Shareholders should carefully consider all of the information set out in this circular, including the risks and uncertainties described below associated with the Acquisition and the business and assets of the Target Group and the industry in which it operates before making a decision on how to vote on the resolutions relating to the Acquisition, the increase in the authorised share capital of the Company and the Specific Mandate at the EGM. The business, financial condition and results of operations of the Group, the Target Group and the Enlarged Group could be materially and adversely affected by any of these risks.

To the best of the Directors' knowledge, the Directors consider the following risks to be the most significant in respect of the assets and business of the Target Group for the Shareholders and potential investors of the Company. However, the risks listed below do not purport to comprise all those risks associated with the Acquisition, the Group, the Target Group and the Enlarged Group and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Acquisition, the Group, the Target Group and the Enlarged Group. If any of the following risks actually occurs, the Acquisition, and the Group's, the Target Group's and the Enlarged Group's business, financial condition, capital resources, results and/or future operations could be materially and adversely affected.

RISKS ASSOCIATED WITH THE ACQUISITION AND THE ENLARGED GROUP

1. Risks relating to investments in a new business in foreign developing jurisdictions

The Acquisition constitutes an investment in a new business sector involving the exploration, mining and production of copper and cobalt in the DRC and Zambia, which the Company has not previously been involved in. The Target Group's exploration and future development and operating activities in the DRC and Zambia are subject to the risks normally associated with the conduct of business in countries with less developed or emerging economies. The DRC and Zambia have a history of political instability and sometimes unpredictable changes in government policies and laws, social and labour unrest (which in some cases has been violent) and, in the case of the DRC, civil conflict and war. Please refer to the section headed "Risks relating to the political, economic, regulatory, legal and social aspects associated with conducting operations in Zambia and the DRC and investing in South Africa" below for more information about the risks relating to conducting business in such foreign jurisdictions.

If the Enlarged Group is unable to function effectively within the above-mentioned risk environment, its financial condition and operating results may be materially and adversely affected.

Any change in the political and economic conditions in the jurisdictions in which the Target Group operates may also adversely affect the financial and operational results of the Target Group. Consequently, the Target Group is not in a position to assure the timing and amount of any return or benefits that may be received. If the business in the new mining sectors does not develop or progress as planned, the Target Group may not recover the funds and resources it has spent, and this may adversely affect the Target Group.

2. Risks relating to completion of the Acquisition

A number of the conditions precedent to Completion as set out in the paragraph headed "Conditions Precedent" in the section headed "Letter from the Board" of this circular involves the decision of third parties, including approvals by the Independent Shareholders at the EGM, the consent from existing creditors of the Metorex Group, all necessary governmental and regulatory approvals in the PRC, the DRC, Zambia and South Africa, and the approval from the Stock Exchange as are required under the Listing Rules in connection with the transaction contemplated by the Acquisition Agreement. As fulfilment of such conditions precedent is not within the control of the parties involved in the Acquisition, there is no assurance that the Acquisition will be completed as contemplated.

3. Risks relating to potential future acquisitions or investments in other companies

The Enlarged Group may seek to expand its business through acquisitions as it intends to consider and evaluate opportunities for further growth through acquisitions when there are suitable acquisition targets; however, there can be no assurance that the Enlarged Group will find attractive acquisition candidates in the future, or that the Enlarged Group will be able to acquire such candidates on commercially acceptable terms, if at all. Acquisitions may require substantial capital and negotiations of potential acquisitions and the integration of acquired operations could disrupt the Enlarged Group's business by diverting management, and employees' attention away from day-to-day operations. The difficulties of integration may be increased by the necessity of coordinating geographically diverse organizations, integrating personnel with disparate backgrounds and combining different corporate cultures.

At times, acquisition candidates may have liabilities or adverse operating issues that the Enlarged Group fails to discover through due diligence prior to the acquisition. If the Enlarged Group consummates any future acquisitions, the Enlarged Group's capitalisation, and results of operations may change significantly.

Any acquisition involves potential risks, including, among other things: (i) mistaken assumptions about mineral properties, Mineral Resources and costs, including synergies; (ii) an inability to successfully integrate any operation the Enlarged Group acquires; (iii) an inability to hire, train or retain qualified personnel to manage and operate the operations acquired; (iv) the assumption of unknown liabilities; (v) limitations on rights to indemnity from the seller; (vi) mistaken assumptions about the overall cost of equity or debt; (vii) unforeseen difficulties operating acquired projects, which may be in new geographic areas; and (viii) the loss of key employees and/or key relationships at the acquired project.

Acquisitions or investments may require the Enlarged Group to expend significant amounts of cash, resulting in the Enlarged Group's inability to use these funds for other business purposes. The potential impairment or complete write-off of goodwill and other intangible assets related to any such acquisition may reduce the Enlarged Group's overall earnings and could negatively affect the Enlarged Group's balance sheet.

The occurrence of any of the foregoing could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

4. Risks relating to the Group's business of trading of mineral and metal products

The Group is engaged in the business of trading of mineral and metals. During the year ended 31 December 2012, the Group purchased copper blisters and copper concentrate from overseas suppliers and sold all of these mineral and metal products to Jinchuan Group. As at the Latest Practicable Date, the Group sells a significant majority of its products from its mineral and metal products trading business to Jinchuan Group. Whilst we consider that the possibility is unlikely, however, if Jinchuan Group ceases to purchase such products from the Group, the Group cannot give any assurance that the arrangements entered into with future customers will be on terms that are similar to the terms of the arrangement entered into with Jinchuan Group or on terms that are more favourable to the Group. If the Group fails to secure sales arrangement on similar terms or that are favourable to the Group, the financial performance and operating results of the Group may be materially and adversely affected.

RISKS ASSOCIATED WITH THE BUSINESS OF THE TARGET GROUP

5. Risks relating to operation and development of mines

Exploration drilling to establish productive reserves is inherently speculative. The techniques presently available to technical specialists to identify the existence and location of resources are indirect and subject to a wide variety of variables which are subjective in nature. Mineral exploration is highly speculative in nature. The Target Group's exploration projects involve many risks, and success in exploration is dependent upon a number of factors, including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital.

The Target Group cannot give any assurance that its future exploration efforts will result in the discovery of a mineral resource or ore reserve, or that its current and future exploration programs will result in the expansion or replacement of current production with new resources and reserves. In particular, as the Development Project and the Exploration Projects of the Target Group are respectively pre-production development and pre-development exploration projects, there can be no assurance that these projects will be successfully developed or economically viable. The Target Group cannot give assurance that its exploration projects will be able to extend the life of its existing mines or result in the discovery of new producing mines. In addition, the mining operations, development and exploration of the Target Group's mining assets require significant and continuous operational and capital expenditure. The original budgets that the Target Group initially sets aside for these operational and capital expenditure purposes may be exceeded because of factors beyond the Target Group's control.

The Operating Mines, the Development Project and the Exploration Projects of the Target Group by their nature also involves certain risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, unexpected labour shortages and compensatory claims, disputes or strikes, cost increases for contracted and/or purchased goods and services, shortages of required materials and supplies, electrical power interruptions, mechanical and electrical equipment failure, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods and earthquakes, encountering unusual or unexpected climatic conditions which may or may not result from global warming, and encountering unusual or unexpected geological conditions. The occurrence of any of these hazards can delay or interrupt production, increase production costs at the Operating Mines and result in liabilities to the Target Group. In particular, the occurrence of such hazards could impede the progress of exploration activities at the Development Project. The Target Group could become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible. For further details of these environmental and social challenges of the Metorex Group, please refer to section 9.2.15 of the Competent Person's Report set out in Appendix V to this circular.

6. Risks relating to the major capital expenditure programmes

The major capital expenditure projects under the Target Group's expansion program may not be completed within the expected time frame and budget, or at all, and may not achieve the intended economic results. The Target Group's expenditure may not be fully recovered and the depleted ore reserves may not be replaced. The Target Group intends to invest in projects at its existing operations to increase its production efficiency, as well as to expand and develop its mining and processing capacities. The Target Group is also currently in the process of making capital expenditures in connection with the expansion of its operations.

Capital expenditure projects the Target Group is currently undertaking include the development of the Kinsenda Project and the exploration of the Chifupu deposit, the Musonoi Est Project and the Lubembe Project. In respect of the Kinsenda Project, a concentrator will be constructed at an estimated cost of US$86.4 million. The capital cost estimate represents a plant design that is basic and may not take into account additional items that have been recommended by consultants for the operation of this plant. However, Metorex takes the view that the capital estimate is adequate as it was developed by an external consultant to a high level of accuracy, includes contingencies and is in line with industry benchmarks. In the event that it is proven that this capital cost estimate is too low, the Target Group may have to make additional provisions or seek alternative sources of funding to cater to such increase in the cost of construction of the concentrator.

