hons) Geology (Wits), GDE (Wits), PrSciNat, SAIMM (Fellow)

Group Mineral Resources Manager

Tim joined Metorex in January 2007 and assumed responsibility for Group Mineral Resources Management in May 2009. Tim is a geologist with 20 years of experience in exploration, resource estimation and mining geology in gold and base metals through West, Central and East Africa. He worked for Anglo American Corporation in the Exploration and Acquisitions Division for 10 years before transferring to Zambia as part of the Anglo privatisation team in 2000, where he assumed the role of Mineral Resources Manager for Konkola Copper Mines in 2002. He left KCM in 2005 and was appointed General Manager: Zambia for TEAL Mining and Exploration where he was responsible for exploration and development projects on the Zambian Copperbelt.

Biographical details of Terence Goodlace (Chief Executive Officer) and Maritz Smith (Chief Financial Officer), who complete the Executive Committee, appear under Directorate on pages 12 and 13 respectively.

Statistical information

Commodity production statistics

Commodity	Unit	18 months December	12 months June		
		2010	2009	2008	2007
Copper	(t)	76 409	31 207	25 350	17 131
Cobalt	(t)	5 123	871	565	132

Commodity sales statistics

Commodity	Unit	18 months December	12 months June		
		2010	2009	2008	2007
Copper	(t)	76 497	31 846	23 291	17 107
Cobalt	(t)	5 191	578	386	129

Average commodity prices received

Commodity	Unit	18 months December	12 months June		
		2010	2009	2008	2007
Copper	(US\$/t)	6 239	4 464	7 277	7 066
Cobalt (70% of LMB)	(US\$/t)	26 366	30 856	39 672	24 244
Cobalt (70% of LMB)	(US\$/lb)	12	14	18	11
Exchange rate (average)	(R/US\$)	7,42	9,3	7,30	7,20
Exchange rate (close)	(R/US\$)	6,60	7,72	7,80	7,03

Capital expenditure summary

Company	Description	18 months December 2010 (R000)	12 months June 2009 (R000)
		Ruashi Mining sprl	Capital work in progress
	Plant and equipment	83 876	13 363
	Other	45 917	66 961
	Borrowing costs and losses	–	136 408
Chibuluma Mines plc	Plant, equipment and development	231 998	121 065
Copper Resources Corporation	Holding costs	128 972	92 580
	Kinsenda feasibility study	26 578	–
	Lubembe feasibility study	12 853	–
	Plant, equipment, development and other	42 167	290 488
Sable Kabwe Limited	Plant, equipment and development	505	2 803
Metorex Limited	Furniture and office equipment	4 673	282
O'Okiep Copper Company	Other	771	–
Total capital expenditure for the period (excluding mineral rights from acquisitions)		864 734	1 393 454

Risk management



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Introduction

Metorex is committed to ensuring that sound and effective systems of internal control and enterprise risk management are developed, embedded and cost-effectively implemented and consistently reviewed throughout the organisation. The purpose of this commitment is to:

- preserve and enhance the management of assets and earnings potential;
- proactively anticipate and respond to changes in business environments;
- create and maintain a safe and healthy working environment;
- protect and promote the health, safety and well-being of our people and the communities in which we operate; and
- develop positive relationships with all stakeholders so that environmental needs and concerns are appropriately addressed.

The Board accepts that it is responsible for risk management throughout the organisation and management accepts that it is responsible for the implementation of the Metorex Risk Management framework and associated systems and controls. The Risk Management framework was approved by the Metorex Board on 24 February 2011.

Risk management policy

Metorex Limited is a base metals mining company operating in southern Africa and recognises that risk management is a systematic way of protecting business resources and income against losses so that objectives can be achieved.

Metorex is committed to complying with the governance of risk principles included in the King III Report by:

- assigning responsibility to the Board for the governance of risk and for setting the levels of risk tolerance and risk appetite for the Group;
- assigning responsibility to management for providing and implementing a structured and consistent process to identify, analyse, and manage, report and regularly review the risks associated with business activities;
- identifying business objectives and the risks to achieving those objectives;

- controlling and managing risk exposures through appropriate risk reduction and mitigation actions;
- regularly reporting and disclosing on any current, imminent or envisaged key risks and associated mitigation actions to the relevant stakeholders;
- creating the desired risk culture throughout the Group;
- ensuring that employees and contractors have the relevant hazard identification and risk management skills to perform their work-related tasks in a safe manner; and
- making this policy available to employees, contractors and other stakeholders.

Employees and contractors working on Metorex operations play a fundamental role in controlling, minimising and eliminating risks through taking ownership of and actively participating in hazard identification and risk management programmes and initiatives.

Risk management

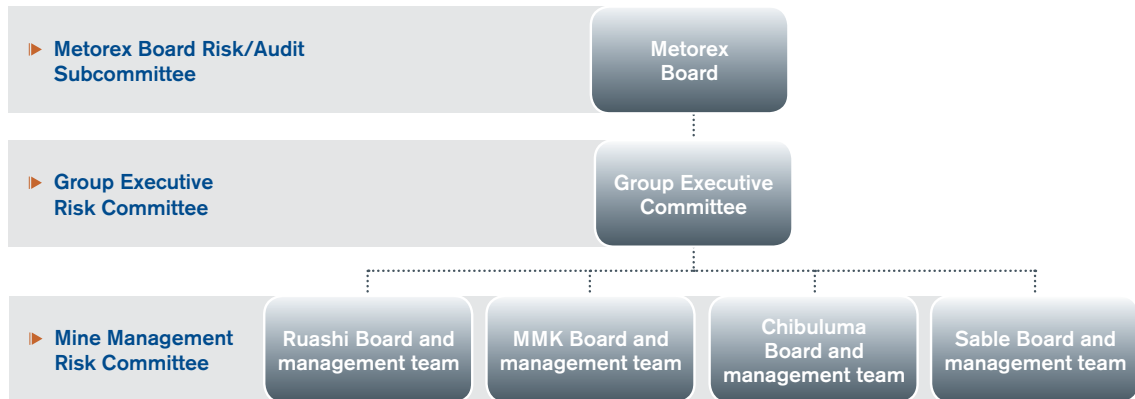
The Group and its operations are responsible for implementing the Metorex Risk Management processes. It is critical that all parties work together to achieve this goal, and the following needs to be understood by all key parties:

- An appreciation of the overall risk management process including the related systems of internal control.
- An understanding of the key (strategic, tactical and major operational) risks and opportunities that could influence the achievement of strategic and performance objectives.
- Their accountability within the Risk Management framework and processes.
- That risk management is a dynamic process and the risks that are critical one day may change dramatically the next due to changing circumstances.
- All business unit/function managers are responsible for reporting on risks and actions taken to mitigate risks.
- That specific staff will be allocated to specific risks and the associated mitigating actions and that they have a responsibility to report on progress to allow for adequate monitoring and a full understanding of the status of specific risks.

Risk management

continued

The new Metorex risk management structure is depicted in the schematic below:



Group risks and mitigating actions

Risk category	Risk	Context	Potential impact (business implications)	Existing controls	Risk mitigation strategies
Commercial	Uncertainty in changes in Zambian company tax law	Introduction of windfall tax, variable tax, increased royalties and concentrate export taxes Societal demands for the mines to become more highly taxed Changes are in conflict with development agreements	Increased taxation payments Reduced cash flow to service debt and make dividend payments for shareholders Changes to investment criteria for new projects	Continued challenge to the changes proposed by the Zambian Government Focused improvements in volumes, values, quality, costs, capex and cash flows ("VVQ3C") to mitigate the drain on cash flows	Continued lobbying with peers and Chamber of Mines Ongoing dialogue with government and offering of alternatives Consider social programmes as alternatives to increased taxes
Commercial	Delay or failure to obtain project development financing	Restricts continued exploration and project development Resource industry is cyclical in nature Equity financing is dilutive to shareholders	Growth and wealth creation delayed Project deferral Shareholder dilution when doing capital raising or doing a partial sale of assets Share price not reflecting the value of projects	Maximise cash flows from operating companies Negotiate attractive financing arrangements	Finalise advanced negotiations with financial institutions in securing term loans for the Kinsenda Mine development No action required with Lubembe and Musonoi until the projects are proven
Commercial	Uncertainties around the development of new mines in remote locations	Timing and costs of new projects Non-availability of skilled labour Poor availability of infrastructure Lack of supplies of consumables and services Permitting difficulties and the loss of licences A lack of project funding Effect on communities	Failure to replace and/or build on the current production profile Making new developments marginal Delaying new developments	Detailed evaluation of the mineral resource/reserves In-depth technical, financial, environmental and legal due diligence studies Learning from the lessons at Ruashi and Chibuluma Country risk assessments	Kinsenda feasibility study to be finalised with a high level of diligence Musonoi and Lubembe exploration programmes to be completed

Risk category	Risk	Context	Potential impact (business implications)	Existing controls	Risk mitigation strategies
Commercial	White collar criminal activities	Internet banking Sophisticated syndicates and hackers Malicious software programs and their distribution mechanisms	Loss of cash Breach of confidentiality Business interruption and reverting to manual systems	Firewalls and strict banking protocols Segregation of duties Use of transmission accounts with minimum account balances	Engage with secure banking institutions IT education of employees with regard to online spyware Investigate mine processes and controls
Environmental	Environmental incidents on or adjacent to Metorex operations	Mines and process plants disturb the environment and introduce new elements into the environment Hazardous substances are used at mining sites	Partially or fully suspended operations Company reputation can be damaged and share price reduced Fines and litigation risk Bank finance can be thwarted	Adherence to SHEC policies and procedures Incident reporting and actioning process SHEC reporting processes Regulatory restrictions and standards EMPs	Implement IsoMetrix/EMS which is aligned to ISO 14001 Ongoing training of staff on all safety and environmental policies and best practice Disciplinary action taken on breaches Compliance with Equator Principles at Ruashi
Environmental	Changes to environmental laws and regulations where Metorex operates	Estimates of cost of ultimate closure and ongoing rehabilitation costs of mines are significant Legal and regulatory requirements may change materially Applies to the DRC, Zambia and South Africa	Withdrawal of operating licences for non-compliance Incurring of fines for failure to meet new requirements Fines for non-compliance with new laws and/or licence requirements	Engagement with environmental authorities and networks to understand possible future changes in environmental legislation Employ World Bank standards which are higher than local standards	Engage specialist environmental consultants to assist with implementing new changes as and when they are legislated
Environmental	Underfunded and underestimated closure liabilities for Metorex operations and new projects	Closure is considered tomorrow's problem Closures costs are often not internalised at the project development or acquisition stage The prudence principle should be applied	Underfunded liability for the shareholder Litigation by shareholders for not presenting the true picture Directors may be at risk in their personal capacity	SHEC Board sub-committee reporting Third-party assessments of operations and defunct operations Metorex Texco peer review process	Ongoing rehabilitation programmes to reduce closure rehabilitation liabilities Full closure and post-closure planning and reviews Third-party reviews
Exploration	Greenfields and brownfields exploration activities do not deliver resources and reserves	Exploration activities are speculative and often unproductive Detailed planning is needed before embarking on exploration activities	Exploration activities absorb cash and do not guarantee replacement of current production	Metorex Texco peer review process and planning mindset AFE approval process Employment of third-party and in-house professionals	Improved skills at the operating level

Risk management

continued

Group risks and mitigating actions continued

Risk category	Risk	Context	Potential impact (business implications)	Existing controls	Risk mitigation strategies
Financial	Currency and commodity price fluctuations affecting the Group's profitability	Production costs are in USD and Kwacha Revenue in USD could be affected by commodity fluctuations Volatile global markets	Increased production costs with a weakening USD Lower revenues with commodity price fluctuations Inability to service debt	Commodity price hedging to cater for any downturn that could expose shareholders Deleveraging of Metorex through asset sales and a capital raising	Focused reduction of unit cost of production Commodity price hedging Commission Ruashi acid plant to reduce operating costs Cobalt drier commissioning at Ruashi New cobalt circuit at Ruashi
Financial	Restrictions on transfers of funds to Zambia and the DRC	SARB restrictions on foreign investments	Project development delays Dilution of interests in projects	Maintaining regular updates to SARB on project progress	Compliance with SARB regulations
Mineral resource management ("MRM")	Inaccurate Mineral Resource and Reserve estimates for current and new projects	Project failures Value, volume, quality, cost, capital and cash flow effects	Failure to achieve project returns and uneconomic mining operations Wasted shareholders' funds and potential litigation Reduced earnings and cash flows Company reputation put at risk	In-depth MRM protocols with third-party sign-off Extensive drilling programmes with QA/QC protocols Metallurgical test work	Ongoing drilling programmes for the new Metorex projects Ongoing metallurgical evaluation/testing for the new Metorex projects MRM skills and practices at mine level
Political	Operating in emerging markets	Subject to greater legal, regulatory economic and political risk The Group is dependent on socio-economic and political conditions prevailing in the DRC and Zambia	Change in regulations affecting tenure and earnings Shareholder uncertainty	Maximising VVQ3C Meeting fiscal obligations to the state, partners and the community Close relationships with government Social programmes	Increase dialogue with partners and state officials Publicise social programmes Further work with the local community on programmes and needs Notify government of progress and achievements
Political	DRC and Zambian laws susceptible to change, revision or cancellation	Political influence on tenure and the running of mining operations Changes to the mining codes, tax laws, safety, health and environmental legislation Elections and changes in government	Loss of mining title Opportunity cost of new projects Adverse impact on financial results	Liaison with local and central governments Contact with other mining companies Participation in business forums	Regular liaison with governments Maintain credibility wherever you operate Address the social needs of the community Make royalty and tax payments in timely fashion Geographical diversification

Risk category	Risk	Context	Potential impact (business implications)	Existing controls	Risk mitigation strategies
Political	Withdrawal or termination of operating and exploration licences	<p>Exploration, mining and processing requires licences</p> <p>DRC and Zambian operations are dependent upon import and export licences</p> <p>Withdrawal of concentrate export licences or permissions has a material financial effect</p>	<p>Company could lose its operating licence and exploration projects</p> <p>Reinstatement of licences takes time, effort and money</p> <p>Inability to export concentrate has major financial implications</p>	<p>Complying with the legal, safety, health and environmental regulations</p> <p>Maintaining cordial relationships with business partners</p> <p>Open dialogue with political decision-makers</p>	<p>Review regulations and statutes for compliance</p> <p>Continued interaction with local and central government</p> <p>Complete due diligence studies within prescribed time frames</p> <p>Investigate in country product beneficiation</p>
Political	Political risk in the DRC	<p>Political and social risk could impact the Katanga region where Metorex operates</p>	<p>Business interruptions</p> <p>Damage to equipment</p> <p>Damage to mineral properties</p>	<p>Securing of mine sites</p> <p>Visible security presence</p> <p>Relationships with local communities</p> <p>Stakeholder engagement programmes</p>	<p>Continuing social upliftment programmes</p> <p>Continued securing of mine sites</p> <p>Close liaison with community leaders</p> <p>Voluntary Principles on Security and Human Rights ("VPSHR") programme</p>
Health	Infectious disease occurrences in southern Africa	<p>Operating in emerging market economies in poor areas without sanitation and clean water</p> <p>Loss of personnel</p> <p>Lost man-hours due to ill health</p> <p>Low productivity</p>	<p>Low productivities</p> <p>Negative effect on earnings</p> <p>Increased unit production costs</p> <p>Increased medical costs</p>	<p>Regular medical testing of employees at Ruashi, Chibuluma and Kinsenda</p> <p>HIV/Aids education programmes</p> <p>TB programmes</p> <p>Malaria prevention programmes</p> <p>Water and sanitation programmes</p>	<p>Increased lifestyle awareness programmes</p> <p>Further malaria prevention programmes</p> <p>Continuous HIV/Aids and ICVCT programmes</p> <p>Create on-mine primary healthcare facilities</p> <p>Co-ordinate CSR with government interventions based upon assessed risks</p> <p>Linkages with Doctors without Borders and the World Health Organisation</p>
Technical	Power disruptions in DRC and Zambia	<p>Increased demand for power could lead to increased power outages</p> <p>National power grids are stressed in the SADC region</p> <p>Poor maintenance and run-down equipment – the DRC utility ("SNEL") is bankrupt</p> <p>A lack of skills employed by the national utilities</p>	<p>Reduced production</p> <p>Material effect on operating results and the Group's financial position</p>	<p>Maintaining standby power generators for critical production areas</p> <p>Start-up procedures</p> <p>Emergency evacuation procedures</p> <p>Chibuluma has purchased and commissioned a third standby generator</p>	<p>Consider investment in a dedicated power generation plant at Ruashi</p> <p>Increase the use of diesel-powered generators at Ruashi</p> <p>Additional generators being assessed for the Ruashi acid plant</p>

Sustainable development report



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- 31 Stakeholder engagement
- 33 Economic contribution/value add

In our 2009 report we announced that, amongst other actions, we saw continuous improvement of our safety, health, environment and community ("SHEC") performance and the elevation of risk management processes to higher levels. We laid the foundation for this process by developing and approving the framework and policies that guide SHEC management. Accordingly, we put in place corporate capacity and published the policies on occupational health and safety, environment, and communities. In addition, we took forward many of the recommendations of the F2009 Group-wide SHEC baseline audit by initiating and completing baseline risk assessments for all operations. The Group Safe Production Rules have been implemented at all operations and have been integrated into training modules.

The implementation of the Group-wide electronic SHEC management system was completed at all operating units as recommended by the SHEC baseline audit. Initially the system is being used for risk registers, hazard identification, risk assessments, incident reporting and data capture. This is to ensure that management decisions are taken on the basis of more robust data and to build comparable data to measure and improve trend analysis over time.

The SHEC Board Subcommittee meets quarterly to review SHEC performance reports from the various operations. Information considered includes the number and nature of incidents, occupational health trends, consumption of resources, community initiatives and stakeholder concerns raised at Group and operational level. Based upon this input, as well as the guidance provided by the Group policies, the SHEC Subcommittee provides strategic guidance to the operations, works to share and standardise best practice across operations, and provides feedback to the Board as the process matures. The SHEC Subcommittee will increasingly embrace a range of strategic initiatives in all areas of SHEC management to address areas of concern and to advance Group-wide initiatives.

Sustainable development issues and incidents are now included in the weekly and monthly reports, and submitted to the Group executive. The Technical Executive Committee ("Texco") meets bi-weekly and receives regular reports on sustainability trends and issues, thereby ensuring that sustainability issues are integrated into the overall operational decision-making process. SHEC issues are included in the quarterly reviews held at the operations, which include operational management and Metorex Group Exco members.

Going forward we plan to strengthen the integration of our SHEC capacity across the Group operations and continue our engagement with all stakeholders. Mindful of our stakeholder concerns, we will also increase our involvement in initiatives such as the Extractive Industries Transparency Initiative ("EITI") and the Voluntary Principles on Security and Human Rights ("VPSHR"), (www.voluntaryprinciples.org). Over time this will reflect in our improved public reporting on sustainability issues.

Fines and legal actions

During F2010 no money was paid by the Group or its operations in fines or penalties resulting from transgressions related to environmental, community or occupational health and safety matters, nor was any legal action brought against the Group in this regard.

Safety and occupational health

The Group's various operations manage their health and safety to ensure the wellness of their employees and the sustainability of their operations. The control and eventual reduction of all hazards in the workplace requires a team effort involving the active participation of all stakeholders. This includes management, unions, suppliers and regulators, as well as workers and their families. The Metorex occupational health and safety policy requires the provision of appropriate resources for training and ongoing actions to ensure continual improvement in occupational health and safety performance. Our employees and contractors take ownership of these programmes by complying with standards and procedures and by exercising their duty to withdraw from an unhealthy or dangerous situation (for the full policy text see www.metorexgroup.com).

Safety

Once again we are gratified that our continued investment in safety training and capacity has led to another fatality-free period for the Group. Ruashi has seen in excess of over two million fatality-free shifts worked since the inception of the project in 2004, which includes the construction work that has taken place over this period. Equally gratifying, the past three years have seen a steady decline in lost-time injuries ("LTIs") both in absolute terms and in frequency rates across all operations. We believe that this is driven primarily by our continued investment in safety training, the implementation of the Safe Production Rules, the confidence employees have in refusing to work in unsafe conditions, and the focused identification and reduction of operational hazards in the workplace by all employee. A detailed case study of our investment in safety training at Chibuluma, which leads the Group in this area, is included in this report.

Sustainable development report

continued

Performance statistics for the Group

	Six months to December 2010	12 months to June 2010	12 months to June 2009
Non lost-time injury frequency rate per million man-hours worked			
Ruashi	44.3	56.8	6.9
Chibuluma	6.6	13.2	21.3
Sable Zinc	4.4	14.4	108.0
Kinsenda	1.5	2.3	1.5
Group	24.5	25.3	11.5
Lost-time injury frequency rate per million man-hours worked			
Ruashi	0.0	1.9	0.5
Chibuluma	3.8	2.8	4.0
Sable Zinc	0.0	2.1	22.0
Kinsenda	0.0	2.3	5.4
Group	1.0	1.5	2.1
Serious injury frequency rate per million man-hours worked			
Ruashi	0.5	0.6	0.5
Chibuluma	0.9	0.9	0.9
Sable Zinc	0.0	0.0	15.0
Kinsenda	0.0	1.5	0.8
Group	0.5	0.8	0.3
Lost day severity rate days per LTI			
Ruashi	0.0	11.1	9.5
Chibuluma	8.5	6.8	18.7
Sable Zinc	0.0	2.0	4.3
Kinsenda	0.0	15.7	4.9
Group	8.5	9.9	5.8

Greater awareness has been created through the introduction of the electronic SHEC management system. This has played a significant role in increasing the number of hazards being identified, reported on, and acted upon across the operations. In addition, hazard reporting by employees is encouraged as part of regular safety talks as well as through follow-up training. The electronic SHEC management system is being rolled out on an incremental basis. Employees have access to the system via an internet interface. It has become standard practice to conduct HAZOP studies on all new installations and projects.

Metorex conducted external fire safety reviews on operations where solvent extraction processes are utilised for copper recovery. The recommendations of the reviews were adopted by management and implemented. Emergency preparedness on all sites is reviewed quarterly and this has resulted in the upgrading

of emergency equipment and improved procedures and conducting regular emergency evacuation drills. The Safe Production Rules have been printed in pocket-size booklets which are issued to employees during training sessions and it is mandatory that all employees have their booklets on their person at all times.

While there has been an improvement in safety trends and practices throughout the Group, the challenge of achieving zero lost-time injuries remains. A total of 15 lost-time injuries have occurred over the last 12 months and these were preventable. Of the 15 lost-time injuries, three were due to minor rock falls as a result of inadequate barring, four were injuries resulting from the manhandling of equipment, and three were due to a sudden release of stored energy. To prevent a recurrence of these lost-time injuries, the following initiatives are in place:

- Increased senior management presence at the workplace to coach, build trust, and encourage commitment and participation from all team members.
- Operating standards are being reviewed and revised where necessary.
- Employees are briefed after all accidents and learning points are shared.
- A Code of Practice relating to falls of ground at Chibuluma has been completely rewritten.
- Training on the Safe Production Rules has been increased and the process governing the implementation of these rules is audited with recommendations being implemented.
- Appropriate discipline is applied where the safety measures were in place but were disregarded by the affected persons.
- An increased emphasis on planned task observations for high-risk tasks.
- More focus on task risk assessments.

We are pleased to report that all underground personnel at Chibuluma now have access to fully functional refuge chambers and are issued with self-contained self-rescuers whenever they go underground. In addition, all underground mobile equipment at Chibuluma has been equipped with collision-avoidance detection devices which warns drivers of nearby personnel and other mobile equipment. An ongoing programme is in place to

prevent employees from reporting for work under the influence of alcohol and to prevent the abuse of alcohol. We are proud of the Chibuluma Mine rescue team which demonstrated their competence by winning one of the quarterly Zambian mine rescue team competitions.

The training of employees at Ruashi Mine remains a high priority with a significant emphasis being placed on recruiting and appointing skilled training staff. The mine has trained and appointed 12 technical training officers who are tasked with training employees within their assigned areas of influence. Their responsibilities include the writing of procedures, the training of employees in those procedures and planned task observations.

Sable Zinc has appointed a dedicated safety officer and commissioned an on-mine first-aid station. This, together with regular first-aid training, ensures that employees have rapid access to first-line care should an injury occur at the workplace.

Kinsenda continues to focus on the training of employees to improve hazard identification and risk assessment as well as to improve the implementation of the Metorex Safe Production Rules.

Case study

Investing in training for a safer workplace at Chibuluma

Chibuluma strives to continuously improve its safety and occupational health performance by seeking to prevent all incidents and accidents and minimising hazards inherent in the working environment. Safety trends for the period 2005 to 2010 show an overall downward trend in the annual reportable injury rate from 2,55 to 0,94, although the rate spiked in 2006 at 5,3. The Company is committed to moving beyond simple legal compliance to ensuring that appropriate resources for training and personal protection equipment are provided and that as part of their training all employees and contractors understand that it is their right and duty to withdraw from an unhealthy or dangerous situation.

Workplace safety is recognised as a continuous challenge which requires constant effort to prevent complacency. Chibuluma management has therefore invested heavily in safety training with two focus areas: an extensive induction process to ensure workplace competency and high levels of safety awareness, and regular refresher training for all employees and contractors to constantly ensure competency levels. The foundation of their safety training is the extensive induction process each employee and contractor is required to undergo prior to being allowed into the working environment. At a minimum formal induction lasts a week.

The induction training not only communicates the Company's safety rules and procedures but seeks to create and educate the trainee on how the mine, plants and support services of Chibuluma fit together and operate. By working through the Company's Safe Production Rules booklet and using a variety of training media, the inductee is given a detailed understanding of the generic safety challenges and the risk minimisation procedures on the mine.

Sustainable development report

continued

Understanding of the induction content is tested at every level and minimum scores are required before the inductee can proceed to the next stage. From there the inductee moves onto his/her job-specific induction and training. A particular focus area of this is the training of employees with equipment and machinery which they are likely to use and come into contact with. This is to ensure that employees have the technical ability to operate the machinery efficiently and safely, while also being aware of the inherent risks associated with operating their equipment. Training is carried out using original equipment and in most cases making use of trainers from the equipment suppliers themselves. A number of assessments are completed during the training before the new employee can proceed to the workplace. An example of this has been the extensive training of underground employees on the self-rescue packs which are mandatory for everybody operating underground. Chibuluma is only the second Zambian mine to introduce these and therefore had to invest considerably into ensuring that all employees are familiar and comfortable with this safety device.

Following the completion of induction, the employees spend a week in their new position. At the end of the first week there is an assessment of their safety behaviour conducted by immediate colleagues and a supervisor. The purpose is to ensure that all employees work as a team and look out for each other in respect of safe behaviour. If an employee's workplace awareness and safety behaviour are deemed inadequate, they are required to undergo additional training. Once an employee has completed this process they are phased into the job with the help of their team members before being left entirely on their own. Only at this stage is the employee deemed to have reached the required competency.

The safety message in induction is reinforced on a regular basis through refresher courses and specific safety campaigns. The Chibuluma workforce, especially the employees working underground and in the plant, operates on a team or buddy system where peer pressure reinforces safe behaviour. Unique in the Zambian mining sector, Chibuluma operates a safety bonus system whereby 40% of the bonus is linked to safety performance. Mine management is required to lead by example through visibly felt leadership. In order for employees, including managers, to qualify for the safety bonus, the mine must be fatality and incident free for the relevant period. To ensure that this does not lead to the covering up of safety incidents, Chibuluma management is very explicit in its employee communications regarding the right of every employee to refuse work in an area they deem unsafe or for which they feel insufficiently competent. There are no penalties for refusing to work in an unsafe area and whistle-blowing on unsafe behaviour is explicitly encouraged. Awards for the best information on accident prevention through proactive behaviour are handed out at safety meetings.

Despite this, it is still an unfortunate reality that accidents happen and over the past six years the mine has recorded two fatalities. It is critical that lessons are learnt from these incidents to prevent their recurrence. In both instances people were struck by loaders underground. Investigations revealed that the root cause lay in the restricted field of vision of the loader drivers with respect to people and objects closer than six metres. In response, anti-collision warning devices have been installed in all cap-lamps and vehicles to provide a warning to vehicle operators and personnel of vehicles and people in close proximity. These devices provide the drivers of underground vehicles with visual and acoustic signals of people and vehicles in their immediate proximity. In addition, reflectors on the personal protective equipment ("PPE") of underground workers have been increased.

Beyond this Chibuluma's safety team constantly reviews the weekly and monthly incident reports which include near misses. Based upon this information, risks are identified and initiatives launched to mitigate the hazard in the workplace and to include these risks in induction programmes. For an employee to constantly work safely and in an effective manner, it is necessary to ensure that they take their leave and get rest. Every employee is therefore required to take their annual leave at some stage during the year and upon return from leave that exceeded 14 days, undergo a one-week refresher induction in which particular attention is devoted to any new safety initiatives or changes in operating procedures. Through this constant investment in the training of employees, Chibuluma can realistically work towards eventually eliminating serious workplace incidents.

Occupational health

Metorex is committed to providing a healthy workplace for its employees by progressively identifying, mitigating and, where possible, eliminating occupational health exposures. Wherever such exposures cannot be eliminated, the use of personal protective equipment is strictly enforced. In addition, regular scheduled medical examinations are conducted on each employee and long-term contractors at appropriately equipped occupational health centres. This surveillance programme forms the mainstay of the Metorex operations occupational health efforts by ensuring regular screening, appropriate work placement, early detection and the prompt referral of occupational diseases. Malaria remains the major cause of sick leave.

Metorex is one of the few companies in the DRC and Zambia to have implemented audiometric testing on all employees as part of a comprehensive occupational health programme.

The Chibuluma Mine operates a hospital in Kalulushi which, although primarily a mine hospital, also provides a valuable service to the community with modern equipment supplied by Chibuluma Mine. The mine is very proud of the new digital X-ray machine which has been commissioned. One wing of the hospital has been refurbished and Chibuluma, together with the Zambian National Aids Network ("ZKAN"), has established an HIV/Aids clinic which provides informed voluntary counselling and testing ("IVCT") for HIV/Aids as well as provides antiretroviral medicine to the community. Chibuluma facilitates an incentive system to encourage the community to attend VCT sessions.

The Ruashi medical station is also well equipped with modern audiometric measuring booths and a new X-ray facility. Full audiometric and lung function testing is performed on site. The facilities have been expanded to include testing for malaria.

Medical examinations F2010

	Number of examinations
Chibuluma	2 406
Sable	172
MMK	3 786
Ruashi	3 785

Malaria remains one of the principal health issues for the Central African operations and Metorex continues to work with a range of partners to contain the risk of the disease to its workforce and community. At Chibuluma this is done by meeting a substantial portion of the annual budget for the

malaria control programme known as Indoor Residual Spraying ("IRS") for both the Kalulushi and Lufwanyama District Health Boards. The objective of this programme, run in partnership with the Zambian Ministry of Health, is the spraying of mainly residential structures where the malaria-carrying mosquito can shelter from the more conventional blanket spraying programmes. Together with the district health boards, and representatives from the Ministry of Health the number and location of structures targeted and sprayed is determined on an annual basis.

Although the Zambian Government withdrew funding for the programme, Chibuluma still participated in the spraying of the targeted 17 440 structures, of which 11 440 are in the Kalulushi area, with the remainder in nearby Chambishi. Also included in this spraying campaign were 15 health facilities and their surrounding areas in Lufwanyama district.

While Ruashi, MMK and Sable do not spray for malaria, the companies support ongoing programmes of clearing drainage ditches, trenches as well as other bodies of stagnant water within the community to reduce breeding opportunities for the mosquito.

The Group also recognises that HIV/Aids represents a healthcare challenge for the areas in which it operates and the Group seeks to work with partners to promote behavioural changes among the workforce and their families that reduce the risk of contracting this disease. In addition, the Group facilitates the HIV/Aids voluntary counselling and testing as well as the distribution of ARVs at all its medical facilities. These activities take place against a background of strict non-discrimination against those infected with HIV/Aids among its workforce.

Environment

Metorex is committed to continually monitoring its environmental performance to minimise its impacts on the environment and has integrated environmental management considerations into its overall management practices throughout the Group.

During the year the implementation of the IsoMetrix SHEC management system was initiated and forms the basis of the data on which the Group's operations can base their performance and measure the success of initiatives. As the incident reporting through the IsoMetrix system increases, we expect to see a medium-term rise in all categories of incident reports, and as lessons are learnt and preventative measures taken, we expect the number of significant incidents and later the minor incidents, to decline over time.

Sustainable development report

continued

Incidents recorded

	Level 1*	Level 2*	Level 3*	Level 4*	Level 5*
Ruashi	75	6	3	0	0
Chibuluma	18	7	0	0	0
Sable	3	0	0	0	0

*Definitions contained in glossary.

The level 3 incidents at Ruashi relate mainly to the detection of low pH water in the tailings dam groundwater monitoring boreholes. Further investigation found that the low pH was probably caused by the disposal of untreated low pH tailings onto the dam at plant start-up, prior to the commissioning of the lime plant, which eventually manifested in the boreholes. While the lime plant is now fully functional, an action plan has been compiled to ensure that the low pH water does not enter aquifers or surrounding surface water.

Monitoring

Each site continues to operate an environmental management plan that forms part of its operating permit. Surface water, groundwater and air quality monitoring form part of this at every site. Data generated from water sampling feeds into recording the mine water balance. This ensures that all controlled effluent discharge remains within discharge permit limits. Water quality monitoring measures pH, conductivity, temperature, total dissolved solids as well as the levels of specific dissolved metals as required by national legislation. Sampling and analysis are done by the on-site laboratories and verified selectively at off-site facilities. Air quality monitoring measures dust fallout other than at Sable where, due to the extraction process, monitoring also includes sulphur dioxide.

Environmental and community management

Going forward we recognise the need to deepen the integration of environmental management into the overall management of the operations and to support this with additional capacity. We have therefore initiated a formal process of experience sharing within the Group by holding the first Group-wide Metorex environmental and community workshop. This is also designed to facilitate the development of a common approach and culture among the Metorex practitioners.

Mine closure provisions

Metorex operations continue to provide funds for the eventual closure and rehabilitation of its mines. In accordance with the relevant national regulatory requirements these calculations are based on different methodologies and are compiled by

external consultants. A third-party audit of closure planning suggested that there is room for improvement in respect of planning for the social aspects of closure and this will be considered in future reviews.

Closure liability US\$m		2010
Ruashi	US\$m	14,950
MMK	US\$m	0,138
Chibuluma	US\$m	2,624
Sable	US\$m	0,7
O'Okiep	Rm	29,0
Maranda and Rooiberg	Rm	12,0

The Group holds inactive historical mining properties through its subsidiaries O'Okiep Copper Company ("OCC") in the Northern Cape province and Maranda Mines (Pty) Limited (comprising Leeuwpoot and Rooiberg tin mines) in the Limpopo province of South Africa. Metorex is in the process of rehabilitating these sites and intends to apply to the Department of Mineral Resources for closure as rehabilitation progresses. Permits to mine aggregate at OCC and the Maranda mines have since been granted to private parties, and prospecting rights have also been awarded over certain of the properties concerned.

Energy

Metorex commissioned a Corporate Carbon Footprint ("CCF") for the Group to establish a baseline of energy usage and greenhouse gas emissions. The Group CCF, which was compiled according to greenhouse gas protocol guidance, showed total greenhouse gas ("GHG") emissions of 39 627 ton CO₂-equivalent for F2010. The highest contributing site is Ruashi in the Democratic Republic of Congo ("DRC"), and the highest contributing energy source is that of the consumption of diesel fuel on mining sites. The use of hydroelectricity from the DRC and Zambian power grids provides a relatively clean source of electricity. In line with global reporting standards, scope 1 emissions (direct on-site emissions) contribute 64,5 percent towards the total emissions, scope 2 emissions (indirect emissions from electricity consumption) contribute 3,0 percent, and scope 3 (other emissions from material transport and business travel) contribute 32,5 percent. This analysis provides the baseline from which Metorex will monitor emissions and develop improvement plans going forward.

Communities and CSR

In the countries in which we operate there is increasing pressure by civil, social and the foreign community on mining companies to be more accountable for, and transparent about, their actions in the communities within which they operate. This requires companies to look beyond immediate profitability and production challenges by contributing to socio-economic development in a manner that can leave a lasting legacy.

