

**METALS EXPLORATION PLC**

**SUBSCRIPTION AND SHAREHOLDERS AGREEMENT**

**NOTICE OF GENERAL MEETING**

The Directors of Metals Exploration are pleased to announce that the Company has today entered into a subscription and shareholders' agreement with, *inter alia*, Solomon Capital and certain Shareholders.

Further details of the Proposals set out in the Subscription and Shareholders' Agreement are set out below.

**1. Background**

On 23 July 2010, Solomon Capital announced a cash offer for the entire issued and to be issued share capital of the Company at 13p per share, valuing the Company, including "in the money" share options and warrants, at approximately £35.76 million.

On 20 August 2010, Solomon Capital published the Solomon Offer Document setting out the formal terms of the Solomon Offer. On 6 September 2010, Solomon Capital declared the Solomon Offer wholly unconditional, holding (together with persons acting in concert with it) approximately 53.97 per cent. of the entire issued share capital of the Company at that time. As at 8 March 2011, Solomon Capital owns 180,706,958 Metals Exploration Shares, representing approximately 67 per cent. of the entire issued share capital of the Company.

On 17 September 2010, the Independent Director made a statement that he had been informed that certain Independent Shareholders had made a written submission to the Panel expressing concerns that a concert party, comprising Solomon Capital and Reef Securities Limited, was in existence at the time of the subscription by Solomon Capital for Ordinary Shares in January 2009 and/or in May and July 2009 and that these subscriptions were in breach of Rule 9 of the City Code and that if the Panel were to rule that a breach of Rule 9 had occurred at any of these times, a mandatory bid obligation may be triggered at a price higher than 13p per Ordinary Share. Pending the outcome of a review, the Panel required Solomon Capital to make no purchases of Metals Exploration Shares (save in relation to valid acceptances of the Solomon Offer) and that the Solomon Offer should remain open for acceptances until further notice.

On 27 September 2010, Solomon Capital made an announcement that the Solomon Offer was to remain open for acceptance until further notice.

On 12 November 2010, the Company announced that it had entered into a £13 million convertible facility agreement with Shelfco 724, a related company of Solomon Capital. Under the terms of the Loan Facility, Shelfco 724 agreed to make available to the

Company, subject to the terms therein, a convertible facility of up to £13 million. As at 7 March 2011, £5,750,000 of the loan facility had been drawn down by the Company, of which £2 million was used to repay a bridging loan facility provided by Solomon Capital on 19 August 2010.

Pending the review and investigations of the Written Submission by the Panel, discussions between Solomon Capital and the representatives of Complainant Shareholders were carried out with a view to resolving the dispute.

Agreement has now been reached between Solomon Capital and the Complainant Shareholders such that, on Completion, the concerns raised in the Written Submission will be withdrawn. In light of the above, the Panel has confirmed to Solomon Capital and the Complainant Shareholders that whilst it has not reached a ruling on the matter, it is satisfied that there is no requirement under the City Code for Solomon Capital to revise the terms of the Solomon Offer.

The agreement reached between Solomon Capital and the Minority Shareholders encompasses the Proposals, which are detailed in the Subscription and Shareholders' Agreement, and the Right to Rescind for Accepting Shareholders, which is set out in the Solomon Circular. The Subscription and Shareholders' Agreement, to which the Company is also party, is subject to approval by Independent Shareholders at a General Meeting which is expected to be held on 31 March 2011.

A summary of the key elements of the Proposals and the Right to Rescind is set out below:

- The Company will raise approximately £12 million, before expenses, through a placing of Ordinary Shares at 13p per share with RHL and WDB;
- Simultaneously with the Placing, the Company will draw down the balance of the Loan Facility of £13 million and Shelfco 724 will immediately serve notice to convert the entire loan into Ordinary Shares at 13p per share; and
- The Company will enter into the Option Agreements, under which Solomon Capital and RHL will be entitled to subscribe within the four months following Completion for such number of new Ordinary Shares at 13p per share as will enable them (together with persons acting in concert with them) to hold 65 per cent. and 18 per cent. respectively of the Enlarged Share Capital. In the event that as a result of the Right to Rescind, the aggregate holding of Solomon Capital and any other Solomon Concert Party falls below 50.1 per cent. of the issued share capital of the Company, the option granted to Solomon Capital will be deemed to be automatically partially exercised such that the aggregate holding of Solomon Capital and any other Solomon Concert Party is 50.1 per cent. Therefore, at no point will the holding of the Solomon Concert Party fall below 50.1 per cent.

