

# 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 <sup>1</sup>	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 <sup>2</sup>	South Africa	100%	Copper
Sable Zinc Kabwe Limited	Zambia	100%	Copper, cobalt

<sup>1</sup>Copper 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").

<sup>2</sup>Ruashi 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
<b>Ruashi Mining sprl</b>	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
<b>Chibuluma Mines plc<sup>1</sup></b>	7064-HQ-LML formerly (LML23)	Large-scale mining licence	4 895
	7065-HQ-LML formerly (LML24)	Large-scale mining licence	1 120
<b>Minière de Musoshi et Kinsenda sarl</b> <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
<b>Sable Zinc Kabwe Limited</b>	SML1	Large-scale mining licence	80
<b>Consolidated Murchison division</b> <i>Prospecting</i>	Farrell 781LT	Old-order mining rights <sup>2</sup>	663
	Josephine 777LT	Old-order mining rights <sup>2</sup>	792
	Claimland 780LT	Old-order mining rights <sup>2</sup>	502
	Begin 765LT	Old-order mining rights <sup>2</sup>	840
		Converted prospecting rights 29/06/2007 – 2010	9 454
<b>O'Okiep Copper Company (Pty) Limited<sup>2</sup></b>	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	

<sup>1</sup>Chibuluma licence boundaries revised in April 2010 to conform with cadastral changes as regulated under the revised Mines and Development Act, No 7 of 2008.

<sup>2</sup>O'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
<b>Shareholder spread</b>				
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
<b>Total</b>	<b>7 400</b>	<b>100,00</b>	<b>1 002 263 403</b>	<b>100,00</b>
<b>Distribution of shareholders</b>				
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
<b>Total</b>	<b>7 400</b>	<b>100,00</b>	<b>1 002 263 403</b>	<b>100,00</b>

# 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, $\text{Cu}_5\text{FeS}_4$ , found in sulphide deposits
chalcocite	copper mineral, $\text{Cu}_2\text{S}$ , found mainly in the enriched zones of sulphide deposits
chalcopyrite	copper mineral, $\text{CuFeS}_2$ , found mainly in sulphide deposits
chrysocolla	hydrous copper silicate mineral, $\text{Cu}_2\text{H}_2(\text{Si}_2\text{O}_5)_2(\text{OH})_4$ , 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 <sub>2</sub>
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 <sup>3</sup>	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 <sub>2</sub>	Sulphur dioxide
TCo	Total cobalt
TCu	Total copper
Zn	Zinc