The Target Group typically conducts feasibility studies to determine whether to undertake construction projects, these include those being conducted for the Exploration Projects. Actual results may differ from those anticipated by the feasibility studies. In addition, if a valuable resource is discovered, it could take several years and require capital expenditure to complete the initial phases of exploration and mine development before production commences, and during this period, the capital cost and economic feasibility may change.

The capital expenditure projects, including the planned capital expenditures for the development of the Kinsenda Project, may also be delayed or adversely affected by a variety of factors, including the failure to obtain the necessary regulatory approvals or sufficient funding, construction difficulties, technical difficulties and manpower or other resource constraints. Costs of these projects may also exceed the Target Group's planned investment budget. Even if the Target Group is able to complete the projects without any delay and within its budget, as a consequence of changes in market circumstances or other factors, the Target Group may not achieve the intended economic benefits of these projects. As a consequence of any delay in completing the Target Group's capital expenditure projects, cost overruns, changes in market circumstances or other factors, the intended economic benefits from these capital expenditure projects may not materialise, and the Target Group's business, financial condition and results of operations may be materially and adversely affected.

7. Risks relating to title and concessions and the inability to obtain, retain or renew concessions, permits or licences

The Target Group's mining and exploration concessions in the DRC and Zambia may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects or underlying landholdings. Accordingly other parties could potentially dispute the Target Group's title to its mining and exploration rights. The acquisition of title to mineral properties in the DRC and Zambia is a very detailed and time-consuming process. Failure to make certain payments and take certain actions required to keep permits or rights in good standing may result in the loss of such permits or rights. In addition, there can be no assurance that the Target Group has kept proper corporate records or made the necessary filings with the relevant authorities in respect of entities that the Target Company has an interest in.

The Target Group is required under applicable laws and regulations to seek governmental concessions, permits, authorisations, mining and prospecting licences and other approvals, including in connection with its operating, producing, exploitation, exploration and development activities. Obtaining these permits or licences can be a complex and time-consuming process and may involve substantial costs or the imposition of unfavourable pre-grant or post-grant conditions. There can be considerable delay in obtaining the necessary permits and other authorisations and, in certain cases, the relevant government agency may be unable to issue a permit or other authorisation which is required in a timely manner.

In addition, the duration and success of licence applications are contingent on many factors that are beyond the Target Group's control (including pressure from local communities, non-governmental organizations or media). Certain of the concessions, permits, authorizations, licences or approvals held by the Target Group in respect of its mining operations, production and development projects and exploration projects may be terminated under certain circumstances, which include the following: (i) failure to comply with any of the material, general or special licence conditions (including provision of regular reports and the taking out of appropriate insurance) or gain an extension to the time period required for compliance with such conditions; (ii) minimum expenditure levels or minimum work commitments not undertaken or achieved by the Target Group (or a corresponding penalty is not paid to the appropriate state authority); (iii) environmental, health and safety standards (including payment of contributions and establishment of environmental performance bonds) are not met; (iv) operating in the licensed areas in a manner that violates the laws of Zambia and the DRC; (v) failure to provide information required or requested by authorities; (vi) liquidation of the immediate licence holder; (vii) failure to comply with any requirement under the mining legislation relating to the mining or prospecting licence; and (viii) not providing or giving false information on recovery of ores and mineral products, production costs or sales.

The Target Group may, in the future, be required to apply for extensions of the initial exploration periods for the exploration licences which it may hold and extensions for the terms of mining permits or licences for its existing assets. There is no assurance that the Target Group will be able to obtain the extensions in respect of any expiring exploration periods or the term of any expiring mining permits or licences. If such extensions are not granted, the Target Group may lose its right of mining in respect of these areas. If these title risks materialise, the business, financial condition and operating results of the Target Group may be materially and adversely affected.

The Target Group may not be able to continue to comply with such laws and regulations due to factors that are beyond its control, and under those circumstances, the licences and permits may be revoked and it may be subject to penalty. Operational income derived under such licences or permits may also be forfeited. To the extent that these laws, regulations and legal requirements are evolving, additional licences and permits may be required or the Target Group may be required to adjust its activities in order to comply with such regulations and in doing so, may incur substantial costs.

8. Risks relating to changes in the estimates of the mineral resources and reserves of the Operating Mines, the Development Project and the Exploration Projects

The mineral resource and mineral reserve estimates of the Operating Mines, the Development Project and the Exploration Projects set out in this circular and the Competent Person's Report comply with the SAMREC Code, but no assurance can be given that any particular level of recovery from ore reserves will in fact be realised or that an identified mineral resource will qualify as a commercially mineable orebody that can be economically exploited.

The estimation of mineral resources and ore reserves involves some interpretation and is a partially subjective process. The accuracy of mineral resource and reserve estimates is a function of the quantity and quality of available data and the assumptions used and judgments made in interpreting engineering and geological information. Data used in the resource estimation may be based on historical data where the quality control methods applied to the data collection are not known to the Metorex Group and there is a risk that the tonnage or grades are overstated. In addition, resource classification may be based on data drilled by the Metorex Group's predecessors at the projects and consequently there may be a risk of a false interpretation of geology or grade of the mineral resources. Details of SRK's assessment of the risks are set out in section 9.2.4 of the Competent Person's Report set out in Appendix V to this circular. Metorex's internal procedures and planning process seek to ensure that all resources are extracted profitably, without sterilising any grades below the calculated cut-off grade.

There is uncertainty in any resource or reserve estimate and the actual deposits encountered and the economic viability of mining a deposit may differ materially from the estimates set out in this circular and the Competent Person's Report. In particular, the Mineral Resource estimates of the Metorex Group's assets are largely premised on an average historical copper price which may be higher than the price ruling as at 30 June 2013. While this is acceptable practice in mineral resource estimation, there is a risk that a portion of the estimated resources may not be economically extracted.

The discovery of mineral resources through exploration of mineral tenements is speculative in nature and is frequently unsuccessful. The Target Group may be unable to successfully discover and exploit new reserves to replace those it is mining to ensure the ongoing viability of the Target Group's projects.

Estimated mineral resources or ore reserves may have to be re-calculated based on changes in metals prices, further exploration or development activity or actual production experience. This could have a material adverse effect on estimates of the volume or grade of mineralisation, estimated recovery rates or other important factors that influence resource or reserve estimates. Market price fluctuations for metals, increased production costs, reduced recovery rates or other factors may render the present Proven Reserves and Probable Reserves of the Operating Mines, and the Development Project uneconomical or unprofitable to develop at a particular site or sites.

9. Risks relating to the power disruptions in the DRC

The Target Group's mining operations are largely dependent on adequate infrastructure, in particular reliable power sources. Each project of the Target Group requires substantial amounts of electrical power in order for it to sustain its operations at the Operating Mines, the Development Project and the Exploration Projects (once developed). In the DRC, supply of hydro-electric power by the

DRC's national electricity company SNEL has been erratic due to the poor infrastructure and inadequate maintenance of the national power grids, cables and plants. The mining operations and development activities of the Target Group at the Ruashi Mine and the Kinsenda Project in the DRC have been disrupted from time to time as a result of such power outages. For example, as a result of large-scale power disruptions in the DRC during 2012, the volume of copper sold by Ruashi Mining has been substantially reduced by 22.6% in 2012 from 2011 resulting in the total revenue generated by the Metorex Group decreasing by 19.6% over the same year. The lack of constant electricity supply has resulted in the Target Group not being able to operate its mining and processing machinery and equipment optimally which in turn has had a material adverse effect on the Target Group's business, financial condition and results of operations. In addition, owing to such deficiency of electricity, pumps to extract excess water at the Kinsenda Project have experienced incidents where they have been unable to operate resulting in flooding of sections underground. To alleviate these problems, the management of the Target Group has been proactively seeking alternative and potential sources of power and has undertaken measures to reduce the reliance upon such hydro-electric power provided by SNEL.

In an effort to improve the availability of power supplies at the Ruashi Mine and as an interim measure pending the commissioning of the seven new diesel power generators with a combined generation capacity of 15 MW, Ruashi Mining entered into a six-month lease agreement for 13 diesel powered generators with a combined generation capacity of 13 MW. The leased diesel powered generators were commissioned in February 2013 and had an immediate improvement on the availability of power since being commissioned. Ruashi Mining plans to purchase these leased diesel powered generators during the second half of 2013 following the expiry of the lease term as a measure for the Ruashi Mine to reduce its reliance on power supplies from SNEL and Zambia and become fully self-sufficient in power supply and therefore minimise the negative impact on its mining operations when national grid power disruptions and/or reductions occur. However, investments in these generation plants and generators are substantial and the generation of electricity using these alternative sources will drive up the cost of production for the mining operations of the Target Group. This reliance on alternative and more expensive sources of power will have a material adverse effect on the results of operations and profitability of the Target Group. In addition, there can be no assurance that measures taken by the management of the Target Group to adopt alternative sources of electricity will be made available for use by the Target Group in sufficient quantities to allow it to produce at contemplated production rates.