As set out in the Solomon Circular, former Shareholders who accepted the Solomon Offer are being given the right to rescind their acceptance through repaying the consideration received to Solomon Capital, following which their Ordinary Shares will be returned to them. The Right to Rescind will expire on 14 April 2011, the date 14 days following the General Meeting. At the same time, the Solomon Offer will close.

A circular is today being posted to Shareholders to provide further information on the Proposals and to seek the approval of the Independent Shareholders to the Proposals.

Shareholders are also referred to the Solomon Circular providing written notice of the closing date of the Solomon Offer and giving each Accepting Shareholder the opportunity, until the Solomon Offer closes on 14 April 2011, to rescind the contract entered into when he accepted the Solomon Offer.

## **2. Reasons for the Proposals**

2.1 The purpose of the Proposals is:

- to provide working capital towards the construction of the mine at the Runruno Project and undertake limited step out drilling; and
- to assist with the resolution of the dispute between the Complainant Shareholders and Solomon Capital and to allow the Company to proceed with the development of the mine at the Runruno Project.

2.2 Subject to the approval of the Proposals, the Company will receive equity funding of between £25 million and, subject to the level of options exercised pursuant to the Option Agreements and the level of exercise of the Right to Rescind, up to a further £46.8 million with which to pursue the development of the Runruno Project and be able to seek full funding in the form of further equity and/or debt funding for the construction of the mine at the Runruno Project.

2.3 In the event that the Proposals are not approved at the General Meeting, the future of the Company will remain uncertain.

## **3. The Proposals**

The Proposals comprise the Placing, Loan Conversion, Option Agreements, Settlement and agreement over the future operation of the Group as described in this paragraph 3 and paragraphs 4 and 5 below.

### *The Placing, Loan Conversion and Option Agreements*

3.1 The Company has conditionally raised approximately £12 million, before expenses, by way of a placing of, in aggregate, 92,307,692 Ordinary Shares at the Placing Price. The placees to the Placing are RHL and WDB. The proceeds of the Placing

shall be applied by the Company as general working capital and towards the development of the Runruno Project.

- 3.2 Simultaneously to the Placing, it is intended that the Company will drawdown the balance of the Loan Facility (which as at 7 March 2011 was £7,250,000) and it is proposed that Shelfco 724 shall immediately serve notice on the Company to convert the entire loan of £13 million into 100,000,000 new Ordinary Shares at 13p per share.
- 3.3 Upon Completion, the Company will enter into the Option Agreements pursuant to which the Company will grant options to both Solomon and RHL to subscribe for such number of new Metals Exploration Shares at 13p per share as will enable them (together with persons acting in concert with them) to hold 65 per cent. and 18 per cent. respectively of the Enlarged Share Capital.

The options described in this paragraph 3.3 will each be exercisable on more than one occasion by Solomon Capital and RHL at any time during the period of four months from Completion. In addition, in circumstances where the exercise of a Right to Rescind by an Accepting Shareholder (or any other exercise of a right to subscribe for or convert into Metals Exploration Shares (including the Option Agreement with RHL)) would potentially result in Solomon Capital together with any other Solomon Concert Party holding in aggregate less than 50.1 per cent. of the entire issued share capital of the Company, the option granted to Solomon will be deemed to be automatically exercised over such number of Metals Exploration Shares as will result in Solomon Capital and the Solomon Concert Party holding in aggregate 50.1 per cent. of the fully diluted issued share capital of the Company following such rescission, subscription or conversion. At no time, therefore, will the holding of the Solomon Concert Party in Metals Exploration fall below 50.1 per cent. of the issued share capital of Metals Exploration whilst the Offer remains open for acceptance and, accordingly, the Offer will remain unconditional.