A social scan at all the active mining sites as well as O'Okiep and Musonoi was carried out by rePlan during 2010. The purpose of the scan was to assess the current status of social plans at the sites, and to define further work required in order to address social impacts, risks and opportunities. Plans to address the recommendations of the social scans have been compiled and are in the process of implementation.

In line with our commitment to improve the management and effectiveness of our community investment programme, dedicated capacity tasked with ensuring that CSR projects are selected, supported and evaluated for the greatest positive impact, was put in place at every operation. While we continue to seek partnerships in our community investment initiatives wherever we can, we remain focused on supporting education and healthcare infrastructure to ensure lasting benefits. Going forward we are also exploring how to integrate the activities of our procurement departments more closely with our small and local business support objectives. Over the long term we seek to play a facilitating role in growing the local small business sector but at the same time we wish to avoid creating a culture of dependency on mining operations.

Corporate social responsibility at Ruashi

Project focus area	Locality of the project	Target groups (beneficiaries)
Education		
The complete rehabilitation of the Katuba School; this is a secondary school for 10 000 students	The school is in the suburb of Katuba, one of the largest in Lubumbashi	Children of Lubumbashi, and eventually the economy of the DRC
Regular planting of trees together with environmental awareness for the children continues	Mostly in the Ruashi town, although all areas in Lubumbashi are affected	The population of Lubumbashi The population of Ruashi town, with particular emphasis on the youth
Social upliftment		
Water and power supply, a transformer for the local power distribution has been installed in the Ruashi suburb of Kalukuluku	The Ruashi town, which is a suburb of Lubumbashi	Kalukuluku community
The repair of roads	The Ruashi town	The population of Ruashi, and the surrounding areas
Participating in and sponsoring numerous clean-up campaigns	The Ruashi town	The population of Lubumbashi
Promotion of sport, by arranging an annual marathon and an annual soccer schools tournament	Primarily in Ruashi town, but does extend on occasions across the entire Lubumbashi	The population of Ruashi town, although the marathon is open to all residents of Lubumbashi
Enterprise development		
Utilising local entrepreneurs and artists, for various construction activities on the mine, such as wall construction, small buildings, etc	The Ruashi town	The population of Lubumbashi
We have a policy of utilising and purchasing from local business	The whole of Katanga	The population of Katanga

Sustainable development report

continued

Corporate social responsibility at Chibuluma

Project focus area	Locality of the project	Target groups (beneficiaries)
Roads		
Chief Nkana Road – pothole mending/levelling	Ex-mine through Chief Nkana village	Concentrate haulers and community
Airport access road – resurfacing	Ex-mine to airport road junction	Employees and the community
Empowerment		
Job opportunities – recruitment of locals for full-time/casual posts	Chief Nkana's surrounding villages	Local community
Local contractors and suppliers	Mine	Local business people
Gender equality – female recruitment	Mine	Females with requisite qualifications
Sports and recreation		
Soccer and rugby clubs – financial/monetary assistance	Kalulushi	Community
School sports sponsorship	Kalulushi	Kalulushi Trust School
Security		
State police fuel assistance	Kalulushi/Lufwanyama	Local community
Donations – material and monetary		
Schools, churches, chiefs National events – Independence Day – Youth Day – Women's Day – Labour Day – World's AIDS Day – Child Health Week	Kalulushi/Lufwanyama Kalulushi/Lufwanyama	Pupils, congregants and chiefdoms Community

Corporate social responsibility at Sable Zinc

Project focus area	Locality of the project	Target groups (beneficiaries)
Schools		
Entrepreneur of the Year Award – donation	Kabwe Schools	Students
Social		
Donation to Catholic Women's League – fund-raising luncheon	Kabwe	Vulnerable groups in Kabwe community
Health		
Donation of diesel for cholera clean-up campaign	Kabwe	The local community
Kabwe municipal council		
Installation of new clock in municipal council clock tower	Kabwe	The local community
Culture		
Complete renovation and painting of St Margaret's Anglican Church	Kabwe	The local community
Women		
Donation towards the commemoration of International Women's Day celebrations	Kabwe	The local community

Case study

Building relationships prior to mining: Kinsenda

For the year under review, Kinsenda remained a project whose feasibility continues to be explored. The Group's presence on-site is necessary to maintain the dewatering regime in preparation for potential future mining infrastructure. Metorex initiated a process of investing in a number of projects designed to support the community. The former mine hospital has been partly rehabilitated and now provides medical care not only to our workforce and their families but also general malaria treatment and emergency medical care for affected community members. In addition, we have initiated small-scale projects to determine the viability of a range of agricultural initiatives such as fish, pig and cattle farming in addition to planting 500 hectares of maize on rehabilitated farmland for workforce consumption. (Images of community projects on page 22.) Few mining projects lead to the development of mines and yet the pre-mine stage of any project cycle does affect communities. While the final decision on the feasibility of Kinsenda remains outstanding, as at time of publication, we believe that community support at this stage of the project cycle is in line with our policy and objectives.

Stakeholder engagement

Open stakeholder engagement is an essential component of working in a sustainable manner. At the same time it is also a dynamic, issue-driven process. Such engagement can only work if there is commitment to transparent dialogue and an explicit acceptance of legitimate differences in approach on both sides. Metorex is committed to engaging and working with all interested and affected parties, provided the objective of the engagement is approached in a constructive manner with a view to achieving legitimate sustainable solutions, rather than scoring cheap publicity points.

Metorex believes it has demonstrated its commitment to sustained engagement in pursuit of a mutually beneficial outcome in respect of the resolution of the long-standing challenge of artisanal miners at Ruashi Mine.

Case study

Ruashi artisanal miners

When Metorex acquired the defunct Ruashi Mine it understood that it would face a range of challenges in bringing the project back into production. Ruashi had originally been developed as an opencast copper-cobalt mine in the 1920s, but operated only briefly. In the 1960s state mining company Gécamines, reopened Ruashi and operated it until the 1980s, primarily as an underground mine. Due to the challenging political and economic climate of the time as well as stagnant copper prices, Ruashi was effectively abandoned in the 1980s. With Ruashi located on the boundaries of Lubumbashi and the recovery of copper prices in 2004 there was a massive influx of about 3 000 informal miners onto the property. Within a short period they constructed as many as 80 informal tunnel systems up to a depth of 45 metres through which these artisanal miners accessed the high-grade ore beneath the flooded Pit 1 area and the near surface ore in the area of Pit 2.

At the time the Congolese Mining Code explicitly provided for informal mining on land not covered by formal mining leases. The informal miners on the Ruashi property organised themselves into two associations – EMAK and CMKK – which licensed them and collected an administrative levy. Nevertheless, the high-grade ore extracted by the miners was sold to non-Congolese, non-resident buyers which meant that the state derived no benefit from the extraction of the orebody.

When Metorex acquired the rights to the Ruashi mining lease these miners de facto became illegal. It would have been common practice for the owner of a mining lease to enlist the help of the state's armed forces to assert a claim and to remove any trespassers. Despite encountering initial hostility and suspicion by the informal miners, Metorex chose not to go this route. Instead, the small, initial Metorex team, comprising both local and expatriate employees, chose to focus on orebody definition and exploration drilling in the proximity of the Pit which allowed them to establish an understanding of the local conditions without coming into conflict with the informal miners. However, initial attempts to assert its right of access to the main ore body were blocked by the miners.

Sustainable development report

continued

Metorex was fortunate that its activities coincided with the return from exile of Moïse Katumbi Chapwe (the then future Governor of Katanga Province). Prior to launching his political career, Katumbi had been convinced that foreign investment would have to play a significant role in the reconstruction of the Congo. He also understood that the business model of the informal miners primarily benefited the foreign buyers of the ore over the workers. The solution in his view lay in building a dialogue that would allow both sides to reach a mutually acceptable solution and he involved himself personally in opening this dialogue in order to ensure that the Ruashi investment, the largest investment by a South African company in the Congo at that stage, would come to fruition. His intervention allowed Metorex to begin the process of building bridges to the leaders of EMAK and CMKK on the understanding that at some stage they would have to leave. With his help, Metorex sought to build a relationship with the informal miners in order to convince them that they were occupying the Ruashi concession illegally and that the Company would have been within its rights to call upon the state to effect a forced removal. At the same time Metorex stressed that it had no intention of adopting confrontational tactics and began buying the ore mined by the 'informals', paying a premium in order to buy material that it in theory already owned. Over a two-year period this material was stockpiled with Metorex deriving no immediate benefit from this, until the plant was commissioned and processing began.

Over time Metorex also assisted the informal miners in legalising their status, paying their state levies and taxes as well as informing them about accessing other deposits. Gécamines had sites formally set aside in terms of the Congolese Mining Code for informal miners to operate legally. As the two sides built up a more trusting relationship, the Company also sought to assert more control over the activities on site, building capacity among the informal miners in respect of safety and rendering emergency assistance in the case of serious safety incidents. By this process the Company gradually moved informal mining out of less safe areas, reducing accidents and building trust. With the help of a Belgian-funded NGO – Group One – and the eventual support of the informal miners, Metorex began the process of removing child labour from the site. In 2006 a BBC team covering conditions of informal miners in the Katanga region highlighted the use of child labour by informal miners. The BBC story confirmed that Metorex had inherited the informal miners and disapproved of child labour. However, the association of the Company with the use of children as workers by informal miners was identified in garbled form by subsequent reports. Metorex nevertheless persisted and with the help of Group One, ensured the removal of all children from the informal mining workforce and their placement into schools or other off-site activities.

At this stage Metorex felt that its relationship with the informal miners had reached a stage at which a phased removal of these people could be initiated with their consent. The process began in late 2006 with the formal registration of all on-site miners – over 3 500 in all. This was done with the assistance of EMAK and CMKK in order to control the influx of opportunistic new arrivals. With registration complete, Metorex offered the informals a range of options; some, notably a group of approximately 50 individuals paid by EMAK to ensure on-site security were engaged by the Company as they had the requisite skills to control access to the site and preserve security during the movement of people while being the last individuals left on site.

At no stage, however, did the Company or any of its employees treat this exercise as a relocation or resettlement with compensation project. Metorex employees had at all times stressed to the informals their illegal status and the finite, though undefined, nature of time that the Company would allow their presence to continue on site. While being completely unambiguous on this issue Metorex did at all times scrupulously avoid any form of intimidation, stressing their willingness to find mutually acceptable solutions to the problem.

A range of informal miners moved away on their own accord to take up other economic opportunities. A small number that demonstrated mining-related skills were offered employment with Ruashi Mining. Many were given the opportunity, upon presentation of a credible business proposal, to receive a small capital investment with which to initiate a new business, such as brickmaking or baking. Some of these, working in construction, remain active subcontractors of Ruashi to this day. The majority, however, chose with the support of EMAK to move to other mining sites set aside for informal mining activities in order to operate legally.

During mid-2007 the violent removal of a group of informal miners from another mine site in the vicinity of Lubumbashi temporarily heightened local tensions and threatened to stop the Ruashi process. However, ultimately the relationship built between the informal miners on the Ruashi site and Metorex over a two-year period, allowed the process to be completed peacefully. In August 2007 Ruashi, after draining Pit 1 and clearing much of the informals' makeshift infrastructure, initiated its first blast in the Ruashi Pit. EMAK continues to represent informal mining interest in the Katanga region to this day and maintains an open dialogue with Metorex. For Metorex, the experience built an understanding of community issues that would lay the foundation for the Company's approach to its future community support projects.

Case study

The need for constructive, transparent engagement: SARW

During the course of the year we have engaged with a range of governmental and non-governmental stakeholders, including the Southern African Resources Watch ("SARW") as part of their research into South African companies operating in southern Africa. SARW claimed that it approached Metorex operations for input but that we failed to respond adequately. In fact, SARW's correspondence in many cases requested matters that were still under negotiation such as the terms of the development agreements with the Zambian Government at the time. As a result the initial SARW publication was, in our view, unbalanced and weakened by some obvious factual errors which more thorough research could have avoided. Metorex nevertheless chose to engage directly with SARW after the publication of its research at our corporate office as well as subsequently allowing open access to our operations. However, despite assurances that factual errors would be corrected and a more constructive dialogue would take place going forward, we have found that the information continues to be used selectively and that the new version of SARW material remains incompletely researched, relying all too frequently on unsubstantiated claims by unidentified individuals often not directly linked to the mines themselves.

Going forward Metorex will continue to engage with SARW and communicate its concerns about the material published in this manner. But failing a more constructive approach, the Group increasingly will counter the dissemination of unbalanced research with more balanced information written by third parties on behalf of the Group. It will also increasingly seek to be more transparent about the details of the engagement process. We believe that engagement with organisations such as SARW can, if pursued constructively by both sides, lead to positive outcomes beneficial to all stakeholders and most importantly our host communities.

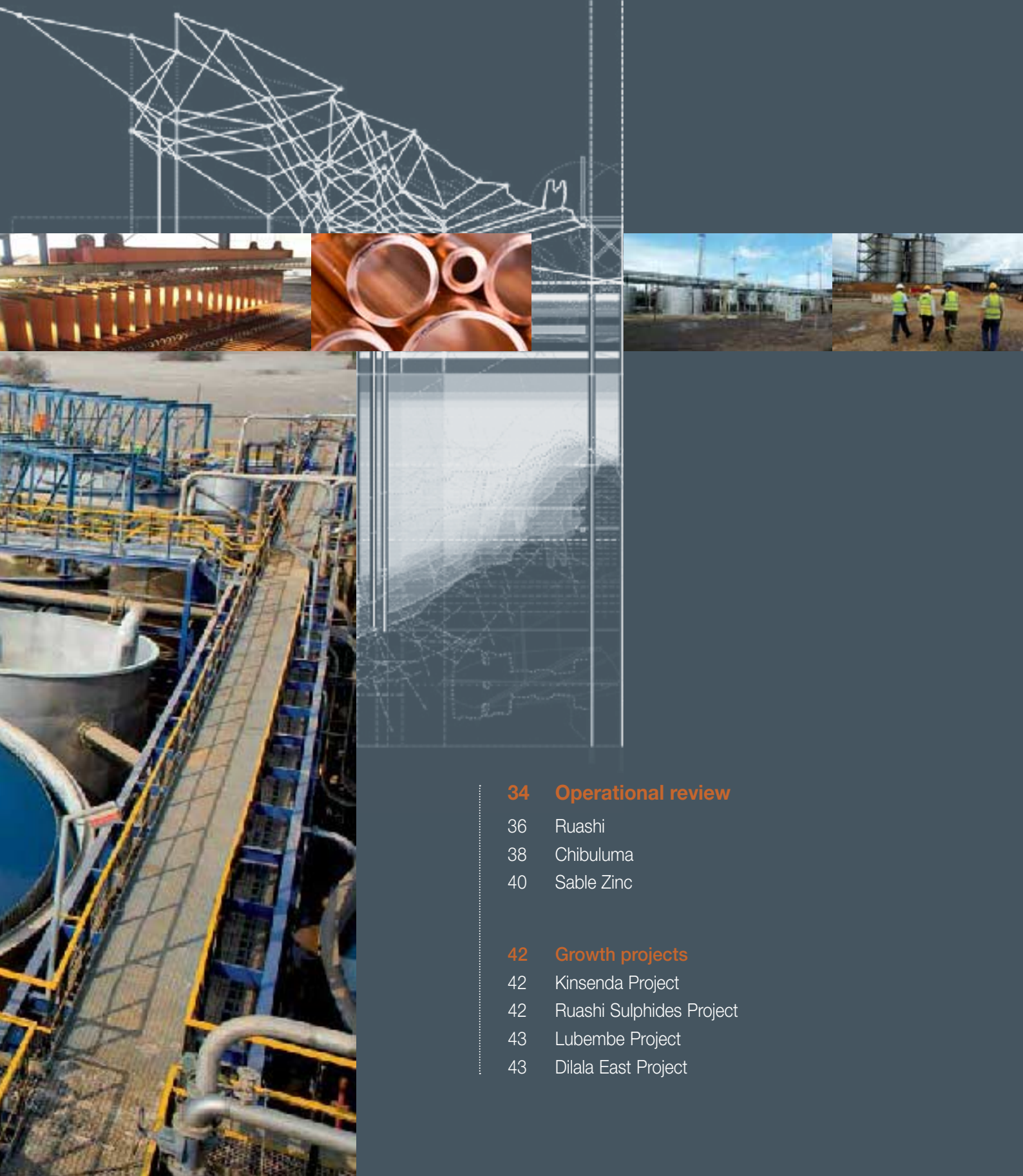
Economic contribution/value add

Metorex strives to generate lasting benefits everywhere it operates, both for its shareholders as well as the stakeholders affected by our activities. As a significant foreign investor in the countries in which we operate, we are proud of the numerous socio-economic benefits we have generated in the course of conducting our businesses. Metorex's contribution in this regard extends beyond direct employment and taxes to the indirect benefits which our activities create for our stakeholders.

Operational review

Metorex is focused on the base metals industry, primarily copper and cobalt production in the central African Copperbelt.





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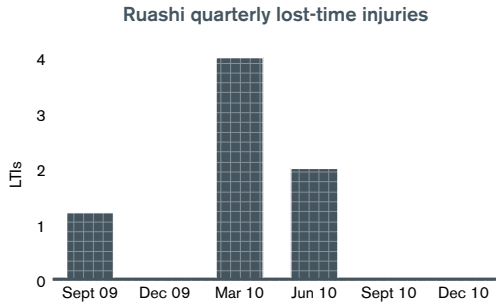
Operational review continued

Ruashi

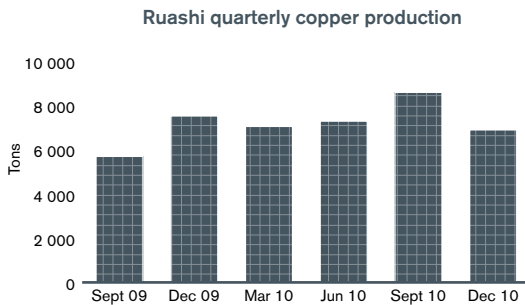


Magnesium removal circuit at Ruashi

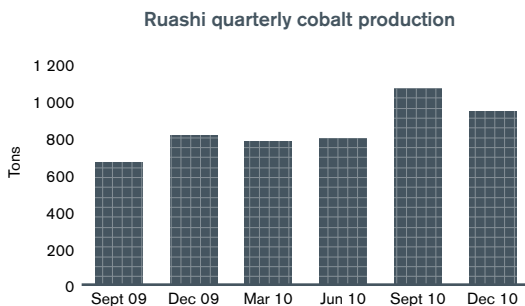
The safety culture and commitment at Ruashi is showing pleasing improvements. All of the initiatives previously reported on such as hazard identification and risk assessments and the implementation of the safe production rules are becoming an entrenched way of working. The introduction of a new integrated SHEC management system for reporting and control has augmented the safety effort. Total lost-time injuries for the six months ended 31 December 2010 (“current period”), were zero, compared to six in the six months to June 2010 (“June 2010”). The lost-time injury-frequency rate for the 12 months to December 2010 (lost-time injuries expressed as a proportion of man-hours worked) was the same as the rate for the year to June 2009 when the mine was in construction and ramp-up. This is a pleasing result as the level of complexity has increased substantially since then.



Milling volumes increased by one percent for the current period when compared to June 2010. Both periods were constrained because of the transformer and rectifier issues experienced at Ruashi. These issues have been extensively reported on during the relevant periods in separate market releases. Problems with the rectifier and transformers caused by external power surges and substandard transformer design and manufacture, eventually led to a decision to redesign and replace all of the transformers. This is in progress and production levels have since stabilised.



The copper and cobalt headgrades remained substantially constant for the previous six-month period. The confidence levels in the geological model continued to improve through the period due to continued infill drilling and grade control measures. The grades experienced in the current period are expected to persist into the next financial year.



Copper recoveries improved to 84 percent for the current period and are a function of both the acid solubility of the plant feed material and operating efficiencies. The improvements to the geological model allow Ruashi to control and predict its feed sources better, while operating efficiencies are subject to a process of continuous improvement. In addition to the continuous improvement efforts, the reduced throughput due to the transformer and rectifier problems allowed for a greater residence time in the leach section as well as better operational control, both of which had a positive influence on recoveries. Cobalt recoveries improved by 20 percent for the current period to 65 percent. Cobalt recoveries also benefited as per the copper discussion above, however, cobalt recoveries are very sensitive to feed grade. The higher grade cobalt fed to the plant therefore also contributed to the improved cobalt recoveries. Cobalt recovery improvements will be more modest off the current base.

Notwithstanding the production pressures caused by the rectifier and transformer issues, copper and cobalt production improved by eight percent and 28 percent respectively over the two halves of 2010.

On-mine costs per ton milled decreased by six percent when comparing the current period to June 2010. However, there was an offset due to less stripping of Pit 1 and Pit 2 which decreased the stripping ratio from 5,5 to 3,5. Stripping costs in the new Pit 3 are being capitalised as mine development costs in line with the Group Accounting Policies. This reduced cash operating costs. Copper and cobalt realisation costs increased by five percent and 28 percent respectively when comparing June 2010 to the current period. These costs were both impacted by an incremental US\$60/t export charge effective February 2010. Cobalt realisation charges were also significantly higher in the current period due to concentrate moisture levels rising to, as high as, 70%. This was due to the change to a magnesium oxide-based process as well as problems experienced in commissioning the cobalt drying circuit. Extensive modifications to the cobalt drying circuit are being planned. The mode of export was also changed towards the end of the year as it was found that transporting on the rail system was substantially more expensive than by road.

Total cash costs of copper sold net of cobalt credits improved by 14 percent over the first half of the year. The increased cobalt sales contributed to this cost indicator falling to US\$2 228 per ton of copper in the current period. The overall cash mining profit of US\$73,6 million was a substantial increase of 179 percent over June 2010. Capital expenditure amounted to US\$24 million in the current period. The overburden stripping at Pit 3 is being capitalised. These stripping operations will ramp up in the F2011 year and expenditure is expected to reach US\$23 million for the 12-month period. The completion of the acid plant is proceeding according to plan and accounted for US\$6,8 million in the current period. Capital spend in the coming year includes US\$6 million to complete the acid plant, US\$4 million on exploration drilling and US\$20 million in ongoing capital expenditure.

Ruashi Mine will be stabilising production levels at approximately 3 000 tons of copper per month for the coming year. Production efficiencies and strategic initiatives should have the effect of somewhat offsetting certain cost increases such as power, diesel, taxes and wages. Brownfields drilling will improve the oxide and sulphide resource base of Ruashi and should continue to extend the life of the mine as well as increase ore reserve flexibility.

Key results

Ruashi	Unit	Six months Dec 2010	Six months June 2010	12 months Dec 2010	12 months June 2010	12 months June 2009
Tons milled	(t)	605 735	600 437	1 206 172	1 232 301	485 360
Headgrade – copper	(%)	3,0	3,0	3,0	2,9	2,8
– cobalt	(%)	0,5	0,5	0,5	0,5	0,5
Recovery – copper	(%)	84	81	83	78	76
– cobalt	(%)	65	55	60	54	27
Copper produced	(t)	15 467	14 323	29 790	27 531	10 378
Copper sold – total	(t)	15 297	14 702	29 999	27 740	10 351
– into hedgebook	(t)	8 100	11 700	19 800	16 992	¹
– at spot price	(t)	7 197	3 002	10 199	10 748	¹
– hedgebook price achieved	(US\$/t)	5 972	3 900	4 748	3 900	¹
– average spot price achieved	(US\$/t)	8 275	6 163	7 653	6 633	¹
Cobalt produced	(t)	2 008	1 572	3 580	3 050	720
Cobalt sold	(t)	1 933	1 709	3 642	3 192	326
On-mine cost per ton milled, net of ore stock movement	(US\$/t)	100	106	103	101	¹
Copper realisation costs per ton of copper sold	(US\$/t)	670	637	653	615	¹
Cobalt realisation costs per ton of cobalt sold	(US\$/t)	6 384	4 996	5 731	4 518	¹
Total cash cost/ton of copper sold, net of cobalt credits	(US\$/t)	2 228	2 598	2 407	2 831	¹
Capital expenditure	US\$m	23	21	44	32	¹

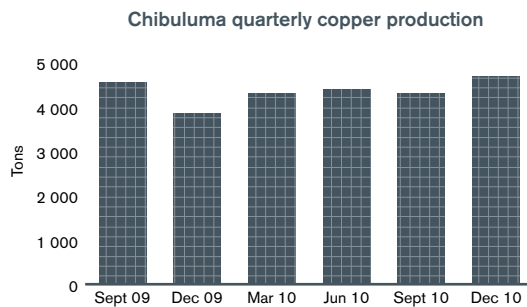
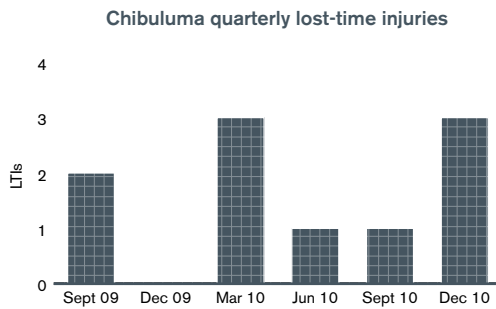
¹Project capitalised during 2009.

Operational review continued

Chibuluma



Crushing circuit at Chibuluma



The introduction of hazard identification and risk assessment, especially before commencing any tasks at the mine, has led to an improvement in most safety-related measures. The introduction of the new integrated SHEC management system for reporting and control has augmented the safety effort. Total lost-time injuries during the six months ended 31 December 2010 ("current period") remained constant relative to the six months to June 2010 ("June 2010") at four.

The volume of ore through the plant increased by 12 percent for the current period. This was as a result of improved mining performance, a successful plant debottlenecking process and fewer electrical power interruptions. The mine completed the installation of additional on-site generating capacity towards the end of the period so as to minimise the risk of further electrical interruptions at a capital cost of US\$1 million.

Copper headgrades decreased for the current period compared to June 2010. This is due to the mining having moved into a close-out area where mining stresses are particularly high causing scaling of the hangingwall and subsequent dilution. This area will be mined out by the end of the first quarter of 2011. Within the usual bounds of variability the ore body grade does improve with depth.

Plant recoveries improved by two percent to 92 percent. Management has focused on improving recoveries and numerous interventions, primarily related to ensuring constant flow through the float plant and improving the crushing circuit, have resulted in good improvements.

Copper produced and sold for the current period increased by three percent to a record 8 990 tons. All copper for the period was sold to the Chambishi Copper Smelters under contract. The terms are more favourable than international pricing after taking into account the newly imposed export tax on concentrates.

On-mine costs per ton milled were well controlled and remained flat at US\$59 per ton, assisted by the increased volumes mined and milled. Realisation charges also decreased by six percent per ton sold following less smelter penalties incurred. Stated in terms of cash costs per ton of metal sold, Chibuluma had a credible performance for the current period as costs rose by three percent. The increase in cash costs per ton of metal sold to US\$2 932 when compared to June 2010 was due to the lower grades despite the higher volumes mined and milled.

Capital expenditure remained relatively constant and amounted to US\$13,3 million as a result of the purchase of new mining fleet vehicles (US\$3,2 million) needed to maintain production levels as well as increased capital spend on engineering items required to upgrade the quality of capital equipment at Chibuluma. In addition, Chibuluma commenced with an exploration programme aimed at increasing the life of the mine (US\$0,6 million). Mining development remains a large proportion of the capital spending (US\$3,5 million). For the

current period the Chibuluma Mine increased its cash mining profit by 34 percent to US\$47,1 million. This was driven off the back of higher copper production, higher copper prices received and cost control. The average copper price received increased from US\$6 436 per ton to US\$8 112 per ton.

The Chibuluma Mine is well set to maintain mining and milling volumes in the coming period. Volume restrictions, given the increasing depth of mining and erratic power supply, will be mitigated through careful planning and strategic interventions, and the depth-related increases in grade will assist in maintaining production levels. In addition, the dilution due to the close-out areas should reduce by the end of the first quarter of 2011. Various cost pressures will be experienced during the coming year, mainly in the form of wages, power and diesel costs. Capital expenditure levels are expected to remain similar in the coming year. However, additional expenditure will be incurred on exploration activities targeted at extending the life of the mine.

Key results

Chibuluma	Unit	Six months Dec 2010	Six months June 2010	12 months Dec 2010	12 months June 2010	12 months June 2009
Tons milled	(t)	301 659	269 431	571 090	552 051	568 187
Headgrade – copper	(%)	3,2	3,6	3,4	3,5	3,1
Overall recovery – copper	(%)	92	90	91	90	90
Copper produced	(t)	9 008	8 721	17 729	17 140	15 940
Copper sold – total	(t)	8 990	8 702	17 692	17 181	15 907
– into hedgebook	(t)	3 000	4 200	7 200	7 275	–
– at spot price	(t)	5 990	4 502	10 402	9 906	15 907
– hedgebook price achieved	(US\$/t)	7 692	5 308	6 301	4 912	–
– average spot price achieved	(US\$/t)	8 322	7 488	7 964	7 239	3 876
On-mine cost per ton milled, net of ore stock movement	(US\$/t)	59	59	59	55	52
Copper realisation costs per ton of copper sold	(US\$/t)	924	987	960	946	917
Total cash cost/ton of copper sold	(US\$/t)	2 932	2 840	2 898	2 783	2 793
Capital expenditure	US\$m	13	12	25	18	16

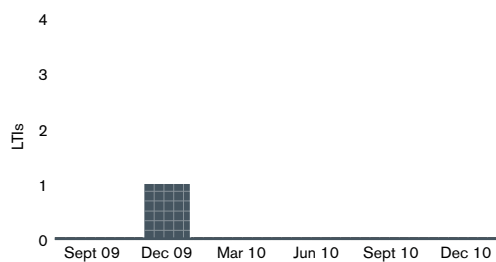
Operational review continued

Sable Zinc

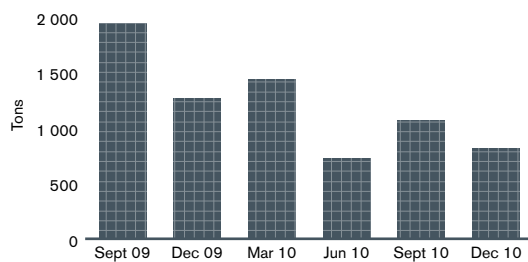


Sable copper electrowinning tankhouse

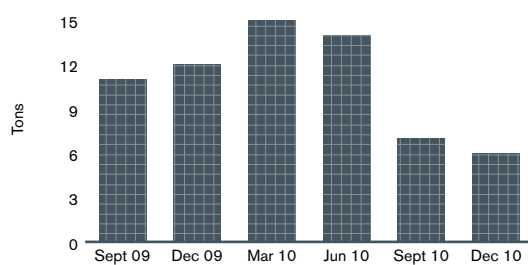
Sable quarterly lost-time injuries



Sable quarterly copper production



Sable quarterly cobalt production



Improvements in safety and health practices, specifically the introduction of hazard identification and risk assessments at the plant, led to an improvement in all safety-related measures over the last 12 months. Total lost-time injuries have reduced to zero over the last 12 months after having had six in the previous year to June 2009.

The volume of ore purchased and processed through the plant continues to be a constraint. Ore flow to Sable is constrained by government interventions in the DRC which make it difficult to import materials that have not been beneficiated. Therefore there has been a change in mix of ore towards local Zambian sources which are typically lower grade and have very little associated cobalt, although they are cheaper to purchase.

Recoveries remained high notwithstanding the lower feed grades as the portion of the zinc plant infrastructure which was converted into a leach section to retreat rejected material continued to pay dividends. The quality of the Sable copper remained London Metal Exchange "A" grade material.

Sable produced 1 883 tons of copper for the six months ended 31 December 2010 ("current period") which is a 13 percent decrease on that achieved for the six months to June 2010 ("June 2010"). Cobalt production more than halved to 13 tons from 29 tons on the back of increased Zambian-sourced ores which have a lower cobalt grade than DRC-sourced ores.

The net margin on copper production after acquisition and process costs increased from five percent to 12 percent. The improved margin is as a direct result of the lower cost of the Zambian ores as well as cost control related to the direct processing costs. The slight recovery improvement also contributed to the margin increase.

The average copper price received increased from US\$6 353 per ton to US\$7 042 per ton and the cash mining profit from operations increased by 175 percent to US\$2,012 million for the current period.

There were no major capital works programmes at the operating plant.

The Sable Zinc operation is wholly reliant on third-party ores, and with the challenge of exporting ore from the DRC one can expect production throughput to remain constrained. However, the strategies to source more local Zambian ores and continue with its efforts at sourcing DRC ores that management have put in place are showing signs of paying dividends.

Key results

Sable Zinc	Unit	Six months Dec 2010	Six months June 2010	12 months Dec 2010	12 months June 2010	12 months June 2009
Copper produced	(t)	1 883	2 167	4 050	5 380	4 889
Copper sold	(t)	1 995	2 088	4 083	5 294	5 588
Cobalt produced	(t)	13	29	42	52	151
Cobalt sold	(t)	12	32	44	54	252
Acquisition cost of contained copper feed (% of LMB price)	(%)	72	71	71	72	59
Overall copper process recovery	(%)	94	94	94	95	94
Net margin on copper production after acquisition and process costs	(%)	12	5	9	6	4
Capital expenditure	US\$m	0,1	–	0,1	0,1	0,3

Growth projects

The Group has adopted a risk-based approach to determine the appropriate financial strategy required to fund future projects. The funding requirements by project, considered in relation to the Group's financial position, will determine the timelines and sequence of new project development. The second half of 2010 was very productive for the Metorex Growth Projects team and good progress was made towards completion of feasibility studies for each of the projects.

Kinsenda Project

Introduction

The Kinsenda copper mine is located in the DRC close to the Zambian border town of Kasumbalesa, and is the focus of a bankable feasibility study ("BFS") to bring the mine back into production.

Activities over the last 18 months

During the period June 2009 to December 2010, Metorex continued to advance the BFS along with appointed consultants. An infill drilling programme was completed in August 2010, and an updated geological resource model for the western portion of the mine has been completed by Snowden Mining Industry Consultants ("Snowden"). Snowden has recommended a further drilling programme beyond the western section of the mine at 75 metre drillhole spacings to confirm historical drilling and this recommendation is under consideration. A SAMREC-compliant resource of 23 Mt at 4,1 percent copper has been declared as at 31 December 2010.

Snowden has also delivered mining infrastructure and mining method designs for an envisaged ore mining rate of 40 000 tons per month from 270 metres below surface down to an ultimate depth of 600 metres. A backfill study is underway to cater for the drift-and-fill mining method. Metallurgical testwork is ongoing and MDM Engineering is designing a metallurgical plant which comprises conventional crushing and milling followed by flotation of sulphide and oxide copper minerals to produce both sulphide and oxide copper concentrates. Metallurgical test work thus far indicates an overall recovery of copper from run-of-mine ore to concentrate of 90 percent yielding approximately 22 000 tonnes of copper contained per annum.

Metago and rePlan have substantially completed the environmental and social impact assessment ("ESIA") studies respectively and wet season studies are underway. Golder

Associates was appointed to complete the tailings storage facility site selection and design, and this work is substantially completed. Groundwater remains a key risk for the project and mine inflows have been estimated to be between 28 000 m³/d to 45 000 m³/d when the mine is fully developed. The actual inflow will depend on how the aquifers respond to pumping from the deeper levels, and water handling and pumping infrastructure requirements are in planning. Power reticulation studies have also largely been completed.

Outlook

The schedule for the BFS shows completion by mid-year 2011 at a total expenditure of US\$6,1 million. The feasibility report for the US\$130 to US\$150 million project is almost complete and has been presented to the DRC authorities whereafter it will be presented to the Metorex Board. Funding of the project will be by way of Metorex cash flows supplemented by US\$66 million through debt facilities currently being negotiated with lenders. The details and terms of these arrangements will be announced once finalised with the lenders.

Ruashi Sulphides Project

Introduction

The Ruashi sulphides occur directly below the copper and cobalt oxide pits at Ruashi, and are the focus of a feasibility study to advance the project to a production decision. The benefits of the project include optimising the Mineral Resources and capital investments made at Ruashi.