10. Risks relating to workplace safety, including personal injury, death and legal liability

The Target Group's mining operations are subject to risks related to workplace safety, including damage to, or destruction of, mining equipment and processing facilities, and could also result in personal injury, death, performance delays, monetary losses and legal liability. The Target Group has taken various steps to enhance workplace safety – it has implemented a health and safety strategy based on a risk management framework and designed around five key elements: identify hazards, establish procedures, train employees, implement procedures and monitor compliance. However, it may be difficult to enforce compliance with the established standards and procedures and workplace accidents may occur from time to time. For example, there was a fatal accident at the Ruashi Mine which resulted in the death of one employee of African Mechanical Superlift Limited, a construction contractor, in March 2013 at the Ruashi Mine. The fatality was caused by the contractor's employee's non-compliance with relevant rules and procedures. For more details on the fatality and the safety record of the Metorex Group's operations, please refer to the sub-section headed "Information of the Target Group – Sustainable Development – Safety" in this circular. The Target Group has implemented a comprehensive health and safety plan in order to improve the compliance with health and safety standards at its projects. A number of procedures governing the behaviours of staff and contractors have been formalised and these were implemented to improve the safety culture and to improve the management of contractors. The mechanical shortcomings identified as contributors to safety incidents have been prioritised and will be addressed.

Notwithstanding these measures, minesite construction, mining and mineral processing and transportation are inherently dangerous activities and there can be no assurance that serious accidents or fatalities would not occur in the future. If the Target Group fails to prevent serious accidents or fatalities, it may be held liable for damages arising therefrom or in connection therewith and there may be lost time and disruptions to normal mining operations and schedules. In addition, such accidents or fatalities could have a negative effect on its reputation and its relationship with the local community. Any of the foregoing could have a material adverse effect on the Target Group's results of operations, business, financial condition and prospects.

11. Risks relating to dewatering programmes, groundwater quality monitoring, quality controls and waste dumping

The Target Group's mining operations are subject to principal risks related to effective dewatering programmes, groundwater monitoring, space for waste dumping and quality controls.

Dewatering programmes

The exploitation activities of the Target Group are dependent on the availability of dry mining conditions. At the Kinsenda Project, studies have indicated that the use of a dewatering programme is likely to result in the lowering of the groundwater levels in the shallower aquifer where the community boreholes are located. The Kinsenda Project feasibility study has taken account of the water conditions and appropriate pumping systems have been designed to deal with this. The water pumping system has been recently upgraded by Kinsenda Sarl commissioning three vertical 30 m settlers and one clear water vertical dam which is 30 m high to ensure a flooded suction to the clear water pumps. Additional provision has been made by Kinsenda Sarl to install three off mud pumps, which is expected to be used to control the level of mud in each dirty water settler. Ongoing provisions have been made for operating costs of the pumping infrastructure comprising predominantly maintenance and power related costs. The ground water level is monitored in the boreholes of the surrounding communities at the Kinsenda Project on a monthly basis. As at the Latest Practicable Date, no significant lowering of the water table has been detected. At the Musonoi Est Project, high ground water inflow rates can be expected and there is a risk that the water treatment costs may be high. While the Target Group has put in place water pumps to extract excess groundwater at the Kinsenda Project, the extent of groundwater levels has not been completely assessed. In addition, there is little knowledge of the hydrological/groundwater regime at the Musonoi Est Project and the Lubembe Project. Without thorough hydrogeological assessments, there is a risk that the extent of groundwater may be higher than expected, which may mean that the existing pumps may be undersized. This would translate into increased pumping costs and time to ensure dry mining conditions, which could materially and adversely affect the business and financial condition. Any increase in the time and cost related to the supply of electricity used to power the water pumps could also materially and adversely affect the financial condition and results of operations. Studies of the water conditions at the Lubembe Project and the Musonoi Est Project will form part of the feasibility studies and appropriate mitigating measures will be implemented where required. As at the Latest Practicable Date, the hydrogeological study for the Musonoi Est Project (which is still in progress) has not indicated excessive water flows.

Groundwater quality monitoring

There is also the risk of groundwater contamination arising from the mixture of the sulphide ores mined and the groundwater in the Operating Mines, development sites and exploration sites. Groundwater contamination has been identified as a risk at the Chibuluma South Mine, particularly from the tailings storage facility. Due to the nature of sulphide ores mined, acid mine drainage can also be expected. Metorex reported that further studies would be conducted to determine the potential for acid mine drainage at the Chibuluma South Mine and mitigating measures would be identified. Accordingly, there is a risk that there will be a need for expensive post closure water treatment at the Operating Mines, development sites and exploration sites. While the Target Group has undertaken various steps to mitigate the risk of groundwater contamination, claims may still be asserted against the Target Group arising out of its operations as a result of groundwater contamination or actions by environmental protection groups or other interested parties who object to the actual or perceived environmental and health impact of the mining operations of the Target Group. These claims and actions may delay or halt production and/or may create negative publicity in relation to the Target Group and their relationship with the local community. There is no assurance that the costs (including remediation costs) of complying with current health, safety and environmental laws and regulations, and any liabilities arising from past or future releases of, or exposure to, hazardous substances (including contaminated groundwater) will not materially and adversely affect the business, financial condition and results of operations of the Target Group.

Quality control systems

The successful blending of ores to the mill is dependent on effective quality control procedures and the implementation of a sophisticated truck despatch or material tracking systems. The effectiveness of the Target Group's quality control procedures depend significantly on a number of factors, including the design of the procedures, the related training programmes as well as the availability of skilled personnel required to implement these procedures. From time to time, there may be inefficiencies arising from the implementation and operation of such systems, which could result in a material adverse effect on the Target Group's business and results of operations.

Waste dumping

Mining operations generally require land upon which waste arising from mining activities is dumped. The Target Group has relatively little land for waste dumping at the Ruashi Mine which will result in the Ruashi Mine having to dump waste in Ruashi I in future according to the latest mining schedule. There can be no assurance that Ruashi I at the Ruashi Mine will be mined out on time so as to create sufficient space for waste dumping. A backfill design and implantation plan will be established for the Ruashi Mine waste dump in Ruashi I as part of the 2014 LoM plan of the Ruashi Mine.

12. Risks relating to customers and suppliers

The Target Group currently sells its copper products to three customers, namely, Glencore, MRI and CCS, under short-term one year off-take agreements. The Target Group sources these customers through a tender process conducted annually and the terms of the off-take arrangements are dependent on the results of the tender process by bidders. The current off-take agreements with the three customers will expire in December 2013. Upon the expiry of such arrangements, the Target Group cannot give assurance that the off-take arrangements entered into with future customers will be on terms that are similar to the terms of the arrangements entered into with its existing customers or on terms that are more favourable to the Target Group. If the Target Group is unable to secure off-take arrangements on similar terms or that are favourable to the Target Group through the tender process, the financial performance and operating results of the Target Group may be materially and adversely affected. In addition, the Target Group has credit exposure to its customers from time to time and any material adverse change in current customers' financial position may impact the Target Group.

The Target Group will have exposure to movements in prices charged by external suppliers, including those that provide inputs to production, such as electricity and other energy providers, explosives suppliers, sea freight and transport service providers. An increase in one or more of these cost items for a sustained period could have an adverse impact on the financial performance of the Target Group, especially in circumstances where alternative suppliers are not available. In addition, there can be no assurance that the supplies, including reagents, required for the Target Group's operations, will be available to the Target Group or be delivered on time. Any unforeseen adverse changes in quality or reductions in the quantity of supplies provided may also have a material adverse impact on operations.

The Group is also engaged in the business of trading of mineral and metal products. CCS, a purchaser of the Target Group's copper concentrate produced at the Chibuluma South Mine, supplies copper blisters processed by it to the Group for its trading business. As at the Latest Practicable Date, the Group only purchases copper blisters from CCS. If CCS ceases to supply such products to the Group, the Group cannot give the assurance that it will be able to source copper blisters on the same terms entered into with CCS, which may in turn adversely affect the results of operation of its mineral and metal products trading business.