### ***Shareholdings***

The Solomon Concert Party and the RHL Concert Party are deemed to be acting in concert for the purposes of the City Code. As at today's date, the Concert Party holds the following Metals Exploration Shares:

<i>Name</i>	<i>Number of Metals Exploration Shares</i>	<i>Percentage of issued share capital of the Company (%)</i>
Solomon Capital	180,706,958	66.92
WDB	22,276,850	8.25
Graham Edwards	19,001,919	7.04

No other member of the Solomon Concert Party or the RHL Concert Party currently holds any Metals Exploration Shares. Reef Securities holds Warrants as set out in paragraph 2.1(b) of Part III of the Metals Exploration Circular.

Following Completion and assuming no Accepting Shareholder exercises his Right to Rescind, shareholdings of the Concert Party will be as follows:

<i>Name</i>	<i>Number of Metals Exploration Shares</i>	<i>Percentage of issued share capital of the Company before exercise of rights under the Option Agreements</i>	<i>Percentage of issued share capital of the Company (assuming the full exercise of rights under the Option Agreements)</i>
Solomon Capital	180,706,958	39.1	45.7
Shelfco 724	100,000,000	21.6	19.3
RHL	76,923,077	16.6	14.8
WDB	37,661,465	8.1	7.3
Graham Edwards	19,001,919	4.1	3.7

Following Completion and assuming no Accepting Shareholder exercises his Right to Rescind, if the rights under the Option Agreement are exercised in full by Solomon Capital as envisaged above, Solomon Capital will acquire an additional 56,581,902 Metals Exploration Shares at 13p per share, giving it a total holding of 237,288,860 Metals Exploration Shares, which together with the holding of Shelfco 724 would represent 65.0 per cent. of the Enlarged Share Capital.

Following Completion, and assuming all Accepting Shareholders exercise their Right to Rescind in full, the shareholdings of the Concert Party will be as follows:

<i>Name</i>	<i>Number of Metals Exploration Shares</i>	<i>Percentage of issued share capital of the Company before exercise of rights under the Option Agreements</i>	<i>Percentage of issued share capital of the Company (assuming the full exercise of rights under the Option Agreements)</i>
Solomon Capital	126,253,945	27.3	52.9
Shelfco 724	100,000,000	21.6	12.1
RHL	76,923,077	16.6	15.7
WDB	37,661,465	8.1	4.6
Graham Edwards	19,001,919	4.1	2.3

Following Completion, and assuming all Accepting Shareholders exercise their Right to Rescind in full, if the Option Agreements are exercised in full by Solomon Capital and RHL, (i) Solomon Capital will acquire an additional 308,733,367 Ordinary Shares at a total cost of £40.1 million, resulting in a holding of 434,987,312 Ordinary Shares which, together with the holding of Shelfco 724, represents an aggregate holding of 65.0 per cent. of the Enlarged Share Capital; and (ii) RHL will acquire an additional 52,000,000 Ordinary Shares, resulting in a total holding of 128,923,077 Ordinary Shares, which together with the holding of Graham Edwards, represents an aggregate holding of 18.0 per cent. of the Enlarged Share Capital.

Even if all Rights to Rescind are exercised in full, the Concert Party will hold at least 77.7 per cent. of the issued share capital of the Company. If the Option Agreements are exercised in full, then the Concert Party will hold 87.6 per cent. of the issued share capital of the Company.

- 3.4 Further details of the Placing, Loan Conversion and the Option Agreements are set out in paragraphs 5.3 (a) and (b) of Part III of the Metals Exploration Circular.