Activities over the last 18 months

The SAMREC-compliant sulphide resource of 7,9 million tons at 3,1 percent copper declared as at 30 June 2009 has been increased to 15,8 million tons at 2,9 percent copper, of which 1,5 million tons at 3,0 percent copper is now at the indicated category.

The Metorex Board has approved an amount of US\$2,3 million to advance the Ruashi Sulphides Project to feasibility status. The feasibility study includes additional exploration, mine design and process design. Metallurgical treatment of the Ruashi sulphides would require the installation of a new crushing and milling circuit and refurbishment of the existing Phase 1 concentrator to produce a bulk concentrate containing both copper and cobalt. The bulk concentrate would be sold to a smelter capable of recovering both copper and cobalt.

Outlook

The schedule for the feasibility study shows completion by January 2012. Order of magnitude capital costs for the project are estimated between US\$15 and US\$25 million.

Lubembe Project

Introduction

The Lubembe deposit is an advanced exploration prospect located in the DRC, and roughly equidistant between the border towns of Kasumbalesa and Mokambo. Lubembe is currently the focus of a new mining concept study.

Activities over the last 18 months

A SAMREC-compliant mineral resource estimate of 93 million tons at 1,9 percent copper was completed for the Lubembe deposit in March 2011.

Based upon current orebody knowledge and modelling a number of mining scenarios were completed by Snowden Mining Consultants. These studies cover the spectrum of high-volume, low-grade options to low-volume, high-grade options. As a result of these studies it has been decided to drill a number of closely spaced drillholes at 50 metre centres to test the geological continuity of high-grade mineralisation on the southern part of the deposit.

The Metorex Board has approved an additional US\$900 000 to explore the targeted areas and, once completed, the results will be used to further inform the mining scenarios developed by Snowden. Metallurgical testwork is ongoing and, a number of processing scenarios are being advanced. Metago and rePlan were appointed for environmental and social impact studies, which are being run concurrently with the Kinsenda studies.

Outlook

Metallurgical testwork is ongoing and a number of processing scenarios are being advanced. The schedule for the concept study shows completion by November 2011.

Dilala East Project

Introduction

The Dilala East deposit is an advanced copper and cobalt exploration prospect located in the DRC, close to the mining centre of Kolwezi.

Activities over the last 18 months

A study was completed by Metorex in February 2010, which concluded that the Dilala East Project shows reasonable prospects of being developed into a profitable underground mining operation. This was based on the declared SAMREC-compliant oxide/sulphide resource of 19,1 million tons at 2,9 percent copper and 0,9 percent cobalt. The measured and indicated resource estimate extended to a depth of 460 metres below surface, and was based on the results of 45 drillholes available at the time. An additional 17 drillholes have been completed subsequently, extending the resource to a depth of 600 metres below surface.

The study was submitted to Gécamines in terms of the Ruashi Mining partnership agreement. Metorex and Gécamines are working together to determine the best way forward for the project, the mineral title to which is still held by Gécamines.

Outlook

Limited exploration drilling activities are ongoing and funded via Ruashi Holdings. This drilling is focused on depth extensions of the sulphide zone. The completion date of the BFS has been extended to accommodate the delays in transfer of the mineral title by Gécamines.

Mineral Resources and Ore Reserves



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Group summary as at March 2011 (“F2010”) compared to June 2009 (“F2009”)

All Mineral Resource and Ore Reserve figures contained in this report are reflected on a 100 percent ownership basis and not on an attributable basis.

Introduction

Over the past two years Metorex has implemented a Mineral Resource and Ore Reserve estimation process that is managed in a conservative, consistent manner and conforms to international standards. This implementation is good corporate governance and best practice and was initiated to derisk existing operations and growth projects and in so doing enhance the technical inputs into the business. Over the past 12 months the Group has escalated exploration and associated project activity to increase confidence in the growth projects and ensure reporting is in full compliance with SAMREC.

Mineral Resources

Group Mineral Resources increased, with a general upgrading of copper and cobalt resources from the Inferred Mineral Resource category into the Indicated and Measured categories. Historical non-SAMREC resource estimates for two of the growth projects (Dilala East and Lubembe) have been converted into SAMREC-compliant resources and updated resource estimates have been included for both Kinsenda and Lubembe.

Summary of Metorex Group Company copper Mineral Resources

Group copper Operation/project	Mineral Resources (000 t contained copper)					
	Measured and Indicated		Inferred		Total resources	
	F2010	F2009	F2010	F2009	F2010	F2009
Ruashi oxides	611	630	181	186	792	817
Ruashi sulphides	45	0	407	248	452	248
Chibuluma	196	238	0	0	196	238
Chifupu	27	0	0	59	27	59
Kinsenda	166	863	774	0	910	863
Lubembe	1 040	0	761	1 045	1 801	1 045
Dilala East	452	0	110	0	563	0
Total	2 537	1 732	2 203	1 539	4 740	3 270
	+46,5%		+43,2%		+44,9%	

Rounding errors may occur.

Total Group copper Mineral Resources for the F2010 period increased by 44,9 percent from 3,27 Mt to 4,74 Mt of contained copper, driven largely by the Dilala East and Lubembe deposits. Contained copper in resources at Dilala East and Lubembe increased by 563 kt (+100 percent) and 756 kt (+72 percent) respectively compared to the F2009 resource base. Incremental gains in total contained copper tonnage were also made at Kinsenda, where the total contained copper resource increased by 47 kt (+5 percent), and the Ruashi sulphides where the contained copper resource increased by 204 kt (+82 percent).

Drilling on the eastern side of the Ruashi 3 oxide resource has established a +100 metre strike continuation of the orebody as well as a significant thickening of the mineralisation in the upper stratigraphic units. In addition, the continued increase in the copper price during F2010 has had a positive impact on

the economics of the operation and resulted in a reduction in the cut-off grade used in the December 2010 Ruashi life-of-mine reserve plan and schedule. In order to comply with the SAMREC Code and the Metorex MRM Code of Practice, the economic viability of the Ruashi resource has been defined using a US\$12 000/t copper optimised whittle pit (economic resource based on a +50 percent increase in the US\$8 000/t pricing scenario used for LOM planning). The impact of both exploration and cut-off grade changes at Ruashi is a 179 kt (+16 percent) increase in the Ruashi oxide and sulphide contained copper Mineral Resource.

A large proportion of the Kinsenda resource was changed from Measured/Indicated to Inferred by Snowden Mining Industry Consultants due to, in their opinion, the inadequacy of quality assurance quality control (“QA/QC”) data on the historical assay data. This resource had previously been signed off by FinOre, based in Perth, as a qualified JORC-compliant

Mineral Resources and Ore Reserves

continued

Measured Mineral Resource on the basis of limited QA/QC checks against two historical drillholes to verify the historical assay data used in the resource estimate. Comparison of data from 19 new drillholes completed in F2010 with the historical data in a portion of the orebody does, however, indicate a conservative grade bias in the historical data and it is Metorex's opinion that this trend will be reflected in the rest of the orebody. Subsequent to year-end the Metorex Board approved an additional drilling programme on the Kinsenda property.

Summary of Metorex Group Company cobalt Mineral Resources

Group cobalt Operation/project	Mineral Resources (000 t contained cobalt)					
	Measured and Indicated		Inferred		Total resources	
	F2010	F2009	F2010	F2009	F2010	F2009
Ruashi oxides	98	71	14	11	112	83
Ruashi sulphides	7	–	41	21	48	21
Dilala East	136	–	34	–	170	–
Total	241	71	89	32	330	103
	237%		180%		219%	

Rounding errors may occur.

Group cobalt Mineral Resources increased by 219 percent from F2009 to the end of F2010. The Dilala East Project in Kolwezi was the main driver behind these increases, contributing an additional 170 kt of contained cobalt.

Ore Reserves

Summary of Metorex Group Company copper and cobalt Mineral Reserves

Group copper and cobalt Operation/project	Copper reserves (000 t)		Cobalt reserves (000 t)	
	Proved and Probable		Proved and Probable	
	F2010	F2009	F2010	F2009
Ruashi oxides	523	491	88	59
Ruashi sulphides	0	0	0	0
Chibuluma	132	143	0	0
Chifupu	0	0	0	0
Kinsenda	0	0	0	0
Lubembe	0	0	0	0
Dilala East	0	0	0	0
Total	655	634	88	59
	3%		49%	

Rounding errors may occur.

Group copper Mineral Reserves have increased by three percent due to exploration and changes in the reserve cut-off grade. There has been a 49 percent increase in the contained cobalt Mineral Reserves as a result of the application of a bimetallic, copper equivalent cut-off grade at Ruashi.

Mining design and scheduling studies for the Kinsenda project were still in progress at year-end and were not defined to an adequate level of detail for reporting of Mineral Reserves.

Outlook

Extension and infill drilling at Ruashi will continue during F2011 and is likely to continue adding incremental tons and confidence to the Ruashi oxide resource. Infill drilling on the

Ruashi sulphide resource will convert further inferred sulphide resources in Ruashi 1 into the Indicated or Measured category.

A key focus area for the Group will be the conversion of Inferred Resources at Kinsenda, Lubembe and Dilala East into the Indicated and Measured category to derisk the projects further and provide confidence in the resource estimate to be converted to reserves in the early years of the project.

Exploration drilling at Chibuluma South and Chifupu are also expected to add incremental tons to the resource.

Completion of the Kinsenda mining study for the BFS will enable the declaration of a SAMREC-compliant Mineral Reserve during F2011.

Ruashi Mining sprl

Location

The Ruashi Mine is an opencast oxide copper and cobalt mine situated in the Democratic Republic of Congo ("DRC") on the outskirts of Lubumbashi, which is the capital of Katanga Province.

The Ruashi Mine consists of three open-pit deposits. These deposits occur along strike of each other over a combined strike length of 2 000 metres, and are separated by cross-cutting faults and breccia zones.

Historical and recent exploration activities

Ruashi

The Ruashi deposits were discovered by Union Minière in 1919 and have been intensively evaluated by drilling over the years. Drilling has been conducted on sections spaced at 50 metre intervals along strike and drill hole intervals along sections of between 25 and 50 metres. Since discovery in 1919 and up to December 2010, 110 952 metres of drilling (1 434 holes) has been completed on the Ruashi property.

During F2009, Ruashi Mining completed two drilling campaigns altogether. Altogether 1 651 metres (48 holes) of RC drilling was completed in the Ruashi 1 open pit with 5 229 metres (52 holes) of diamond drilling completed across all three orebodies. Infill and extension drilling activities have continued uninterrupted during F2010 with a further 12 685 metres (114 holes) of diamond drilling and 979 metres (51 holes) of percussion drilling having been completed. Infill drilling has been carried out to improve the confidence in both oxide and sulphide Mineral Resources, with 90 percent of the oxide ore drilling in the Ruashi 1 pit having been completed on a grid of 25 x 25 metres. Exploration drilling in the Ruashi 3 pit area has defined oxide and sulphide ore beyond the known limits of the orebody, and added significantly to the Mineral Resource.

In addition to activities at Ruashi, the Company has been involved in exploration activities on the other licences granted to Ruashi Mining sprl.

Dilala East

Exploration continued on the Musonoi Est Permis d'Exploitation (a portion of PE 4958) close to Kolwezi. Drilling activities recommenced in F2010 after being placed on hold in F2009, with a further 4 681 metres (13 holes) being completed in the

period. To date, 15 573 metres (62 holes) of diamond drilling has been completed. A SAMREC-compliant resource estimate for the Dilala East Project was released in March 2010. A prefeasibility mining study was also submitted to Gécamines in F2010 in accordance with the legal agreement between Ruashi Holdings and Gécamines.

Limited work was carried out on the Sokoroshi I (PE523) and Sokoroshe II (PE538) permits north of Lubumbashi.

Geological setting and geological model

Ruashi

The copper and cobalt deposits of Ruashi occur in the Proterozoic Katangan Supergroup rocks of the Congolese Copperbelt and are hosted in a succession of siltstones, sandy dolomites and shales associated with dislocated thrust sheets within the north-west trending Lufilian Thrust Belt.

The Ruashi deposits form part of a recumbent synclinal fold trending north-west with flanks comprising Kundulungu Group (Upper Katangan) sediments and a core of Mines Group sediments, which is the Lower Roan Formation equivalent in Zambia. Three orebodies have been recognised, namely Ruashi 1, 2 and 3 with respective strike lengths of 800 metres, 200 metres and 450 metres separated by barren breccia zones.

The primary copper and cobalt sulphide mineralisation is stratiform consisting of chalcopyrite, carrollite, pyrite and minor bornite. The orientation of these horizons has been affected by folding and their orientation in the orebody varies from horizontal through vertical to overturned. Supergene enrichment of copper and cobalt resulted in an irregular blanket of oxide ore to a depth of 50 to 70 metres overlying the steeply dipping sulphide ore and extending laterally beyond the sulphide bodies from 20 to 100 metres. The main oxide minerals are malachite, chrysocolla and heterogenite.

The supergene cap, which was previously mined by Union Minière and Gécamines, consists of malachite and heterogenite in massive saprolite or in fracture-controlled mineralisation along joint and fracture planes, cleavages and shear zones. Mixed oxide-sulphide mineralisation occurs at the transition zone extending into the sulphides at depth over a thickness of 10 to 20 metres.

Mineral Resources and Ore Reserves

continued

Dilala East

The Dilala East orebody in Kolwezi occurs along strike from, and is similar to the Kamoto underground orebody. The orebody occurs on the eastern end of the Dilala Syncline and is a blind deposit with high-grade mineralisation starting at between 50 and 100 metres below surface. It consists of a lower and an upper copper-rich zone separated by a copper-poor, cobalt-rich zone. The full mineralised package is approximately 60 metres in width and is open-ended at depth.

Type of mining, mining activities

Ruashi

Prior to Metorex's involvement, the Ruashi Mine comprised an old open pit originally mined by Union Minière starting in the early 1920s and later by Gécamines up to the early 1980s. Approximately 3,1 Mt were mined from the Ruashi 1 and Ruashi 2 deposits at an average grade of 7,8 percent copper and 0,11 percent cobalt.

Metorex has been involved since 2003 with a first phase of copper and cobalt production being derived from old stockpiles previously not treated by Gécamines. The old stockpiles and tailings were reclaimed in Phase I using a load-and-haul contractor with treatment through an oxide flotation circuit to recover a low-grade copper/cobalt concentrate.

The Ruashi 1 and 2 orebodies have been opened up and oxide copper and cobalt ore production has been ramped up to feed the SX-EW plant at a rate of 120 ktpm. Prestripping on the Ruashi 3 orebody commenced in F2010. Mining is by a conventional drill, blast, load-and-haul operation.

The Phase II solvent extraction, electrowinning ("SX-EW") plant is now operating at a steady-state production rate of roughly 3 000 t of finished copper cathode and 350 t of cobalt in concentrate per month.

Methods and key assumptions in estimation and classification of Mineral Resources and Ore Reserves

The Ruashi resource model was updated three times during F2010. The most recent update was completed in December 2010 by Integrated Geological Solutions (Pty) Limited (IGS), based in Johannesburg. Digital resource modelling is carried out by first modelling the broad lithological contacts, followed by definition of mineralised domains within specific lithological horizons using a 0,5 percent total copper or a 0,1 percent total cobalt grade envelope. A hard-boundary approach has been

applied to oxide and sulphide zones of the same lithological unit to more accurately reflect the statistical difference in grades between the weathered and unweathered units.

The December 2010 grade model was interpolated using ordinary kriging into discrete domains based on geostatistical estimation parameters matched to each domain. This resource model has been classified into SAMREC-compliant resource categories on a subjective basis by IGS working closely with the mine geologists. The majority of the drillhole data is spaced close enough to categorise the resource as either Indicated or Measured.

A high geological confidence exists in the location and continuity of the lower orebody stratiform units. These units have been categorised as measured in the Ruashi 1 and 2 pits where current mining activity has confirmed the continuity and grade of the units. Further drilling is required to upgrade these units to those measured in the Ruashi 3 orebody. With the exception of the Calcaire a Minerais Noirs zone ("CMN"), all other lithological units have been classified as Indicated. The CMN zone is dominated by erratic wad mineralisation (weathered and altered dolomite) and generally requires drill testing at a spacing of less than 10 x 10 metres using the blasthole drill rig to upgrade the confidence in the resource estimate, and for conversion into mineable reserves.

Work commenced on an Unfold model in December 2010 to address geometric difficulties associated with the Ruashi fold structure. Grade in this model will be estimated using conditional simulation to determine a geostatistically derived, probabilistic classification methodology and recoverable reserve estimate.

A revised Ruashi life-of-mine ("LOM") plan and scheduled reserve for F2011 was completed in January 2011 by VBKOM Consulting Engineers (Pty) Limited using the Whittle 4X pit optimisation, Mine24D and XPac mine planning software. A mining cost of US\$4,1/t material mined and a processing cost of US\$72,7/t ore processed have been used based on F2011 steady-state budget prices and the completion of the acid plant. An open pit with multi-phase push-back mining methodology has been selected for the LOM schedule based on optimal Whittle NPV shells using long-term copper price scenarios of US\$5 000/t and US\$8 000/t copper and a constant cobalt price of US\$15/lb. Pit 3 is planned to be mined in three phases, with phase 1 and 2 falling within the \$5 000/t copper ultimate pit shell, and phase 3 defined using the \$8 000 ultimate pit shell.

Inclusion of Inferred Resources

Inferred resources are not included in the LOM plan and production schedule for Ruashi.

Material risk factors that could impact the Mineral Resource and Ore Reserve statement

Continuous drilling, reinterpretation and modelling of the orebody using hard lithological, structural and ore type boundaries in F2010 has significantly de-risked the resource estimate and has highlighted areas that need additional drilling. Modelling of previous mining activities from historical plans and pit mapping has also improved the reliability of the resource model to accurately forecast in situ ore grades and tonnages.

Positive changes in the copper price in F2010 have impacted the cut-off grade used to define the Mineral Resources and Mineral Reserves. This has positively impacted the declared Resource and Reserve at the end of the reporting period. Should copper and cobalt prices reduce during F2011, the cut-off grade and declared resources and reserves could reduce in the future.

Legal proceedings or other material conditions that may impact mining or exploration activities

Metorex was informed by Gécamines in 2009 that the Ruashi mining licence review process had been concluded. New statutes have been signed and gazetted.

Transfer of the Musonoi Est permit from Gécamines to Ruashi Mining is still outstanding, subject to the acceptance of a bankable feasibility study submitted in F2010. Metorex continues to engage with Gécamines in this regard.

Mineral Resources for Ruashi Mine

Mineral Resources for Ruashi have been defined using an optimised whittle pit based on a US\$12 000/t copper price (economic resource based on a +50 percent increase in the US\$8 000/t pricing scenario used for LOM planning). A cut-off grade of 0,9 percent copper equivalent has been used. The copper equivalent cut-off grade is used as it best reflects the bimetallic nature of the Ruashi ore body.

Oxide Mineral Resources

Oxides Classification	Tons (Mt)		Cu grade (%)		Copper (000t)		Co grade (%)		Cobalt (000t)	
	F2010	F2009	F2010	F2009	F2010	F2009	F2010	F2009	F2010	F2009
Measured	1,0	1,0	4,7	6,7	47	70	0,3	0,3	3	3
Indicated	22,3	19,6	2,5	2,8	548	553	0,4	0,4	90	68
Inferred	12,2	8,6	1,4	2,2	172	186	0,1	0,1	12	11
Total oxides	35,5	29,2	2,2	2,8	766	809	0,3	0,3	106	83
Surface stockpiles										
Measured	0,0	0,0	0,0	0,0	0	0	0,0	0,0	0	0
Indicated	0,5	0,3	2,0	2,5	11	7	0,6	0,0	3	0
Inferred	0,0	0,0	0,0	0,0	0	0	0,0	0,0	0	0
Total surface stockpiles	0,5	0,3	2,0	2,5	11	7	0,6	0,0	3	0
Surface tailings dams										
Measured	0,0	0,0	0,0	0,0	0	0	0,0	0,0	0	0
Indicated	0,3	0,0	1,8	0,0	5	0	0,4	0,0	1	0
Inferred	0,5	0,0	1,9	0,0	10	0	0,4	0,0	2	0
Total surface tailings	0,8	0,0	1,9	0,0	15	0	0,4	0,0	3	0
Oxide total	36,8	29,5	2,2	2,8	792	817	0,3	0,3	112	83

Rounding errors may occur.

Mineral Resources and Ore Reserves

continued

Sulphide Mineral Resources

Sulphides Classification	Tons (Mt)		Cu grade (%)		Copper (000t)		Co grade (%)		Cobalt (000t)	
	F2010	F2009	F2010	F2009	F2010	F2009	F2010	F2009	F2010	F2009
Measured	0,0	0,0	0,0	0,0	0	0	0,0	0,0	0	0
Indicated	1,5	0,0	3,0	0,0	45	0	0,5	0,0	7	0
Inferred	14,3	7,9	2,9	3,1	407	248	0,3	0,3	41	21
Total sulphides	15,8	7,9	2,9	3,1	452	248	0,3	0,3	48	21

Rounding errors may occur.

Mineral Resources for the Dilala East Project

A new mineral resource estimate was declared for the Dilala East Project in F2010 using a two percent copper equivalent cut-off grade. This has added 563kt of contained copper and 170kt of contained cobalt to the Metorex mineral resource inventory.

Dilala East Project – Mineral Resource

Classification	Tons (Mt)		Cu grade (%)		Copper (000t)		Co grade (%)		Cobalt (000t)	
	F2010	F2009	F2010	F2009	F2010	F2009	F2010	F2009	F2010	F2009
Oxides										
Measured	4,1	0,0	3,0	0,0	122	0,0	1,0	0,0	39	0,0
Indicated	1,1	0,0	3,2	0,0	36	0,0	0,9	0,0	10	0,0
Inferred	0,0	0,0	1,3	0,0	0	0,0	0,5	0,0	0	0,0
Total oxides	5,2	0,0	3,0	0,0	158	0,0	0,9	0,0	48	0,0
Sulphides										
Measured	3,5	0,0	3,0	0,0	106	0,0	0,9	0,0	30	0,0
Indicated	6,5	0,0	2,9	0,0	189	0,0	0,9	0,0	58	0,0
Inferred	3,9	0,0	2,8	0,0	110	0,0	0,9	0,0	34	0,0
Total sulphides	13,9	0,0	2,9	0,0	404	0,0	0,9	0,0	121	0,0
Oxides and sulphides										
Measured	7,6	0,0	3,0	0,0	228	0,0	0,9	0,0	68	0,0
Indicated	7,6	0,0	2,9	0,0	225	0,0	0,9	0,0	68	0,0
Inferred	3,9	0,0	2,8	0,0	110	0,0	0,9	0,0	34	0,0
Total oxides and sulphides	19,1	0,0	2,9	0,0	563	0,0	0,9	0,0	170	0,0

Rounding errors may occur.

Mineral Reserves for Ruashi Mine

Only oxide and mixed Indicated and Measured Mineral Resources have been converted to Proved and Probable Reserves for inclusion in the LOM design and schedule at a 0,9 percent copper equivalent cut-off. The LOM has been extended by a further five years giving a total LOM of 15,5 years from F2011. The schedule has been prepared using a three bench per annum drop-down rate.

Ruashi – Mineral Reserves

Oxides Classification	Tons (Mt)		Cu grade (%)		Copper (000t)		Co grade (%)		Cobalt (000t)	
	F2010	F2009	F2010	F2009	F2010	F2009	F2010	F2009	F2010	F2009
Open pit										
Proved	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Probable	21,4	15,1	2,4	3,2	507	483	0,4	0,4	84	59
Total oxides	21,4	15,1	2,4	3,2	507	483	0,4	0,4	84	59
Surface stockpiles										
Proved	0,0	0,0	0,0	0,0	0	0	0,0	0,0	0	0
Probable	0,5	0,3	2,0	2,5	11	7	0,6	0,0	3	0
Total surface stockpiles	0,5	0,3	2,0	2,5	11	7	0,6	0,0	3	0
Surface tailings dams										
Proved	0,0	0,0	0,0	0,0	0	0	0,0	0,0	0	0
Probable	0,3	0,0	1,8	0,0	5	0	0,4	0,0	1	0
Total surface tailings	0,3	0,0	1,8	0,0	5	0	0,4	0,0	1	0
Proved	0,0	0,0	0,0	0,0	0	0	0,0	0,0	0	0
Probable	22,2	15,4	2,4	3,2	523	491	0,4	0,4	88	59
Oxide total	22,2	15,4	2,4	3,2	523	491	0,4	0,4	88	59

Rounding errors may occur.

Chibuluma Mines plc

Location

The Chibuluma South Mine is part of the Chibuluma mines complex situated near the Zambian town of Kalulushi, approximately 12 kilometres west of Kitwe. Kitwe is the second largest town on the Zambian Copperbelt and is approximately 300 kilometres north of the capital city, Lusaka.

Historical and recent exploration activities

The Chibuluma South orebody was discovered in 1969 by Roan Selection Trust. A total of 113 diamond drill holes were drilled in the area, of which 77 drill holes intersected the Chibuluma South orebody. Orebody intersections were spaced between 75 and 150 metres apart. Metorex drilled three twin holes in 1999 and verified the thickness and grade of the orebody as defined by the historical drilling.

A feasibility study for Chibuluma South was completed by Metorex in May 2000. The oxide zone down to 60 metres below surface was mined in an open pit and treated through a differential flotation and oxide leach plant. The open pit was stopped in 2001 due to poor leach recoveries and low copper prices, and operations focused on opening up the underground reserve.

Chibuluma Mines has recognised the risk associated with a relatively short remaining life-of-mine, and has embarked on a resource replacement exploration programme. Extension drilling has commenced at both the Chibuluma South and Chifupu deposits, with encouraging early results at Chifupu. A high-resolution airborne electromagnetic ("EM"), magnetic and radiometric geophysical survey was completed by Spectrem Air in October 2010, covering both the Chibuluma East and Chibuluma South licences. A high-resolution gravity survey over Chibuluma South was also completed in January 2011. A regional geological and geophysical data integration study will be completed in early F2011 for detailed target generation.

Mineral Resources and Ore Reserves

continued

Geological setting and geological model

Mineralisation in the copper mines of the Zambian Copperbelt is predominantly stratabound and confined to the Lower Roan Group of the Katanga stratigraphic succession. The Katangan Supergroup consists of Proterozoic age siliclastic, greywacke and carbonate sediments deposited in an extensional rift basin environment that has subsequently been subjected to pan-African age tectonism and deformation.

Mineralisation in the Chibuluma orebody is limited to copper only and is hosted in detrital conglomerates, sandstones and argillaceous siltstones of the Lower Roan Group. The orebody occurs over a strike length of 300 metres, dipping at about 38 degrees towards the west and varies in thickness from a few metres to over 30 metres in places.

Type of mining, mining activities

Post pillar cut-and-fill ("PPCF") mining with trackless mining equipment is used to extract the bulk of the orebody and longhole stoping ("LHS") is often used where the orebody is narrow. The longhole stopes are post filled along with the adjacent cut. The sulphide ore is hauled to surface via a decline ramp at a rate of 45 ktpm to 50 ktpm.

Development is from the top down, while mining takes place from the bottom up. The orebody is mined in 40 metres vertical sections as they become available. This necessitates the leaving of sill pillars between these sections, which locks up ore. The sill pillars are partially recoverable at the end of the life of mine.

Underground development waste and classified tailings are used as backfill in the mining process to support exhausted stopes and minimise dilution from the hangingwall through adequate support of the weak hangingwall sediments.

The underground sulphide ore is treated by conventional flotation, which produces a concentrate grade of between 45 and 50 percent copper at recoveries of 95 percent. The concentrates are currently transported approximately 40 kilometres by road to the Chambishi copper smelter ("CCS").

Methods and key assumptions in estimation and classification of Mineral Resources and Mineral Reserves

Geological block modelling of the Chibuluma orebody is carried out using Surpac. Grade envelopes are delineated on a

1 percent copper assay grade and wireframed to produce a three-dimensional solid model. Lithological contacts are modelled as surfaces, and grade is interpolated into the blocks using ordinary kriging. A Surpac model was completed by IGS (Pty) Limited ("IGS") in 2008 utilising updated surface and underground drill hole data. This model was updated on-mine in F2010 by the Mining Technical Services Department and depleted on a cut-by-cut basis using a three-dimensional mining excavation volume model.

The resource is classified as a Measured or Indicated Resource based on drillhole spacing. A block is considered Measured if there are three or more drill holes within a 40 metre radius of the block and Indicated if there are more than three drill holes between 50 and 150 metres. In general, infill drilling is carried out from the ramp decline.

The modifying factors applied to convert the mineral resources to ore reserves in the upper levels considered a waste parting, which was identified in the boreholes and modelled accordingly. While current mining activities have largely mined beyond the waste parting zone in the upper levels, a small proportion of internal waste is anticipated in the lower levels. The modifying factors for the conversion of the resources to reserves have consequently been modified in F2011 to reflect the higher dilution expected in the lower levels of the mine.

Inclusion of Inferred Resources

Inferred resources are not included in the LOM plan and production schedule.

Material risk factors that could impact the Mineral Resource and Reserve statement

The method of stope support was considered adequate at shallow mining depths, and was substantially revamped in December 2008 following a number of hangingwall failures on the 298 and 309 metre levels. On advice from African Mining Consultants in Kitwe, the mining echelon and timing of backfill support have been scheduled such that the risk of stope failure due to geotechnical reasons will be contained and kept to a minimum.

Changes in the copper price could impact the cut-off grade used to define the Mineral Resources and Mineral Reserves which in turn would affect the LOM.

Legal proceedings or other material conditions that may impact mining or exploration activities

The Company is not aware of any material conditions that may affect the mining activities at Chibuluma.

Chibuluma South – Mineral Resources

Classification	Tons (Mt)		Cu grade (%)		Copper (000 t)	
	F2010	F2009	F2010	F2009	F2010	F2009
Chibuluma – underground						
Measured	2,2	2,4	4,1	3,3	91	80
Indicated	1,3	2,1	5,1	4,8	65	99
Total underground	3,5	4,5	4,5	4,0	156	179
Resources in buttress pillars						
Measured	0,9	0,7	3,6	4,0	32	30
Indicated	0,2	0,7	4,2	4,0	8	30
Total pillars	1,1	1,5	3,7	4,0	40	60
Chifupu prospect						
Indicated	1,1	0,0	2,4	0,0	27	0,0
Inferred	0,0	1,9	0,0	3,1	0,0	59
Total prospects	1,1	1,9	2,4	3,1	27	59
Total underground and prospects	5,7	7,9	3,9	3,7	223	297

Rounding errors may occur.

Chibuluma South – Mineral Reserves

Classification	Tons (Mt)		Cu grade (%)		Copper (000 t)	
	F2010	F2009	F2010	F2009	F2010	F2009
Underground						
Proved	1,9	2,1	3,5	2,9	69	61
Probable	1,2	1,8	4,2	4,1	50	73
Total underground	3,1	3,9	3,8	3,4	119	135
Reserves in buttress pillars						
Proved	0,3	0,0	3,4	0,0	10	0,0
Probable	0,1	0,3	4,0	3,0	3	8
Total pillars	0,4	0,3	3,5	3,0	13	8
Underground total	3,5	4,2	3,8	3,4	132	143

Rounding errors may occur.

Minière de Musoshi et Kinsenda sarl

Location

The Kinsenda Mine together with the Lubembe prospect is owned by Copper Resources Corporation through Minière de Musoshi et Kinsenda sarl ("MMK"). Both are located within a 50 kilometre radius of Kasumbalesa, the main border town into the DRC from Zambia. The border is located approximately 75 kilometres north-west of Kitwe in Zambia, and 130 kilometres south-east of Lubumbashi in the DRC.

The Kinsenda Mine is located approximately 24 kilometres east of Kasumbalesa and is the focus of a bankable feasibility study to bring the mine back into production. Lubembe is located a further 25 kilometres south-east of Kinsenda. The Musoshi Mine was returned to Sodimico during F2009 as part of the mining title revisitation process, and no longer forms part of the MMK assets.

Mineral Resources and Ore Reserves

continued

Historical and recent exploration activities

Kinsenda

Altogether 51 000 metres (203 holes) of surface diamond drilling was completed by Sodimico and Nippon Mining on the Kinsenda orebody from the mid-1960s to early 1970s. Very little core remains from these drilling programmes and the lack of adequate QA/QC has been raised as a concern with respect to the SAMREC sign-off of the resource estimate. During F2010, Metorex undertook a 7 790 metre (26 hole) drilling programme comprising five twin holes and 15 infill holes focused on an area of high-grade mineralisation to the west of the Fracture Zone. Six holes were abandoned in this programme as a result of poor ground conditions. This drilling was carried out to test the reliability of the historical assay database and the confidence in the resource model for the bankable feasibility study. All analytical results have been received and an updated geological resource model for the western portion of the mine has been completed by Snowden Mining Industry Consultants ("Snowden").

Lubembe

The Lubembe deposit is an advanced exploration prospect, with 22 holes drilled by Sodimico in the early 1970s. An infill drilling programme on the Lubembe deposit was funded by Metorex and commenced in June 2008 to verify old data and improve the resource confidence. In total, 7 506 metres (91 holes) of shallow reverse circulation drilling and 5 272 metres (21 holes) of diamond core drilling were completed during F2009. A SAMREC-compliant resource model was declared in F2010 and an infill drilling programme was initiated in the latter half of the year to upgrade tonnages from Inferred to Indicated. At year-end, an additional 5 326 metres (29 holes) had been drilled. Subsequent to period-end an updated resource model was received from IGS.

Geological setting and geological model

The Kinsenda and Lubembe orebodies are Zambian Copperbelt style orebodies and are geologically similar to the Chibuluma South and Mufulira Mines in Zambia. Mineralisation occurs in the footwall of the Ore Shale Member.

Kinsenda

Mineralisation in the Kinsenda orebody is limited to copper only and is hosted in detrital conglomerates, sandstones and argillaceous siltstones of the Lower Roan Group and varies from two to 20 metres with an average width of six metres. The orebody occurs in four zones, namely the LLOZ, LOZ, MOZ and UOZ, over a strike of approximately 2 000 metres dipping moderately at 25° to 30°. The LOZ zone bifurcates and merges

in places to form a single zone. The Kinsenda Mine Mineral Resource is split into an East and a West section by a north-south trending Fracture Zone. The East section is dominated by the UOZ and MOZ zones and was the main area of focus for previous mining activities. The West section has a larger remaining Mineral Resource and is dominated by the LOZ and LLOZ zones.

Kinsenda is a sulphide orebody consisting of predominantly chalcocite, chalcopyrite and minor bornite mineralisation with native copper observed in places. The orebody has not been subjected to significant folding and is reasonably uniform along strike and down-dip. A basement fault with a throw of 50 to 100 metres results in a rapid down-dip thickening of the Lower Roan stratigraphy on the southern extent of the resource. This block (starting at 600 metres below surface) has not been extensively delineated, and presents upside potential for the Kinsenda resource.

Lubembe

The Lubembe Tache B deposit is geologically similar to Kinsenda with a strike length of 1 kilometre and an average width of 40 metres dipping 25° to 30°. Lubembe is distinguished from Kinsenda by lower grades (1,8 to 2,2 percent copper) and a mixed oxide/sulphide ore type consisting of predominantly chalcocite and malachite with minor chalcopyrite.

A second zone of mineralisation (Tache A) was identified by drilling in F2008 approximately 2 kilometres north of the Lubembe Tache B deposit. Step-out drilling during F2010 has established the lateral continuity of low- to medium-grade mineralisation over a strike length of 200 metres at an average width of 10 to 15 metres. Further follow-up drilling is needed to convert this into a Mineral Resource.

Type of mining, mining activities

Kinsenda

The Kinsenda Mine is an old underground operation commissioned in 1977 as a joint venture between Sodimico and Nippon Mining. Ore was mined from Kinsenda and hauled 25 kilometres by truck to Musoshi where it was treated through the Musoshi concentrator. In total, 4,5 million tons were mined from 1977 to 2002 at an average grade of 5 percent copper.

The operation was taken over by a Canadian company in the early 1980s, but was curtailed in 1987 due to low copper prices and limited developed reserves. Operations stopped completely with the flooding of the mine in 2002. The

infrastructure at Kinsenda comprises three inclined shafts and one vertical shaft to a depth of 285 metres below surface. Mine dewatering has lowered the water level to 305 metres below surface. Metorex has been involved in re-establishing the operation since F2008.