13. Risks relating to joint ventures

The Target Group holds its interest in each of the projects in conjunction with other third parties, and such joint venture arrangements may not be successful. Failure of these co-owners to meet their obligations to the respective project companies or to third parties could have a material adverse effect on the Target Group. In addition, the Target Group may enter into further joint ventures in the future along with the expansion of its operations. Joint ventures necessarily involve certain risks. Such risks include the possibilities that the Target Group's joint venture partners may have disputes with it in connection with the performance of each party's obligations and the scope of each party's responsibilities under the joint venture agreements, have economic or business interests or goals that are inconsistent with or opposed to the Target Group, exercise veto rights, pre-emptive rights and block actions that the Target Group believes to be not in its or the joint venture's best interests, be unable or unwilling to fulfill their obligations under the joint venture or other agreements or require capital contributions to the joint venture or the funding of their portion of the joint venture which may be beyond the Target Group's scope.

In respect of the current joint venture arrangements that the Target Group is a party to, although the Target Group is entitled to appoint a majority of the directors of the relevant operating companies related to the projects and is responsible for the day-to-day operation and management of the projects, certain members of the boards of directors of the operating companies of the projects are, or will be, nominated by the minority co-owner. Certain decisions require, or will require, unanimous approval, such as: (i) amendments to constitutional documents; (ii) issuances of new securities; (iii) dissolution; (iv) mortgage of the assets; and (v) merger or division of the form of organisation. To the extent unanimous consent cannot be obtained, there is a risk that the Target Group will not be able to effect these matters despite its desire to do so.

In addition, the ownership and development of the projects with a minority co-owner creates the potential for disputes or disagreements, including: (i) disputes among the parties as to the performance or scope of each party's obligations under relevant agreements, (ii) financial difficulties encountered by a party affecting its ability to perform its obligations, (iii) conflicts between the policies or objectives adopted by the Target Group and the minority co-owner, (iv) exercise of minority co-owner's protection rights that may affect or disrupt the continuing operations of the joint venture company or may not be in the best interest of the joint venture company and hence the Target Group's interest and (v) conflict between the decision of the Target Group and the minority co-owner to dissolve or wind-up the joint venture company. There can be no assurance that disputes or disagreements will not arise in the future. If any dispute or disagreement does arise between the Target Group and a minority co-owner, it could be time-consuming, costly and distracting for the Target Group and disrupt the timely progress of development of a project or even result in the loss or termination of a project. Further details of the joint venture arrangements of the Target Group are set out in the sections headed "Information of the Target Group – Business of the Metorex Group – Ruashi Mine – Ruashi Joint Venture Agreement", "Information of the Target Group – Business of the Metorex Group – Chibuluma South Mine and Chifupu Deposit – Chibuluma plc Shareholders Agreement" and "Information of the Target Group – Business of the Metorex Group – Development Project – Kinsenda Project – Salient terms of the Articles of Association of Kinsenda Sarl" of this circular.

The occurrence of any of the above could have a material adverse effect on the Target Group's business, financial condition, results of operations or prospects through disruption to any joint venture's business or the delay, non-completion or early termination of the relevant development projects.

14. Risks relating to mining contractor

The Target Group relies on a third party, namely MCK, to conduct mining operations at the Ruashi Mine. The Target Group's operations at the Ruashi Mine are affected by the performance of MCK. Although at the outset the Target Group undertook the necessary background checks to ensure that MCK possesses the requisite qualifications and expertise for undertaking the work, there can be no assurance that MCK will continue to provide such mining services to the level and standard required by the Target Group. Failure to maintain a cooperative relationship with MCK or to renew the service contract on similar terms, or at all, when it expires may affect the Target Group's mining operations at the Ruashi Mine. In the event that the Target Group is unable to carry out the work itself or engage replacement third party contractor(s) to carry out the outsourced work in a timely manner or on acceptable terms, or at all, the production and financial performance of the Target Group may be materially adversely affected.

The Target Group maintains supervision over MCK and adopts cost, quantity and quality controls from time to time. Notwithstanding these efforts, the Target Group may not be able to control the quality, safety and environmental standards of the work done by MCK to the same extent as when the work is performed by its own employees. Any failure by such contractor to meet the Target Group's quality, safety and environmental standards may have a material adverse effect on the business, financial condition and results of operations.

15. Risks relating to litigation

As with any company, the Target Group is or will be exposed to risks of litigation. To the extent such risks are not covered by insurance, an adverse outcome in litigation or the cost of and the management's time spent on responding to potential or actual litigation or negotiating settlement of claims may have a material adverse impact on financial performance. Litigation brought against the Target Group could prove costly and time consuming, requiring the attention of senior management, which could have material adverse effects on the Target Group's business, financial condition and results of operation.

16. Risks relating to net current liabilities as at 30 June 2013

The Metorex Group recorded net current liabilities of approximately US$22.7 million (equivalent to approximately HK$177.1 million) as at 30 June 2013, after having recorded net current assets as of 31 December 2010, 2011 and 2012 respectively. The net current liabilities as of 30 June 2013 was primarily due to the increase in short term borrowings to US$84.9 million from US$70.8 million as of 31 December 2012, and this was because the Metorex Group made capital expenditures developing the Kinsenda Project during the six months ended 30 June 2013 which were partly funded by internal cash resources of the Metorex Group thereby reducing its current assets. On the other hand, the Group had net current assets of approximately HK$765.9 million as at 30 June 2013. Accordingly, upon Completion of the Acquisition, it is expected that the Enlarged Group should record a net current assets position on a consolidated basis. However, if the Enlarged Group fails to maintain or generate current assets to the extent that the aggregate amount of its current assets is less than its current liabilities, the Enlarged Group may record net current liabilities after Completion of the Acquisition. If the Enlarged Group has significant net current liabilities for an extended period of time, its working capital for the purpose of its operations may be subject to constraints, which may have a material adverse effect on its business, financial condition and results of operation going forward. Since 30 June 2013, the Metorex Group had entered into a facility agreement in respect of a term loan facility of US$80 million from the China Development Bank Corporation to support its working capital requirements.

17. Risks relating to the ability to attract, retain and train key personnel

The future performance of the Target Group depends, to an extent, upon its ability to continue to attract, retain and motivate key qualified personnel, key senior management and other employees with a variety of skills and experience, including in relation to the development and operation of mineral projects. There is no assurance that these key qualified personnel will continue to provide services to the Target Group or will honour the agreed terms and conditions of their employment or service contracts. The Target Group's success will also depend upon the contributions of qualified technical personnel and the Target Group's ability to attract and retain highly skilled personnel in the DRC and Zambia in particular. Competition for such personnel is intense, and the Target Group may not be successful in attracting and retaining qualified personnel in the DRC or Zambia, or in obtaining the necessary work permits to hire qualified expatriates. In the DRC, increased demand for skilled workers has created a shortage of skilled workers and intense competition for these workers, particularly as DRC legislation limits the number of foreign workers at a mine site at 2% to 2.5% of the workforce, with certain positions reserved exclusively for Congolese staff. Any loss of key qualified personnel or failure to recruit and retain personnel may have a material adverse effect on the Target Group's mining business, financial condition, results of operations and future prospects.

In addition, the Target Group's ability to train operating and maintenance personnel is a key to the success of its mining business activities. If the Target Group is not successful in recruiting, training and retaining such personnel, its business and results of operations could be materially and adversely affected.

18. Risks relating to foreign currency exchange rate fluctuations and foreign exchange control regulations

The Target Group's business generates revenue in U.S. dollars from the sales of copper and cobalt and a material portion of its construction and operating costs are incurred in ZAR and local currencies of the DRC and Zambia. From time to time, the Target Group may borrow funds and incur expenditures that are denominated in a foreign currency. Metals are sold throughout the world, based principally on a U.S. dollar price, but as stated, a significant portion of the Target Group's operating expenses are incurred in non-U.S. dollar currencies. The effect of currency exchange fluctuations is impossible to predict with any degree of certainty. The appreciation of ZAR and local currencies of the DRC and Zambia against the U.S. dollar would increase the costs of operations, which could have a material adverse effect on the Target Group's business, financial condition, results of operations or prospects. The Target Group currently has no currency hedging in place and accordingly, is fully exposed to any adverse fluctuations in the relevant exchange rates.

The Target Group is also subject to applicable foreign exchange control regulations enacted from time to time in the countries where it conducts its operations. In particular, the Government of Zambia has demonstrated an intention to regulate the use of foreign currency in Zambia and to monitor foreign currency payments into and out of Zambia. In this regard, payments for domestic transactions in foreign currency and price setting of domestic transactions based on indexing to a foreign currency has been made illegal. These regulations will restrict the Target Group from setting prices linked to foreign currency when selling or buying from other Zambian registered companies and expose it to currency risks when undertaking domestic transactions in Zambia, which may have a material or adverse effect on the results of operations of the Target Group.