#### **4. Settlement**

- 4.1 Subject to the approval of the Proposals by the Independent Shareholders, the Minority Shareholders, *inter alia*, have consented to the withdrawal of the Written Submission and agreed to the full and final settlement of all claims that they or any of them have or may have against the Released Parties in respect of the Allegations. Further details are set out in paragraph 5.3 (c) of Part III of the Metals Exploration Circular.

- 4.2 On Completion, the concerns raised in the Written Submission will be withdrawn. The Panel has confirmed to Solomon Capital and the Complainant Shareholders that, whilst it has not reached a ruling on the matter, it is satisfied that there is no requirement under the City Code for Solomon Capital to revise the terms of the Solomon Offer.

#### **5. Operation of the Group**

- 5.1 The Proposals include certain restrictions upon the manner in which the Company may operate unless with the consent of the majority of the Board including the consent of the director appointed by RHL (or such director's alternate). Further details are set out in paragraph 5.3 (e) of Part III of the Metals Exploration Circular.

- 5.2 The Company intends to review whether to apply for the cancellation of the Company admission to trading on AIM and to re-register as a private limited company three months from Completion. At the end of this review, there is no guarantee that the Company will remain on AIM, and in view of the shareholdings

of the Concert Party, any resolutions proposed to cancel the AIM admission and re-register, will be passed if the members of the Concert Party vote in favour.

## **6. Solomon Offer**

- 6.1 The Solomon Circular sets out the details of the Right to Rescind which is available until the Solomon Offer closes. The Right to Rescind is conditional on Completion, which is expected to take place immediately following the General Meeting, and is not exercisable prior to that date. Following Completion, any Accepting Shareholder will be permitted to exercise his Right to Rescind in respect of any or all of the Metals Exploration Shares for which he accepted the Solomon Offer at any time up to the date of closing of the Solomon Offer, which is currently expected to be 14 April 2011. Further details of the Right to Rescind are set out in the Solomon Circular.
- 6.2 As announced on 10 November 2010, the holder of 305,000 Metals Exploration Shares in which the Chairman has a beneficial interest, this being the Holzberger Family Trust, accepted the Solomon Offer. It is considered likely that the trustee of the Holzberger Family Trust will exercise its Right to Rescind upon receipt of the Solomon Circular.

## **7. Composition of the Board**

- 7.1 The Board currently comprises Ian Holzberger as executive Chairman, Jonathan Beardsworth as a non-executive Director and Tim Dean as a non-executive Director.
- 7.2 Subject to the approval of the Proposals, it is proposed that Richard Williams and Edward Parsons will join the Board as non-executive directors nominated by Solomon Capital. RHL will be entitled to appoint one director to the Board on Completion. As at today's date, RHL has not identified whom it proposes to appoint at Completion.

## **8. Information on Solomon Capital and Shelfco 724**

Solomon Capital is a Guernsey incorporated investment company, which is focused solely on investment in Metals Exploration and which is wholly owned by Christian Candy. Further details on Solomon Capital and Christian Candy are set out in the Solomon Offer Document which is available at [www.cpcgroup.gg](http://www.cpcgroup.gg). The Company has been advised by Solomon Capital that there have been no material changes since publication of the Solomon Offer Document.

Shelfco 724 is a Guernsey incorporated investment company, which is focused solely on investment in Metals Exploration and which is wholly owned by Christian Candy. Further details on Shelfco 724 are set out in paragraph 1 of Part II of the Metals Exploration Circular.

## **9. Information on RHL**

RHL is a private company incorporated on 28 January 2011 under the laws of Jersey with registered number 107417 and has its registered office at 1 Grenville Street, St. Helier, Jersey JE2 4UF. Further details on RHL may be found in paragraph 3 of Part II of the Metals Exploration Circular.

## **10. Irrevocable Undertakings**

The Company has received irrevocable undertakings to vote for the Resolutions from Independent Shareholders representing approximately 59.1 per cent. of the issued share capital of the Company held by Independent Shareholders. Solomon Capital, Graham Edwards and WDB have also provided undertakings to vote for the Resolutions (excluding Resolution 1 to be proposed at the General Meeting). Further details of these undertakings are set out in paragraph 4 of Part III of the Metals Exploration Circular.