The Kinsenda Mine rehabilitation programme was curtailed in F2009 to conserve cash outflows with the project being placed on care and maintenance in January 2009. A bankable feasibility study is in progress with sulphide ore production planned at a rate of 40 ktpm using the cut-and-fill mining method.

Lubembe

Lubembe is a greenfields site and is at a concept study level. The deposit has not been previously mined.

Methods and key assumptions in estimation and classification of Mineral Resources and Ore Reserves

The F2010 drilling programme was independently managed by GeoQuest (Pty) Limited, based in Lusaka, Zambia. All samples were analysed by ALS Chemex Laboratory in Johannesburg, with QA/QC of the programme carried out under the supervision and sign-off of IGS.

The bankable feasibility study has focused exclusively on the West section of the mine. Mineral Resources for the West section were re-estimated by Snowden in December 2010 using the Datamine software. The Snowden model has defined a low-grade halo around the orebody at a 0,5 percent copper-grade with a high-grade, internal zone being delineated using two percent copper grade envelope. The East section Mineral Resource is based on a resource estimate carried out by MMK and Deswik Mining Consultants in F2009 using a two percent copper grade envelope.

A lithological domain model was generated by Snowden and was used to domain the mineralisation into discrete lithostratigraphic units. The Snowden resource estimation has used ordinary kriging to estimate both total and acid-soluble copper with separate geostatistical parameters for each zone and variable. Snowden has classified the resources into Measured, Indicated and Inferred using the SAMREC Code for resource reporting.

In Snowden's opinion, although the historical drill spacing for a large part of the area investigated is considered adequate to allow a reasonable level of confidence in the estimate of the data, the lack of historical laboratory QA/QC records (as per the SAMREC reporting code) restricts any new estimate to an

Inferred Resource. Consequently, Snowden has accepted certain of the historical drilling data where it is supported by proximal new drilling data as reasonable for the purposes of resource estimation at the Indicated level. All other areas, where the old results are not supported by new and proximal results, have been classified as Inferred Resource.

In Snowden's opinion, the confidence in the estimate for these areas could be rapidly upgraded by carrying out additional drilling, which will both increase the density of drillhole data and provide additional data to validate the historical data. Snowden is also preparing the mining study and Mineral Reserves for the Kinsenda BFS. This study was not completed by year-end, and consequently, no Mineral Reserves have been declared. These will be released on completion of the BFS in F2011.

Inclusion of Inferred Resources

The mining study is being carried out on the total resource inclusive of Inferred Resources, and as at year-end had not been completed. Any Inferred Resources included in the BFS mining plan will be flagged as "Inferred Resources scheduled in reserve".

Material risk factors that could impact the Mineral Resource and Ore Reserve statement

Snowden has reclassified a significant part of the Kinsenda Mineral Resource to the Inferred category, on the basis that the historical assay data was not subjected to rigorous, modern assay laboratory QA/QC. Comparison of the historical data against the new QA/QC controlled data collected by Metorex in F2010 (in a portion of the West mine) has, however, indicated a positive bias of approximately 10 to 15 percent. Snowden has recommended that further drilling with QA/QC measures in place be carried out to test this positive bias in the areas of historical drilling reclassified as Inferred, and convert these resources to a SAMREC-compliant Indicated Resource. The Metorex Board has approved this programme of drilling.

Metorex plans to actively follow up on these recommendations in a second phase of drilling to commence in F2011, to further derisk the Kinsenda BFS and mining project.

Legal proceedings or other material conditions that may impact mining or exploration activities

It has been confirmed that the review process relating to MMK has been finalised, and no further payments or relinquishing of licences will be required.

Mineral Resources and Ore Reserves

continued

Minière de Musoshi et Kinsenda sarl – Mineral Resources

Sulphides Classification	Tons (Mt)		Cu grade (%)		Copper (000 t)	
	F2010	F2009	F2010	F2009	F2010	F2009
Kinsenda – high-grade sulphides						
Measured	0,0	13,1	0,0	4,8	0	628
Indicated	2,7	4,1	5,2	5,8	142	235
Inferred	11,9	0,0	5,8	0,0	685	0
Total Kinsenda – high-grade sulphides	14,6	17,1	5,7	5,0	827	863
Kinsenda – low-grade sulphides						
Measured	0,0	0,0	0,0	0,0	0	0
Indicated	2,3	0,0	1,1	0,0	24	0
Inferred	5,3	0,0	1,1	0,0	59	0
Total Kinsenda – low-grade sulphides	7,5	0,0	1,1	0,0	83	0
Total Kinsenda sulphides	22,1	17,1	4,1	5,0	910	863
Lubembe – mixed and sulphides						
Measured	0,0	0,0	0,0	0,0	0	0
Indicated	56,5	0,0	1,8	0,0	1 040	0
Inferred	36,6	47,5	2,1	2,2	761	1 045
Total Lubembe – mixed and sulphides	93,1	47,5	1,9	2,2	1 801	1 045
Grand total	115,2	64,6	2,4	3,0	2 711	1 908

Rounding errors may occur.

Sable Zinc Kabwe Limited

Location

The Sable Zinc facility is located approximately 2 kilometres south of the centre of Kabwe in central Zambia, some 150 kilometres north of the capital Lusaka. Sable Zinc is a copper and cobalt toll processing facility which produced a combination of standard and A-grade copper cathode and was commissioned during May 2006.

Exploration activities

Sable Zinc holds the mineral rights to an old dump of oxidised zinc material containing approximately 400 kt of zinc at a grade of 9,8 percent zinc. In addition, there is a tailings dam containing approximately 219 kt of zinc at a grade of 4,5 percent zinc. A third party investigated these dumps in F2010 with an option to purchase.

Processing activities

The leach, solvent extraction and electrowinning circuits previously enabled Sable to process the copper and cobalt concentrates from Ruashi Phase I. The Sable Zinc plant no longer receives oxide concentrate from Ruashi and is reliant on sourcing high-grade oxide copper feed in the open market and via traders.

Methods and key assumptions in estimation and classification of Mineral Resources and Ore Reserves

Metorex has classified the two dumps as Inferred Mineral Resources due to the inherent problems associated with representative sampling and tonnage determination of dumps and the restricted sampling data.

Material risk factors that could impact the Mineral Resource statement

The classification of the dumps into the Inferred Resource category adequately reflects the unknowns and risks associated with the dumps.

Legal proceedings or other material conditions that may impact mining or exploration activities

The Company is not aware of any material conditions that may affect the operating activities at Sable Zinc.

Sable Zinc Kabwe Limited – Mineral Resources

Oxides Classification	Tons (Mt)		Zn grade (%)		Zinc (000t)	
	F2010	F2009	F2010	F2009	F2010	F2009
Washing plant stockpiles						
Inferred	0,4	0,4	9,8	9,8	39	39
Total washing plant	0,4	0,4	9,8	9,8	39	39
Leach plant tailings						
Inferred	4,9	4,9	4,5	4,5	219	219
Total plant tailings	4,9	4,9	4,5	4,5	219	219
Grand total	5,3	5,3	4,9	4,9	258	258

Rounding errors may occur.

Attributable interest

Operation/project	F2010
Ruashi	75%
Chibuluma	85%
Chifupu	85%
Kinsenda	77%
Lubembe	77%
Dilala East	75%

Competent persons declaration

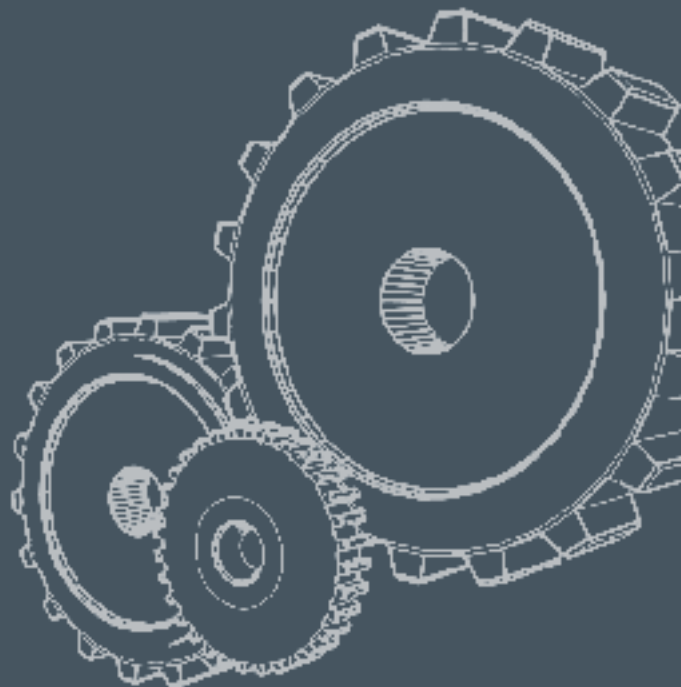
Mineral Resources and Reserves for the various operations have been compiled and signed off under the direction of the following independent consultants (other than Sable Zinc) in compliance with the South African Code for Reporting of Mineral Resources and Reserves ("SAMREC") of 2007.

Mine/Project	Mineral Resource	Mineral Reserve
Ruashi Mine	Mr S Savage, BSc (Hons), MEng, PrSciNat Integrated Geological Solutions (Pty) Limited Most recent update: February 2011	Mr F van Daalen, BEng (Mining), PrEng VBKOM Consulting Engineers (Pty) Limited Most recent update: February 2011
Chibuluma South Mine	Mr C Sihole, BSc (Hons) Chibuluma Mines plc Independently verified and signed off by Venmyn Rand (Pty) Limited Most recent update: March 2011	Mr C Sihole, BSc (Hons) Chibuluma Mines plc Independently verified and signed off by Venmyn Rand (Pty) Limited Most recent update: March 2011
Kinsenda Project	Mr I Jones, BSc (Hons), MSc, FAusIMM Snowden Mining Industry Consultants Most recent update: March 2011	In progress by Snowden Mining Industry Consultants
Lubembe Project	Mr S Savage, BSc (Hons), MEng, PrSciNat Integrated Geological Solutions (Pty) Limited Most recent update: March 2011	No reserve declared
Dilala East Project	Mr S Savage, BSc (Hons), MEng, PrSciNat Integrated Geological Solutions (Pty) Limited Most recent update: November 2009	No reserve declared
Sable Zinc	Mr T P Williams, BSc (Hons), PrSciNat, FSAIMM Metorex Limited	No reserve declared

Mineral Resources and Reserves in this report have been reviewed and compiled by Mr T P Williams, BSc (Hons), PrSciNat (South African Council of Natural and Scientific Professionals Registration No 400387/04), Fellow of the Southern African Institute of Mining and Metallurgy. Mr Williams is Group Mineral Resource Manager and is a full-time employee of the Company. He is a mining geologist with 20 years' experience in exploration, resource development, estimation and mining geology in gold and base metals through west, central and east Africa. Mr Williams is based at the Company's Head Office at 5th Floor, The Mall Offices, Cradock Avenue, Rosebank, 2146, Johannesburg.

Mr Williams has confirmed in writing that the information disclosed is compliant with section 12 of the JSE Listings Requirements and Table 1 of the SAMREC Code, 2007, and that it may be published in the form and context in which it is intended.

Corporate governance



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Introduction

Metorex is committed to the implementation of sound corporate governance and to conducting our business in such a manner that is ethical and fair. We aim to grow our mining activities in southern Africa by developing and managing a portfolio of quality mineral resource projects.

Our management philosophy is that of centralised strategic logic, combined with strong decentralised profit centres at the operational level, which provide management at our operations with the confidence and flexibility to conduct their operations efficiently. The elements that contribute to the success of Metorex include risk management, operational leanness, controlled overheads, rigid cost control, strong accountability, efficient capital expenditure, the utilisation of specialist consultants where necessary and the quality of our ore bodies.

Compliance with King

King II

The Board is of the opinion that the Company has, for the period under review, complied, in all material aspects, with the principles and recommendations contained in the Second King Report as issued by the Institute of Directors of Southern Africa in 2002 as well as the Listings Requirements of the JSE.

King III

The Third Report on Corporate Governance in Southern Africa (King III) was released by the Institute of Directors of Southern Africa on 1 September 2009 and applies to financial years beginning on or after 1 March 2010.

Despite not being effective for the period under review, the Board completed an initial gap analysis and believes that it already has moderate compliance with the principles and recommendations as contained in King III. The Company intends to report more fully on its compliance with King III in its next annual report.

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.

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.

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.

Charters

Board governance

The Board has adopted a Charter governing its operation. The Charter provides for a unitary board with a majority of non-executive directors and a majority of those non-executives being independent. Currently the Board comprises two executive directors and seven non-executive directors, six of whom are independent.

The composition of the Board reflects the responsibilities that it is vested with and the duty that it has to discharge and perform as representative of the interests of the Company's shareholders and all other stakeholders.

The office of the Chairman of the Board and the Chief Executive Officer are separate. There is at all times a clearly defined division of responsibilities in both offices to ensure a balance of authority and power.

In terms of its Charter, the Board retains full and effective control over the Company, and shall direct and supervise the business and affairs of the Company, including:

- ensuring that goals are established and that strategies to achieve the goals are in place;
- establishing policies to strengthen the performance of the Company;
- monitoring management's performance and implementation of Board plans and strategies;

Corporate governance continued

- appointing the CEO and setting the terms of his employment;
- protecting the Company's financial position;
- ensuring that the financial statements are true and fair and contain proper disclosures and conform with the law;
- ensuring that the Company adheres to high standards of ethics and corporate behaviour and that a corporate code of conduct is in place which satisfies in substance and form the requirements of King III;
- ensuring that the Company has appropriate risk management, internal controls and regulatory compliance policies and processes in place;
- ensuring that an effective group-wide risk management framework is implemented and maintained;
- ensuring that the Company complies with all relevant laws, regulations and codes of business practice;
- ensuring that the Company has a communication policy and communicates with its shareholders and all relevant stakeholders openly and promptly, with substance prevailing over form;
- ensuring that key risk areas and key performance indicators of the business are identified and maintained, with particular attention to technology and systems;
- ensuring that the Company makes full and timely disclosure of material matters beyond just financial information concerning the Company and establishes effective communication with stakeholders through its sustainability reporting;
- reviewing and recording the facts and assumptions on which the Board relies to conclude that the Company will continue as a going concern in the financial year ahead or why it will not and what steps are being taken to remedy the situation; and
- ensuring that director selection, orientation and evaluation processes are in place and carried out.

Audit Committee

In terms of its Charter the main purpose of the Committee is to assist the Board in discharging its duties relating to:

- oversight of the integrity of the Company's financial statements;
- the Company's compliance with legal and regulatory requirements;
- the independent auditors' qualifications and independence;
- the performance of the independent auditors and the Company's internal audit function;
- the determination of the external audit fees;
- the safeguarding of Metorex's assets;
- the operation of adequate systems and control processes;
- the operation of adequate risk management processes (in the absence of a separately constituted Risk Management Committee);

- the monitoring of the ethical behaviour of directors, employees and other relevant stakeholders of Metorex; and
- the preparation of accurate and timely financial reports and statements in compliance with all applicable legal requirements and accounting standards.

The Charter allows the external auditors to render some non-audit services to the Group ensuring that these services do not influence their independence (in fact and appearance). Appropriate monetary limits have been set for these services and the Audit Committee is responsible for approving such services.

Human Capital and Remuneration Committee

In terms of its Charter the primary responsibilities of the Committee are:

- to discharge the obligations of the Board to ensure objectivity regarding the remuneration of directors;
- to ensure that the right calibre of executive and senior management is attracted, retained, motivated and rewarded for individual performance and contribution to the performance of the Group;
- to ensure the proper discharge of the Board's obligations regarding transformation, skills retention and human capital development;
- to monitor the achievement of human capital commitments made by the Group in respect of any operating licences;
- to ensure sound administration of entities appointed by the Group to administer remuneration, eg retirement funds; and
- to manage the Metorex Share Incentive Schemes.

Safety, Health, Environment and Communities ("SHEC") Committee

In terms of its Charter the role of the Committee is:

- to develop the framework, policies and guidelines for SHEC management;
- to review the policies and performance of the Company, and the ongoing implementation of such policies;
- to encourage independently managed subsidiaries, associates and significant investments to develop guidelines and practices congruent with the Company's SHEC policies;
- to receive reports covering matters relating to SHEC risks and liabilities at:
 - the head office and divisions of the Company;
 - managed subsidiaries; and
 - independently managed subsidiaries and significant investments where appropriate;

- to monitor key indicators on accidents and incidents and ensure such information is communicated to other companies managed by or associated with the Company;
- to approve the SHEC content of the Company's annual report;
- to consider substantive national and international regulatory and technical developments in the SHEC fields; and
- to facilitate participation, co-operation and consultation on SHEC matters with relevant stakeholders, including but not limited to, governments, national and international organisations, other companies and other SHEC bodies.

Nomination Committee

The purpose of this Committee is:

- to propose to the Board appropriate candidates for appointment to the Board so as to comply with the Board's Charter;
- to propose to the Board candidates for appointment to the committees of the Board to ensure that such committees are suitably constituted in terms of their respective Charters and enabled to properly perform their functions; and
- to undertake evaluations of the Board, the Board committees and the members thereof as well as the CEO in such role.

Annual financial statements

In accordance with the requirements of the Companies Act, 1973, as amended, and the regulations of the JSE Limited, 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.

Board composition

The Board comprised nine directors at 31 December 2010. There were seven non-executive directors of which six are independent and two executive directors on the Board.

Mr Robert Still	– Independent non-executive Chairman
Mr Terence Goodlace	– Chief Executive Officer
Mr Maritz Smith	– Chief Financial Officer
Mr Alberto Barrenechea	– Non-executive director
Ms Hester Hickey	– Independent non-executive director
Ms Nkuli Kgositsile	– Independent non-executive director
Mr Victor Mabuza	– Independent non-executive director
Mr Peete Molapo	– Independent non-executive director
Mr Les Paton	– Independent non-executive director

The role of the Board is regulated in a formal Board Charter. (Refer to the charters above.)

Rotation and selection 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.

Corporate governance

continued

The remuneration of the directors are disclosed on pages 76 to 79.

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.

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.

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 Human Capital and Remuneration Committee, Nomination Committee and the Safety, Health, Environmental and Communities ("SHEC") Committee.

All the Board committees are chaired by an independent non-executive director and these committees are free to seek independent, professional advice at the Company's expense if so required.

Audit Committee

Members:

H Hickey (Chair)

V Mabuza

P Molapo

J Hopwood (1 October 2009 to 19 March 2010)

R Still (1 July 2009 to 19 November 2010)

The Audit Committee meets quarterly. The principal role of the Committee is highlighted on page 60.

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

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

Executive Committee

Members:

Please refer to pages 12 and 13 for CVs of all Executive Committee members.

The Executive Committee is not a committee of the Board but meets regularly to review Company performance against set objectives and is primarily responsible for strategy implementation and the execution of the Board's mandates and directives.

SHEC Committee

Members:

L Paton (Chairman)

T Goodlace

N Kgotsitsile

The SHEC Committee meets at least quarterly. The principal role of the Committee is highlighted on page 60.

Human Capital and Remuneration Committee and Nomination Committee

Human Capital and Remuneration Committee:

Members:

V Mabuza (Chairman)

A Barrenechea

L Paton

R Still

Nomination Committee:

Members:

R Still (Chairman)

L Paton

The Human Capital and Remuneration Committee meets quarterly. The principal role of the Committee is highlighted on page 60.

The Nomination Committee meets as and when required. The principal role of the Committee is highlighted on page 61.

Board Committee meeting attendance

Attendance at Board and committee meetings for the 18-month period is set out below:

	Board		Audit		Human Capital and Remuneration		SHEC	
	Held while in office	Attended	Held while in office	Attended	Held while in office	Attended	Held while in office	Attended
R Still (Chairman)	7	7	4	2	6	6	–	–
T Goodlace (CEO)	7	7	–	3*	–	6*	7	7
A Barrenechea	7	7	–	–	6	6	–	–
L Paton	7	4	–	–	6	5	7	7
M Smith (CFO)	7	7	–	5*	–	6*	–	–
H Hickey	2	2	2	2	–	–	–	–
N Kgosisile	7	7	–	–	–	1*	5	4
V Mabuza	7	7	4	4	6	6	–	–
P Molapo	1	1	1	1	–	–	–	–
J Hopwood	3	3	1	1	–	–	–	–

*By invitation.

	Board	Audit	Human Capital and Remuneration	SHEC
Number of meetings held in period:	7	5	6	7

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 Board, assisted by the Audit Committee, is ultimately responsible for the Company's systems of internal control. Established policies, procedures, standards, guidelines, structures and delegation frameworks clearly define and provide appropriate levels of direction, accountability and segregation of responsibility, which facilitate self-checking and monitoring.

These established internal controls and policies are monitored throughout the Company by management, internal audit and external audit.

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 Company's internal audit function is currently outsourced to BDO South Africa Inc ("BDO") and provides independent objective assurance that delivers substantial benefits to the Company by focusing on the systems of internal control which in turn result in better risk management and good governance.

Internal audit is well supported by the Board, and well positioned to deliver on its mandate. In keeping with best practice, internal audit reports to the Account Audit Executive for administrative purposes and to the Audit Committee Chair for functional purposes. Internal audit is present at all Audit Committee meetings and interacts regularly with executive management.

A risk-based internal audit programme is approved annually by the Audit Committee and defines the reviews to be undertaken during each financial year and focuses on the adequacy and effectiveness of systems of internal control and on risk management. An Internal Audit Charter has also recently been established and provides a structured framework within which internal audit operates.

Risk management

The risk management policy is set out on pages 16 to 21.

Company secretarial and professional advice

The Company Secretary is appointed by the Board. The Company Secretary's statement of compliance is set out on page 68 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 outside 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.

Workforce

The Group endeavours to staff its operations as far as possible with the nationals of the countries within which it operates.

The following table sets out the Group's workforce profile at 31 December 2010:

	DRC		Zambia		South Africa
	Ruashi	MMK	Chibuluma	Sable	
Employees					
Nationals	998	370	583	105	29
Foreigners	51	7	9	6	1
Contractors					
Nationals	629	609	251	75	10
Foreigners	61	0	0	0	0
Total	1 739	986	843	186	40

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 Securities 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 at www.metorexgroup.com.

Information relating to the Group's operating and financial performance is released proactively to the market at least biannually 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 stakeholders on the database.

The Group hosted frequent shareholder, analyst and fund manager briefings during the year under review and will be hosting such briefings on a regular basis in the future. The briefings include extensive one-on-one meetings relating to the Group's performance.

Audit Committee report

The Audit Committee comprised the following Independent non-executive directors during the period and to the date of this report:

- Mr A Laughland retired with effect from 31 October 2009 as member and Chairman, whereafter Mr J Hopwood was appointed Chairman. Mr J Hopwood tragically passed away on 19 March 2010.
- Mr R Still resigned as member with effect from 19 November 2010.
- Ms H Hickey, appointed as Chair with effect from 20 May 2010.
- Mr V Mabuza, appointed as a member on 11 August 2009.
- Mr P Molapo, appointed as a member on 19 August 2010.

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee mandate, has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein.

The Audit Committee considered the matters set out in section 270A(5) of the Companies Act, as amended by the Corporate Laws Amendment Act, and is satisfied with the independence and objectivity of Deloitte & Touche as external auditors and Mr Ian Marshall as the designated auditor. The Audit Committee further approved the fees to be paid to Deloitte & Touche and their terms of engagement and preapproved any proposed contract with Deloitte & Touche for the provision of non-audit services to the Company.

As required by the JSE Listings Requirement 3.84(h), the Audit Committee has satisfied itself that the Chief Financial Officer has the appropriate expertise and experience.

The Audit Committee is satisfied that there was no material breakdown in the internal accounting controls during the financial period. This is based on the information and explanations given by management and the Group internal audit function.

The Audit Committee has evaluated the financial statements of Metorex Limited and the Group for the period ended 31 December 2010 and, based on the information provided to the Audit Committee, considers that the Group complies, in all material respects, with the requirements of the Companies Act, as amended, and International Financial Reporting Standards (IFRS).



Hester Hickey

Audit Committee Chair
26 April 2011

Annual financial statements



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Group Secretary's certification

I hereby certify that Metorex Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 268G(d) of the Companies Act, 1973. All such returns are true, correct and up to date.



per O Barbeau

Statucor (Pty) Limited

Group Secretary

26 April 2011

Directors' approval

To the members of Metorex Limited

The directors of the Company and Group are responsible for the preparation and integrity of the annual financial statements and related financial information included in this report. The financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa and incorporate full and responsible disclosure in line with the accounting philosophy of the Group and the Company.

The directors are responsible for the maintenance of adequate accounting records, the preparation and integrity of the Group and the Company annual financial statements and all related information. The directors are also responsible for the systems of internal control which are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss.

The directors are satisfied that the Group is a going concern, and have adopted the going-concern basis in preparing these financial statements.

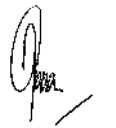
It is the responsibility of the external auditors to express an opinion on the financial statements and their opinion is included on page 69.

The annual financial statements, set out on pages 70 to 133, were approved by the Board of directors on 26 April 2011 and are signed on its behalf by:



R G Still

Chairman



T P Goodlace

Chief Executive Officer

Independent auditors' report

To the members of Metorex Limited

We have audited the Group and Company annual financial statements of Metorex Limited, which comprise the statements of financial position as at 31 December 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information, the directors' report and the Audit Committee report as set out on pages 66 and 70 to 133.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

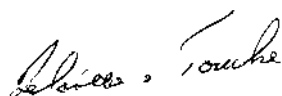
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Group and Company financial statements present fairly, in all material respects, the financial position of Metorex Limited as at 31 December 2010, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



Deloitte & Touche

Per Ian Marshall

Registered Auditor

26 April 2011

National Executive: G G Gelink Chief Executive, A E Swiegers Chief Operating Officer, G M Pinnock Audit, D L Kennedy Risk Advisory, N B Kader Tax and Legal Services, L Geeringh Consulting, L Bam Corporate Finance, J K Mazzocco Human Resources, C R Beukman Finance, T J Brown Clients, N T Mtoba Chairman of the Board, M J Comber Deputy Chairman of the Board

A full list of partners and directors is available on request.

Directors' report

Profile

Business of the company

Metorex Limited is principally in the business of producing and supplying copper and cobalt to industrial economies. The Company's holdings as at 31 December 2010 are described below:

Company	Short name	Place of incorporation	Effective interest (%)	Activity
Abbey Commodities SA Niue	Abbey	Switzerland	100	Dormant
Chibuluma Mines plc	Chibuluma	Zambia	85	Copper mining
Copper Resources Corporation	CRC	British Virgin Islands	100	Holding company of MMK
Maranda Mines (Pty) Limited	Maranda	South Africa	100	In closure
Minière de Mushoshi et Kinsenda sarl	MMK	DRC	77*	Copper projects
Metorex Copper Corporation DRC (Pty) Limited	Metorex Copper Corp	South Africa	100	Investment company
Metorex Share Incentive Scheme (Pty) Limited	Metorex Share Incentive Scheme	South Africa	100	Share incentive scheme administrator
O'Okiep Copper Company (Pty) Limited	OCC	South Africa	100	In closure
Ruashi Holdings (Pty) Limited	Ruashi Holdings	South Africa	100	Holding company of Ruashi Mining
Ruashi Mining sprl	Ruashi Mining	DRC	75*	Copper, cobalt mining
Sable Zinc Kabwe Limited	Sable	Zambia	100	Processing facility – copper/cobalt

* indirect.

Capital

Authorised and issued capital

The authorised share capital of the Company as at 31 December 2010 was 1 500 000 000 shares (2009: 1 500 000 000 shares).

During the year, 250 million new ordinary shares were issued in terms of a claw-back offer at R3,60 per share. Altogether 8 million new shares were issued at an average price of R3,99 per share in terms of the Metorex Share Incentive Scheme.

As at 31 December 2010, the issued share capital stood at 1 002 263 403 ordinary shares of 0,1 cent each (2009: 742 538 403 ordinary shares of 0,1 cent each).

Refer to page 101 for the share capital note.

Treasury shares

The Group holds 1 741 600 of its own ordinary shares of 10 cents each in terms of an approved share incentive scheme. These shares are held as "treasury shares" by a subsidiary.

Share-based compensation

Details of participation in the scheme are set out in notes 29 and 30 to the Group annual financial statements and the remuneration report as set out on pages 76 to 79.

The salient features of the proposed share incentive schemes appear on pages 134 and 135 to the annual report.

Shareholding in the Company

The issued capital of the Company held by public and non-public entities as at 31 December 2010 was as follows:

	Number of shareholders	Number of shares (000)	%
Public	7 383	707 340	70,6
Non-public	17	294 923	29,4
Directors and associated (direct holding)	9	1 964	0,2
Directors and associated (indirect holding)	6	140 895	14,0
Holders holding more than 10 percent	1	150 322	15,0
Metorex Share Incentive Scheme (Pty) Limited	1	1 742	0,2
	7 400	1 002 263	100

The following shareholders beneficially hold more than 5 percent of the issued share capital:

Shareholders	Number of shares (000)	%
Industrial Development Corporation ("IDC")	150 322	15,0
Minersa group of companies	129 765	13,0
Public Investment Corporation	71 577	7,1
JP Morgan (Custodian)	52 695	5,3
	404 359	40,4

Directors' report

continued

Investments in subsidiary companies

Refer to pages 100, 126, 127 and 135 of the annual financial statements for details regarding investments in subsidiary companies.

The aggregated after-tax earnings attributable to the Group from its subsidiaries were R436 million (2009: R370 million). The aggregated after-tax losses attributable to the Group from its subsidiaries were R27 million (2009: R299 million).

Financial affairs

Change in financial year-end

Shareholders are referred to the Company announcement dated Friday, 4 June 2010 wherein Metorex announced its change in year-end from June to December. This annual report constitutes an audited year-end report for the 18 months ended 31 December 2010.

Results for the year

The results for the period are set out in the audited annual financial statements forming part of the annual report. Refer to pages 70 to 133.

Change in reporting currency

The Group will change its reporting currency from South African Rands to US Dollars effective 1 January 2011. The Group's functional currency is primarily denominated in US Dollars following the disposal of its South African-based operating subsidiaries. The change in reporting currency is in terms of IAS 21, *The effects of changes in foreign currency rates*. This will become effective when the Group reports the results for the six months ending 30 June 2011.

Assets held-for-sale

The annual financial statements for the period ended 31 December 2010 were prepared on the basis of the Consolidated Murchison ("Cons Murch") division being held-for-sale. The Cons Murch division was sold subsequent to period-end. The comparative statement of comprehensive income has been re-presented to reflect Vergenoeg Mining Company (Pty) Limited ("VMC") as an asset held-for-sale. Refer to note 31. The Group's continuing operations are Chibuluma, Ruashi Mining and Sable. The operational results from these assets have been reported in the consolidated statement of comprehensive income.

Dividends

In view of the Group's near-term growth strategy, the Board considers it inappropriate to declare a dividend for the 18-month period ended 31 December 2010 (2009: nil).

Capital expenditure

Capital expenditure for the period amounted to R865 million (2009: R1,4 billion). Refer to page 15.

Subsequent events

Subsequent to period-end, the disposal of the Consolidated Murchison division has become partially unconditional. The conditions precedent in respect of Part A to the transaction have been met. Accordingly the business, including all employees, will be transferred as a going concern to Cons Murch Mine (Pty) Limited.

On 8 April 2011, Metorex and Vale S.A. ("Vale") announced the intention of Vale to make a cash offer for 100 percent of the shares in Metorex for a cash consideration of R7,35 per share (excluding Metorex's shareholding in Sable Zinc). Refer to note 34 of the Group's annual financial statements.

Going concern

The financial statements have been prepared using the going-concern basis and appropriate accounting policies, supported by reasonable judgements and estimates. The directors are satisfied that the Group will be a going concern in the foreseeable future.

Property

Details of the land and buildings of the various companies are contained in registers, which are available for inspection at the registered offices of those companies. Refer to note 11 of the Group's annual financial statements.

Directorate

During the period, Mr J Hopwood, Ms H Hickey and Mr P Molapo were appointed as non-executive directors to the Metorex Board. Mr J Hopwood sadly passed away on 19 March 2010.

Directors, who are appointed during the period, but before the next annual general meeting, shall retain office only until that annual general meeting, at which point they shall retire and be eligible for re-election.

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 at the annual general meeting. 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. See pages 12 and 13.

Directors standing for re-election:

H Hickey
P Molapo
R Still
L Paton
M Smith

Directors' report

continued

Interests of directors

The interests of the directors in the shares of the Company were as follows:

	Direct		Indirect	
	31 December 2010	30 June 2009	31 December 2010	30 June 2009
Beneficial				
Directors	–	–	138 844 802	108 850 756
T Goodlace	–	–	–	–
M Smith	–	–	–	–
R Still	–	–	9 079 900	9 491 545
A Barrenechea	–	–	129 764 902	99 359 211
H Hickey	–	–	–	–
N Kgositsile	–	–	–	–
V Mabuza	–	–	–	–
P Molapo	–	–	–	–
L Paton	–	–	–	–
Senior management	1 962 642	2 391 913	2 015 032	404 820
Non-beneficial	–	–	–	–

Shareholders are referred to the joint firm intention announcement ("Firm Intention Announcement") and the directors' dealing announcement ("Directors' Dealing Announcement") published on the Securities Exchange News Service ("SENS") on 8 April 2011. The Firm Intention Announcement sets out the terms on which Vale S.A., through a wholly owned subsidiary ("Vale") will make a cash offer (the "Offer") to acquire the entire issued and to be issued ordinary share capital of Metorex ("Shares") which, if implemented, will result in Vale becoming the registered and beneficial owner of the Shares. The Directors' Dealing Announcement was published in compliance with paragraph 3.64(b) of the JSE Limited Listings Requirements, which requires that any agreement entered into by an associate of a director of Metorex to sell Metorex shares be announced as a director's dealing. In the context of the Firm Intention Announcement, the irrevocable undertakings in respect of a potential disposal to Vale provided by the associates of R Still and A Barrenechea stated in the Directors' Dealing Announcement are deemed to be an agreement to sell Metorex shares, although the Metorex shares will only be sold if and when the Offer becomes unconditional in accordance with its terms.

Directors' remuneration

Details of the executive directors' and non-executive directors' remuneration are set out in the remuneration report on pages 76 to 79.

Directors' interests

No contracts of significance were entered into in which the directors of the Company were materially interested, either during or at the end of the 18-month period, except for those transactions announced on SENS on 13 and 21 September 2010. Shareholders are referred to the joint firm intention announcement ("Firm Intention Announcement") and the directors' dealing announcement ("Directors' Dealing Announcement") published on SENS on 8 April 2011, details of which are set out on page 74.

Special resolutions

During the period there were no special resolutions passed.

Financial, administrative and technical advisers

Secretaries

Following the merger of Moore Stephens MWM Inc and BDO South Africa Inc ("BDO"), the Company Secretary changed and Statucor (Pty) Limited, a BDO group company, acted as Company Secretary to the Metorex Group. The business and postal addresses are set out in the corporate information section of the annual report.

Public Officer

Mr C D S Needham acts as the Public Officer for Metorex Limited in dealings with the South African Revenue Service.

Remuneration report

Governance

The Human Capital and Remuneration Committee ("Remco") has been appointed by the Board to assist it in discharging its responsibilities in relation to remuneration policy and the determination of the remuneration of the directors and senior executives.

The members of Remco are reflected on page 62. The majority of members of the Committee are independent non-executive directors. The Committee met six times during the period under review. The Chief Executive Officer and the Chief Financial Officer attend meetings by invitation but recuse themselves when issues relating to their own remuneration are discussed. No director or executive is involved in deciding his or her own remuneration. The Committee has been assisted in the design and drafting of the proposed Metorex Share Incentive Scheme 2011 and Metorex Deferred Bonus Plan 2011 by PricewaterhouseCoopers LLP ("PwC") Human Resources Services practice.

Remuneration philosophy

The Company recognises the pivotal role that employees play in its success. Accordingly, it seeks to attract and retain high-calibre individuals and to reward them equitably with the emphasis on incentives to reward performance and aid retention.

Remuneration policies

Remuneration levels and benefit compositions are dictated, to a great extent, by the outcomes of collective bargaining processes in the regions within which the Company operates in respect of the vast majority of the Company's employees.