In addition, the Government of Zambia has in 2013 also imposed notification requirements on exporters and importers who make or receive foreign currency payments for goods and services, including dividends, royalties, management fees, technical fees, commissions or consultancy fees. When making or receiving foreign currency payments for goods and services, the Target Group will have to produce additional documentation which may result in delays or additional costs involved when complying with these regulations.

As these laws have been newly enacted, there is an increased risk of arbitrary decisions in its implementation and there can be no assurance that the Target Group will be able to comply fully with these export control regulations and notification requirements when conducting its operations in Zambia.

19. Risks relating to the compliance with applicable environmental protection and remediation regulations in the mining industry as well as the implementation of resettlement action plans

The exploration and development activities of the Target Group are subject to laws and regulations relating to the protection and remediation of the environment. The Target Group will need to perform certain procedures to remedy and rehabilitate the environmental and social impact that its mining operations have on local communities. Remediation, rehabilitation, closure and removal of its facilities will incur various costs which may be substantial and are subject to various risks. In the event of non-compliance with applicable rehabilitation obligations, the Target Group could be subject to a variety of penalties and other administrative actions, including inability to proceed with certain administrative procedures relating to mining permits (including annual inspection, renewal, alteration and mortgage registration), suspension and cancellation of mining permits or ceasing of operations. The provisions or reserves made by the Target Group for the rehabilitation and remediation of its mining assets may not be sufficient to cover its actual liabilities.

In addition, the Target Group's mining operations are subject to risks associated with the relocation of communities to the extent that these communities are adversely impacted by its operations. For example, SRK has identified that a resettlement action plan at the Lubembe Project involving 50 houses, comprising of 400 to 500 people is necessary. A full social impact assessment on the project will be conducted. The need to resettle will depend on the proximity of the community to the pit, waste dumps and proposed infrastructure. Expectation management, resettlement planning and acceptable implementation of corporate social initiative projects can be expected. The community of the Chibuluma South Mine has expressed concern regarding impacts, including air quality and acid mine damage. A resettlement action plan is in the process of being executed and alternative land has been made available for this purpose. In addition, Ruashi Mining removed approximately 3,000 artisanal miners from the Ruashi Mine when operations first commenced. By virtue of the proximity of the Ruashi Mine to the community and the inherent volatility of communities, dissatisfaction and possible unrest of such communities may represent a risk to the Ruashi Mine's operations. It is anticipated that resettlement of housing and farming land in respect of the Musonoi Est Project is required and surveys in this regard have commenced. There can be no assurance that the Target Group will be able to implement these resettlement action plans according to its plan. Any cost overruns or delays in the implementation of such plans may have a material adverse effect on the Target Group's business, financial condition and results of operations.

20. The Metorex Group may retain environmental liabilities in respect of mineral assets that had been disposed of by the Metorex Group

In 2009, the Metorex Group had decided to focus on the exploration and exploitation of base minerals and as a result had subsequently disposed of its non-strategic South African assets through an asset or share sale. Under the laws of South Africa, the person who causes the environmental degradation remains liable for such degradation, notwithstanding the disposal of the land or asset in respect of which any such degradation took place, although a person may mitigate its statutory liability by showing that it took all reasonable measures to prevent, minimise or stop the environmental degradation. Accordingly, notwithstanding these disposals, the Metorex Group remains responsible for any historical environmental and rehabilitation liabilities and obligations of these disposed assets. Despite this, the Metorex Group has in certain circumstances sought to limit its residual statutory environmental liability by contract and vary its position as set out under legislation. Although this is legally permissible, the environmental authorities will not take into account such contractual arrangements and may still hold the Metorex Group (as previous owner) and the new owners jointly and severally liable for environmental pollution. Any imposition of any environmental penalties or rehabilitation liabilities by the relevant environmental authorities in respect of any of the disposed assets may have a material and adverse effect on the Target Group's operations and financial condition.

21. Risks relating to the availability of additional financing in the future

The mining operations of the Target Group are very capital intensive. To fund its current and future operations, capital expenditure requirements, acquisition and investment plans and other funding requirements, the Target Group needs sufficient internal sources of liquidity or access to financing from external sources. The Target Group currently funds its capital expenditures with short-term and long-term bank loans, cash flow from its operating activities and capital contributions and shareholder loans. Its future liquidity, payment of trade and other payables and repayment of its outstanding debt obligations as and when they become due will primarily depend on its ability to maintain adequate cash inflows from its operating activities and adequate external financing, and its ability to generate adequate cash inflows from operating activities may be affected by decreasing sales or downward movements in prices for copper and cobalt products. The Target Group's ability to obtain external financing in the future is subject to a variety of uncertainties, including its future financial condition, results of operations and cash flows, the condition of the global and domestic financial markets, changes in bank interest rates and lending practices and conditions, ability to renew or refinance its existing short-term bank loans or secure additional external financing, and downward movement in base metal prices. In particular, the disruptions, uncertainty or volatility in the capital and credit markets resulting from the global financial crisis may limit the Target Group's ability to obtain financing to meet its funding requirements and the Target Group may postpone certain development projects if its directors determine that doing so would be in the interest of the Target Group after taking into consideration the current market conditions, its financial performance and other relevant factors. A portion of the funding for the capital expenditure projects of the Target Group will come from the potential Placing(s) that the Company is intending to undertake but the success of the Placing(s) would depend significantly on market conditions. The occurrence of any of these events may cause the Target Group not to have sufficient cash flow to fund its operating costs and, in that event, its business, financial condition and results of operations may be materially and adversely affected.

22. Mining operations have a limited life and the Target Group is responsible for the eventual closure and rehabilitation of its historical and current projects

The Target Group's existing mining operations have a limited life. The key costs and risks for mine closures are (i) long-term management of permanent engineered structures; (ii) achievement of environmental closure standards (such as rehabilitation requirements); (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the sites with associated permanent structures and community development infrastructure and programs to new owners. The Target Group's operations currently provide funds for the eventual closure and rehabilitation of the Ruashi Mine, the Chibuluma South Mine (including the Chibuluma West Mine and the Chibuluma East Mine), and the Kinsenda Project. In addition, Metorex is also responsible for the rehabilitation of the Rooiberg and Leeupoort mines held by Maranda Mines (Proprietary) Limited which are no longer in operation. These closure calculations are based on different methodologies and are compiled by external consultants in accordance with the relevant national regulatory requirements. However, these provisions are at best estimates and there can be no assurance that these provisions would be adequate for the actual costs that may be involved to attain closure or rehabilitation of mines in accordance with applicable law. If the provisions prove to be inadequate, the Target Group will be required to find alternative sources of funding to ensure compliance with its environmental obligations and the financial and cash flow position of the Target Group may be adversely affected. The Target Group is also required to pay out termination benefits in the DRC, Zambia and South Africa under the terms of the employment contracts or applicable law at closure of the mines which may be substantial and could materially affect the Target Group's result of operations if such benefits are not adequately provided for or estimated accurately. In addition, there is no assurance that the closure of mines will be successful and without delays or additional costs. The Target Group may experience a difficult closure, the consequences of which range from increased closure costs, handover delays and conflicts with local communities in relation to ongoing monitoring and environmental rehabilitation costs and damage to the Target Group's reputation if desired outcomes cannot be achieved. In the event of a difficult closure, the Target Group's business, financial condition and results of operations could be materially and adversely affected.

23. Risk relating to the proposed equity raising through placing

It is currently intended that the Specific Mandate will cover new Shares to be issued pursuant to one or more potential Placing(s) to be conducted by the Company, subject to the then prevailing market conditions.

Subject to market conditions, the Directors intend to raise gross proceeds of approximately US$400 million and apply such proceeds from the potential Placing(s) for (i) the deployment of funding towards the exploration and development initiatives of the Metorex Group's projects, including but not limited to, the development of the Kinsenda Project in the DRC, (ii) other development and exploration initiatives of the Metorex Group and (iii) merger and acquisition activities, costs and expenses of the Acquisition and the Placing(s) as well as general working capital for the Enlarged Group.

The Target Group's ability to complete the Placing(s) and/or raise sufficient funds is subject to a variety of uncertainties including the conditions of the global and domestic financial and equity capital markets, the Company's prevailing share price and the fluctuation in the global commodities market. In the event that the Company is not able to exercise the Specific Mandate or to raise sufficient funds pursuant to the exercise of the Specific Mandate according to plan or at all and the Company is not able to obtain alternative sources of funding, the Target Group may be unable to pursue or delay the expected timeframe in pursuing the above-mentioned exploration and development initiatives of the Metorex Group's projects and, in that event, its business, financial condition and results of operations may be materially and adversely affected.

