OVERVIEW OF THE DRC

The DRC, is a country located in Central Africa. It is the second largest country in Africa by area and the eleventh largest in the world. With a population of over 70 million, the DRC is the nineteenth most populous nation in the world.

The DRC's operational environment offers potential investors a mixture of opportunities and challenges. Located in the Central African Copperbelt, the DRC holds some of the world's largest and highest quality deposits of non-ferrous metals and precious metals and some of the world's best diamond deposits. The Central African Copperbelt which extends from north eastern Angola through southern DRC and into Zambia is one of the richest sources of copper in the world containing over a tenth of the world's copper mineral reserves and a third of the world's cobalt mineral reserves. The grades of the copper deposits found in this area are generally in the range of 1.0% to 4.0% and grades of 7.0% to 8.0% have been recorded in some instances, which are significantly higher than the average grade of global copper deposits in the range of 0.2% to 2.0%. It is second only to the Chilean Porphyry Belt in terms of copper endowment.

Whilst mining operators are attracted to the DRC due to these high quality mineral assets, they are often faced with many operational challenges, as the DRC is a difficult place to do business. Corruption is a concern as the new government struggles to assert its authority, especially in the country's former rebel-controlled eastern and north-eastern provinces. While the situation in the eastern Kivu provinces remains tense, with active militias focusing on extracting minerals illegally and controlling parts of the territory, the rest of the DRC, including the Katanga Province where Metorex's projects are located, is today largely at peace.

In the past few years, economic performance in the DRC has shown marked improvement although progress in alleviating poverty and meeting the Millennium Development Goals (which are eight international development goals that were officially established following the Millennium Summit of the United Nations in 2000, including eradicating extreme hunger and poverty and combating HIV/AIDS, malaria and other diseases) has lagged. Prudent macroeconomic policies and structural reforms have underpinned this improved performance and led to the DRC receiving debt relief under the enhanced Heavily Indebted Poor Countries Initiative in mid-2010.

The DRC's weak financial linkages with the euro area countries have largely shielded it from the turmoil there, allowing real GDP growth to expand by about 7% in 2011. Strong trade and investment inflows from non-European countries, driven mainly by the mining sector, have provided the main impetus to growth.

In the November 2011 elections, the existing president of the DRC was re-elected and his coalition partners won a majority seat in parliament. It is believed that his re-election will bring with it a measure of political and social stability and expectations that the thrust of economic policies would continue. Macroeconomic policies have provided strong support to recent performance. In particular, fiscal dominance has been reduced over the past few years, owing to the government's expenditure discipline and commitment to zero (net) financing of the budget from the Central Bank of the Congo ("**BCC**"). This has helped break a vicious inflation-exchange rate depreciation cycle and brought the domestic fiscal deficit down from 2.5% of GDP in 2009 to a projected deficit of 0.9% of GDP in 2012. The improvement in the fiscal situation has also helped the BCC control liquidity and fight inflation.

Although progress in structural reform has been mixed, some reforms in key areas are supportive of better economic performance. These include efforts to improve public financial management, strengthen governance and transparency in the natural resource sector, and enhance the BCC's independence and financial stability and development of the financial sector more generally.

The Government of the DRC recognises that foreign investment, particularly in the mining sector, is crucial to the resurgence of the economy, with the World Bank and other financial institutions involved in a post-conflict reconstruction programme also pushing for greater multinational involvement in the sector's rehabilitation. Despite the government's recent commitment to spend billions of dollars to improve the country's physical infrastructure, decades of under-funding and neglect means the DRC currently does not have a favourable infrastructure system, in terms of transport system and energy supply.

The lack of a source of reliable power is a common problem faced by most mining operators in the DRC. The supply of hydro-electric power by its national electricity company SNEL is erratic due to the inadequate infrastructure and maintenance of the national power grids, cables and plants. This has resulted in disruptions in Metorex's mining operations in the DRC. To alleviate these problems, the management of Metorex 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. Please refer to the section headed "Information of the Target Group – Business of the Metorex Group – Ruashi Mine – Infrastructure" of this circular for more details.

While the overall transportation infrastructure of the DRC is inadequate, conditions in the Katanga province and in particular in the Lubumbashi area are relatively better. The main arterial road into the DRC from Zambia has been upgraded by Chinese contractors and as a result access is now greatly improved. However, rail infrastructure owned by the state owned national railway company is in poor condition resulting in rail services being unreliable. Hence, the vast majority of consumables and finished products (copper cathode and cobalt hydroxide) are delivered by road transport.

The DRC has benefitted from foreign investment and aid from a number of countries, in particular the PRC, in recent years. In 2007, a massive resources-for-infrastructure deal was signed between two Chinese state construction companies (China Railway Group Limited and Sinohydro Corporation Limited) and certain state copper companies of the DRC, including Gécamines. The Chinese partners to the deal promised to provide US$9 billion (which was subsequently revised to US$6 billion) with finance for nationwide construction of hydroelectric dam, electricity distribution networks, roads, railways, hospitals and schools, as well as for mine development. Rising aid and investment is a positive trend, and could, over the longer term, improve the infrastructure and alleviate the power shortage issue in the DRC.

The DRC is in the process of reviewing the taxation and royalty regimes of mining companies. The Mining Code of the DRC was developed with the support of the World Bank with a view to principally attracting investments in the country's vast mineral resources. It provides a framework for the exploration, development and mining of mineral ore resources. A ministerial taskforce is carrying out a review of the Mining Code legislation. The review is still 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 more than 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. These amendments if enacted are likely to dampen the influx of new mining investments into the DRC.