Remco determines and applies remuneration policies in respect of the directors and members of the Executive Committee ("Exco") as well as providing direction on Group remuneration principles.

Remuneration policies are aimed at ensuring the attainment of the Company's strategic objectives, thus aligning the interests of executives with those of shareholders. The Company aims to set guaranteed remuneration at the median of the market with short- and long-term incentives rewarding performance at Company, operating unit and individual levels.

Remuneration of executives comprises three elements: guaranteed remuneration, short-term incentives and long-term incentives. The targeted reward mix is currently as follows:

	Guaranteed remuneration	Short-term incentives	Long-term incentives
Chief Executive Officer	50%	15%	35%
Chief Financial Officer	53%	16%	31%
Chief Operating Officer	55%	17%	28%
Other executives	59%	18%	23%

Guaranteed remuneration is the total cost to Company excluding statutory imposts. It includes Company contributions to retirement funds. Guaranteed remuneration is benchmarked using the PwC Remchannel Remuneration Survey. The latest benchmarking confirms that the executive directors and members of Exco, on average, are paid around the median for their respective positions.

Short-term incentives take the form of an incentive scheme in respect of which incentives are paid half-yearly. The scheme applies to senior corporate staff as well as the executive teams at each operation. At the executive level, the targeted annual incentive is 30% of guaranteed remuneration with a cap of 60% for exceptional performance. Operational targets are based on the Company's operational plan which has been approved by the Board. Individual targets are approved by Exco in respect of the operations, by the CEO in respect of Exco members and by Remco in respect of the CEO. Remco approves the payment of incentives to the executive directors and the members of Exco.

The target categories and their respective weightings are as follows:

	Line and technical executives	Other executives
Safety, health, environment, communities	30%	10%
Production, costs, quality and capital expenditure	30%	40%
Personal projects	40%	50%

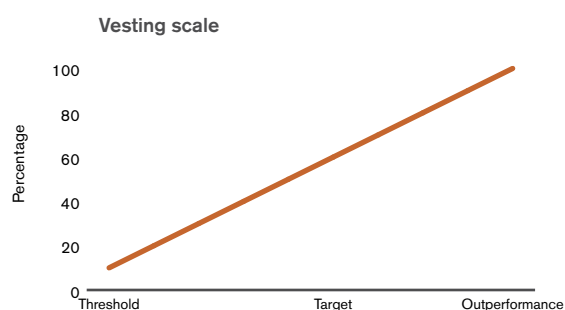
For the 12 months ended December 2010, the incentive bonuses earned by the executives were as follows:

	Incentives earned as % of guaranteed remuneration
Chief Executive Officer	32%
Chief Financial Officer	34%
Members of Exco	32%

Remco approved a special incentive payment to all corporate office staff in April 2010 in recognition of the work done in the restructuring and recapitalisation of the Group. The amounts paid to executives are included in the performance incentives column in the executive remuneration table on page 78.

Long-term incentives are in the form of participation in the Company's Share Incentive Scheme. The objective of this scheme is to align the interests of management with those of shareholders through the grant of options or share appreciation rights. It is the intention of the Remco to make allocations to managers in the Paterson E Band and above and to selected middle managers or specialists in the D Band. In terms of the scheme submitted to shareholders for approval at this year's annual general meeting, such options or rights will be granted annually at the discretion of the Remco, will cliff vest after three years and will have a life of seven years.

The vesting of options or share appreciation rights will be dependent on the achievement of performance criteria set by the Remco at the time of each grant. Given the volatility of commodity prices and the Rand exchange rate, absolute performance measures such as earnings per share or return on capital were considered inappropriate by the Remco. Comparison with a peer group's total shareholder return over the measurement period is not practical in the absence of an appropriate peer group. The Remco has accordingly determined that the performance criteria over the three-year measurement period shall initially comprise the following metrics: production performance (40%), safety performance (30%) and mineral reserve enhancement on a per share basis (30%). The targets will be set by the Remco based on operational plans approved by the Board and will be measured over a three-year period. The Remco intends to apply a vesting scale as depicted in the following graph:



It is proposed to further align the interests of executives with those of shareholders by encouraging managers in the Paterson E Band to acquire shares in the Company using their own money. In terms of the Deferred Bonus Plan, to be proposed to shareholders at this year's annual general meeting, such executives will be able to utilise up to 50% of their after-tax incentive to acquire shares in the Company. Should the executive retain the shares for a period of three years and still be in service at that point, the Company will match the shares then held. As the maximum quantum of the initial allocation is determined by the performance of the executive in terms of the short-term incentive scheme, no further performance conditions are attached to the matching of the shares held at the vesting date.

Further details on the proposed scheme and proposed plan are set out on pages 134 and 135.

In order to ensure business continuity following the extensive reconstitution of the Board and executive management in early 2009, the Remco offered retention incentives to certain key executives. These were formalised during the period under review and are payable in four equal instalments in 2010, 2011, 2012 and 2013. The first payments were made during the review period and are shown under "Other benefits" in the executive remuneration table on page 78.

Non-executive directors' remuneration

The fees for non-executive directors were last approved by shareholders effective 1 July 2009. Since that time the fees paid have been benchmarked against other mid-cap companies primarily in the mining sector. Based on the benchmark data for 2009 and 2010 the following fees are proposed for approval by shareholders:

Remuneration report

continued

	Effective 1 July 2010		Effective 1 July 2011	
	Annual fee	Attendance fee per meeting	Annual fee	Attendance fee per meeting
Chairman	R800 000	R16 500	R840 000	R17 500
Board member	R105 000	R16 500	R112 000	R17 500
Subcommittee Chairmen		R10 000		R10 500
Subcommittee members		R7 000		R7 500

It should be noted that to comply with the requirements of King III and the JSE Listings Requirements, non-executive directors are not being granted share options with effect from 2010. These options were previously an integral part of their remuneration packages. During the ensuing year the Remco will be examining methods in addition to benchmarking to determine appropriate remuneration for non-executive directors.

The remuneration paid to non-executive directors for the 18 months ended 31 December 2010 is reflected in the table below:

All figures (R000)	Directors' remuneration for the 18 months ended 31 December 2010	Directors' remuneration for the 12 months ended 30 June 2009
R Still	1 333	950
A Barrenechea	300	155
H Hickey ¹	106	–
J Hopwood ²	100	–
N Kgositile ³	253	–
A Laughland ⁴	40	200
V Mabuza ⁵	317	–
P Molapo ⁶	79	–
L Paton ⁷	332	85
Total	2 860	1 390

¹Appointed 20 May 2010.

²Deceased 19 March 2010.

³Appointed 11 August 2009.

⁴Retired 31 October 2009.

⁵Appointed 11 August 2009.

⁶Appointed 19 August 2010.

⁷Appointed 20 January 2009.

All the non-executive directors have appointment contracts with the Company. Their appointments are made in terms of the Company's Articles of Association and are confirmed initially at the first annual general meeting of shareholders following their appointment, and thereafter at three-yearly intervals.

Executive directors' remuneration

The following table sets out the remuneration paid to executive directors for the 18 months ended 31 December 2010:

All figures (R000)	Salary	Retirement contributions	Total guaranteed remuneration	Performance incentives	Other benefits*	Share-based payments	Total
T Goodlace	4 384	823	5 207	1 894	–	–	7 101
M Smith	2 564	313	2 877	1 205	895	–	4 977
Total	6 948	1 136	8 084	3 099	895	–	12 078

*Other benefits are retention payments referred to in the text.

The following table sets out the remuneration paid to executive directors for the 12 months ended 30 June 2009:

All figures (R000)	Salary	Retirement contributions	Total guaranteed remuneration	Performance incentives	Other benefits*	Share-based payments	Total
T Goodlace ¹	951	92	1 043	–	–	–	1 043
M Smith ²	1 551	130	1 681	500	–	383	2 564
Total	2 502	222	2 724	500	–	383	3 607

¹Appointed director 1 March 2009.

²Appointed director 20 January 2009.

Both executive directors and all members of Exco have employment contracts with the Company. These are of indefinite duration with provision for retirement at age 60 and three-month notice periods on both sides. These contracts will be reviewed by the Remco during 2011 to ensure compliance with King III.

Share incentive schemes

The Company currently has two incentive schemes in operation. The 1997 Scheme is a deferred settlement scheme in terms of which no allocations have been made since October 2004. The 2005 Scheme has been operative in respect of all allocations made after October 2004. The scheme provides for pure vanilla options which vest over periods varying from one to five years. Options have a 10-year life. No further allocations are to be made in terms of this scheme.

In order to comply with the JSE Listings Requirements and King III, shareholders will be asked to approve a new scheme at the forthcoming annual general meeting. The 2011 Scheme provides for vanilla options as well as for share appreciation rights, the latter being introduced to reduce the dilution effect of straight share options. Both the options and the rights will cliff vest after three years and will have maximum lives of seven years. Vesting of options and the rights will be dependent on the participant being in service on the vesting date and the fulfilment of performance conditions over the three-year period as set out above.

Shareholders will also be asked to approve a Deferred Bonus Plan in terms of which selected executives will be given the opportunity to allocate up to 50 percent of their after-tax short-term incentive to acquire bonus shares. These shares will be acquired in the market and will be held in escrow on behalf of the participant. These bonus shares will rank *pari passu* with the Company's ordinary shares ensuring that the interests of the participants are aligned with the interests of shareholders. In order to assist in the retention of the services of the executive concerned, the Company will undertake to match the bonus shares still held by the participant three years after such shares were offered to the participant provided the participant is still in the employment of the Group at that date.

The total number of shares which may be allocated in terms of the 2011 Scheme and the 2011 Plan as well as the legacy schemes is 75 169 725 (seventy-five million, one hundred and sixty-nine thousand, seven hundred and twenty-five) shares. This is equivalent to 7,5% of the current issued share capital of the Company. As at 31 December 2010, there were 33,9 million options outstanding in terms of the legacy schemes of which 26,1 million options were unvested.

The details of the proposed new scheme and proposed plan are set out on pages 134 and 135.

The following table sets out the share options held by directors as at 31 December 2010:

Name	Options held	Average strike price
T Goodlace	5 000 000	R1,28
M Smith	2 286 000	R3,80
A Barrenechea	325 000	R11,66
R Still	325 000	R11,66

The detailed breakdown of the share option holdings of directors, as well as transactions during the review period, is set out on page 111.

Group statement of comprehensive income

	Notes	18 months December 2010 R000	12 months June* 2009 R000
Revenue			
Mineral sales			
Copper		3 540 602	866 407
Cobalt		1 015 319	70 677
Gross revenue		4 555 921	937 084
Realisation costs		595 192	184 258
On-mine revenue		3 960 729	752 826
Cost of production	2	2 699 153	750 367
Mining profit		1 261 576	2 459
Other income	4	233 063	142 750
Amortisation of deferred hedge premium		(88 190)	–
Impairments	5	–	(2 273 429)
Held-for-sale assets, net of tax	31	(32 505)	166 897
Discontinued operations	31	(23 549)	(438)
Finance income	6	23 427	6 945
Finance costs	6	(121 609)	(5 881)
Profit/(loss) before taxation	7	1 252 213	(1 960 697)
Income tax expense/(credit)	8	285 790	(420 253)
Profit/(loss) for the period from continuing and discontinuing operations		966 423	(1 540 444)
Other comprehensive income:			
Exchange differences on translating foreign operations		(926 610)	(313 084)
Effect of cash flow hedges		(52 111)	160 760
Total other comprehensive income for the period		(978 721)	(152 324)
Profit attributable to:			
Equity holders of the parent		836 827	(1 507 218)
Non-controlling interest		129 596	(33 226)
		966 423	(1 540 444)
Total comprehensive income attributable to:			
Equity holders of the parent		(1 020 245)	(113 830)
Non-controlling interest		41 524	(38 494)
		(978 721)	(152 324)
From continuing and discontinuing operations:			
Basic earnings (loss) per share (cents)	9	96,3	(272,4)
Diluted earnings (loss) per share (cents)	9	95,3	(272,4)
From continuing operations:			
Basic earnings (loss) per share (cents)	9	99,0	(272,3)
Diluted earnings (loss) per share (cents)	9	98,0	(272,3)

*Re-presented for assets held-for-sale (Vergenoeg Mining Company (Pty) Limited).

Group statement of financial position

	Notes	31 December 2010 R000	30 June 2009 R000
ASSETS			
Non-current assets			
Property, plant and equipment	11	3 205 840	3 467 738
Mineral rights	11	1 266 049	1 367 689
Goodwill	12	11 514	11 514
Investments	13	75 154	79 718
Derivative financial instrument	25	–	94 942
Rehabilitation trust fund	20	6 364	779
		4 564 921	5 022 380
Current assets			
Inventories	14	330 932	264 051
Trade and other receivables	15	537 475	447 628
Current tax assets		15 115	6 194
Bank balances and cash	23	436 838	73 553
		1 320 360	791 426
Assets held-for-sale	31	41 296	1 078 229
		5 926 577	6 892 035
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	100 052	74 255
Share premium	16	3 840 809	2 979 136
Hedging and translation reserve	17	(1 298 591)	(319 870)
Retained earnings		718 698	(118 129)
Share option reserve		69 241	47 586
Equity reserve		(100 022)	(117 300)
Assets held-for-sale		2 344	(146 219)
Equity attributable to equity holders of parent		3 332 531	2 399 459
Non-controlling interest	18	105 225	457 208
Total equity		3 437 756	2 856 667
Non-current liabilities			
Long-term borrowings	19	504 730	1 415 563
Long-term provisions	20	143 884	179 486
Deferred tax liabilities	21	573 658	469 292
Post-retirement medical aid	22	1 995	1 824
Derivative financial instruments	25	60 285	–
		1 284 552	2 066 165
Current liabilities			
Trade and other payables	24	411 579	557 831
Short-term borrowings	19	347 814	695 604
Short-term provisions	20	25 929	35 065
Bank overdraft	23	–	54 323
Derivative financial instruments	25	317 254	230 240
Taxation		28 319	29 999
		1 130 895	1 603 062
Liabilities held-for-sale	31	73 374	366 141
		5 926 577	6 892 035
Total equity and liabilities		5 926 577	6 892 035
Net asset value per share (cents)		333	323
Net tangible asset value per share (cents)		331	322

Group statement of cash flows

	Notes	18 months December 2010 R000	12 months June 2009 R000
CASH INFLOWS FROM OPERATING ACTIVITIES		771 439	121 602
Cash generated by operations	A	1 021 510	465 997
Dividends paid		(8 263)	(108 224)
Taxation paid		(143 626)	(236 421)
Finance income		23 427	7 871
Finance costs		(121 609)	(7 621)
CASH OUTFLOWS FROM INVESTING ACTIVITIES		(56 028)	(1 393 693)
Additions to property, plant and equipment and mineral rights		(864 734)	(1 381 650)
Proceeds on disposal of property, plant and equipment		-	1 162
Proceeds on disposal of shares in subsidiary	32	936 046	-
Increase in investments		-	(13 205)
Movement in AHFS/discontinued operations		(127 340)	-
CASH (OUTFLOW)/INFLOWS FROM FINANCING ACTIVITIES		(270 003)	1 191 426
Borrowings raised		-	513 475
Borrowings repaid		(1 157 473)	(26 576)
Shares issued		887 470	704 527
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		445 408	(80 665)
Cash and cash equivalents at the beginning of the period	23	19 230	101 331
Effect of foreign exchange rate changes		(20 749)	(1 436)
Disposals of Vergenoeg Mining Company (Pty) Limited		(7 051)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	B	436 838	19 230
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD - DISCONTINUING OPERATIONS		-	23 191
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD - CONTINUING AND DISCONTINUING OPERATIONS		436 838	42 421

Notes to the Group statement of cash flows

	18 months December 2010 R000	12 months* June 2009 R000
A RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED BY OPERATIONS		
Profit/(loss) before taxation	1 252 213	(1 921 229)
Adjusted for:	290 031	2 321 365
(Profit)/loss for the year from subsidiary sold/discontinued operations/assets held-for-sale	(375 436)	76 409
Deferred put premium	88 190	–
Net profit on hedgebook close-outs	–	(169 598)
Loss/(profit) on disposal of mining assets	1 774	(914)
Share option costs	22 569	20 055
Net finance costs/(income)	98 182	(250)
Impairments	–	2 273 429
Depreciation	454 752	122 234
Operating profit before working capital changes	1 542 244	400 136
Working capital changes	(520 734)	65 861
(Increase)/decrease in inventories	(141 750)	13 348
(Increase)/decrease in trade and other receivables	(233 082)	43 067
(Decrease)/increase in trade and other payables and provisions	(145 902)	9 446
Cash generated by operations	1 021 510	465 997
B CASH AND CASH EQUIVALENTS		
Bank balances and cash	436 838	73 553
Bank overdraft	–	(54 323)
	436 838	19 230

*Not re-presented for assets held-for-sale (VMC).

Group statement of changes in equity

	Share capital R000	Share premium R000	Foreign exchange translation reserve R000	
Balance at 30 June 2009	74 255	2 979 136	(237 085)	
Issue of shares, net of costs	25 971	861 673		
Share option scheme	(174)			
Profit for the period				
Other comprehensive loss for the period			(926 610)	
Disposal of subsidiaries/assets held-for-sale				
Recognition of share-based payments				
Distributions to non-controlling interests				
Balance at 31 December 2010	100 052	3 840 809	(1 163 695)	
Balance at 30 June 2008	36 917	2 292 746	75 999	
Issue of shares, net of costs	37 338	686 390		
Share option scheme				
Loss for the period				
Other comprehensive loss for the period			(313 084)	
Disposal of subsidiaries/assets held-for-sale				
Recognition of share-based payments				
Distributions to non-controlling interests				
Balance at 30 June 2009	74 255	2 979 136	(237 085)	

	Hedging reserve R000	Equity reserve R000	Share option reserve R000	Retained earnings R000	Equity attributable to equity holders of parent R000	Equity attributable to assets held-for-sale R000	Non- controlling interest R000	Total equity R000
	(82 785)	(117 300)	47 586	(118 129)	2 545 678	(146 219)	457 208	2 856 667
					887 644			887 644
					(174)			(174)
	(52 111)			836 827	836 827		129 596	966 423
		17 278	(1 729)		(978 721)		(41 524)	(1 020 245)
			23 384		15 549	148 563	(431 792)	(267 680)
					23 384			23 384
					–		(8 263)	(8 263)
	(134 896)	(100 022)	69 241	718 698	3 330 187	2 344	105 225	3 437 756
	(243 545)	(117 300)	21 797	1 389 089	3 455 703	(5 599)	683 570	4 133 674
					723 728			723 728
				(1 507 218)	(1 507 218)		(33 226)	(1 540 444)
	160 760				(152 324)		38 494	(1 113 830)
					–	(140 620)	(123 406)	(264 026)
			25 789		25 789			25 789
					–		(108 224)	(108 224)
	(82 785)	(117 300)	47 586	(118 129)	2 545 678	(146 219)	457 208	2 856 667

Notes to the Group annual financial statements

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Group and Company financial statements are set out below. Accounting policies that refer to "consolidated or Group", apply equally to the Company financial statements where relevant.

Basis of preparation

The annual financial statements have been prepared under the historical-cost basis, except for certain financial instruments which are stated at fair value, and in accordance with International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB"), the AC 500 standards as issued by the Accounting Practices Board, requirements of the South African Companies Act 1973, as amended, and regulations of the JSE Limited. The principal accounting policies are set out below and are consistent in all material respects with those applied in the previous period; except for IAS 1 (revised): *Presentation of Financial Statements* and IFRS 8, *Operating Segments* which has been applied in the current period. The comparative statement of comprehensive income has been re-presented for Vergenoeg Mining Company (Pty) Limited ("VMC") as an asset held-for-sale in terms of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. The copper smelting charges at Chibuluma have also been reclassified from cost of production to realisation costs in line with the current period treatment.

New and revised International Financial Reporting Standards not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations applicable to the Group were in issue but not yet effective:

IFRS 2	Share-based Payments
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held-for-Sale and Discontinued Operations
IFRS 8	Operating Segments (new)
IFRS 9	Financial Instruments – replacement of IAS 39
IAS 16	Property, Plant and Equipment
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 23	Borrowing Costs
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 31	Interest in Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 16	Hedges of a Net Investment in a Foreign Operation (new)
IFRIC 17	Distributions of Non-cash Assets to Owners (new)
IFRIC 18	Transfers of Assets from Customer (new)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The directors anticipate that the adoption of these standards and interpretations in future periods, except for IFRS 3, will not have a material impact on the financial statements of the Group other than additional disclosure.

Critical accounting estimates and judgements

In preparing the annual financial statements in terms of IFRS, the Group's management is required to make certain judgements, estimates and assumptions that may materially affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported period and the related disclosures. The estimates and judgements are based on historical experience, current and expected future economic conditions and other factors. Actual results may differ from these estimates.

1. ACCOUNTING POLICIES (continued)

Judgements made by management

The following judgements, apart from those involving estimates (as mentioned below) have been made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

- In applying IFRS 5, *Non-current Assets Held-for-Sale and Discontinued Operations*, management had to make judgements as to which non-current assets and discontinued operations fall within the scope of the standard and had to be reclassified and measured in terms of IFRS 5 (refer to note 31).
- In applying IFRS 2, *Share-based Payments*, management had to make certain judgements in respect of the fair value option-pricing models to be used in determining the various share-based arrangements in respect of employees, as well as the variable elements used in these models (refer to note 30).
- In applying IFRIC 4, *Determining whether an Arrangement contains a Lease*, and IAS 17, *Leases*, contractual agreements were assessed to determine whether they convey the right to use an asset and their classification as either an operating or finance lease.
- Estimates made in determining the present obligation of environmental provisions including decommissioning and rehabilitation.
- Estimates made in determining the recoverable amount of assets where there is an indication that an asset may be impaired, this includes the estimation of cash flows and the discount rates used.
- Estimates made in determining the probability of future taxable income thereby justifying the recognition of a deferred tax asset.
- Estimates made in determining changes in the estimated useful lives of assets and their residual values.
- Estimates made in determining the life of the mines.
- Estimates made in the valuation of mineral rights.
- Estimates made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted.
- Estimates made of contingent liabilities disclosed.
- Estimates of Mineral Resources and Ore Reserves in accordance with the SAMREC code (2000) for South African properties. Such estimates relate to the category for the Resource (Measured, Indicated or Inferred), the quantum and the grade.

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) to 31 December (previous years to 30 June) each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree plus any costs directly attributable to the business combination. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intercompany transactions and balances between Group entities are eliminated on consolidation.

1.2 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combinations is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5, *Non-current Assets Held-for-Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Mineral rights and goodwill arising on acquisition are recognised as an asset, and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of net fair value of the assets, liabilities and contingent liabilities recognised.

Notes to the Group annual financial statements

continued

1. ACCOUNTING POLICIES (continued)

1.3 Property, plant and equipment

1.3.1 Mining assets

Mining assets, including mine development costs and mine plant facilities, are recorded at cost of acquisition.

Expenditure incurred to develop new ore bodies, to define mineralisation in existing ore bodies, to establish or expand productive capacity and expenditure designed to maintain productive capacities, are capitalised until commercial levels of production are achieved.

1.3.2 Mineral and surface rights

Mineral and surface rights are recorded at cost of acquisition.

1.3.3 Land

Land is shown at cost and is not depreciated.

1.3.4 Gain or loss on disposal or retirement of assets

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.3.5 Mine development and deferred waste stripping

Mine development costs

Mine development costs are capitalised and amortised over the life of the pit using the units of production method.

Mine development costs consist of the establishment of access to deposits, preparation for commercial production including permanent excavations, roads, tunnels and advanced removal of overburden and waste rock.

Deferred waste stripping costs

Normalised waste stripping costs will be recognised as an expense during the period in which they are incurred and will not be deferred.

Waste stripping costs that are incurred on overburden stripping, where the strip ratio exceeds the average strip ratio of the life of the pit by more than 25 percent, will be capitalised as mine development costs.

1.4 Depreciation

1.4.1 Depreciation of mining assets and mineral and surface rights

Mining assets, mine development costs, mineral and surface rights and plant mine facilities are depreciated over the lives of the mines to their residual values using the units-of-production method based on estimated proved and probable ore reserves or where impractical, directors' estimates subject to a maximum life of mine of 20 years.

The assets of the underlying mines are depreciated over the following periods effective 1 July 2009:

Consolidated Murchison Mine	Impaired
Chibuluma South	±7 years
Ruashi	±15 years
Sable	±10 years

Other mining plant and equipment is depreciated on the straight-line basis over the shorter of the life of the mine or its estimated useful life.

1.4.2 Depreciation of non-mining assets

Buildings and other non-mining assets are recorded at cost and depreciated on the straight-line basis over their expected useful lives, which vary between 4 to 10 years.

1.4.3 Mining exploration

Expenditure on exploration activities is capitalised until the viability of the mining venture has been proven. If the mining venture is subsequently considered non-viable, the expenditure is charged against income as and when that fact becomes known.

1.5 Impairment (except for goodwill)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment losses are immediately recognised as an expense. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1. ACCOUNTING POLICIES (continued)

1.6 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of a subsidiary is described in 1.2 above.

1.7 Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction, which affects neither tax nor accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt within equity, or where they arise from the initial accounting of a business combination. In a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or parts of the asset to be recovered.

1.8 Provisions

Provisions are recognised when the Group has a legal or constructive obligation resulting from past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle a present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.9 Foreign currencies

Transactions in currencies other than Rand are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling at the reporting date. Profits and losses arising on exchange are dealt within the statement of comprehensive income.

In order to hedge its exposure to foreign exchange risks, the Group may enter into forward contracts (see note 1.18 for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's foreign operations are translated at exchange rates ruling at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising from the translation of foreign operations are classified as equity and are recognised as income or expenses in the period in which the operation is disposed of. Translation differences on foreign loans to subsidiaries which are classified as equity loans are accounted for as non-distributable reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the reporting entity and are recorded using the exchange rate at the date of the transaction.

Notes to the Group annual financial statements

continued

1. ACCOUNTING POLICIES (continued)

1.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until commercial levels of production are achieved. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are recognised in net profit or loss in the period in which they are incurred.

1.11 Consumable stores and product inventories

Consumable stores are valued at the lower of cost, determined on a weighted average basis, and estimated net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Obsolete and slow-moving consumable stores are identified and are written down to their economic or realisable values. Product inventories are valued at the lower of cost, determined on a weighted average basis, and net realisable value. Costs include direct mining costs and mine overheads.

1.12 Retirement benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed schemes are dealt with as defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

1.13 Post-retirement benefits other than pension

Certain companies within the Group provide retirement benefits by way of medical aid schemes for employees. Charges to the statement of comprehensive income are based on the accrual basis. The estimated cost for retiree healthcare is accrued during the participants' actual service periods, up to the date they become eligible for full benefits.

1.14 Equity participation plan

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

1.15 Provision for environmental rehabilitation costs

Long-term environmental obligations are based on the Company's environmental plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the mines. Annual increases in the provisions relating to the change in the net present value of the provision and inflationary increases are shown separately in the statement of comprehensive income.

The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure, in view of the uncertainty of estimating the potential future proceeds.

1.16 Provision for closure costs

The Group provides for closure costs other than rehabilitation costs when the directors have prepared a detailed plan for closure of the particular operation, the remaining life of which is such that significant changes to the plan are unlikely; and the directors have raised a valid expectation in those affected that it will carry out the closure by starting to implement that plan or announcing its main features to those affected by it.

1.17 Revenue recognition

Revenue represents the value of minerals sold, excluding value-added tax and is recognised when goods are delivered and risk and reward has passed, and is measured at the fair value of the consideration received or receivable.

Copper products are sold under pricing arrangements where final prices are set at a specified date based on market prices. Revenue is recognised using the average LME cash settlement price over the agreed customer quotation period. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in the copper market prices are accounted for as adjustments to revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rates applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1. ACCOUNTING POLICIES (continued)

1.18 Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms a part of a contract containing one or more embedded derivatives, and IAS 39, *Financial Instruments: Recognition and Measurement*, permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 25.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classed as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Notes to the Group annual financial statements

continued

1. ACCOUNTING POLICIES (continued)

1.18 Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39, *Financial Instruments: Recognition and Measurement*, permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 25.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

1. ACCOUNTING POLICIES (continued)

1.19 Derivative financial instruments

In the ordinary course of its operations, the Group may enter into a variety of derivative financial instruments to manage its exposure to commodity prices and foreign exchange rate risk.

Derivatives are initially recognised at cost at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of commodity price risk or foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of commodity price risk or foreign exchange risk or firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item.

Note 25 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line of the statement of comprehensive income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationships, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Notes to the Group annual financial statements

continued

1. ACCOUNTING POLICIES (continued)

1.20 Leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total lease commitments and the fair value of the assets acquired, are charged to the statement of comprehensive income over the term of the relevant lease. Operating leases are accounted for on a straight-line basis over the period of the lease.

1.21 Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1.22 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.23 Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); and
- for which discrete financial information is available.

	18 months December 2010 R000	12 months June 2009 R000
2. COST OF PRODUCTION		
Mining	358 316	89 300
Salaries and wages	347 962	149 810
Processing	1 021 684	156 638
Engineering and technical	230 950	119 527
Administration	280 148	82 305
Inventory movement	5 341	43 990
Depreciation	454 752	108 797
	2 699 153	750 367
3. OPERATING LEASES		
At the reporting date, the Group had outstanding commitments under non-cancellable operating leases mainly in respect of office equipment, security cameras, building rentals and compressors, which fall due as follows:		
Within one year	5 090	3 390
Years 2 to 5	17 487	3 212
	22 577	6 602
4. OTHER INCOME		
Profit on Ruashi hedgebook close-out	–	210 954
Foreign exchange (losses)/gains	(4 226)	20 126
Profit on disposal of subsidiaries/assets	429 748	446
Share option expense	(22 569)	(18 248)
Rehabilitation expense	(7 277)	(9 040)
Royalties	(183 880)	(20 410)
Sundry other income/(cost)	21 267	(41 078)
	233 063	142 750
5. IMPAIRMENTS		
It is Group policy to annually assess assets for impairment. Following this review, the Group impairment charge before taxation and minorities amounted to nil (2009: R2,3 billion).		
This charge is made up as follows:		
CRC	–	1 720 247
Ruashi phase I project	–	216 025
Cons Murch	–	124 477
PAR	–	57 575
Other	–	155 105
	–	2 273 429

Notes to the Group annual financial statements

continued

	18 months December 2010 R000	12 months June 2009 R000
6. FINANCE (COSTS)/INCOME		
Interest received	23 427	6 945
Interest paid	(121 609)	(114 270)
Less: Borrowing costs capitalised	–	108 389
Net finance (costs)/income	(98 182)	1 064
7. PROFIT/(LOSS) BEFORE TAXATION		
Is stated after charging:		
Audit fee		
– current period	3 487	2 809
Other non-audit services	704	215
Retirement benefit costs	11 870	5 896
Operating leases and rentals		
– equipment and buildings	9 054	2 989
Exploration expenditure	–	1 488
8. INCOME TAX EXPENSE/(CREDIT)		
SA normal taxation		
– current period	24 584	(7 740)
– prior period	(93)	(413)
Foreign normal taxation		
– current period	116 829	3 570
– prior period	6 419	–
Deferred taxation		
– current period	139 246	(415 638)
– prior period	(1 195)	(32)
Total taxation charge/(credit) – continuing operations	285 790	(420 253)
Profit/(loss) before taxation	1 252 213	(1 960 697)
Less: Held-for-sale assets, net of tax and discontinuing operations	56 054	(305 946)
Total profit/(loss) before taxation – continuing operations	1 308 267	(2 266 643)
Taxation at the domestic taxation rate of 28%	366 315	(634 660)
Under/(over)provision – prior period	5 131	(445)
Non-deductible expenses	21 054	7 203
Deferred tax asset not recognised	(42 077)	203 813
Taxation rate differentials	(64 471)	3 836
Other	(162)	–
Taxation expense/(credit) for the period – continuing operations	285 790	(420 253)
Effective taxation rate for the period – continuing operations (%)	21,8	18,5
Unredeemed capital expenditure available	1 779 028	1 316 749
Losses available for future taxable income set off	1 368 607	1 997 688

Note: The Chibuluma variable taxes and historic windfall taxes have been recorded as a receivable from the Government of the Republic of Zambia ("GRZ") against the taxation account. As at 31 December 2010, this receivable amounted to US\$9,7 million. The Group maintains that these taxes are in excess of those permitted under the Development Agreement signed in 1997 ("DA"). This GRZ receivable will be assessed for impairment on an ongoing basis and depends on the outcome of negotiations with the GRZ. The Group's tax charge would have increased by R64 million had the Chibuluma taxes been accrued in accordance with the new tax regime. The effective Chibuluma tax rate would increase to an effective rate of 42 percent of taxable income under the proposed regime.

9. EARNINGS/(LOSS) PER SHARE AND HEADLINE EARNINGS PER SHARE

Earnings/(loss) per share ("EPS")

EPS is based on the Group's net profit for the period attributable to equity holders of the parent, divided by the weighted average number of shares in issue during the period.

	18 months December 2010			12 months June 2009		
	Net profit R000	Shares (000)	Per share (cents)	Net loss (R000)	Shares (000)	Per share (cents)
From continuing and discontinued operations						
Basic EPS	836 827	868 982	96,3	(1 507 218)	553 349	(272,4)
Share options	–	9 310	(1,0)	–	–	–
Diluted EPS	836 827	878 292	95,3	(1 507 218)	553 349	(272,4)
From continuing operations						
Basic EPS – as above	836 827	868 982	96,3	(1 507 218)	553 349	(272,4)
Discontinued operations	23 549	–	2,7	438	–	0,1
Basic EPS	860 376	868 982	99,0	(1 506 780)	553 349	(272,3)
Share options	–	9 310	(1,0)	–	–	–
Diluted EPS	860 376	878 292	98,0	(1 506 780)	553 349	(272,3)
Headline earnings per share						
Headline earnings per share is based on the Group's headline earnings divided by the weighted average number of shares in issue during the period.						
Reconciliation between earnings and headline earnings from continuing and discontinued operations						
Earnings/(loss) as reported	836 827	868 982	96,3	(1 507 218)	553 349	(272,4)
Adjustments						
– Discontinued operations	23 549	–	2,7	438	–	–
– Profit on sale of fixed assets and subsidiaries, net of tax	(381 323)	–	(43,9)	(431)	–	–
– Impairments	–	–	–	2 273 429	–	410,8
– Tax on impairments	–	–	–	(474 642)	–	(85,8)
– Minorities on impairments	–	–	–	(159 230)	–	(28,7)
Headline earnings per share	479 053	868 982	55,1	132 346	553 349	23,9
Share options	–	9 310	(0,6)	–	–	–
Diluted headline earnings per share	479 053	878 292	54,5	132 346	553 349	23,9
Adjusted headline earnings per share						
Adjusted headline earnings per share are based on the Group's adjusted headline earnings, which represent recurring earnings divided by the weighted average number of shares in issue during the period.						
Headline earnings per share	479 053	868 982	55,1	132 346	553 349	23,9
Adjustments						
– Ruashi hedge profit, net of tax and minorities	–	–	–	(118 134)	–	(21,3)
– Ruashi deferred put premium, net of tax and minorities	44 977	–	5,2	–	–	–
– Once-off deferred tax credit relating to AHFS	(42 077)	–	(4,8)	–	–	–
– AHFS, net of tax	32 505	–	3,7	(166 897)	–	(30,2)
– Non-controlling interest related to AHFS	5 740	–	0,7	105 851	–	19,1
Adjusted headline earnings/(loss) per share	520 198	868 982	59,9	(46 834)	553 349	(8,5)

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	31 December 2010 R000	30 June 2009 R000
10. DIVIDENDS		
In view of the Group's near-term growth strategy, the Board considers it inappropriate to declare a dividend for the 18 months ended 31 December 2010 (2009: nil).		
11. PROPERTY, PLANT, EQUIPMENT AND MINERAL RIGHTS		
Land		
Cost and net book value	33 010	6 292
Buildings and infrastructure		
Cost	113 500	84 631
Accumulated depreciation and impairments	44 751	52 249
Net book value	68 749	32 382
Plant, machinery and shafts		
Cost	3 487 223	1 228 867
Accumulated depreciation and impairments	948 428	794 248
Net book value	2 538 795	434 619
Other		
Cost	304 223	275 974
Accumulated depreciation and impairments	77 004	47 531
Net book value	227 219	228 443
Capital work in progress		
Cost	338 067	2 766 002
Accumulated depreciation and impairments	-	-
Net book value	338 067	2 766 002
Property, plant and equipment		
Aggregate cost	4 276 023	4 361 766
Aggregate accumulated depreciation and impairments	1 070 183	894 028
Aggregate net book value	3 205 840	3 467 738
Mineral rights		
Cost	3 079 730	3 247 877
Accumulated depreciation and impairments	1 813 681	1 880 188
Net book value	1 266 049	1 367 689
Property, plant, equipment and mineral rights	4 471 889	4 835 427

The Group annually reviews the residual values used for purposes of depreciation calculations.