24. Risks relating to limited insurance coverage that may not be adequate to satisfy all potential claims

Exploration, development and production operations on mineral properties involve numerous risks and hazards, including rock bursts, slides, earthquakes or other adverse environmental occurrence, industrial accidents, labour disputes, political and social instability, technical difficulties due to unusual or unexpected geological formation, failure of pit walls, and flooding and periodic interruptions due to inclement or hazardous weather condition. These risks can result in, among others, damage to, and destruction of, mineral properties or production facilities, personal injuries, environmental damages, delays in mining, monetary losses and legal liability.

Although the Target Group maintains insurance to protect against certain risks in such amounts as it considers to be reasonable and consistent with industry practice in the countries where it operates its business, its insurance will not cover all the potential risks associated with its activities, including any future mining operations. The Target Group may also be unable to maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration or production may not be available to the Target Group on acceptable terms. The Target Group might also become subject to liability for pollution or other hazards which it is not currently insured against and/or in future may not insure against because of premium costs or other reasons. Losses from these events may cause the Target Group to incur significant costs which could have a material adverse effect on the Target Group's business, financial condition, results of operations or prospects.

25. Risks relating to inclement weather

Inclement weather may cause evacuation of personnel, curtailment of operations, damage to mineral resources, transportation routes and loading facilities. This could in turn result in temporary suspension of operations and a general reduction in productivity. From time to time, the Target Group experiences tropical weather events that can result in its inbound and outbound logistics routes being cut off. There is no assurance that inclement weather will not cause losses to the Target Group in the future. Any damage to the Target Group's projects or delays to its operations by prolonged periods of inclement weather could have a material adverse effect on the Target Group's business, financial condition, results of operations or prospects.

26. Risks relating to change in future plans

Whether the Target Group ultimately implements the production plans and mining schedule of the Target Group or achieves the objectives described in this circular, will depend on a number of factors including, but not limited to, (i) the availability and cost of capital; (ii) current and projected prices of copper and cobalt; (iii) copper and cobalt markets; (iv) costs and availability of drilling services, costs and availability of heavy equipment, supplies and personnel; (v) success or failure of activities in similar areas to those in which its projects are situated; and (vi) changes in estimates of project completion costs. The Target Group will continue to gather information about its projects, and it is possible that additional information will cause the Target Group to alter its schedule or determine that a project should not be pursued at all. Accordingly, the Target Group's plans and objectives may change from those described in this circular.

27. Risks relating to hedging activities

The Target Group periodically enters into hedging activities at the request of loan providers with respect to a portion of its production to manage its exposure to commodity price volatility. Whilst such hedging activities may reduce the Target Group's exposure to commodity price movements to a certain extent, such activities may also limit the Target Group's participation in commodity price increases and increase the Target Group's exposure to counterparty credit risk. To the extent that the Target Group engages in price risk management activities to protect itself from commodity price declines, the Target Group may be prevented from fully realising the benefits of commodity price increases above the prices established by the Target Group's hedging contracts. In addition, the Target Group's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which the counterparties of the Target Group's hedging contracts fail to perform under the contracts.

RISKS RELATING TO THE INDUSTRY

28. Risks relating to fluctuations in the market price of copper and cobalt

The Target Group is focused on the base metal industry, primarily copper and cobalt production and its revenue is generated from the sale of these two products. The price volatility of copper and cobalt may affect the future production, profitability and financial condition of the Target Group. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, global supply and demand, and the political and economic conditions of major metal consuming countries throughout the world. The price of most metals including copper and cobalt has fluctuated widely in recent years, and particularly the copper price has fallen since February 2013 due to the weakening copper demand. Future metal price declines could cause development of, and commercial production from, the Target Group's projects to be impracticable or uneconomic. The Target Group expects to derive substantially all of its revenue in the foreseeable future from sales of copper cathode, copper concentrate and cobalt hydroxide. Currently, the sales price of the Target Group's products under its off-take agreements are benchmarked against the prevailing market trading prices. Therefore, the results of operation, in particular, profitability of the Target Group will be directly affected by the prevailing market prices of such products.

The metals market also tends to move in cycles. Periods of high demand, increasing profits and high capacity utilisation lead to additional capacity through expansion of existing mines and investment in new mines which results in increased production. This growth increases supply until the market is saturated, leading to declining prices and declining capacity utilisation until the cycle repeats. This cyclicality in prices can result in supply/demand imbalances and pressures on mineral prices and profit margins which could have a material adverse effect on the Target Group's business, financial condition, results of operations or prospects.

Depending on the price of copper and cobalt, projected cash flow from planned mining operations may not be sufficient and the Target Group could be forced to discontinue development and may lose its interest in, or may be forced to sell, one or more of its projects. Future production from the Target Group's mining properties will be dependent on metal prices that are adequate to make these properties economically viable. Furthermore, future mine plans using lower metal prices could result in material write-downs of the Target Group's investment in mining properties.

In addition to adversely affecting the Target Group's current Mineral Resources estimates and any future Mineral Reserves estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. If such a reassessment determines that any of the projects are not economically viable, then mine development may cease and such projects may never be fully developed or developed at all. Even if the projects are ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed. There may also be changes made to the mine plans of the projects of the Target Group which will require additional capital expenditures or result in delays in production. The occurrence of any of the foregoing could have a material adverse effect on the Target Group's business, financial condition, results of operations or prospects.

29. Risks relating to economic conditions and market demand

The operating and financial performance of the Target Group are influenced by a variety of general business cycles and economic conditions. Changes in business and economic factors, such as interest rates, exchange rates, inflation, national demographics, government fiscal, monetary policies in South Africa, the DRC and Zambia, and accounting and financial reporting standards, could impact the Target Group's business. In addition, the operating and financial performance of the Target Group is also influenced by the worldwide demand for copper and cobalt products. As the PRC is a major purchaser of the world's copper and cobalt products, any adverse change in the PRC's economic and market condition that in turn reduces the demand for the copper and cobalt products mined by the Target Group and could materially and adversely affect the Target Group's business and results of operations.

30. Risks relating to competition

The markets for the commodities mined or contemplated to be mined by the Target Group, namely copper and cobalt, are intensely competitive and the Target Group faces competition from Chinese, Mongolian, Australian and other foreign miners. Competition in these markets is based on many factors, including, among others, price, production, capacity, quality, transportation capabilities and costs, blending capability and brand name. Some of the Target Group's competitors may have greater production capacity as well as greater financial, marketing, distribution and other resources, and may benefit from more established brand names in the international market.

The mining industry is also characterised by technological advancements and the introduction of new production process using new technologies. Some of the Target Group's competitors may develop new technologies and processing methods that are more effective or less costly than those currently used by the Target Group.

Competitive activities in the markets served by the Target Group could have a significant impact on the prices realised for its products and can therefore have a material adverse effect on its results of operations and financial condition. The Target Group's future success will depend on its ability to respond in an effective and timely manner to competitive pressure.

RISKS RELATING TO CONDUCTING OPERATIONS IN ZAMBIA, THE DRC AND SOUTH AFRICA

31. Risks relating to the political, economic, regulatory, legal and social aspects associated with conducting operations in Zambia and the DRC and investing in South Africa

The Target Group has its headquarters in South Africa and the Operating Mines, the Development Project and the Exploration Projects are located in the DRC and Zambia. Similar to other emerging markets, Zambia, the DRC and South Africa are subject to certain political, economic, regulatory, legal and social developments that may, individually or in combination, create risks for investors that may be more difficult to predict or measure than in certain developed economies.

These risks, which the Target Group believes are greater in Zambia and the DRC, include, among others, labour unrest, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war (including within or with other countries), civil disturbances and terrorist actions, arbitrary changes in laws or policies, the failure of foreign parties to honour contractual relations with little or no recourse to local courts, challenges to or reviews of the Target Group's legal and contractual rights, reviews of taxation of foreign companies, changing tax and royalty regimes, delays in obtaining or the inability to obtain, or the cancellation of, necessary governmental permits, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports, price controls, review of taxes on foreign investment, instability due to economic under-development, inadequate infrastructure and increased financing costs. As a result of conflict in the DRC, international governments may impose regulations or sanctions to limit commercial trade activities for and make more burdensome purchases of goods and services originating in the DRC, which could have a material adverse effect on the Target Group's business, financial condition, results of operations or prospects.