Despite the challenging operating environment, the DRC with its large and high quality resource deposits remains attractive to mining operators having a good political awareness, effective governance and a willingness to contribute to local welfare. Many members of the Metorex management team have had extensive on-the-ground mining related experience in the DRC and are equipped with the industry knowledge and skills to face these operational challenges of Metorex in the DRC. Metorex has also demonstrated its willingness to contribute to local welfare from its sustainable development initiatives as set out in the section headed " Information of the Target Group – Sustainable Development" of this circular for more details.

OVERVIEW OF ZAMBIA

Zambia, officially the Republic of Zambia, is a landlocked country in Southern Africa. The neighbouring countries are the DRC to the north, Tanzania to the north-east, Malawi to the east, Mozambique, the Republic of Zimbabwe, Botswana and Namibia to the south, and Angola to the west. The capital city is Lusaka, located in the south-central part of the country. It has a population of approximately 13 million people. The population is concentrated mainly around Lusaka in the south and the Copperbelt Province to the northwest. Like the DRC, this African country holds some of Africa's largest deposits of high quality copper, cobalt, nickel, zinc, lead, coal, gold, silver, and uranium. Mining is the most significant and attractive sector for foreign investors. These Zambian deposits found in the Central African Copperbelt are of a similar high grade as those found in the DRC.

Compared with the DRC, the operating environment of Zambia is less challenging. Despite being relatively new to multiparty democracy, Zambia has one of the most stable political environments in sub-Saharan Africa, as underlined by the two peaceful changes of governments via the ballot box witnessed in the past two decades. The tax and legal systems are advantageous, and there are few serious security risks. Zambia's legal system, which is based on English common law and customary law, is considered to be adequate. The constitution, which is currently undergoing a review, provides for an independent judiciary, with clear separations from the executive or legislative branches. There is clarity about the Zambian nation's existence as a state, with adequately established and differentiated power structures. Zambia has virtually no competing power structures, such as guerrilla movements or clans, which could challenge the state's monopoly on the use of force.

The business climate is a positive one in Zambia. The government has demonstrated this by creating the Zambian Development Agency as a one-stop centre responsible for promoting, implementing, co-ordinating and facilitating investment programmes and policies for foreign investors. Zambia attracts foreign direct investment in a number of areas, with agriculture, manufacturing, tourism and services attracting a significant proportion of inward foreign direct investment. However, with the Southern African country holding some of Africa's largest deposits of copper, cobalt, nickel, zinc, lead, coal, gold, silver, and uranium, mining remains the most significant and attractive sector for foreign investors. Macroeconomic fundamentals of the Zambian economy are in the best shape in over two decades. In the past five years, nominal per-capita income in Zambia rose to an average of US$1,190 in 2010, up from US$485 in 2004, ranking Zambia for the first time as a low-middle-income country. The commodity supercycle that stretched over the period 2003–2008 attracted significant foreign-direct-investment inflows into the country, especially in the lucrative copper industry.

Relative to the DRC, Zambia's transport infrastructure which comprises approximately 37,000 km of gazetted roads is adequate. The main arterial roads, including the Great North road via Ndola to the DRC, are in good condition. Rail transport is the dominant mode of transportation of goods on the local and international routes. Zambia is served by a rail line running south to South Africa via the Republic of Zimbabwe, and north through the Central Africa Copperbelt to the Angolan port of Lobito, linking up via the DRC with the Benguela Railway. Zambia Railways Limited has announced its new management board which plans to modernize railway infrastructure as part of its master-plan to be implemented in the next three years. In February 2011, the Zambian government launched a US$26.2 billion plan with a long-term vision to turn poverty-stricken Zambia into a middle-income country by 2030. Policies will focus on alleviating poverty and increasing government spending on education, health, and infrastructure development.

In common with most countries in the region, but of a lesser severity compared with the DRC, Zambia struggles to bridge the gap between the demand and supply of energy. Demand for electricity is presently estimated at around 1,600 MW against the supply of around 1,475 MW, which is anticipated to rise to 2,500 MW by 2015 due to the huge demand for more electricity from major mining companies operating in the country. Ongoing infrastructural rehabilitation and the creation of extra capacity could alleviate electricity deficits in the near future. Unlike its operations in the DRC, Metorex is not faced with the challenge of an erratic electricity supply for its mining operations at the Chibuluma South Mine in Zambia.

Zambia has a relatively high tax rate environment and the government is having to play a balancing role between the need to raise extra revenue from the key sector to fund its spending on one hand and having a pro-business regime, especially in the mining sector, that will attract more foreign investors, amid accusations that ordinary Zambian tax payers are being forced to meet the burden. The Income Tax (Amendment) Act, 2012, has introduced a reduction in the mining sector capital allowance from 100% upfront to 25% per annum over four years. Mining companies in Zambia had prior to this benefitted from a generous 100% upfront capital allowance as a tax relief to reflect that mining companies have to wait before they see returns on their investments.

Balancing the government's ongoing pro-investor drive, continued efforts to improve infrastructure and maintenance, and the diversification of the economy against the relatively high poverty levels and social backlog, Zambia remains a favourable investor destination and presents a less challenging operational environment compared to the DRC.