2010	Balance	Balance	Foreign					Transfer**	Depreciation
	31 December	30 June	Transfers	Additions	Disposals	translation	to AHFS		
	2010	2009	R000	R000	R000	R000	R000	R000	
11. PROPERTY, PLANT, EQUIPMENT AND MINERAL RIGHTS									
(continued)									
Group									
Land*	33 010	6 292	-	37 092	-	(4 097)	(6 277)	-	
Buildings and infrastructure	68 749	32 382	36 869	18 002	(393)	(4 311)	(3 006)	(10 794)	
Plant, machinery and shafts	2 546 776	434 619	2 308 808	227 388	2 299	(38 360)	(52 562)	(335 416)	
Other	227 219	228 443	30 423	58 317	(80)	(28 750)	(20 267)	(40 867)	
Capital work in progress	338 067	2 766 002	(2 342 685)	303 696	-	(388 946)	-	-	
Mineral rights	1 258 068	1 367 689	(33 415)	220 239	-	(202 481)	(26 289)	(67 675)	
Total	4 471 889	4 835 427	-	864 734	1 826	(666 945)	(108 401)	(454 752)	

**This relates to Vergenoeg Mining Company (Pty) Limited which was disposed of during the 18-month period.

2009***	Balance	Balance	Foreign					Impairment	Depreciation
	30 June	30 June	Transfers	Additions	Disposals	translation	R000		
	2009	2008	R000	R000	R000	R000	R000	R000	
Group									
Land*	6 292	5 895	(1 854)	2 251	-	-	-	-	
Buildings and infrastructure	32 382	21 864	-	15 399	(9)	1 247	-	(6 119)	
Plant, machinery and shafts	434 619	605 512	-	110 771	-	55 080	(248 613)	(88 131)	
Other	228 443	172 706	1 854	69 493	(239)	(1 235)	-	(14 136)	
Capital work in progress	2 766 002	2 017 708	-	778 577	-	(30 283)	-	-	
Mineral rights	1 367 689	2 701 699	-	457 610	-	(37 481)	(1 740 291)	(13 848)	
Total	4 835 427	5 525 384	-	1 434 101	(248)	(12 672)	(1 988 904)	(122 234)	

* Details of land is maintained in a register at the relevant Company's registered office, which may be inspected by a member or their duly authorised agents.

*** Includes VMC, which is re-presented as asset held-for-sale in the current period.

Certain property, plant and equipment is encumbered (refer to note 19).

Notes to the Group annual financial statements

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	31 December 2010 R000	30 June 2009 R000
12. GOODWILL		
Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Goodwill is allocated as follows:		
Cost		
Balance at the beginning and end of the period	11 514	11 514
The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.		
The goodwill of R11,5 million (2009: R11,5 million) relates to the Metorex Group and has been assessed for impairment. Management deems no impairment necessary.		
The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, production and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pretax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.		
The Group prepares life-of-mine cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on certain production, price and cost estimates.		
13. INVESTMENTS		
Unlisted sundry investments at cost	18 583	16 648
Long-term prepayment – DRC power utility (note 13.1)	56 571	63 070
Cost and directors' valuation	75 154	79 718
Note 13.1		
A US\$-denominated loan provided to SNEL (a DRC state-owned power company) for the construction and commissioning of a high-voltage powerline and substation in the DRC. The loan generates interest at US one-month LIBOR plus two percent and is recoverable from the monthly tariff over a period of five years commencing from April 2011.		
14. INVENTORIES		
Consumable stores	211 093	169 072
Product inventories	119 839	94 979
	330 932	264 051
Inventory amounting to R11,8 million (2009: R35,2 million) is carried at net realisable value, and inventory to the value of R273 million (2009: R160 million) is pledged as security.		

	31 December 2010 R000	30 June 2009 R000
15. TRADE AND OTHER RECEIVABLES		
Trade receivables	343 188	326 761
Other receivables and prepayments	176 199	114 955
VAT receivable	18 088	5 912
	537 475	447 628
Ageing of amounts past due but not impaired		
The following provides an analysis of the amounts and number of days that trade debtors are past due:		
Less than 30 days	–	–
Between 31 – 60 days	–	9 757

The average credit period is 42 days (2009: 55 days). No interest is charged on the trade receivables.

There are no additional provisions for doubtful debt due to no amounts being past due at reporting date.

Before accepting any new customers, the Group uses a credit bureau or performs a credit assessment to assess the potential customers' credit limit and credit quality.

The fair value of trade receivables is not materially different from the carrying values presented. Certain Group companies have ceded their trade receivables as security for banking and overdraft facilities. As at period-end amounts totalling R343 million (2009: R144,1 million) included in receivables were pledged. Included in Group trade and other receivables are uncovered Dollar-denominated receivables of US\$52 million (2009: US\$33,3 million).

The directors consider that the trade and other receivables approximate their fair value.

	31 December 2010 R000	30 June 2009 R000
16. SHARE CAPITAL		
Authorised		
1 500 000 000 (2009: 1 500 000 000) ordinary shares of 10 cents each	150 000	150 000
Issued and fully paid		
1 002 263 403 (2009: 742 538 403) ordinary shares of 10 cents each	100 226	74 255
Treasury shares	(174)	–
At period end, the Group held 1 741 600 ordinary shares, which were acquired through a subsidiary for the purposes of the Group's share incentive scheme.		
	100 052	74 255
Capital raising		
12 April 2010: 250 million shares at R3,60 per share in terms of a clawback offer to shareholders.		
Share options		
During the year, 8 million shares were issued at an average price of R3,99 per share in terms of the Metorex Share Incentive Scheme.		
SHARE PREMIUM		
Balance at the beginning of the year	2 979 136	2 292 746
Ordinary shares issued	883 040	727 381
Expenses written off against share premium	(21 367)	(40 991)
Balance at the end of the year	3 840 809	2 979 136

Notes to the Group annual financial statements

continued

	31 December 2010 R000	30 June 2009 R000
17. HEDGING AND TRANSLATION RESERVE		
Hedging reserve – note 17.1	(134 896)	(82 785)
Foreign exchange translation reserve	(1 163 695)	(237 085)
	(1 298 591)	(319 870)
Note 17.1		
The hedging reserve includes the deferred put premium which relates to historical put option premiums at Ruashi. These put option premiums were fully paid up in December 2008 and subsequently restructured as part of Ruashi's current forward contracts for 1 350 tons per month at US\$5 972 per ton over the 12 months ending 30 June 2011. The current period earnings include this non-cash amortisation charge of R88 million and this put premium amortisation charge will continue to June 2011.		
18. NON-CONTROLLING INTEREST		
Attributable to non-controlling interests at the beginning of the period	457 208	683 570
– current period	129 596	(33 226)
– acquisitions/equity conversion/disposals	(431 792)	(123 406)
Share in hedging reserve	(41 524)	38 494
Dividends	(8 263)	(108 224)
	105 225	457 208
19. LONG-TERM BORROWINGS		
Term loans – note 19.1	818 404	2 056 795
Instalment finance, lease agreements and invoice discounting facility – note 19.2	34 140	54 372
	852 544	2 111 167
Less: Repayable within the next 12 months from operating activities:		
– term loans	313 674	653 544
– instalment finance, lease agreements and invoice discounting facility	34 140	42 060
Total current portion	347 814	695 604
Net long-term borrowings	504 730	1 415 563
The Company's Articles of Association do not restrict the level of borrowings.		
Note 19.1		
RUASHI		
Standard Bank		
ECIC facility	458 287	1 040 217
US Dollar-denominated		
Interest: US six-month LIBOR plus 1,25% plus 0,13% rescheduling premium		
Repayable in seven semi-annual instalments – commencing 1 January 2011		
Commercial facility	109 850	252 723
US Dollar-denominated		
Interest: US six-month LIBOR plus 2,75% plus 0,13% rescheduling premium		
Repayable in five semi-annual instalments – commencing 1 January 2011		
Cost overrun facility		
US Dollar-denominated		
Interest: US Dollar six-month LIBOR plus 5%. Repayable in seven semi-annual instalments		
– commencing 31 December 2009	–	124 884

	31 December 2010 R000	30 June 2009 R000
19. LONG-TERM LIABILITIES (continued)		
Note 19.1 (continued)		
Security for Standard Bank facilities		
– A pledge over all subsoil use rights, land use rights and assets and undertakings of Ruashi under DRC law, including project assets, assignment of rights under all material contracts as well as supply contracts, hedging agreement, offtake contracts and project contracts.		
– First ranking pledge over issued share capital of Ruashi Mining sprl held by Ruashi Holdings.		
– Assignment of insurance proceeds		
Pre-offtake finance	89 822	162 315
US Dollar-denominated		
Interest fixed at 4,68% per annum		
Repayable in 36 monthly instalments – first repayment commenced 31 January 2010.		
Security for pre-offtake finance		
Secured by Metorex guarantee which is subordinated to Standard Bank		
Term loan facility		
Chibuluma Loan	160 445	281 649
US Dollar-denominated		
Interest: US Dollar six-month LIBOR plus 3,85% secured by the underlying assets of Chibuluma.		
Repayable in nine semi-annual instalments – commenced on 30 September 2009.		
Standard Bank – Metorex bridge loan		
South African Rand-denominated		
Interest at JIBAR +7,5%	–	132 477
Facility repayable on or before 30 November 2009		
ABSA Bank – Metorex short-term loan		
South African Rand-denominated		
Interest at the prime lending rate	–	57 005
Facility repayable on or before 30 November 2009		
Other	–	5 525
Note 19.2		
INSTALMENT FINANCE, LEASE AGREEMENTS AND INVOICE DISCOUNTING FACILITY		
Secured by the underlying assets.		
Bears interest at an average rate of between 10% to prime less 2% (2009: 10,5% to prime less 2%).		
Repayable either monthly or quarterly within 36 or 48 months (2009: 36 or 48 months).	34 140	54 372

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	31 December 2010 R000	30 June 2009 R000
20. PROVISIONS		
Long-term provisions		
Terminal benefits	–	14 106
Rehabilitation provision	141 138	149 950
Other	2 746	15 430
	143 884	179 486
Current provisions		
Terminal benefits	1 683	4 144
Rehabilitation provision	6 899	5 768
Leave pay and bonuses	7 089	8 844
Other	10 258	16 309
	25 929	35 065
Total provisions	169 813	214 551
Balance at the beginning of the period	214 551	196 097
Transfer from assets held-for-sale	4 697	–
Utilised during the period	(52 409)	(9 866)
Released during the period	(8 396)	(12 176)
Foreign currency translation	(32 270)	(12 434)
Provided during the period	43 640	52 930
Balance at the end of the period	169 813	214 551
Terminal benefits		
The terminal benefits provision represents the directors' estimate of the portion of the terminal benefits liability outstanding relating to the period of employment of certain employees of Chibuluma Mines plc.		
Rehabilitation trust fund		
The Group is exposed to environmental liabilities relating to its mining operations. Estimates of the cost of environmental and other remedial work such as reclamation costs, close-down and restoration and pollution control are made on an annual basis, based on the estimated life of the mine, following which payments are made to a South African rehabilitation trust set up as required by the Minerals Act and Regulations.		
The South African companies in the Group contribute, for their own account, to the Metorex Rehabilitation Trust Fund. A guarantee amounting to R25 million has been entered into with Lombard Insurance Company in favour of the DMR relating to the Consolidated Murchison division which is disclosed as an asset held-for-sale.		
Our Zambian and DRC operations comply with their respective environmental laws and regulations in Zambia and the DRC. In addition to the regulations, these operations contribute to an investment account held by a reputable banking institution with the intention of fully funding these liabilities.		
Leave pay		
The provision for leave pay is provided for, based on the total cost of employment of employees and the amount of leave days owing to them.		
Rehabilitation trust fund		
The balance of the environmental rehabilitation trust fund, which is represented by cash, was as follows:		
Balance at the beginning of the period	779	6 450
Transfer from assets held-for-sale	5 119	–
Withdrawals, net	–	(6 073)
Interest earned during the period	466	402
Balance at the end of the period	6 364	779

	31 December 2010 R000	30 June 2009 R000
21. DEFERRED TAX		
21.1 Deferred tax liabilities		
Recognised directly in profit and loss:		
Property, plant and equipment	900 272	878 015
Leave pay provision	(2 556)	(802)
Other provisions	(21 453)	(6 589)
Foreign exchange	(4 498)	(3 904)
Assessable tax losses	(410 149)	(547 496)
Other	99 235	150 068
Recognised directly in other comprehensive income:		
Other	12 807	
Net deferred tax liabilities	573 658	469 292
Reconciliation of deferred tax liabilities		
Net deferred tax liabilities at the beginning of the period	469 262	799 236
Deferred tax charge for the period	138 051	(410 360)
Deferred tax on equity loan included in non-distributable reserve	–	11 545
Translation difference	(25 388)	4 172
Subsidiaries disposed	(21 074)	–
Deferred tax raised on additional mineral rights and other	12 807	64 669
Net deferred tax liabilities at the end of the period	573 658	469 262
21.2 Deferred tax asset		
Reconciliation of deferred tax asset		
Net deferred tax asset at the beginning of the period	–	(1 354)
Deferred tax charge for the period	–	1 562
Translation difference	–	(208)
Net deferred tax asset at the end of the period	–	–
Deferred tax asset not recognised		
Property, plant and equipment, impairments and other	183 693	165 976
Assessable losses	7 057	37 837
	190 750	203 813
The following table shows the movement in the unrecognised deferred tax asset for the period:		
Opening balance	203 813	8 181
Net unrecognised deferred tax asset during the current period	(13 063)	195 632
Closing balance	190 750	203 813
22. POST-RETIREMENT MEDICAL AID		
The O'Okiep Copper Company Limited has a defined contribution post-retirement plan that provide certain healthcare benefits to eligible employees. Full provision is made for the liability and is based on internal assessments. The following table provides the changes in the obligation:		
Benefit obligation at the beginning of the period	1 824	1 599
Transferred from assets held-for-sale	2 330	–
Transferred out due to disposal	(1 824)	–
Interest cost	20	666
Benefits paid	(355)	(441)
Benefit obligation at the end of the period	1 995	1 824
Discount rate to estimate accumulated benefit (%)	10	12
Healthcare cost inflation (%)	10	12

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	31 December 2010 R000	30 June 2009 R000
23. GENERAL BANKING FACILITIES		
Cash and bank balances	436 838	73 553
Bank overdraft	–	(54 323)
	436 838	19 230
The Group has the following overdraft facilities at period-end:		
Metorex Limited	9 000	39 000
Chibuluma Mines plc*	79 194	30 840
Copper Resources Corporation	–	10 685
Ruashi Mining sprl	–	3 858
Barberton Mines (Pty) Limited**	–	20 000
Vergenoeg Mining Company (Pty) Limited**	–	20 000
	88 194	124 383
The banking facilities are reviewed on an annual basis		
<i>*Secured by trade receivables.</i>		
<i>**Sold during the 18-month period.</i>		
24. TRADE AND OTHER PAYABLES		
Trade payables	306 483	423 249
Other payables	105 096	134 582
	411 579	557 831

The average credit period on the purchases of certain goods is 45 days. No interest is charged on overdue trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the preagreed credit terms.

25. FINANCIAL INSTRUMENTS

25.1 Capital risk management

The Group and Company manage their capital to ensure that they will be able to continue as a going concern with the ultimate objective of maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group is in a growth phase and strategically aims at rightsizing the scope of new projects to its financial means through a risk-based approach.

The capital structure of the Group and Company consists of debt, which includes borrowings, cash and cash equivalents, and equity, comprising share capital, share premium, reserves and retained earnings as disclosed in the statement of changes in equity.

Management regularly reviews the capital structure of the Group.

The gearing ratio at year-end was as follows:

	31 December 2010 R000	30 June 2009 R000
Interest-bearing debt	852 544	2 111 167
Cash and cash equivalents	(436 838)	(19 230)
Net interest-bearing debt	415 706	2 091 937
Equity	3 437 756	2 856 667
Net debt-equity ratio (%)	12	73
25.2 Categories of financial instruments		
Financial assets		
Loans and receivables	995 130	516 058
Derivative instruments	–	94 942
Financial liabilities		
Amortised cost	1 292 442	2 753 320
Derivative instruments	377 539	230 240

Included in loans and receivables are accounts receivable which include the changes between the prices recorded upon initial recognition of copper products sold and the final price due to fluctuations in copper market prices. This is due to selling copper products under agreed pricing arrangements where final prices are set at a specified future date based on an agreed customer quotation period and market copper prices.

25. FINANCIAL INSTRUMENTS (continued)

25.2 Categories of financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. The Group and Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as means of mitigating the risk.

The Group's and Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Group's management based on the current economic environment. The Group has no concentration of credit risk with any one customer. The Group's copper and cobalt sales are allocated between four customers, all of whom have a good track record with respect to settling invoices within the agreed terms.

The credit risk on liquid funds is limited because the counterparties are recognised banking institutions with high credit ratings.

	Less than R50 million R000	Greater than R50 million but less than R150 million R000	Total R000
The Group has the following amounts due from major customers. These customers represent more than 5% of the trade receivable balance for the individual companies.			
2010			
Copper/Cobalt	68 560	265 721	334 281
Total	68 560	265 721	334 281
2009			
Copper/Cobalt	139 591	81 400	220 991
Fluorspar	39 346	–	39 346
Total	178 937	81 400	260 337

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

Foreign currency and commodity price risk

The Group and Company may enter into forward contracts in order to hedge their exposure to fluctuations in mineral prices and exchange rates on specific transactions. The contracts are matched with anticipated future cash flows from mineral sales.

In the normal course of business, the Group primarily enters into transactions for the sale of its commodities, denominated in US Dollars. In addition, the Group has some investments and liabilities in US Dollars. As a result, the Group is subject to transactions and translation exposure from fluctuations in foreign currency exchange rates.

Currency risk

The carrying amount of the Group's foreign currency-denominated monetary assets and liabilities at reporting date is as follows:

	South African Rand R000	US Dollar R000	Total R000
2010			
Assets	376 371	966 740	1 343 111
Liabilities	104 506	1 635 419	1 739 925
2009			
Assets	1 863 454	742 039	2 605 493
Liabilities	790 485	2 678 326	3 468 811

Notes to the Group annual financial statements

continued

25. FINANCIAL INSTRUMENTS (continued)

25.2 Categories of financial instruments (continued)

Foreign currency sensitivity analysis

The US Dollar is the primary currency to which the Group is exposed. The following table indicates the Group's sensitivity at period-end to the indicated movements in the US Dollar on financial instruments. The rates of sensitivity are the rates used when reporting to key management.

	2010 US Dollar		2009 US Dollar	
	R000 10% increase	R000 10% decrease	R000 10% increase	R000 10% decrease
Financial assets	96 674	(96 674)	74 204	(74 204)
Financial liabilities	163 542	(163 542)	286 713	(286 713)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period-end exposure does not reflect the exposure during the period.

Fair value of financial instruments

Foreign currency hedges – On the statement of financial position

Currency	Maturity	Amount US\$000	Average forward rate	Fair value profit/(loss) Rm
2010				
US Dollar	11 months	21 897	R7,74/US\$	(21,6)
Total assets				(21,6)
2009				
US Dollar	1 month	10 000	R8,14/US\$	(3,8)
US Dollar	1 month	8 054	R10,87/US\$	(24,6)
Total assets				(28,4)

Foreign currency sensitivity analysis

The US Dollar is the primary currency in which the Group has entered into forward foreign exchange contracts. At year-end the risk of change on the forward exchange contracts are minimal.

Commodity price risk

The carrying amount of the Group's financial assets and liabilities at reporting date that are subject to commodity price risk is as follows:

Commodity hedges – On the statement of financial position

Copper	Maturity	Volume (t)	Price (US\$/t)	Fair value profit/(loss) Rm
2010				
Chibuluma South (zero cost collar)	Jan '11 – Jun '11	3 000	6 805 – 8 000	(24,5)
Chibuluma South (zero cost collar)	Jul '11 – Dec '11	3 000	7 000 – 8 015	(25,3)
Ruashi (Forwards)	Jan '11 – Jun '11	8 100	5 972	(167,0)
Invoice hedges	Jan '11 – Mar '11	6 680	various	(14,6)
Ruashi (zero cost collar)	Jul '11 – Jun '12	12 000	6 600 – 7 600	(124,5)
Ruashi (zero cost collar)	Jul '12 – Dec '12	6 000	7 500 – 10 565	**
Chibuluma (zero cost collar)	Jan '12 – Dec '12	6 000	7 000 – 11 900	**
Total liabilities, net				(355,9)
2009				
Chibuluma South (ATM forwards)	Jul '09	650	3 368	(15,9)
Chibuluma South (ATM forwards)	Aug '09 – Dec '09	3 075	4 415	(10,8)
Chibuluma South (ATM forwards)	Jan '10 – Jun '10	4 200	5 308	**
Ruashi (ATM forwards)	Jul '09 – Sept '10	24 750	3 900	(219,1)
Ruashi (put options)	Oct '10 – Jun '12	34 425	Put 3 900	138,8
Total liabilities, net				(107,0)

**Transaction executed subsequent to period-end.

25. FINANCIAL INSTRUMENTS (continued)**25.2 Categories of financial instruments** (continued)**Commodity price sensitivity analysis**

The Group is exposed to movements in the copper price. The following table indicates the sensitivity of the Group's derivative instruments to the indicated movement in the copper price. The rates of sensitivity are the rates used when reporting to key management.

	Copper	
	R000 10% increase	R000 10% decrease
2010		
(Loss)/profit	(186 240)	172 995
Derivative financial instrument liability	186 240	172 995
2009		
Profit/(loss)	137 223	(144 089)
Derivative financial instrument asset	(46 596)	53 459
Derivative financial instrument liability	(90 627)	90 630

The Group's commodity price risk is partly related to change in fair value of embedded derivatives in accounts receivables reflecting copper sales provisionally priced based on the average LME cash settlement price at the end of each month. At 31 December 2010, 9 369 tons were provisionally priced at an average price of US\$8 637 per ton, of which 3 273 tons, 2 367 tons and 3 729 tons were subject to final pricing in January 2011, February 2011 and March 2011 respectively. The group entered into short-term hedges for 6 680 tons priced at an average of US\$8 793, with the objective to mitigate price risk related to the provisionally priced sales of 9 369 tons.

25.3 Interest rate and liquidity risk

Fluctuations in interest rates impact the value of short-term investment and financing activities, giving rise to interest rate risk.

In the ordinary course of business, the Group and Company receive cash proceeds from its operations and are required to fund working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested to maximise returns whilst ensuring that capital is safeguarded to the maximum extent by only investing with reputable financial institutions.

Contractual arrangements for committed borrowing facilities are maintained with several banking counterparties to meet the Group's normal and contingency funding.

Interest rate risk

The Group is exposed to interest rate risk as entities within the Group borrow funds at both fixed and floating interest rates.

Interest rate sensitivity

The sensitivity analysis has been determined based on the exposure to interest rates as at reporting date. The effect of the interest rate exposure of the Group and Company on the statement of comprehensive income is not material.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has built an appropriate 12-month rolling monthly cash flow forecast model for the management of the Group's short-term funding and liquidity requirements linked to a commodity price sensitivity matrix. The Group manages liquidity risk by seeking to generate adequate reserves, banking facilities and reserve borrowings facilities, by continually monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Group has access to financing facilities (refer to note 23). The Group expects to meet its financial obligations from operating cash flows and proceeds from maturing financial assets.

Notes to the Group annual financial statements

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25. FINANCIAL INSTRUMENTS (continued)

25.3 Interest rate and liquidity risk (continued)

Liquidity risk analysis

The following table indicates the Group's remaining contractual maturity from its non-derivative financial liabilities:

	Weighted average interest rate %	Less than 12 months R000	1 – 5 years R000	5+ years R000	Total R000
2010					
Trade payables*	–	306 483	–	–	306 483
Long-term borrowings	2,7	–	504 730	–	504 730
Short-term borrowings	3,1	347 814	–	–	347 814
2009					
Trade payables*	–	423 249	–	–	423 249
Long-term borrowings	4,6	–	1 415 563	–	1 415 563
Short-term borrowings	6,2	695 604	–	–	695 604

*Excludes value-added taxation.

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and liabilities recorded approximate their fair values at 31 December 2010. The fair values have been determined with reference to quoted market prices where available or with the standard terms and conditions per the agreements.

	2010 R000	2009 R000
26. CAPITAL COMMITMENTS		
Authorised by directors but not contracted	296 553	1 970
Authorised by directors and contracted	17 552	40 734
	314 105	42 704

Capital commitments mainly relate to projects at Ruashi.

27. RETIREMENT BENEFIT INFORMATION

Contributions are made by the South African companies to independent pension and provident funds which are defined contribution retirement benefit plans governed by the Pension Funds Act, 1956. All eligible employees are required to become members of these schemes. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees.

DRC employees contribute to the DRC National Social Security Fund in terms of the applicable labour laws. All eligible Zambian employees are required to join and contribute to an external pension fund, African Life.

Costs charged to income of R11,9 million (2009: R11,5 million) represent contributions payable to these defined contribution schemes by the Group at rates specified in the rules of the schemes.

28. STAFF COMPLEMENT

At 31 December: 3 794 (2009: 4 593) people were employed by the Group.

29. DIRECTORS' EMOLUMENTS

The directors' emoluments for the Group's executive and non-executive directors are disclosed as part of the Group remuneration report on pages 76 to 79. The following table illustrates the directors' share options per tranche, which forms part of their remuneration:

2010 share options	Options at 1 July 2009	Options granted	Options cancelled or lapsed	Strike price	Vesting date	Options at 31 December 2010
T P Goodlace	1 000 000			R1,28	18/03/2010	1 000 000
T P Goodlace	1 000 000			R1,28	18/03/2011	1 000 000
T P Goodlace	1 000 000			R1,28	18/03/2012	1 000 000
T P Goodlace	2 000 000			R1,28	18/03/2013	2 000 000
M Smith	10 000			R3,20	18/05/2009	10 000
M Smith	20 000			R3,20	18/05/2010	20 000
M Smith	25 000			R6,95	16/11/2008	25 000
M Smith	15 000		15 000	R21,00	08/08/2009	–
M Smith	15 000		15 000	R21,00	08/08/2010	–
M Smith	15 000		15 000	R21,00	08/08/2011	–
M Smith	30 000		30 000	R21,00	08/08/2012	–
M Smith	39 400		39 400	R18,00	28/02/2010	–
M Smith	39 400		39 400	R18,00	28/02/2011	–
M Smith	39 400		39 400	R18,00	28/02/2012	–
M Smith	78 800		78 800	R18,00	28/02/2013	–
M Smith	25 000			R6,95	16/11/2009	25 000
M Smith	50 000			R6,95	16/11/2010	50 000
M Smith	–	539 000		R3,66	19/05/2010	539 000
M Smith	–	539 000		R3,66	23/01/2011	539 000
M Smith	–	539 000		R3,66	23/01/2012	539 000
M Smith	–	539 000		R3,66	23/01/2013	539 000
A Barrenechea	40 000			R6,95	16/11/2007	40 000
A Barrenechea	40 000			R6,95	16/11/2008	40 000
A Barrenechea	40 000			R6,95	16/11/2009	40 000
A Barrenechea	80 000			R6,95	16/11/2010	80 000
A Barrenechea	10 000			R21,00	08/08/2009	10 000
A Barrenechea	10 000			R21,00	08/08/2010	10 000
A Barrenechea	10 000			R21,00	08/08/2011	10 000
A Barrenechea	20 000			R21,00	08/08/2012	20 000
A Barrenechea	15 000			R18,00	28/02/2010	15 000
A Barrenechea	15 000			R18,00	28/02/2011	15 000
A Barrenechea	15 000			R18,00	28/02/2012	15 000
A Barrenechea	30 000			R18,00	28/02/2013	30 000
R Still	40 000			R6,95	16/11/2007	40 000
R Still	40 000			R6,95	16/11/2008	40 000
R Still	40 000			R6,95	16/11/2009	40 000
R Still	80 000			R6,95	16/11/2010	80 000
R Still	10 000			R21,00	08/08/2009	10 000
R Still	10 000			R21,00	08/08/2010	10 000
R Still	10 000			R21,00	08/08/2011	10 000
R Still	20 000			R21,00	08/08/2012	20 000
R Still	15 000			R18,00	28/02/2010	15 000
R Still	15 000			R18,00	28/02/2011	15 000
R Still	15 000			R18,00	28/02/2012	15 000
R Still	30 000			R18,00	28/02/2013	30 000
A J Laughland	40 000		40 000	R6,95	16/11/2007	–
A J Laughland	40 000		40 000	R6,95	16/11/2008	–
A J Laughland	40 000		40 000	R6,95	16/11/2009	–
A J Laughland	80 000		80 000	R6,95	16/11/2010	–
A J Laughland	10 000		10 000	R21,00	08/08/2009	–
A J Laughland	10 000		10 000	R21,00	08/08/2010	–
A J Laughland	10 000		10 000	R21,00	08/08/2011	–
A J Laughland	20 000		20 000	R21,00	08/08/2012	–
A J Laughland	15 000		15 000	R18,00	28/02/2010	–
A J Laughland	15 000		15 000	R18,00	28/02/2011	–
A J Laughland	15 000		15 000	R18,00	28/02/2012	–
A J Laughland	30 000		30 000	R18,00	28/02/2013	–
Totals	6 377 000	2 156 000	597 000			7 936 000

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29. DIRECTORS' EMOLUMENTS (continued)

2009 share options	Options at 1 July 2008	Options granted	Options exercised	Exercise price	Strike price	Vesting date	Options at 30 June 2009
T P Goodlace		1 000 000			R1,28	18/03/2010	1 000 000
T P Goodlace		1 000 000			R1,28	18/03/2011	1 000 000
T P Goodlace		1 000 000			R1,28	18/03/2012	1 000 000
T P Goodlace		2 000 000			R1,28	18/03/2013	2 000 000
M Smith	30 000		30 000	R12,17	R2,34	05/03/2008	–
M Smith	10 000		10 000	R12,17	R3,20	18/05/2008	–
M Smith	10 000				R3,20	18/05/2009	10 000
M Smith	20 000				R3,20	18/05/2010	20 000
M Smith	25 000				R6,95	16/11/2008	25 000
M Smith	15 000				R21,00	08/08/2009	15 000
M Smith	15 000				R21,00	08/08/2010	15 000
M Smith	15 000				R21,00	08/08/2011	15 000
M Smith	30 000				R21,00	08/08/2012	30 000
M Smith	39 400				R18,00	28/02/2010	39 400
M Smith	39 400				R18,00	28/02/2011	39 400
M Smith	39 400				R18,00	28/02/2012	39 400
M Smith	78 800				R18,00	28/02/2013	78 800
M Smith	25 000				R6,95	16/11/2009	25 000
M Smith	50 000				R6,95	16/11/2010	50 000
A Barrenechea	40 000				R6,95	16/11/2007	40 000
A Barrenechea	40 000				R6,95	16/11/2008	40 000
A Barrenechea	40 000				R6,95	16/11/2009	40 000
A Barrenechea	80 000				R6,95	16/11/2010	80 000
A Barrenechea	10 000				R21,00	08/08/2009	10 000
A Barrenechea	10 000				R21,00	08/08/2010	10 000
A Barrenechea	10 000				R21,00	08/08/2011	10 000
A Barrenechea	20 000				R21,00	08/08/2012	20 000
A Barrenechea	15 000				R18,00	28/02/2010	15 000
A Barrenechea	15 000				R18,00	28/02/2011	15 000
A Barrenechea	15 000				R18,00	28/02/2012	15 000
A Barrenechea	30 000				R18,00	28/02/2013	30 000
R Still	40 000				R6,95	16/11/2007	40 000
R Still	40 000				R6,95	16/11/2008	40 000
R Still	40 000				R6,95	16/11/2009	40 000
R Still	80 000				R6,95	16/11/2010	80 000
R Still	10 000				R21,00	08/08/2009	10 000
R Still	10 000				R21,00	08/08/2010	10 000
R Still	10 000				R21,00	08/08/2011	10 000
R Still	20 000				R21,00	08/08/2012	20 000
R Still	15 000				R18,00	28/02/2010	15 000
R Still	15 000				R18,00	28/02/2011	15 000
R Still	15 000				R18,00	28/02/2012	15 000
R Still	30 000				R18,00	28/02/2013	30 000
A J Laughland	40 000				R6,95	16/11/2007	40 000
A J Laughland	40 000				R6,95	16/11/2008	40 000
A J Laughland	40 000				R6,95	16/11/2009	40 000
A J Laughland	80 000				R6,95	16/11/2010	80 000
A J Laughland	10 000				R21,00	08/08/2009	10 000
A J Laughland	10 000				R21,00	08/08/2010	10 000
A J Laughland	10 000				R21,00	08/08/2011	10 000
A J Laughland	20 000				R21,00	08/08/2012	20 000
A J Laughland	15 000				R18,00	28/02/2010	15 000
A J Laughland	15 000				R18,00	28/02/2011	15 000
A J Laughland	15 000				R18,00	28/02/2012	15 000
A J Laughland	30 000				R18,00	28/02/2013	30 000
Totals	1 417 000	5 000 000	40 000				6 377 000

30. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Group has a share incentive scheme for eligible employees of the Group. Options are offered at a price equal to the average quoted market price of the Company's shares on the trading day preceding the offer date. The vesting period is between one and five years and exercise is subject to Board approval. Options lapse if not exercised within 10 years of the option date. Options are forfeited if the employee leaves the Group on account of resignation or dismissal.

Details of the share options outstanding during the year are:

	31 December 2010		30 June 2009	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Outstanding at the beginning of the period	33 909 750	3,22	14 110 750	12,24
Granted during the period	11 342 000	4,07	26 472 000	1,78
Options amended, cancelled, lapsed	(4 622 250)	6,44	(6 301 000)	17,99
Exercised during the period	(6 758 400)	4,17	(372 000)	2,45
Outstanding at the end of the period	33 871 100	2,82	33 909 750	3,22
Exercisable at the end of the period	7 776 050		3 232 250	

Options exercisable between one and nine years.

The weighted average share price at the date of exercise for share options exercised during the period was R3,92. During 2010, the following options were granted:

	Shares	Option price R
28 August 2009	1 236 000	3,95
12 November 2009	632 000	3,99
19 May 2010	5 239 000	3,66
19 November 2010	4 235 000	4,62
	11 342 000	4,07

The fair values were calculated using the American binomial option-pricing model. The inputs into the model were as follows:

	31 December 2010
Weighted average share price (R)	2,79
Weighted average exercise price (R)	2,82
Expected volatility (%)	41 – 64%
Expected life (years)	2 – 5 years
Risk-free rate (%)	8,2 – 8,9%
Expected dividend yield (%)	2,5 – 4,6%

The Group recognised total expenses of R22,6 million (2009: R25,2 million) related to equity-settled share-based payment transactions during the period.

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31. NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS – OTHER EXPENDITURE

Consolidated Murchison ("CM") has been classified as assets held-for-sale and O'Okiep ("OCC") is classified as a discontinued operation. Vergenoeg Mining Company ("VMC") contributed to the operating results as an asset held-for-sale for the six months ended 31 December 2009.