The DRC is in transition from a largely state-controlled economy to one based on free market principles, and from a non-democratic political system with a centralised ethnic power base to one based on more democratic principles. The northeast region of the DRC has undergone civil unrest and instability in recent years which could have an impact on political, social or economic conditions in the DRC more broadly. While the government of the DRC is working to extend the central government's authority into the regions, there can be no assurance that such efforts will be successful. In addition, many of the mineral rights and interests of the Target Group in the DRC are subject to government approvals, licences and permits, which, as a practical matter, are subject to the discretion of applicable governments or governmental officials. No assurance can be given that the Target Group will be successful in obtaining, maintaining or renewing any or all of the various approvals, licences and permits required to operate its projects in full force and effect or without modification or revocation. Although the Target Group's projects in the DRC are in the southeast of the country, the effect of unrest and instability on political, social or economic conditions in the DRC could result in the impairment of the Target Group's exploration, future development and prospective mining operations.

The general election in Zambia held in September 2011 has led to a change in the ruling political party and the government, and as a result may affect the policies adopted in Zambia in relation to foreign investment. There is no assurance that the current Zambian government will not implement more restrictive policies in relation to foreign ownership in mines, currency control, foreign workers, and tax rates in the future. In addition, the Zambian government has increased the mineral royalty rate applicable to base metals, such as copper, from 3% to 6% with effect from 1 April 2012, at which time Chibuluma plc commenced to pay royalties at the rate of 6%. The increase in mineral royalties will cause the Target Group to pay more mineral royalties and thus have an adverse impact on its financial conditions. The general election in the DRC held in November 2011 has not led to a change in the ruling political party. However, general elections in the DRC to be held in the future may similarly lead to a change in the ruling political party and governmental policy relating to foreign investment. DRC and Zambian laws in respect of mining codes, tax laws and environmental legislation are susceptible to change, revision or cancellation in connection with any changes in ruling political party or government. Such changes may have a material adverse effect on the Target Group's results of operations and business.

Political disruptions and civil unrest that may occur in any neighboring countries could potentially have an adverse effect on Zambian and the DRC exports and consequently, on the Target Group's business. Changes or instability to the economic or political environment in any of South Africa or its neighbouring countries could affect the attractiveness of South Africa as a country to invest in or do business with and which may adversely affect the Target Group's operations and profits.

Changes in the interpretation or enforcement of the laws and regulations currently in effect in Zambia, the DRC and South Africa could adversely affect the Target Group's business and it is difficult to predict the future political, social and economic direction in these countries.

32. Risks relating to the prohibition on exports of certain minerals out of the DRC in connection with the Decree of 5 April 2013 issued by the Ministry of Finance and the Ministry of Mines of the DRC

The Target Group, when conducting its mining operations in the DRC and Zambia, is subject to various applicable laws, regulations and policies relating to the limitations or prohibitions on mineral exports. Any changes or implementation of new laws, regulations and policies in this regard may have a material adverse effect on the Target Group's business, financial condition, results of operation or prospects.

In this connection, the Ministry of Finance and the Ministry of Mines of the DRC had on 5 April 2013 signed a decree purporting to prohibit the export of, inter alia, all merchant mineral products with a humidity of more than 25%, copper concentrates and cobalt concentrates. Whilst an informal statement contained within the decree provides that the decree comes into effect immediately (namely, on 5 April 2013), the decree does not have a formal clause stating the date on which it commences. This decree has been the subject of significant dispute and controversies in the DRC including objections raised by local government and mining operations. Such dispute may ultimately result in amendments to the decree or the decree not coming into effect or being unenforced. In addition, the DRC currently faces power shortage issue and does not have the necessary infrastructure within the country for mining operators to transform or process their products before export out of the DRC. Following the issue of the decree, a meeting was held on 10 July 2013 at which the Minister of Mines and the members of the Federation of Congolese Companies Chamber of Mines of the DRC were present and confirmed that the prohibition on export of mineral concentrates would be delayed until 31 December 2013 and that the tax on export of mineral concentrates (with the exception of cobalt hydroxides) would be increased from US$60 per tonne to US$100 per tonne from 15 July 2013. Having been advised by its legal adviser, the Company is of the view that this decree is likely to be blocked or postponed. Notwithstanding this, if such export prohibition becomes effective on 1 January 2014 or thereafter, Ruashi Mining, which currently sells its cobalt hydroxide produced at the Ruashi Mine to Jinchuan Group, may be prohibited from carrying out sales of cobalt hydroxide, unless it is able to reduce the humidity content of such products below 25%. Ruashi Mining has the capacity to reduce the moisture content of cobalt hydroxide from 70% to 15% when such products are processed through its three ASFDs which have been commissioned. In addition, when the Kinsenda Project commences commercial production in 2015, Kinsenda Sarl intends to transport the copper sulphide concentrate produced from the Kinsenda Project to nearby smelters in Zambia for smelting, treatment and refining. If the export prohibition is effective in 2015, Kinsenda Sarl will not be able to export its copper sulphide concentrate products from the Kinsenda Project out of the DRC and may have to seek alternative and potentially more expensive ways of treating and refining its products within the DRC. Further, Kinsenda Sarl may also be subject to the abovementioned higher export tax on its export of mineral concentrates. The Target Group will continue to monitor the developments in relation to this decree and take appropriate steps to investigate alternative in-country beneficial options for the processing of sulphide concentrates. The Target Group plans to conduct a feasibility study in relation to the development of stand-alone and/or centralised processing facilities in the DRC, such as smelters and roasters, that will enable it to produce copper cathodes and/or copper blisters from the Kinsenda Project, the Lubembe Project and the Musonoi Est Project. The feasibility studies in respect of the Exploration Projects will address processing alternatives for these projects which will in turn guide the Target Group as to the development of its broader processing strategy in the DRC.

33. Risks relating to changes in governmental policies and regulation relating to taxation and royalties.

The Target Group, when conducting its business operations in South Africa, the DRC and Zambia, is subject to various applicable laws, regulations and policies relating to taxation and royalties. There can be no assurance that the relevant governments of South Africa, the DRC and Zambia will not review the taxation policies of foreign companies and foreign investment or review and make changes to its royalty regimes to increase the existing tax rates or introduce additional taxes (including withholding taxes on dividends), which may increase the tax/royalty burden. In this connection, the DRC is in the process of reviewing the taxation and royalty regimes of mining companies. A DRC ministerial taskforce is carrying out a review of the Mining Code legislation which provides a framework for the exploration, development and mining of mineral ore resources. The review is in its consultation stages and proposed amendments to the legislation include, a 35% stake in projects that is "free of charges and non-dilutable" as well as a proposal to double royalties on some minerals and the introduction of a 50% levy on the "super profits" of miners. The draft revision defines "super profits" as made when a commodity's price rises exceptionally over 25% compared with its level at the time of the project's feasibility study. Similarly in Zambia, the Income Tax (Amendment) Act, 2012 has introduced a reduction in the mining sector capital allowance from 100% upfront to 25% per annum for four years. Mining companies in Zambia had prior to this allowance cut benefitted from a generous 100% capital allowance as a tax relief to reflect that mining companies have to wait before they see returns on their investments. This cut in allowance will effectively cause mining companies to be taxed earlier. Such laws are likely to increase the tax burden of the Target Group and have a material adverse effect on the results of operation of the Target Group.

34. Risks relating to the limited legal protections in the DRC

The legal system in the DRC has inherent uncertainties that could limit the legal protections available to the Target Group, which include: (i) inconsistencies between and within laws; (ii) limited judicial and administrative guidance on interpreting DRC legislation, particularly that relating to business, corporate and securities laws; (iii) substantial gaps in the regulatory structure due to a delay or absence of enabling regulations; (iv) a lack of judicial independence from political, social and commercial forces; (v) corruption; and (vi) bankruptcy procedures that are subject to abuse, any of which could have a material adverse effect on the Target Group's business, financial condition, results of operations or prospects.

Furthermore, the DRC judicial bodies have relatively little experience in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation. It may be difficult to obtain swift and equitable enforcement of a DRC judgement, or to obtain enforcement of a judgement by a court of another jurisdiction, which could have a negative impact on the ability of the Target Group to enforce or protect its rights and interests in the DRC and hence an adverse effect on the Target Group's business, financial condition, results of operations or prospects.

35. Risks relating to the direct government intervention in the Target Group's mineral property interests in the DRC and Zambia

Mineral development is a sensitive political issue in both the DRC and Zambia, and as a result there is a relatively higher risk of direct government intervention in the property rights and title of the Target Group's projects than that of other industries in those countries. Such intervention could extend to nationalisation, expropriation or other actions that effectively deprive the Target Group of the benefit of its interest in the projects.

Any nationalisation, expropriation or similar action would, in most cases, legally obligate the government to pay just compensation. However, even if the Target Group did obtain compensation in such a circumstance, there could be no guarantee that the compensation paid would represent the Target Group's view as to the full value of the asset lost. Accordingly, any action to nationalise or expropriate any of the projects or other assets could have a material adverse effect on the Target Group's business, financial condition, results of operations or prospects. Furthermore, any increased perception that nationalisation or expropriation of the projects may occur could have a material adverse effect on the price of the Target Group's securities and its ability to access financing.