## **11. General Meeting**

The Metals Exploration Circular incorporates a notice of the GM to be held at 200 Strand, London WC2R 1DJ at 11.00 a.m. on 31 March 2011. As required by the Panel, only the Independent Shareholders will be permitted to vote on Resolution 1 to approve the Proposals however all the Shareholders may vote on the other resolutions proposed at the General Meeting. Any Accepting Shareholders who intends to exercise his Right to Rescind will not be eligible to vote unless his name appears on the register of members of the Company 48 hours before the GM.

## **12. Conclusion**

The Company entering into the Subscription and Shareholders' Agreement with, *inter alia*, Solomon Capital and Shelfco 724 constitutes a related party transaction under Rule 13 of the AIM Rules. Accordingly, the Directors (excluding Timothy Dean), having consulted Westhouse Securities, the Company's nominated adviser, consider that the terms of the Proposals are fair and reasonable so far as the Shareholders are concerned.

Jonathan Beardsworth, the only director who currently owns Metals Exploration Shares, has indicated that he intends to vote in favour of all the Resolutions.

Copies of the Metals Exploration Circular and the Solomon Circular will be available to be downloaded at [www.metalsexploration.com](http://www.metalsexploration.com) from 9 March 2011.

### **Enquiries:**

Metals Exploration PLC +61 (0)418 886 165  
Ian Holzberger

Westhouse Securities Limited +44 (0)20 7601 6100  
Tim Feather  
Dermot McKechnie  
Matthew Johnson

Public Relations  
Tavistock Communications  
Edward Portman +44 (0)20 7920 3150  
Jos Simson

### **DEFINITIONS**

The following definitions apply throughout this announcement, unless the context requires otherwise:

“Accepting Shareholders”	former shareholders of the Company who have accepted the Solomon Offer
“Admission”	admission of the Placing Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the AIM Market of the London Stock Exchange
“AIM Rules”	together the rules published by the London Stock Exchange governing the admission to, and the operation of, AIM and the rules published by the London Stock Exchange from time to time for Nominated Advisers
“Allegations”	has the meaning set out in the Subscription and Shareholders’ Agreement
“Board”	the board of directors of Metals Exploration from time to time
“City Code”	The City Code on Takeovers and Mergers
“Company” or “Metals Exploration”	Metals Exploration plc
“Complainant Shareholders ”	Jonathan Anderson, Mark Smith, Philip Barnett, Michael Stratton, Vivienne Stratton, Mark Perowne, Graham Edwards, Mr Catto, Andrew MacDonald, and Alethea MacDonald;

“Completion”	the completion of the Subscription and Shareholders’ Agreement following the passing of the Resolutions
“Concert Party”	the Solomon Concert Party and the RHL Concert Party
“Directors”, “Metals Exploration Directors” or “Board”	the directors of the Company as at today’s date
“Enlarged Share Capital”	the issued share capital of the Company following the Placing, the Loan Conversion and the exercise of the Right to Rescind by Accepting Shareholders
“Existing Ordinary Shares”	the 270,016,344 Metals Exploration Shares in issue at today’s date
“General Meeting” or “GM”	the general meeting of the Company to be held on 31 March 2011, or any adjournment thereof
“Group”	the Company and any undertaking which is for the time being a subsidiary undertaking of the Company, whether mediate or intermediate; and “Group Companies”, shall be construed accordingly
“Independent Director”	Jonathan Beardsworth
“Independent Shareholders”	holders of Existing Ordinary Shares, excluding Solomon Capital, Graham Edwards and WDB
“Loan Conversion”	the conversion, at Completion, of the entire amount outstanding under the Loan Facility into Ordinary Shares at 13p per share
“Loan Facility”	the loan facility of up to £13 million made available by Shelfco 724 to the Company pursuant to an agreement dated 12 November 2010
“London Stock Exchange”	London Stock Exchange plc
“Metals Exploration Circular”	the circular dated 8 March 2011 sent to Shareholders by the Company
“Metals Exploration Shares” or “Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Minority Shareholders”	those Shareholders as set out in Part 1 of Schedule 1 to the Subscription and Shareholders’ Agreement
“Option Agreements”	the option agreements to be entered into on Completion between the Company and each of RHL and Solomon Capital
“Panel”	the Panel on Takeovers and Mergers