The operating results of CM, VMC and OCC are detailed below:

	31 December 2010 R000	30 June 2009 R000
Revenue – mineral sales	395 021	1 205 833
Realisation costs	(40 953)	(112 928)
Cost of production	(397 987)	(731 431)
Other expenditure	(1 006)	(41 030)
Finance (cost)/income, net	(2 122)	4 631
(Loss)/profit before taxation	(47 047)	325 075
Income tax credit/(expense)	14 542	(158 178)
(Loss)/profit after taxation, assets held-for-sale	(32 505)	166 897
Discontinued operations – other expenditure	(23 549)	(438)
Total profit after taxation	(56 054)	166 459
The major classes of assets and liabilities comprising the CM operation classified as held-for-sale at the reporting date are as follows:		
Goodwill	–	221 590
Property, plant, equipment and mineral rights	–	754 537
Inventories	12 722	22 012
Trade and other receivables	28 359	49 648
Cash and cash equivalents	215	30 442
Assets classified as held-for-sale	41 296	1 078 229
Borrowings	–	27 160
Provisions	33 128	82 973
Trade and other payables	36 816	94 209
Current tax liabilities	–	3 212
Deferred tax liabilities	–	151 496
Bank overdraft	3 430	7 091
Liabilities classified as held-for-sale	73 374	366 141
Net (liabilities)/assets classified as held-for-sale	(32 078)	712 088
Cash (outflows)/inflows from operating activities	–	342 765
Cash outflows from investing activities	(127 340)	(7 585)
Cash outflows from financing activities	–	(156 085)

32. ACQUISITIONS AND DISPOSALS

Acquisitions

During the 18 months ended 31 December 2010, the Group made no new acquisitions (2009: none).

Disposals

During the 18 months ended 31 December 2010, the Group disposed of its interest in Vergenoeg Mining Company (Pty) Limited ("VMC") and Pan African Resources Plc ("PAR") (2009: the Company disposed of Phoenix Platinum (Pty) Limited to PAR). Details are as follows:

31 December 2010

On 1 July 2009, the Group disposed of its interest in PAR, which contributed to its Antimony/Gold segment. This subsidiary was disclosed as an asset held-for-sale in June 2009.

On 26 December 2009, the Group disposed of its entire interest in VMC, which contributed to its Fluorspar segment.

	PAR R000	VMC R000	Total R000
Book value of net assets sold			
Current assets			
Cash and cash equivalents	30 255	13 007	43 262
Trade and other receivables	18 367	33 807	52 174
Inventories	4 538	71 788	76 326
Non-current assets			
Property, plant, equipment and mineral rights	736 816	126 103	862 919
Goodwill	221 590	–	221 590
Current liabilities			
Trade and other payables	55 791	19 302	75 093
Provisions	51 722	22 084	73 806
Non-current liabilities			
Borrowings	–	7 464	7 464
Deferred tax liabilities	147 775	14 987	162 762
Non-controlling interests	383 382	48 410	431 792
Net assets disposed of	372 896	132 458	505 354
Profit on disposal	–	430 692	430 692
	372 896	563 150	936 046
Proceeds			
Proceeds paid in cash and cash equivalents	372 896	563 150	936 046

The gain on disposal is included in the profit for the period in the statement of comprehensive income (see note 4).

PAR did not contribute to the Group's earnings for the 18-month period ended 31 December 2010. VMC made a positive contribution to the Group's earnings for the 18 months amounting to R9,9 million (2009: R67,9 million).

	30 June 2009*
Book value of net assets sold	
Non-current assets	
Investment	137 124
Loan	11 722
Current liabilities	
Payables	1 757
Net assets disposed of	150 603
Loss of disposal	(79 353)
Proceeds	
Proceeds paid in cash and cash equivalents	57 403
Deferred sales proceeds	12 090
Payables settled	1 757
	71 250

*Phoenix Platinum was carried as an investment in the Company and classified as a mineral right asset from a Group perspective. Phoenix did not contribute to the results of the Group.

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33. RELATED PARTIES

The immediate parent and ultimate controlling party of the Group's subsidiaries is Metorex Limited (incorporated in the Republic of South Africa).

The Group did not enter into any significant transactions during the year with related parties that are not members of the Group.

Fees paid for services by the Group to Sam Aviation (Pty) Limited in which Mr R G Still has a vested interest amounted to R1,2 million (2009: R2,2 million).

Marketing fees paid by the Group to Minerale Y Productos Derivados S.A. amounted to nil (2009: R3,5 million).

Intergroup management and technical fees amounted to R23,1 million (2009: R19,4 million).

Secretarial fees paid by the Group to Pangea Group amounted to R0,1 million (2009: R0,6 million) in which Mr R G Still has a vested interest.

The remuneration of directors, and other members of key management of the Group, is determined by the Remuneration Committee having regard to their performance and market trends. The remuneration of directors is disclosed under the remuneration report on pages 76 to 79.

34. SUBSEQUENT EVENTS

On 6 September 2010, the Company announced that it had entered into a sale of business agreement with To The Point Growth Specialists (Pty) Limited ("TTP") in terms of which it would dispose of Cons Murch to Cons Murch Mine (Pty) Limited ("Cons Murch Mine") which is held 74% by TTP (indirectly) and 26% by the Cons Murch Black Economic Empowerment Trust in a transaction to be implemented in three phases, Part A, Part B and Part C. Part A of the transaction encompasses the disposal of the Cons Murch business together with the employees as a going concern to Cons Murch Mine, subsequent to which Cons Murch Mine will provide contract mining services to Cons Murch until Part B of the transaction is completed, being the conversion of the old-order mining right into a new-order mining right and the subsequent transfer thereof to Cons Murch Mine. Part C of the transaction encompasses the renewal of the new-order prospecting right and the transfer thereof to Cons Murch Mine.

The conditions precedent to Part A of the transaction which were required to be fulfilled by no later than 28 February 2011 have been met. Accordingly, Part A of the transaction has become unconditional. Accordingly, the business, including all employees, will be transferred as a going concern to Cons Murch Mine. Metorex will retain the environmental obligations pending the conversion of the mining licence into a new-order mining licence and obtaining of the necessary consent for the transfer thereof to Cons Murch Mine. The Company will continue to work with Cons Murch Mine in pursuance of the satisfaction of the conditions required for completion of Part B and Part C of the transaction in accordance with the agreement.

On 28 March 2011, the Company released an announcement advising shareholders that it had entered into discussions and that shareholders were to exercise caution in dealing in the Company's shares. This cautionary announcement was lifted on 8 April 2011 following a joint announcement by Metorex and Vale in which Vale will make a cash offer to acquire 100% of the shares issued and to be issued in Metorex for a cash consideration of R7,35 per share (excluding Metorex's shareholding in Sable Zinc). This transaction is subject to a number of conditions as announced. Shareholders are referred to the detailed announcement released on the Securities Exchange News Service on 8 April 2011 for further information relating to the transaction.

35. SEGMENTAL ANALYSIS

During the 18 months ended 31 December 2010, the Group disposed of PAR, which included Barberton Mines, as well as VMC. The Consolidated Murchison division is also classified as an asset held-for-sale and therefore the primary segmental reporting for the Group has changed. In 2009 the Group distinguished its segments between commodities produced. In 2010 the Group distinguishes its segments between the corporate office and its copper mining operations being Ruashi, Chibuluma, Sable and Copper Resources Corporation ("CRC"). The corporate segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance, corporate administration and management of the mining operations.

Primary segmental information

	External sales		Mining profit before depreciation				Depreciation		Capital expenditure*		Assets†		Liabilities#	
	R000	%	R000	%	R000	%	R000	%	R000	%	R000	%	R000	%
2010														
Ruashi	2 823 762	62	985 453	57	313 284	69	416 217	48	4 020 584	68	681 230	71		
Chibuluma	1 340 957	29	789 421	46	111 408	25	231 998	27	954 744	16	141 501	15		
Sable	391 202	9	34 838	2	29 481	6	505	–	171 639	4	34 198	4		
CRC	–	–	–	–	–	–	210 570	24	348 812	6	35 509	3		
Corporate/ other	–	–	(93 384)	(5)	579	–	5 444	1	374 387	6	68 488	7		
Group	4 555 921	100	1 716 328	100	454 752	100	864 734	100	5 870 166	100	960 926	100		
2009**														
Fluorspar	–	–	–	–	–	–	40 647	3	191 674	3	37 521	4		
Copper/ Cobalt	937 084	100	167 256	150	108 607	99	1 393 454	97	5 615 938	97	1 021 248	96		
Other	–	–	(56 000)	(50)	190	1	–	–	–	–	–	–		
Group	937 084	100	111 256	100	108 797	100	1 434 101	100	5 807 612	100	1 058 769	100		

Secondary segmental information

	Total sales by customer location		Assets†		Liabilities#		Capital expenditure*	
	R000	%	R000	%	R000	%	R000	%
2010								
Africa	3 162 029	69	5 870 166	100	960 926	100	864 734	100
Switzerland	380 514	8	–	–	–	–	–	–
China	1 013 378	23	–	–	–	–	–	–
Group	4 555 921	100	5 870 166	100	960 926	100	864 734	100
2009**								
Africa	598 671	64	5 807 612	100	1 058 769	100	1 434 101	100
Switzerland	284 996	30	–	–	–	–	–	–
Other	53 417	6	–	–	–	–	–	–
Group	937 084	100	5 807 612	100	1 058 769	100	1 434 101	100

† Excludes taxation (current and deferred).

Excludes interest-bearing debt, taxation (current and deferred).

* Includes increases in mineral rights.

** Statement of comprehensive income re-presented for assets held-for-sale.

Company statement of comprehensive income

	Notes	18 months December 2010 R000	12 months June 2009 R000
Cost of production	2	93 963	62 186
Mining loss		(93 963)	(62 186)
Other income	4	478 765	100 355
Impairments	5	–	(1 648 110)
Held-for-sale assets	23	(68 288)	(142 415)
Finance income	6	30 844	17 877
Finance costs	6	(9 348)	(18 453)
Profit/(loss) before taxation	7	338 010	(1 752 932)
Income tax credit	8	(26 960)	(84 639)
Profit/(loss) for the period from continuing operations		364 970	(1 668 293)
Other comprehensive income		6 731	(28 326)
Total comprehensive income		371 701	(1 696 619)

Company statement of financial position

	Notes	31 December 2010 R000	30 June 2009 R000
ASSETS			
Non-current assets			
Property, plant and equipment	9	4 538	574
Goodwill	10	11 514	11 514
Investments	11	16 590	16 487
Subsidiaries	12	3 337 542	2 296 762
		3 370 184	2 325 337
Current assets			
Trade and other receivables	13	579	13 381
Current tax assets		656	–
Bank balances and cash	19	309 456	6 800
		310 691	20 181
Assets held-for-sale	23	41 296	406 309
Total assets		3 722 171	2 751 827
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	100 226	74 255
Share premium	14	3 840 809	2 979 136
Hedging and translation reserve	15	(5 115)	(11 846)
Retained earnings		(265 038)	(630 008)
Share option reserve		39 249	21 375
Equity reserve		(108 378)	(108 378)
Assets held-for-sale		2 344	264
Total equity		3 604 097	2 324 798
Non-current liabilities			
Deferred tax liabilities	18	2 591	33 970
		2 591	33 970
Current liabilities			
Trade and other payables		4 925	8 099
Short-term borrowings	16	–	189 482
Short-term provisions	17	1 059	1 232
Bank overdraft	19	–	29 717
Derivative financial instruments	20	21 595	28 326
Group companies		14 530	9 922
Taxation		–	21 019
		42 109	287 797
Liabilities held-for-sale	23	73 374	105 262
Total equity and liabilities		3 722 171	2 751 827

Company statement of cash flows

		18 months December 2010 R000	12 months June 2009 R000
	Notes		
CASH OUTFLOW FROM OPERATING ACTIVITIES			
		(181 260)	(32 276)
Cash utilised in operations	A	(223 483)	(183 957)
Dividends received		46 820	158 049
Taxation paid		(26 093)	(5 792)
Finance income		30 844	17 877
Finance costs		(9 348)	(18 453)
CASH OUTFLOWS FROM INVESTING ACTIVITIES			
		(184 529)	(822 914)
Additions to property, plant and equipment and mineral rights		(4 570)	(282)
Proceeds on disposal of property, plant and equipment		5	–
Proceeds on disposal of shares in subsidiary	25	942 768	57 403
Increase in investments		(103)	(13 044)
Movement in subsidiaries/AHFS		(1 127 237)	(885 143)
Movement in Group companies		4 608	18 152
CASH INFLOWS FROM FINANCING ACTIVITIES			
		698 162	836 075
Borrowings raised		–	189 482
Borrowings repaid		(189 482)	(57 934)
Shares issued		887 644	704 527
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		332 373	(19 115)
Cash and cash equivalents at the beginning of the period	19	(22 917)	(3 802)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	B	309 456	(22 917)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD – DISCONTINUING OPERATIONS			
		–	(7 064)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD – CONTINUING AND DISCONTINUING OPERATIONS			
		309 456	(29 981)

Notes to the Company statement of cash flows

	Note	18 months December 2010 R000	12 months June 2009 R000
A RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED BY/(UTILISED IN) OPERATIONS			
Profit/(loss) before taxation		338 010	(1 752 932)
Adjusted for:		(570 948)	1 588 011
Dividends received		(46 820)	(158 049)
(Profit)/loss for the year from subsidiary sold	25	(517 372)	79 353
Loss on disposal of mining assets		22	–
Share option costs		14 139	17 831
Net finance (income)/costs		(21 496)	576
Impairments		–	1 648 110
Depreciation		579	190
Operating profit before working capital changes		(232 938)	(164 921)
Working capital changes		9 455	(19 036)
Decrease/(increase) in trade and other receivables		12 802	(25 468)
Increase/(decrease) in trade and other payables and provisions		(3 347)	6 432
Cash generated by/(utilised in) operations		223 483	(183 957)
B CASH AND CASH EQUIVALENTS			
Bank balances and cash		309 456	6 800
Bank overdraft		–	(29 717)
		309 456	(22 917)

Company statement of changes in equity

	Share capital R000	Share premium R000	
Balance at 30 June 2009	74 255	2 979 136	
Issue of shares, net of costs	25 971	861 673	
Profit for the period			
Other comprehensive loss for the period			
Recognition of share-based payments			
Classification of assets held-for-sale			
Balance at 31 December 2010	100 226	3 840 809	
Balance at 30 June 2008	36 917	2 292 746	
Issue of shares, net of costs	37 338	686 390	
Loss for the period			
Other comprehensive loss for the period			
Recognition of share-based payments			
Classification of assets held-for-sale			
Balance at 30 June 2009	74 255	2 979 136	

	Foreign exchange translation reserve R000	Hedging reserve R000	Equity reserve R000	Share option reserve R000	Retained earnings R000	Equity attributable to equity holders of parent R000	Equity attributable to assets held-for-sale R000	Total equity R000
	16 480	(28 326)	(108 378)	21 375	(630 008)	2 324 534	264	2 324 798
						887 644		887 644
					364 970	364 970		364 970
		6 731				6 731		6 731
				17 874		17 874		17 874
						–	2 080	2 080
	16 480	(21 595)	(108 378)	39 249	(265 038)	3 601 753	2 344	3 604 097
	16 480	–	(108 378)	6 813	1 038 285	3 282 863	(30 026)	3 252 837
						723 728		723 728
					(1 668 293)	(1 668 293)		(1 668 293)
		(28 326)				(28 326)		(28 326)
				14 562		14 562		14 562
						–	30 290	30 290
	16 480	(28 326)	(108 378)	21 375	(630 008)	2 324 534	264	2 324 798

Notes to the Company annual financial statements

	18 months December 2010 R000	12 months 30 June 2009 R000
1. BASIS OF PREPARATION AND ACCOUNTING POLICIES		
The basis of preparation and principal accounting policies are disclosed on pages 86 to 94.		
2. COST OF PRODUCTION		
Salaries and wages	56 449	27 953
Administration and consulting	36 935	34 043
Depreciation	579	190
	93 963	62 186
3. OPERATING LEASES		
At the reporting date, the Group had outstanding commitments under non-cancellable operating leases mainly in respect of office equipment, security cameras, building rentals and compressors, which fall due as follows:		
Within one year	2 924	1 839
Years 2 to 5	16 988	3 154
	19 912	4 993
4. OTHER INCOME		
Management and technical fees income	23 115	19 406
Dividends received – subsidiaries	46 820	158 049
Foreign exchange (losses)/gains	(91 803)	20 118
Profit on disposal of VMC	517 372	–
Loss on disposal of assets	(22)	–
Loss on disposal of Phoenix	–	(79 353)
Share option expense	(14 139)	(17 831)
Sundry other	(2 578)	(34)
	478 765	100 355
5. IMPAIRMENTS		
There were no impairments during the 18-month period ended 31 December 2010.		
CRC	–	1 134 284
Property, plant, equipment and mineral rights	–	116 928
PAR	–	141 931
Other	–	254 967
	–	1 648 110
6. FINANCE INCOME/(COSTS)		
Interest received – Group	9 884	17 877
– external	20 960	–
Interest paid – Group	(495)	(18 453)
– external	(8 853)	–
Net finance income/(costs)	21 496	(576)

	18 months December 2010 R000	12 months 30 June 2009 R000
7. PROFIT/(LOSS) BEFORE TAXATION		
Is stated after charging:		
Audit fee		
– current year	1 674	1 435
Other non-audit services	704	215
Operating leases and rentals		
– equipment and buildings	2 588	1 370
8. INCOME TAX CREDIT		
SA normal taxation		
– current period	4 511	–
– prior period	(92)	(413)
Deferred taxation		
– current period	(31 379)	(84 194)
– prior period	–	(32)
Total taxation credit – continuing operations	(26 960)	(84 639)
Profit/(loss) before taxation	338 010	(1 752 932)
Taxation at the domestic taxation rate of 28%	94 643	(490 821)
Overprovision – prior period	(92)	(445)
(Exempt income)/non-deductible expenses	(15 365)	186 826
Assessed loss utilised, not previously raised as asset	(37 837)	–
Deferred tax asset not recognised	15 762	219 801
Taxation rate differentials – capital gains	(83 908)	–
Other	(162)	–
Taxation credit for the period – continuing operations	(26 960)	(84 639)
Effective taxation rate for the period – continuing operations (%)	(8,0)	4,8
Unredeemed capital expenditure available	66 213	67 583
Unredeemed capital expenditure recognised	–	–
Losses available for future taxable income set off	–	135 132
Taxation losses recognised	135 132	–
	31 December 2010 R000	30 June 2009 R000
9. PROPERTY, PLANT, EQUIPMENT AND MINERAL RIGHTS		
Property, plant and equipment		
Aggregate cost	5 954	1 494
Aggregate accumulated depreciation and impairments	1 416	920
Aggregate net book value	4 538	574
Mineral rights		
Cost	13 943	13 943
Accumulated depreciation and impairments	(13 943)	(13 943)
Net book value	–	–
Property, plant, equipment and mineral rights	4 538	574

The Company reviews the residual values used for purposes of depreciation calculations annually.

Notes to the Company annual financial statements

continued

9. PROPERTY, PLANT, EQUIPMENT AND MINERAL RIGHTS (continued)

	Balance	Additions	Disposals	Depreciation	Impairment	Balance	
	30 June					31 December	
2010	2009	R000	R000	R000	R000	2010	R000
Property, plant and equipment	574	4 570	(27)	(579)	–	4 538	
Total	574	4 570	(27)	(579)	–	4 538	

	Balance	Additions	Disposals	Depreciation	Impairment	Balance	
	30 June					30 June	
2009	2008	R000	R000	R000	R000	2009	R000
Property, plant and equipment	482	282	–	(190)	–	574	
Mineral rights	13 943	–	–	–	(13 943)	–	
Total	14 425	282	–	(190)	(13 943)	574	

	31 December	30 June
	2010	2009
	R000	R000
10. GOODWILL		
Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Goodwill is allocated as follows:		
Cost		
Balance at the beginning and end of the period	11 514	11 514
Refer to note 12 in the Group annual financial statements.		
11. INVESTMENTS		
Unlisted sundry investments at cost	16 590	16 487
Directors' valuation	16 590	16 487

12. SUBSIDIARIES

Details of the Company's subsidiaries and investments therein at 31 December 2010 are as tabled below:

	Place of incorporation	Proportion of ownership %	Principal commodity/activity
Abbey Commodities SA Niue	Switzerland	100	Dormant
Chibuluma Mines plc	Zambia	85	Copper
Copper Resources Corporation plc	British Virgin Islands	100	Copper
Maranda Mines (Pty) Limited	South Africa	100	In closure
Metorex Share Incentive Scheme (Pty) Limited	South Africa	100	Share scheme administrator
Metorex Copper Corporation (Pty) Limited	South Africa	100	Investment company
Sable Zinc Kabwe Limited	Zambia	100	Copper/Cobalt
O'Okiep Copper Company (Pty) Limited	South Africa	100	In closure
Ruashi Holdings (Pty) Limited	South Africa	100	Copper/Cobalt

12. SUBSIDIARIES (continued)

	Loans		Cost (net of impairment)	
	2010 R000	2009 R000	2010 R000	2009 R000
Investments and loans in subsidiaries				
Abbey Commodities SA Niue	(3 890)	(3 890)	37	37
Chibuluma Mines plc	–	–	121	121
Maranda Mines (Pty) Limited	(49 071)	(49 071)	53 498	53 498
Metorex Share Incentive Scheme (Pty) Limited	174	–	–	–
Sable Zinc Kabwe Limited*	68 320	64 118	692	692
O'Okiep Copper Company (Pty) Limited	2 619	(2 789)	–	–
Vergenoeg Mining Company (Pty) Limited*	–	(7 791)	–	52 693
Ruashi Holdings (Pty) Limited/Ruashi Mining sprl*	2 399 491	1 557 143	400 551	400 551
Copper Resources Corporation*/Metorex Copper Corporation (Pty) Limited	347 921	110 250	117 079	121 200
	2 765 564	1 667 970	571 978	628 792
Loans to subsidiaries			2 765 564	1 667 970
			3 337 542	2 296 762

*Interest-bearing loans at market-related rates.

Loans to/(from) subsidiaries carry no fixed terms of repayment and are interest-free, except where noted otherwise. The loans with Ruashi Holdings/Mining, Copper Resources Corporation and Metorex Copper Corporation bear interest at 0% until the companies can prove that there is a sustainable level of free cash flow available for the future, after which interest is charged at market-related rates.

	31 December	30 June
	2010 R000	2009 R000
13. TRADE AND OTHER RECEIVABLES		
Trade receivables	1	2 641
Other receivables	151	9 814
VAT receivable	427	926
	579	13 381
At 31 December 2010, there were no amounts past due but not impaired (2009: nil).		
There are no additional provisions for doubtful debts raised for any amounts past due at reporting date as there has not been a significant change in credit quality and the amounts are still considered recoverable.		
The directors consider that the trade and other receivables approximate their fair value.		

Notes to the Company annual financial statements

continued

	31 December 2010 R000	30 June 2009 R000
14. SHARE CAPITAL		
Authorised		
1 500 000 000 (2009: 1 500 000 000) ordinary shares of 10 cents each	150 000	150 000
Issued and fully paid		
1 002 263 403 (2009: 742 538 403) ordinary shares of 10 cents each	100 226	74 255
Capital raising		
12 April 2010: 250 million shares issued in terms of a clawback offer.		
Share options		
During the period eight million shares were issued at an average price of R3,99 per share in terms of the Metorex Share Incentive Scheme.		
SHARE PREMIUM		
Balance at the beginning of the period	2 979 136	2 292 746
Ordinary shares issued	883 040	727 381
Expenses written off against share premium	(21 367)	(40 991)
Balance at the end of the period	3 840 809	2 979 136
15. HEDGING AND TRANSLATION RESERVE		
Hedging reserve	(21 595)	(28 326)
Foreign exchange translation reserve	16 480	16 480
	(5 115)	(11 846)
16. LONG-TERM BORROWINGS		
Term loans	–	189 482
<i>Less: Term loans repayable within the next 12 months from operating activities:</i>	–	189 482
Total current portion	–	189 482
Net long-term borrowings	–	–
The Company's Articles of Association do not restrict the level of borrowings.		
Term loan facility		
Standard Bank		
South African Rand-denominated	–	132 477
Interest at JIBAR +7,5%		
Facility repayable on or before 30 November 2009		
ABSA Bank		
South African Rand-denominated	–	57 005
Interest at the prime lending rate		
Facility repayable on or before 30 November 2009		

	31 December 2010 R000	30 June 2009 R000
17. PROVISIONS		
Current provisions		
Leave pay and bonuses	1 059	1 232
Total provisions	1 059	1 232
Balance at the beginning of the period	1 232	845
Utilised during the period	(225)	(213)
Provided during the period	52	600
Balance at the end of the period	1 059	1 232
18. DEFERRED TAX		
18.1 Deferred tax liabilities		
Leave pay provision	(1 815)	(2 662)
Other provisions	(758)	(758)
Other	5 164	37 390
Net deferred tax liabilities	2 591	33 970
Reconciliation of deferred tax liabilities		
Net deferred tax liabilities at the beginning of the period	33 970	108 195
Deferred tax charge for the period	(31 379)	(84 226)
Deferred tax raised on additional mineral rights and other	–	10 001
Net deferred tax liabilities at the end of the period	2 591	33 970
18.2 Deferred tax asset		
Deferred tax asset not recognised		
Property, plant and equipment, impairments and other	197 726	181 964
Assessable losses	–	37 837
	197 726	219 801
The following table shows the movement in the unrecognised deferred tax asset for the period:		
Opening balance	219 801	–
Assessed loss recognised	(37 837)	
Net unrecognised deferred tax asset during the current period	15 762	219 801
Closing balance	197 726	219 801
19. GENERAL BANKING FACILITIES		
Cash and bank balances	309 456	6 800
Bank overdraft	–	(29 717)
	309 456	(22 917)
20. FINANCIAL INSTRUMENTS		
20.1 Capital risk management		

The Company manages its capital to ensure that the Company will be able to continue as a going concern with the ultimate objective of maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy is focused on the restoration of the statement of financial position with specific reference to the reduction of debt to a sustainable level.

The capital structure of the Company consists of debt, which includes borrowings, cash and cash equivalents, and equity, comprising share capital, share premium, reserves and retained earnings as disclosed in the statement of changes in equity.

Management regularly reviews the capital structure of the Company.

Notes to the Company annual financial statements

continued

	31 December 2010 R000	30 June 2009 R000
20. FINANCIAL INSTRUMENTS (continued)		
20.1 Capital risk management (continued)		
The gearing ratio at year-end was as follows:		
Interest-bearing debt	–	189 482
Cash and cash equivalents	(309 456)	22 917
Net interest-bearing debt	(309 456)	212 399
Equity	3 603 923	2 324 798
Net debt-equity ratio (%)	–	9
20.2 Categories of financial instruments		
Financial assets		
Loans and receivables	310 690	19 255
Financial liabilities		
Amortised cost	4 925	248 317
Derivative instruments	21 595	28 326

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as means of mitigating the risk.

Foreign currency commodity price risk

The Company may enter into forward contracts in order to hedge its exposure to fluctuations in exchange rates on specific transactions and funding requirements. The contracts are matched with anticipated future cash flows.

Fair value of financial instruments

Foreign currency hedges – On the statement of financial position

Currency	Maturity	Amount US\$000	Average forward rate	Fair value profit/(loss) R000
2010				
US Dollar	11 months	21 897	R774/US\$	(21 595)
Total assets				(21 595)
2009				
US Dollar	1 month	10 000	R8,14/US\$	(3 773)
US Dollar	1 month	8 054	R10,87/US\$	(24 553)
Total assets				(28 326)

20.3 Interest rate and liquidity risk

Fluctuations in interest rates impact the value of short-term investment and financing activities, giving rise to interest rate risk.

In the ordinary course of business, the Company receives cash proceeds from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested to maximise returns whilst ensuring that capital is safeguarded to the maximum extent by only investing with reputable financial institutions.

Interest rate risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

Interest rate sensitivity

The sensitivity analysis has been determined based on the exposure to interest rates as at the reporting date. The effect of the interest rate exposure of the Company on the statement of comprehensive income is minimal in the current and prior periods.

20. FINANCIAL INSTRUMENTS (continued)

20.3 Interest rate and liquidity risk (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has built an appropriate 12-month rolling monthly cash flow forecast model for the management of the Company's short-term funding and liquidity requirements. The Company manages liquidity risk by seeking to generate adequate reserves, banking facilities and reserve borrowings facilities, by continually monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Liquidity risk analysis

The following table indicates the Company's remaining contractual maturity from its non-derivative financial liabilities:

	Weighted average interest rate %	Less than 12 months R000	1 – 5 years R000	5+ years R000	Total R000
2010					
Trade payables*	–	1 709	–	–	1 709
Long-term liabilities	–	–	–	–	–
Short-term liabilities	–	–	–	–	–
2009					
Trade payables*	–	5 005	–	–	5 005
Long-term liabilities	14	–	–	–	–
Short-term liabilities	7,6	189 482	–	–	189 482

*Excludes value-added taxation.

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and liabilities recorded approximate their fair values at 31 December 2010. The fair values have been determined with reference to quoted market prices where available or with the standard terms and conditions per the agreements.

21. STAFF COMPLEMENT

At 31 December 2010: 30 (2009: 28) people were employed by the Company.

22. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share incentive scheme for eligible employees of the Group. Options are offered at a price equal to the average quoted market price of the Company's shares on the trading day preceding the offer date. The vesting period is between one and five years and exercise is subject to Board approval. Options lapse if not exercised within 10 years of the option date. Options are forfeited if the employee leaves the Group on account of resignation or dismissal.

Details of the share options outstanding during the period are:

	31 December 2010		30 June 2009	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Outstanding at the beginning of the period	20 675 813	3,77	6 938 750	11,10
Granted during the period	6 476 000	3,72	15 919 063	1,65
Amendment, cancellation, retrenchment, retirement	(2 984 813)	2,72	(2 092 000)	19,25
Exercised during the period	(1 634 900)	2,09	(90 000)	2,91
Outstanding at the end of the period	22 532 100	2,62	20 675 813	3,77
Exercisable at the end of the period	5 612 850	3,76	1 601 750	4,02

Options exercisable between one and nine years.

Notes to the Company annual financial statements

continued

22. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

The weighted average share price at the date of exercise for share options exercised during the period was R4,05 (2009: R6,12). During 2010, the following options were granted:

	Shares	Option price R
28 August 2009	605 000	3,95
12 November 2009	632 000	3,99
19 May 2010	5 239 000	3,66
	6 476 000	3,72

The fair values were calculated using the American binomial option-pricing model. The inputs into the model were as follows:

	31 December 2010
Weighted average share price (R)	2,79
Weighted average exercise price (R)	2,82
Expected volatility (%)	41 – 64%
Expected life (years)	2 – 5 years
Risk-free rate (%)	8,2 – 8,9%
Expected dividend yield (%)	2,5 – 4,6%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous eight years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

	31 December 2010 R000	30 June 2009 R000
23. NON-CURRENT ASSETS HELD-FOR-SALE		
Revenue – mineral sales	296 652	222 835
Realisation costs	(11 222)	(42 721)
Cost of production	(351 041)	(272 928)
Other expenditure	(697)	(44 176)
Finance cost	(1 980)	(5 425)
Loss before taxation	(68 288)	(142 415)
Income tax expense	–	–
Loss after taxation	(68 288)	(142 415)
The major classes of assets and liabilities comprising the operation classified as held-for-sale at the reporting date (CM) are as follows:		
Inventories	12 722	17 474
Trade and other receivables	28 359	15 911
Cash and cash equivalents	215	27
Investments	–	372 897
Assets classified as held-for-sale	41 296	406 309
Provisions	33 128	26 128
Trade and other payables	36 816	72 043
Bank overdraft	3 430	7 091
Liabilities classified as held-for-sale	73 374	105 262
Net (liabilities)/assets classified as held-for-sale	(32 078)	301 047
Cash (outflows)/inflows from operating activities	–	(62 248)
Cash outflows from investing activities	(127 340)	(6 196)
Cash outflows from financing activities	–	(23 616)

24. RELATED PARTIES

Management fees and dividends received by subsidiary companies are disclosed in note 4.

Loans owed to/(due by) subsidiary companies are detailed in note 12.

25. DISPOSALS

	PAR R000	VMC R000	Total R000
31 December 2010			
Proceeds			
Proceeds received in cash and cash equivalents – sale of subsidiary	372 896	567 458	940 354
– sale of management fee agreement	–	2 414	2 414
	372 896	569 872	942 768
Investment sold			
Cost of investment	(372 896)	(52 500)	(425 396)
Profit on disposal	–	517 372	517 372
			30 June 2009*
Book value of net assets sold			
Non-current assets			
Investment			137 124
Loan			11 722
Current liabilities			
Payables			1 757
Net assets disposed of			150 603
Loss of disposal			(79 353)
Proceeds			
Proceeds paid in cash and cash equivalents			57 403
Deferred sales proceeds			12 090
Payables settled			1 757
			71 250

*Phoenix Platinum was carried as an investment in the Company and classified as a mineral right asset from a Group perspective. Phoenix did not contribute to the results of the Group.

26. CONTINGENT LIABILITIES

The sale of Consolidated Murchison requires Metorex Limited to inject R51 million into the new company Consolidated Murchison Mine (Pty) Limited. Refer to note 34 in the Group annual financial statements.

27. SUBSEQUENT EVENTS

Refer to note 34 in the notes to the Group annual financial statements.

Supplementary information

SALIENT FEATURES OF THE PROPOSED NEW SHARE SCHEMES

1. Introduction

- 1.1 Two new share schemes are to be presented to shareholders for approval at the annual general meeting.
- 1.2 The Metorex Share Incentive Scheme 2011 ("the Scheme") is being introduced to replace the current scheme in order to comply with the new JSE Listings Requirements and King III and to introduce share appreciation rights. The Metorex Deferred Bonus Plan 2011 ("the Plan") is intended to better align senior management with shareholders and assist in their retention.
- 1.3 The total number of shares to be made available for these schemes, including unvested options under the old schemes, is 75 169 725 shares. This is equivalent to 7,5% of the current issued share capital of the Company, which is the percentage previously approved by shareholders. Currently there are 33,9 million options outstanding in terms of the existing schemes of which 26,1 million options are unvested. The limit on total allocations under all schemes to a single individual is 7 516 972 shares, the equivalent of 0,75% of the issued share capital.

2. The Scheme

- 2.1 The Scheme provides for straight options as well as for Share Appreciation Rights ("SARs"), the latter being introduced to reduce the dilution effect of straight share options. The Option Price and the SAR Exercise Price are in both cases the value-weighted average price of a Metorex Share on the JSE on the last trading day preceding the Grant Date. Both the Options and the SARs will have an option period of seven years. The Vesting Period is three years from the grant date. The Performance Conditions will be determined by the Board in each Participation Notice. Vesting of Options and SARs will be dependent on the Participant being in service on the Vesting Date and the fulfilment of Performance Conditions over the Performance Period. The Board intends initially to apply a three-year Performance Period.
- 2.2 The vesting of Options or SARs will be dependent on the achievement of Performance Conditions set by the Board at the time of each grant. The initial Performance Conditions to be applied by the Board and the rationale behind them are set out in the remuneration report on pages 76 to 79.
- 2.3 The number of Shares to be delivered to the Offeree following the exercise of SARs shall be calculated by reference to the formula:

$$(\text{SAR Exercise Price} - \text{SAR Grant Price}) \times \text{Number of SARs exercised} = \text{TV}$$

$$\text{TV} / \text{SAR Exercise Price} = \text{N}$$
 Where:
 TV is the total value attributable to the exercise by the Offeree of SARs and;
 N is the number of Shares due to the Offeree, rounded down to the nearest Share

3. The Plan

- 3.1 It is proposed to further align the interests of executives with those of shareholders by encouraging managers in the Paterson E Band to acquire Bonus Shares in the Company using their own money. In terms of the Plan, such managers will be able to utilise up to 50% of their after-tax short-term incentive to acquire Bonus Shares in the Company.
- 3.2 Should the manager retain the Bonus Shares for the Deferred Bonus Plan period, to be determined by the Board, and still be in service at that point the Company will match the Bonus Shares then held with matching shares at no cost to the manager. It is intended that the Deferred Bonus Plan Period shall be three years. As the maximum quantum of the allocation is determined by the performance of the manager in terms of the short-term incentive scheme, no further performance conditions are attached to the matching of the Bonus Shares held at the vesting date.