Specifically, Article 71 of the DRC Mining Code requires that 5% of the shares of a company holding an exploitation permit shall be allotted to the DRC Government. Both Ruashi Mining and Kinsenda Sarl hold exploitation permits in the DRC. Like most of the holders of exploitation permits in the DRC, Ruashi Mining and Kinsenda Sarl respectively has not had 5% of its shares transferred to the DRC Government. Should the DRC Government demand the strict implementation of Article 71, Ruashi Mining and Kinsenda Sarl respectively may be liable to transfer 5% of its shares to the DRC Government. Subject to shareholders agreements or arrangements, the transfer could be done from Gecamines' 25% shareholding in Ruashi Mining and Sodimico's 23% shareholding in Kinsenda Sarl, from the Target Group's shareholding in these companies or partly from each of such parties' respective shareholding. The DRC Government may require the implementation of Article 71 of the DRC Mining Code at any time in the future in respect of the exploitation permits granted, although there can be no prediction as to when it will happen or whether it will happen at all. A requirement to transfer such shareholding may reduce the Target Group's shareholding in Ruashi Mining and Kinsenda Sarl, unless the said transfer is to be made from Gécamines and Sodimico's shareholdings in these companies. Failure to comply with this requirement is an infringement of the DRC Mining Code and, whilst no specific sanction for this breach is set out in the DRC Mining Code, the reaction of the DRC regulatory authorities cannot be predicted in this jurisdiction.

36. Limited infrastructure growth of Zambia, the DRC and South Africa such as power demand shortfall, logistics capacity mismatch, poor road conditions may negatively affect the Target Group's business and mining activities.

The Target Group's mining operations is largely dependent on adequate infrastructure in the DRC and Zambia. In particular, reliable power sources, water supply, logistics capacity, road conditions and communication facilities are key determinants that are needed to operate a mine. Such infrastructure may be inadequate and insufficient in the countries where the Target Group conducts its mining operations, in particular, the DRC. Furthermore, the road infrastructure in Central and Southern Africa is under pressure and delays do occur. For example, the vast majority of consumables and finished products (copper cathode and cobalt hydroxide) from the Ruashi Mine are moved by road transport. Although the main arterial road from Kasumbalesa (the border post) to Lubumbashi has recently been upgraded by Chinese contractors, one of the logistics risks that the Ruashi Mine faces is the extended periods that road vehicles have to endure at the DRC-Zambia border crossing point, especially the fuel (diesel) vehicles, which are necessary to power the mining fleet and the diesel powered generators. The management of the Target Group constantly seeks measures to address these infrastructural challenges to ensure that its mining operations are conducted optimally. Any failure by the management to address these infrastructure requirements adequately may have a material adverse effect on the Target Group's business, financial condition and results of operations.

In addition, the Target Group's mining projects also rely on significant amounts of water supplied by local water authorities. If the local water boards impose restrictive requirements on their conditions of supply, the Target Group's profitability and results of operations may be adversely affected.

Due to the low level of the logistics capacity and communication facilities in Zambia and the DRC such as poor road conditions and low telephone penetration, the Target Group has to incur increased transportation and communication costs, which in the long term could have a negative effect on the development of the Target Group's business.

The Operating Mines utilise road infrastructure to transport consumables and finished products to and from the mine sites and historically have not experienced material disruptions to their operations arising from transport infrastructure. Metorex Group closely monitors developments associated with transport infrastructure challenges and has implemented a number of measures to reduce disruptions that could be caused by inefficiencies in the transport infrastructure network including carrying appropriate inventory levels of consumables and strategic supplies at its mine sites, pre-clearing trucks whenever possible, reducing the volume of exports in respect of cobalt hydroxide through further drying at the mine site, ensuring documentation is in order prior to trucks arriving at the border, splitting of strategic supply contracts across a number of suppliers to reduce delivery risk, and utilising a number of clearing agents to speed up the clearing process.

37. HIV/AIDS, malaria and other diseases pose risks to the Target Group in terms of productivity and costs

HIV/AIDS, malaria and other diseases are prevalent in Zambia, the DRC and South Africa and pose a serious threat to the mining companies in these countries, including the Target Group, in terms of potentially reduced productivity, and increased medical and other costs. The per capita incidences of the HIV/AIDS virus in these countries have been estimated as being among the highest in the world. As such, HIV/AIDS remains a healthcare challenge faced by the Target Group's operations and investments in these countries. A significant increase in the incidence of HIV and AIDS infection and HIV and AIDS-related diseases among its workforce over the next several years may limit or disrupt the Target Group's exploration and operation activities or development of future mining operations. There can be no assurance that the Target Group will not incur the loss of a significant number of members of our workforce or workforce man-hours or incur increased medical costs, which may have a material adverse effect on the Target Group's operations and financial condition.

38. High rates of inflation in Zambia and the DRC could have a material adverse effect upon the Target Group's business, financial condition and results of operations.

The Target Group's mining operations are located in Zambia and the DRC which have historically experienced relatively high rates of inflation. Since the Target Group is unable to control the market price at which it purchases its raw materials and auxiliary materials, it is possible that significantly higher inflation in the future in Zambia and the DRC, without a concurrent devaluation of the local currency against U.S. dollar or an increase in the prices of the Target Group's products, could have a material and adverse effect on the Target Group's business, financial condition and results of operations.

39. Labour disputes, conflicts and disruptions may lead to suspensions of mining and processing operations, which could materially and adversely affect the Target Group's productivity and business.

A substantial number of the employees of the Target Group are members of trade unions. Each of Ruashi Mining, Kinsenda Sarl and Chibuluma plc has entered into collective agreements in respect of its employees engaged in the mining operations in Zambia and the DRC. The collective agreements entered into by Chibuluma plc are typically one year in duration and are subject to expiration at various times in the future. The collective agreements entered into by Ruashi Mining and Kinsenda Sarl are subject to review every two years. It is possible that the Target Group's employees start to strike each year after the then-existing collective agreement expires or is subject to review or to prolong renegotiation of wage increase until they are satisfied with the new terms. If the renegotiation of collective agreements cannot be concluded within a reasonable timeframe or the employees hold prolonged strikes concurrently with their renegotiation with the management of the Target Group, it could result in work stoppages and suspensions of mining and processing operations which could materially and adversely affect the Target Group's productivity and business.

In addition, such strike actions by employees over disputes relating to wage increases, collective agreements, employment contracts or other matters may result in other labour disturbances including civil disturbances or riots which may result in some personal injuries and property damage of the Target Group. In that case, the Target Group may experience a disruption of operations, destruction of property and higher labour costs.

40. The Target Group's current and planned mining activities may employ processes and chemicals that may be harmful to the environment and are subject to environmental laws and regulations.

As a mining company focusing on the base metal industry, the Target Group is subject to environmental legislations and regulations in Zambia, the DRC and South Africa. These legislations and regulations could impose unexpected costs and burdens on the Target Group, the full extent of which cannot always be predicted. Details of these regulations are set out in Appendix VI headed "Legal and Regulatory Regime in which the Target Group Operates" to this circular.

Mining activities are generally subject to environmental and safety hazards as a result of the processes and chemicals used in the exploration and production methods. At the Ruashi Mine, contamination of groundwater has been identified as a significant risk. At the Kinsenda Project, apart from groundwater contamination issues, studies indicate that dewatering is likely to result in the lowering of the groundwater levels in the shallower aquifer where the community boreholes are located. In addition, environmental hazards may be encountered while its products are in transit and the disposal of waste products occurs. The occurrence of any such safety or environmental incident could delay production and/or increase production costs and may impact on the Target Group's ongoing compliance with environmental legislation and regulations. The Target Group may be liable for losses associated with environmental hazards and rehabilitation, have its licences and permits withdrawn or suspended, face negative reputational consequences or be forced to undertake extensive remedial clean-up in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

In terms of the Target Group's planned mining activities, a detailed environmental study will be required before commencing work on a project site, for which site visits have to be conducted and various documents have to be submitted to local authorities. There can be no assurance that the Target Group will be able to obtain all the necessary permits and approvals. Failure to obtain any of such approvals may adversely affect the development and operations of the planned project.

In the future, if additional or more stringent conditions and requirements are imposed under new legislation and regulations, the Target Group may incur unexpected costs to comply with these requirements, which may include the need to increase and accelerate expenditures on environmental rehabilitation. In that case, the costs of compliance may substantially increase which could have a material and adverse effect on the Target Group's operations and financial condition.

For further details of these environmental and social challenges and rehabilitation plans of the Metorex Group, please refer to the Competent Person's Report set out in Appendix V to this circular.