“Philippines”	the Republic of the Philippines
“Placing”	the placing of the Placing Shares by the Company pursuant (in the case of RHL and WDB) to the Subscription and Shareholders’ Agreement and (in the case of Shelfco 724) to the Loan Conversion at the Placing Price
“Placing Price”	13p per Ordinary Share
“Placing Shares”	the 192,307,692 new Ordinary Shares which are the subject of the Placing and the Loan Conversion
“Proposals”	the terms of the Subscription and Shareholders’ Agreement to include the details of the Placing, Loan Conversion, Option Agreements, Settlement, and the future Operation of the Group
“Reef Securities” or “Reef Securities Limited”	Reef Securities Limited, a company incorporated in the Bahamas under company number 40387B
“Released Parties”	Solomon Capital, Shelfco 724, Reef Securities Limited, the Company, any of their respective directors and officers and Mr Christian Candy;
“Resolutions”	the resolutions set out in the notice of General Meeting in the Metals Exploration Circular to approve the Proposals
“RHL”	Runruno Holdings Limited, a company registered in Jersey under company number 107417 with its registered office at 1 Grenville Street, St. Helier, Jersey JE2 4UF
“RHL Concert Party”	being RHL, Graham Edwards and WDB
“Right to Rescind”	the right of an Accepting Shareholder to rescind the contract entered into with Solomon Capital when such Accepting Shareholder accepted the Solomon Offer
“Runruno Project”	the Company’s principal project located in the Philippines
“Settlement”	the full and final settlement of the Allegations
“Shareholder(s)”	holder(s) of Existing Ordinary Shares
“Shelfco 724”	Shelfco 724 Limited, a company incorporated in Guernsey with company registration number 49005
“Solomon Capital”	Solomon Capital Limited, a company incorporated in Guernsey with its registered office at PO Box 119, Martello

	Court, Admiral Park, St Peter Port, Guernsey GY1 3HB
“Solomon Circular”	a document published by Solomon Capital on or about today’s date providing, <i>inter alia</i> , Accepting Shareholders with the opportunity to rescind the acceptance of the Solomon Offer
“Solomon Concert Party”	being Solomon Capital, Shelfco 724 and Reef Securities Limited
“Solomon Offer”	the cash offer being made by Strand Hanson on behalf of Solomon Capital to acquire all of the issued and to be issued Metals Exploration Shares not already owned by Solomon Capital on the terms and condition set out in a document dated 20 August 2010 including, where the context so required, any subsequent revision, variation, extension, or renewal of such offer
“Solomon Offer Document”	the document published by Solomon Capital on 20 August 2010 in connection with the Solomon Offer
“Sterling” or “£”	the lawful currency of the United Kingdom
“Strand Hanson”	Strand Hanson Limited, the financial adviser to Solomon Capital
“Subscription and Shareholders’ Agreement”	the conditional agreement dated 8 March 2011 between Solomon Capital, Shelfco 724, RHL, the Company, the Minority Shareholders and others
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“Warrants”	the outstanding warrants over Metals Exploration Shares
“WDB”	William de Broë Limited, a company incorporated in England under number 02485266
“Westhouse Securities”	Westhouse Securities Limited, nominated and financial adviser to Metals Exploration
“Written Submission”	a written submission made by certain Independent Shareholders to the Panel expressing, amongst others, concerns that a concert party, comprising Solomon Capital and Reef Securities Limited, was in existence at the time of the subscription by Solomon Capital for Ordinary Shares in the Company in January 2009 and/or in May and July 2009 and that these subscriptions were in breach of Rule 9 of the City Code