4. Termination provisions

- 4.1 Under the Scheme, on resignation (including voluntary early retirement) or dismissal, all Options and SARs lapse on Date of Termination of Employment. Under the Plan all Matching Awards will be forfeited in their entirety and will lapse with effect from the Date of Termination of Employment.
- 4.2 In the case of a no fault termination, ie termination due to death, ill health, injury, disability, retrenchment, corporate action resulting in the Participant no longer being employed by a member of the Metorex Group or any other reason decided by the Board, a pro rata number of unvested Options or SARs will vest and the Participant will have 12 months to exercise his existing and newly vested Options or SARs. The prorata portion of the Options or SARs that will vest will be calculated with reference to the number of completed months served from the Grant Date relative to the Vesting Period and the extent to which the Performance Conditions have been met on the Date of Termination of Employment. In terms of the Plan, the Participant will receive a pro rata number of Matching Shares calculated with reference to the number of completed months served from the Grant Date relative to the Deferred Bonus Plan Period and based on the number of Bonus Shares held on the Date of Termination of Employment.
- 4.3 In the case of Retirement, including Involuntary Early Retirement, a pro rata number of Options or SARs, determined in the same way as set out in 4.2, will vest on the original applicable Vesting Date based on performance over the entire Performance Period and the participant will have 12 months from that Vesting Date to exercise those Options or SARs. He must exercise his vested Options or SARs within 12 months of his termination date. In the case of the Plan, the no fault provisions set out in 4.2 will apply to retirees.

5. Reorganisation of Company or share capital

- 5.1 In the event of a variation in the share capital of the Company, the rules of both the Scheme and the Plan make provision for the Board to make adjustments to the rights of Offerees or Participants on the basis that such adjustments should give an Offeree or Participant an entitlement to the same proportion of the equity capital as to that to which he was entitled prior to the occurrence of the relevant event.
- 5.2 The rules provide for the Company's auditors, or other independent advisers acceptable to the JSE, to confirm to the Board and the JSE that the adjustments are calculated on a non-prejudicial basis and are made in accordance with the applicable rules. The limits on the number of shares available for the Scheme and Plan as set out in 1.3 above shall also be adjusted in the same manner.
- 5.3 The issue of Shares as consideration for an acquisition, a specific issue of shares for cash or a vendor consideration placing shall not give rise to an adjustment to the rights of an Offeree or Participant.
- 5.4 On liquidation of the Company, other than for purposes of a reorganisation, all unexercised Options or SARs and any Matching Shares shall lapse.

6. Change of control provisions

- 6.1 On a change of Control (defined as ownership or control of over 50% of the Company's shares or voting rights or the ability to appoint the majority of the Board), a pro rata number of Options, SARs and/or Matching Shares will vest and will be Settled through a payment of cash to the Offeree, unless the Board determines that they be settled through the delivery of Shares to the Offeree. The pro rata calculation is as set out in 4.2 above, provided that the effective date shall be the Change of Control Date.
- 6.2 The Participant may elect to retain all or part of his vested and unvested Options, SARs or Matching Shares and to remain subject to the Rules of the Scheme or Plan.
- 6.3 In the case of a change of Control resulting in a delisting the Scheme and Plan provide that all unvested Options, SARs and Matching Shares shall vest and will be Settled through a payment of cash to the Offeree, unless the Board determines that they be settled through the delivery of Shares to the Offeree, having determined that such settlement shall not prejudice the affected Offerees or Participants.

7. Amendments

- 7.1 Subject to 7.2, the Scheme or the Plan may be amended from time to time by resolution of the Board, provided that no such amendment shall operate adversely to alter the terms and conditions under which any rights are held and provided further that no amendment to the Scheme may be made without prior approval of the JSE if so required in terms of the rules of the JSE.
- 7.2 No amendment in respect of the following matters shall operate unless such amendment has been approved by 75% of the Company's shareholders, present in person or represented by proxy, in general meeting:
- The determination of the Offerees or Participants.
 - The aggregate number of Shares which may be utilised for the Scheme and Plan.
 - The aggregate number of Shares which any one Offeree may acquire in terms of the Scheme and Plan.
 - The determination of the Option Price or SAR Grant Price.
 - The voting, dividend, transfer and other rights (including those arising on liquidation of the Company) attaching to the Scheme Shares and Matching Shares.
 - The basis upon which an award of Options, SARs or Matching Shares has to be made.
 - The treatment of Options, SARs or Matching Shares in the instance of mergers, takeovers or corporate actions.
 - The rights of Offerees or Participants who leave the employment of the Company.

INTEREST IN SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND INVESTMENTS

Metorex Limited ("the Company") acts as a company for the Group. All mining operations are conducted by companies which are members of the Group. The Company holds beneficial interests in its subsidiaries at 31 December 2010 as follows:

Subsidiaries	Place of incorporation	Percentage of ownership and voting power held	Principal commodity
Chibuluma Mines plc	Zambia	85%	Copper
Copper Resources Corporation ¹	British Virgin Islands	100%	Copper
Maranda Mines (Pty) Limited	South Africa	100%	n/a
O'Okiep Copper Company (Pty) Limited	South Africa	100%	n/a
Ruashi Holdings (Pty) Limited ²	South Africa	100%	Copper
Sable Zinc Kabwe Limited	Zambia	100%	Copper, cobalt

¹Copper Resources Corporation ("CRC") owns a 77 percent interest in Minière de Mushoshi et Kinsenda sarl ("MMK") which holds the Kinsenda and Lubembe copper deposits in the Democratic Republic of Congo ("DRC").

²Ruashi Holdings has a 75 percent interest in Ruashi Mining sprl which is incorporated in the DRC.

Supplementary information

continued

LEGAL ENTITLEMENT TO MINERAL RIGHTS

The Company conducts its mining operations and exploration activities in terms of approved permits and licences that have been issued and registered according to the regulatory requirements of the various countries in which these are conducted. The details of the permits and licences are set out below.

Mine or prospect	Farm name	Type of title	Hectares
Ruashi Mining sprl	Ruashi PE 578	Permis de exploitation	900
	Musonoi Est PE 4958	Permis de exploitation	1 700
	Sokoroshe I PE 523	Permis de exploitation	330
	Sokoroshe II PE 538	Permis de exploitation	500
Chibuluma Mines plc¹	7064-HQ-LML formerly (LML23)	Large-scale mining licence	4 895
	7065-HQ-LML formerly (LML24)	Large-scale mining licence	1 120
Minière de Musoshi et Kinsenda sarl <i>Prospecting</i>	Kinsenda PE 101	Permis de exploitation	5 012
	Lubembe PE 330	Permis de exploitation	2 378
	Kinsenda PR 4724	Permis de reserche	13 168
Sable Zinc Kabwe Limited	SML1	Large-scale mining licence	80
Consolidated Murchison division <i>Prospecting</i>	Farrell 781LT	Old-order mining rights ²	663
	Josephine 777LT	Old-order mining rights ²	792
	Claimland 780LT	Old-order mining rights ²	502
	Begin 765LT	Old-order mining rights ²	840
		Converted prospecting rights 29/06/2007 – 2010	9 454
O'Okiep Copper Company (Pty) Limited²	Melkboschkuil 132	Old-order mining rights	
	Nigramoep 136	Old-order mining rights	
	Nababeep 134	Old-order mining rights	
	Brakkefontein 133	Old-order mining rights	
	Plaatjiesfontein 135	Old-order mining rights	
	Steinkopf Rural Area	Old-order mining rights	

¹Chibuluma licence boundaries revised in April 2010 to conform with cadastral changes as regulated under the revised Mines and Development Act, No 7 of 2008.

²O'Okiep Copper Company was closed in 2007 and old-order mining rights were not renewed under the Mining and Petroleum Resources Development Act of 2004, and is currently under rehabilitation.

SHAREHOLDING ANALYSIS

Analysis of ordinary shareholders as at 31 December 2010

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
Shareholder spread				
1 – 1 000 shares	1 700	22,97	821 056	0,08
1 001 – 10 000 shares	3 550	47,97	14 890 049	1,49
10 001 – 100 000 shares	1 655	22,37	50 225 839	5,01
100 001 – 1 000 000 shares	367	4,96	109 814 099	10,96
1 000 001 shares and over	128	1,73	826 512 360	82,46
Total	7 400	100,00	1 002 263 403	100,00
Distribution of shareholders				
Banks and trust funds	835	11,28	404 506 776	40,36
Companies	444	6,00	370 303 288	36,95
Corporate bodies	156	2,11	157 054 737	15,67
Individuals	5 965	80,61	70 398 602	7,02
Total	7 400	100,00	1 002 263 403	100,00

Glossary of terms, abbreviations and units

DEFINITIONS

argillaceous	term describing sedimentary rocks with a modal grain size in the silt fraction
assay	the chemical analysis of mineral samples to determine the metal content
bornite	copper mineral, Cu_5FeS_4 , found in sulphide deposits
chalcocite	copper mineral, Cu_2S , found mainly in the enriched zones of sulphide deposits
chalcopyrite	copper mineral, CuFeS_2 , found mainly in sulphide deposits
chrysocolla	hydrous copper silicate mineral, $\text{Cu}_2\text{H}_2(\text{Si}_2\text{O}_7)_2(\text{OH})_4$, found mainly in oxide deposits close to surface
concentrate	a metal-rich product resulting from a mineral enrichment process such as gravity concentration or flotation, in which most of the desired mineral has been separated from the waste material in the ore
crushing	initial process of reducing ore particle size to render it more amenable for further processing
cut-off grade	the grade of mineralised rock which determines as to whether or not it is economic to recover its metal content by further concentration
decline	a surface or subsurface excavation in the form of a tunnel which is developed from the uppermost point downwards
detrital	a term applied to any particles of minerals, or, more rarely, rocks, which have been derived from pre-existing rock by processes of weathering and erosion
dilution	waste which is unavoidably mined with ore
dip	angle of inclination of a geological feature/rock from the horizontal
dolomites	rocks with more than 15% magnesium content
drillhole	method of sampling rock that has not been exposed
effective date	date on which all assumptions in the report were finalised and the date from which the valuation was done
environmental incident – level 1	incident that involves minor non-conformances that result in no or negligible adverse environmental impacts
environmental incident – level 2	incident that involves minor non-conformances that result in short-term, limited and reversible adverse environmental impacts
environmental incident – level 3	incident involving limited non-conformances or non-compliances. The non-compliances are those that result in ongoing but limited environmental impacts
environmental incident – level 4	incident involving significant non-conformances or non-compliances which result in a medium-term environmental impact, and the spatial scale may extend beyond the mine boundary
environmental incident – level 5	incident involving major non-conformances or non-compliances that have the potential to result in long-term environmental impacts over a wide spatial scale. These incidents may have operation of company-threatening implications
fault	the surface of a fracture along which movement has occurred
flat	flatter dipping areas
flotation	the process by which the surface chemistry of the desired mineral particles is chemically modified such that they preferentially attach themselves to bubbles and float to the pulp surface in specially designed machines. The gangue or waste minerals are chemically depressed and do not float, thus allowing the valuable minerals to be concentrated and separated from the undesired material
Gécamines	La Générale des Carrières et des Mines
grade	the measure of concentration of copper or cobalt within mineralised rock
hangingwall	the overlying side of an orebody or slope
heterogenite	hydrous cobalt oxide mineral, $\text{Co}_3\text{O}(\text{OH})$, found mainly in oxide deposits close to surface
Indicated Mineral Resource	that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
Inferred Mineral Resource	that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity, it is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability
lithology/ical	geological description pertaining to different rock types
malachite	copper carbonate mineral, $\text{CuCO}_3\text{Cu}(\text{OH})_2$, found mainly in oxide deposits close to surface
Measured Mineral Resource	that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are spaced closely enough to confirm geological and grade continuity
milling	a general term used to describe the process in which the ore is crushed and ground and subjected to physical or chemical treatment to extract the valuable metals to a concentrate or finished product

Glossary of terms, abbreviations and units

continued

DEFINITIONS (continued)

Mineral Reserve	the economically mineable material derived from a measured and/or indicated mineral resource. It is inclusive of diluting materials and allows for losses that may occur when the material is mined, appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified. Mineral reserves are subdivided in order of increasing confidence into probable mineral reserves and proved mineral reserve
Mineral Resource	a concentration or occurrence of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. the location, quantity, grade, continuity and other geological characteristics of a mineral resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well constrained and portrayed geological model. Mineral resources are subdivided in order of increasing confidence, in respect of geoscientific evidence, into inferred, indicated and measured categories
mineral rights	a right or any share therein acquired, in terms of the relevant country's Minerals Act to any right to dig or mine
mining assets	the material properties and significant exploration properties
Mining code	Law No. 007/2002 adopted on July 11, 2002 and the Decree No. 038/2003 adopted on March 26, 2003 as a supplement to the Mining Code
ongoing capital	capital estimates of a routine nature which are necessary for sustaining operations
Ore Reserve	see mineral reserve
Probable Mineral Reserve	the economically mineable material derived from a measured and/or indicated mineral resource. It is estimated with a lower level of confidence than a proved mineral reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified
project capital	capital expenditure which is associated with specific projects of a non-routine nature
Proterozoic	era of geological time between 2,5 billion and 570 million years ago
Proved Mineral Reserve	the economically mineable material derived from a measured mineral resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined, appropriate assessments, which may include feasibility studies, have been carried out, including consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified
pyritic (pyrite)	the most widespread sulphide mineral, FeS ₂
safety – lost-day severity rate	the average number of days lost in the reporting organisation per lost-time injury.
safety – lost-time injury	a work-related injury resulting in the employee being unable to attend work, at his/her place of work, performing his/her assigned duties, on the next calendar day (whether a scheduled work day or not) after the day of the injury.
safety – non-lost-time injury	a minor work-related injury sustained by an employee that does not incapacitate that employee for the day following the injury (including Saturdays off, Sundays and public holidays)
safety – serious injury	a work-related injury that either incapacitates the injured employee from performing their normal or a similar occupation for a period totalling 14 days or more, or which causes the injured employee to suffer the loss of a joint, or a part of a joint, or sustain a permanent disability.
SAMREC code	South African code for reporting of mineral resources and mineral reserves
shaft	an opening cut downwards from the surface for transporting personnel, equipment, supplies, ore and waste
smelting	a high-temperature pyrometallurgical operation conducted in a furnace, in which the valuable metal is collected to a molten matte or doré phase and separated from the gangue components that accumulate in a less dense molten slag phase
steep	steeply dipping areas
stratigraphy	study of stratified rocks in terms of time and space
syncline/clinal/clinorium	a basin-shaped fold
tailings	finely ground waste rock from which valuable minerals or metals have been extracted
total cash costs	all total cash costs are based on public quoted nominal production costs, include retrenchment costs, rehabilitation costs, corporate costs, by-product credits for silver, sundry revenues, and exclude amortisation costs and inventory changes
total expenditure	all expenditures including those of an operating and capital nature
trust fund	a fund required by law to be set up, to which annual contributions are paid so that the remaining environmental liability of the operation is covered

ABBREVIATIONS

AFE	Authorisation for expenditure
ARV	Antiretroviral drug
BFS	Bankable Feasibility Study
Capex	Capital expenditure
CCF	Corporate carbon footprint
CMKK	Co-operative Maadini Kwa Kilimo
CMN	Calcaire Minerais Noirs (Calcareous Black Ore)
CSI/R	Corporate Social Investment/Responsibility
DRC	Democratic Republic of Congo
EITI	Extractive Industries Transparency Initiative
EM	Electromagnetic
EMAK	Exploitants Miniers Artisanaux du Katanga
EW	Electrowinning
FS	Feasibility study
GHG	Greenhouse gas
HAZOP	Hazard and Operability Study
ICVCT	Informed consent voluntary counselling and testing
IGS	Integrated Geological Solutions (Pty) Ltd
IRS	Indoor residual spraying
ISO	International Standards Organisation
ISO 14001	International standard specifying requirements for an environmental management system
JORC	Joint Ore Reserves Committee
JSE	JSE Limited
LME	London Metal Exchange
LML	Large scale mining licence, Zambia
LOM	Life of mine
LTI	Lost-time injury
NGO	Non-governmental organisation
NPV	Net present value
PE	Permit Exploitation, DRC
PPCF	Post pillar cut and fill
PR	Permit Exploration, DRC
Roan	Roan Supergroup
SADC	Southern African Development Community
SAMREC	South African Mineral Resource Committee
SARB	South African Reserve Bank
SARW	Southern African Resources Watch
SHEC	Safety, health, environment and communities
SNEL	Societe Nationale'd Electricite (DRC Electrical Utility)
SX	Solvent extraction
TB	Tuberculosis
Texco	Metorex's Executive Technical Committee
VCT	Voluntary counselling and testing
VPSHR	Voluntary Principles on Security and Human Rights
VVQ3C	Metorex specific measuring principles of volume, value, quality, cash, cost and cash flow
ZNAN	Zambian National Aids Network

UNITS

g	grams
ha	hectare
k	one thousand units
kt	thousand metric tons
ktpm	thousand metric tons per month
m	1 metre
m ³	cubic metre
Mt	million metric tons
pa	per annum
t	1 metric ton
USD or \$ or US\$	United States Dollar
ZAR	South African Rand
°	degree
%	percentage

CHEMICAL ELEMENTS

ASCu	Acid soluble copper
C	Carbon
Co	Cobalt
CoO	Cobalt oxide
Cu	Copper
CuO	Copper oxide
Fe	Iron
H	Hydrogen
Mg	Magnesium
MgO	Magnesium oxide
O	Oxygen
S	Sulphur
Si	Silica
SO ₂	Sulphur dioxide
TCo	Total cobalt
TCu	Total copper
Zn	Zinc

Notice of the annual general meeting

Notice is hereby given that the seventy-sixth annual general meeting of the shareholders of Metorex Limited ("Company") will be held in the Ilanga Room 2, Hyatt Regency Johannesburg, 191 Oxford Road, Rosebank, Johannesburg, South Africa on Wednesday, 15 June 2011 at 10:00 for the purposes set out below. The record date in terms of section 59 of the Companies Act, No 71 of 2008, as amended, for shareholders to be recorded on the shareholders' register of the Company in order to be able to attend, participate and vote at the annual general meeting is 6 June 2011.

Shareholders are reminded that –

- a shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in and vote at the meeting in the place of the shareholder, and shareholders are referred to the proxy form attached to this notice in this regard;
- a proxy need not also be a shareholder of the Company; and
- in terms of section 63(1) of the Companies Act, No 71 of 2008, as amended, any person attending or participating in a meeting of shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

Ordinary business

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions:

Ordinary resolution number 1

To receive, consider and adopt the annual financial statements of the Company and of the group of companies of which the Company is the holding company for the period ended 31 December 2010.

Percentage of voting rights required for ordinary resolution number 1 to be adopted: more than 50 percent of the voting rights exercised on the resolution.

Ordinary resolutions numbers 2.1 to 2.5

To re-elect directors in accordance with the provisions of the Company's memorandum of incorporation. In terms of the memorandum of incorporation of the Company, Messrs R Still, L Paton and M Smith retire by rotation but being eligible, offer themselves for re-election. Messrs H Hickey and P Molapo, being directors appointed by the board since the previous annual general meeting retire, but being eligible, offer themselves for re-election. Brief curriculum vitae of these directors are set out on pages 12 and 13 of the annual report to which this notice is attached ("annual report").

Percentage of voting rights required for ordinary resolutions numbers 2.1 to 2.5 to be adopted: more than 50 percent of the voting rights exercised on each resolution.

Ordinary resolutions numbers 3.1 to 3.3

To elect each of the following independent non-executive directors, as members of the Company's audit committee: Messrs H Hickey, P Molapo and, V Mabuza. Brief curriculum vitae of the independent non-executive directors offering themselves for election as members of the audit committee are provided on pages 12 and 13 of the annual report.

Percentage of voting rights required for ordinary resolutions numbers 3.1 to 3.3 to be adopted: more than 50 percent of the voting rights exercised on each resolution.

Ordinary resolution number 4

To reappoint Deloitte & Touche as independent auditors of the Company, as nominated by the Company's audit committee, to hold office until the next annual general meeting of the Company.

Percentage of voting rights required for ordinary resolution number 4 to be adopted: more than 50 percent of the voting rights exercised on each resolution.

Special business

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

Ordinary resolution number 5 – General authority to issue shares for cash

"Resolved as an ordinary resolution that, subject to the approval by at least a 75 percent majority of the votes cast by the shareholders of the Company present in person or represented by proxy at the annual general meeting at which this resolution is proposed, the mandate given to the directors of the Company in terms of a general authority to issue securities for cash, as and when suitable opportunities arise, be renewed subject to the Listings Requirements of the JSE Limited, and provided that any shares issued in terms of this authority shall not exceed five (5) percent of the number of securities in issue prior to any such issue/s."

Shareholders are reminded with regard to the general authority to be given to the directors of the Company described in ordinary resolution number 5 that, in terms of the Listings Requirements of the JSE Limited ("Listings Requirements"), inter alia –

- the general authority will be valid until the next annual general meeting of the Company, or for a period of 15 months after the date of passing of ordinary resolution number 5, whichever period is the shorter;
- any securities to be issued must be of a class of securities already in issue, or must be securities or rights convertible into a class of securities already in issue;
- the securities to be issued must be issued to public shareholders and not to related parties (as those terms are defined in the Listings Requirements); and
- the maximum discount at which equity securities may be issued is 10 percent of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is agreed between the Company and the subscriber/s.

Percentage of voting rights required for ordinary resolution number 5 to be adopted: at least a 75 percent majority of the votes cast by the shareholders of the Company present in person or represented by proxy at the annual general meeting at which this resolution is proposed.

Ordinary resolution number 6 – Approval of Metorex Share Incentive Scheme 2011

"Resolved as an ordinary resolution that, subject to (i) the approval by at least a 75 percent majority of the votes cast by the shareholders of the Company present in person or represented by proxy at the annual general meeting at which this resolution is proposed, and (ii) the Listings Requirements of the JSE, the adoption of the Metorex Share Incentive Scheme 2011 set out in the document initialled by the chairman for identification purposes ("scheme"), be and is hereby approved and that the directors of the Company be and are hereby authorised to take all such steps as may be necessary for the carrying into effect of the scheme, including the allotment and issue of ordinary shares in the capital of the Company on the terms and conditions set out in the scheme, for the benefit of the participants of the scheme, including executive directors of the Company in their capacity as employees of the Company." A summary of the principal terms of the scheme is in the supplementary information on page 134 of the annual report. The scheme rules will be available for inspection to shareholders at the Company's registered office for a period of 14 days prior to the annual general meeting to be held on Wednesday, 15 June 2011.

Percentage of voting rights required for ordinary resolution number 6 to be adopted: at least a 75 percent majority of the votes cast by the shareholders of the Company present in person or represented by proxy at the annual general meeting at which this resolution is proposed.

Ordinary resolution number 7 – Approval of Metorex Deferred Bonus Plan 2011

"Resolved as an ordinary resolution that subject to (i) the approval by at least a 75 percent majority of the votes cast by the shareholders of the Company present in person or represented by proxy at the annual general meeting at which this resolution is proposed and, (ii) the Listings Requirements of the JSE, the adoption of the Metorex Deferred Bonus Plan 2011 set out in the document initialled by the Chairman for identification purposes ("plan") be and is hereby approved and that the directors of the Company be and are hereby authorised to take all such steps as may be necessary for the carrying into effect of the plan, including the allotment and issue of ordinary shares in the capital of the Company on the terms and conditions set out in the plan, for the benefit of the participants of the plan, including executive directors of the Company in their capacity as employees of the Company." A summary of the principal terms of the plan is in the supplementary information on pages 134 and 135 of the annual report. The plan rules will be available for inspection to shareholders at the Company's registered office for a period of 14 days prior to the annual general meeting to be held on Wednesday, 15 June 2011.

Percentage of voting rights required for ordinary resolution number 7 to be adopted: at least a 75 percent majority of the votes cast by the shareholders of the Company present in person or represented by proxy at the annual general meeting at which this resolution is proposed.

Special resolution number 1 – Approval of issue of options and shares to directors

"Resolved as a special resolution in terms of section 41(1) of the Companies Act, No 71 of 2008, as amended, that the issue of any shares in the capital of the Company or the grant of any options to subscribe for or acquire shares in the capital of the Company to any executive director of the Company pursuant to the scheme or the plan be and is hereby approved."

Percentage of voting rights required for special resolution number 1 to be adopted: 75 percent of the voting rights exercised on the resolution.

Special resolution number 2 – Financial assistance to related or inter-related company

"Resolved as a special resolution in terms of section 45 of the Companies Act, No 71 of 2008, as amended ("the Act") that the Company providing, at any time and from time to time until the next annual general meeting of the Company, any direct or indirect financial assistance as contemplated in such section of the Act to any 1 (one) or more subsidiaries of the Company, be and is hereby approved, provided that –

- 1 (i) the recipient or recipients of such financial assistance, and (ii) the form, nature and extent of such financial assistance, and (iii) the terms and conditions under which such financial assistance is provided, are determined by the board of directors of the Company from time to time; and
- 2 the board of directors of the Company may not authorise the Company to provide any financial assistance pursuant to this special resolution unless the board meets all those requirements of section 45 of the Act which it is required to meet in order to authorise the Company to provide such financial assistance; and
- 3 such financial assistance to a recipient thereof is, in the opinion of the board of directors of the Company, required for the purpose of (i) meeting all or any of such recipient's operating expenses (including capital expenditure), and/or (ii) funding the growth, expansion, reorganisation or restructuring of the businesses or operations of such recipient, and/or (iii) funding such recipient for any other purpose which in the opinion of the board of directors of the Company is directly or indirectly in the interests of the Company."

Percentage of voting rights required for special resolution number 2 to be adopted: 75 percent of the voting rights exercised on the resolution.

Notice of the annual general meeting

continued

Special resolution number 3 – Fees payable to non-executive directors

"Resolved as a special resolution that the fees payable to the non-executive directors of the Company for serving on committees of the board of directors of the Company, be increased with effect from 1 July 2011 on the basis set out in the remuneration report on pages 76 to 79 of the annual report to which the notice of the annual general meeting at which this resolution is proposed is attached."

Percentage of voting rights required for special resolution number 3 to be adopted: 75 percent of the voting rights exercised on the resolution.

Ordinary resolution number 8 – Signature of documents

"Resolved as an ordinary resolution that any one director or the secretaries of the Company be and is hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution is proposed."

Percentage of voting rights required for ordinary resolution number 8 to be adopted: more than 50 percent of the voting rights exercised on the resolution.

Other business

To conduct such other business as may be conducted at an annual general meeting.

Directors – refer to pages 12 and 13;

Major shareholders of the Company – refer to pages 71 and 136;

Directors' interests in the Company's securities – refer to page 74;

Share capital – refer to page 101.

Litigation statement

The directors of the Company, whose names are given on pages 12 and 13 of this annual report, are not aware of any legal or arbitration proceedings, pending or threatened against the Group, which may have or have had, in the 12 months preceding the date of this notice, a material effect on the Group's financial position.

Directors' responsibility statement

The directors, whose names are given on pages 12 and 13 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report contains all the information required by law and the JSE.

Material change

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs, financial or trading position of the Group since the signature date of this annual report and the posting date hereof.

Voting and proxies

On a show of hands every shareholder present in person or by proxy, and if a member is a body corporate, its representative, shall have one vote and on a poll every shareholder present in person or by proxy and, if the person is a body corporate, its representative, shall have one vote for every share held or represented by him/her.

A form of proxy is attached for completion by registered certificated shareholders and dematerialised shareholders with own-name registration who are unable to attend the annual general meeting in person but wish to be represented thereat. Forms of proxy must be completed and received by the transfer secretaries at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time appointed for the meeting. Registered certificated shareholders and dematerialised shareholders with own-name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting to the exclusion of their appointed proxy/(ies) should such member wish to do so. Dematerialised shareholders, other than with own-name registration, must inform their CSDP or broker of their intention to attend the annual general meeting and obtain the necessary authorisation from their CSDP or broker with their voting instructions should they not be able to attend the annual general meeting in person but wish to be represented thereat. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned by the cut-off time stipulated therein.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and to vote in his/her stead.

By order of the board

Statucor (Pty) Limited
Secretaries

Form of proxy

METOREX LIMITED

(Incorporated in the Republic of South Africa) • (Registration number 1934/005478/06)
Share code: MTX • ISIN: ZAE000022745 • Issuer code: MEMTX

To be completed by certificated shareholders and dematerialised shareholders with own name registration only.

For use in respect of the annual general meeting to be held in the Ilanga Room 2, Hyatt Regency Johannesburg, 191 Oxford Road, Rosebank, Johannesburg, South Africa at 10:00 on Wednesday, 15 June 2011. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registrations, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We

(full name and surname in block letters)

of

(full address)

as a member of

Being the registered holder of shares

in the Company hereby appoint

1. _____ or

2. _____ or

3. The chairman of the meeting

as my proxy to attend and vote on my/our behalf, as indicated below, at the annual general meeting of the shareholders of the Company to be held in the Ilanga Room 2, Hyatt Regency Johannesburg, 191 Oxford Road, Rosebank, Johannesburg, South Africa at 10:00 on Wednesday, 15 June 2011 and any adjournment thereof.

Resolutions		For	Against	Abstain
Ordinary resolution number 1	Adoption of the annual financial statements			
Ordinary resolution number 2	Re-election of directors			
	2.1 Mr R Still			
	2.2 Mr L Paton			
	2.3 Mr M Smith			
	2.4 Mrs H Hickey			
	2.5 Mr P Molapo			
Ordinary resolution number 3	Election of audit committee members			
	3.1 Mrs H Hickey			
	3.2 Mr P Molapo			
	3.3 Mr V Mabuza			
Ordinary resolution number 4	Re-appointment of independent external auditors			
Special business				
Ordinary resolution number 5	General authority to issue shares for cash			
Ordinary resolution number 6	Approval of the Metorex Share Incentive Scheme 2011			
Ordinary resolution number 7	Approval of the Metorex Deferred Bonus Plan 2011			
Special resolution number 1	Approval of issue of options and shares to directors			
Special resolution number 2	Financial assistance to related or inter-related company			
Special resolution number 3	Fees payable to non-executive directors			
Ordinary resolution number 8	Signature of documents			

Signed this _____ day of _____ 2011

Signed _____ (normal signature)

Capacity and authorisation _____

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable. Indicate with an X in the appropriate block.)

Corporate information

Contact details for Metorex Limited and Corporate advisers

Metorex Limited

The Mall Offices, 5th Floor,
11 Cradock Ave, cnr Baker Street,
Rosebank, 2196
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Facsimile: (+27 11) 215-4001
Website: www.metorexgroup.com
E-mail: ir@metorexgroup.com

Investor relations

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Registrars

South African

Link Market Services South Africa (Pty) Limited
PO Box 4844, Johannesburg, 2000, South Africa
Telephone: (+27 11) 834-2266

United Kingdom

The Capita Group PLC
The Registry, 34 Beckenham Road, Beckenham, Kent,
BR34TU, England
Telephone: (+44 208) 639-2157

Company Secretaries

Statucor (Pty) Limited
PO Box 1574, Houghton, 2041, South Africa
Telephone: (+27 11) 728-7240

Sponsor

Barnard Jacobs Mellet Corporate Finance (Pty) Limited,
a wholly owned subsidiary of One Capital
Tel: (+27 11) 550-5000 Fax: 086 538 4299
Website: www.onecapital.co.za

Auditors

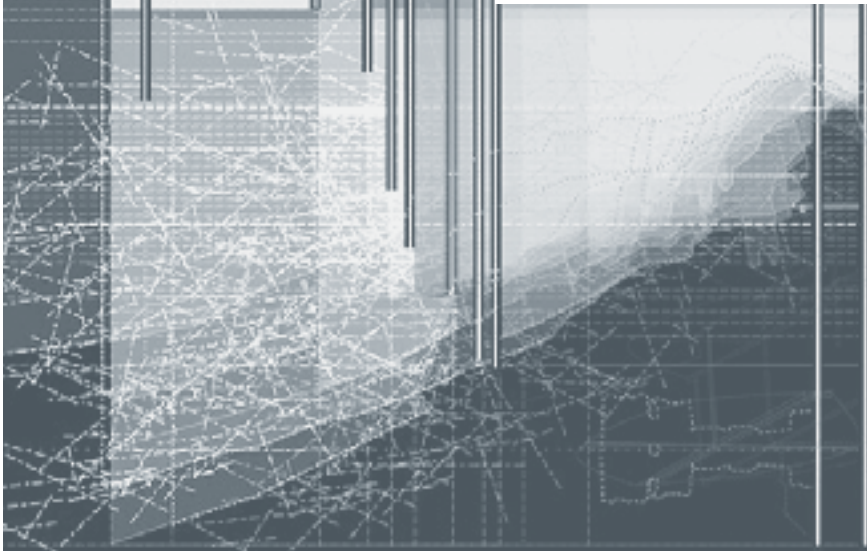
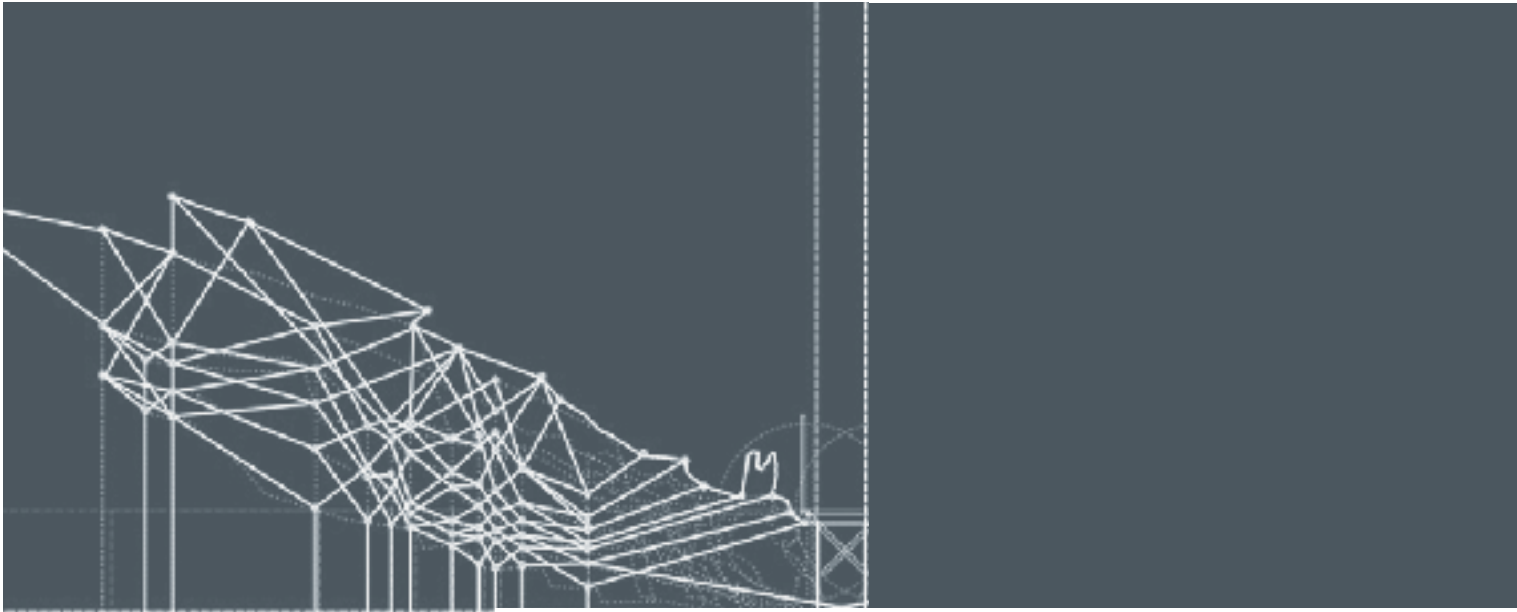
Deloitte & Touche
Private Bag X6, Gallo Manor, 2052, South Africa
Telephone: (+27 11) 806-5000

ADR Programme – North America and Canada
The Bank of New York
101 Barclay Street, New York, NY 10286, USA
Telephone: (+1 212) 815-3326

Directors

R Still* (Chairman), T Goodlace (CEO),
A Barrenechea (Spanish)*, H Hickey*, N Kgositsile*,
V Mabuza*, P Molapo (Masotho)*, L Paton*,
M Smith (CFO)

**Non-executive*



www.metorexgroup.com ▶