

# EMERGING METALS LIMITED

## Notice of Meeting of Shareholders and Disposal

### 1. Introduction

On 26 March 2010, Emerging Metals announced that it had sold 8,917,647 Kalahari Shares to Nippon (the “**Tranche One Sale**”). The price per Kalahari Share of the Tranche One Sale was £1.85, and the Company received gross proceeds of £16,497,647.

Under the terms of the Nippon Sale Agreement, the Directors conditionally agreed to sell to Nippon, at the same price of £1.85 per Kalahari Share, the balance of the Company’s holdings of Kalahari Shares (being 8,917,647 Kalahari Shares), subject to Shareholder approval being obtained within four weeks of the execution of the Nippon Sale Agreement. Under Rule 15 of the AIM Rules, the Company could not have sold its entire holding of Kalahari Shares on 25 March 2010 since such a disposal of assets would have constituted a fundamental change of business by the Company requiring prior shareholder approval. Under the terms of the Nippon Sale Agreement, the Directors agreed to seek Shareholder approval within four weeks of 25 March 2010.

At a meeting of the Board held on 25 March 2010 the Directors resolved, subject to the Proposed Sale being approved by Shareholders and the Directors delivering a Solvency Statement on the Record Date, that £16,161,629 be distributed to Shareholders pro rata, by way of a “Special Dividend”. Following further discussions between the Directors in consultation with the Company’s advisers, it was resolved on 31 March 2010 that the value of the Special Dividend be increased, and that the Company distribute all excess cash over an amount of approximately £8.6 million (US\$13 million) by way of a “Special Dividend”. If the Proposed Sale is approved by Shareholders this will result in payment of the Full Special Dividend of 7.13 pence per Ordinary Share, however if the Proposed Sale is not approved by Shareholders this will result in the payment of the Reduced Special Dividend of 2.53 pence per Ordinary Share.

In the event that the Full Special Dividend is payable the aggregate amount of the Full Special Dividend will be between £23.6 million and £25.3 million depending on the extent that the Options are exercised by Optionholders and is detailed further at paragraph 4 below. Furthermore in the event that the Full Special Dividend is payable the amount of cash remaining in the Company on 18 May after payment of the Full Special Dividend will be between £8.6 million and £9.0 million and will depend on the extent that the Options are exercised by Optionholders and is detailed further at paragraph 4 below.

In the event that the Reduced Special Dividend is payable the aggregate amount of the Reduced Special Dividend will be between £8.4 million and £9.0 million depending on the extent that the Options are exercised by Optionholders and is detailed further at paragraph 4 below. Furthermore in the event that the Reduced Special Dividend is payable the amount of cash remaining in the Company on 18 May after payment of the Reduced Special Dividend will be between £8.1 million and £8.9 million and will depend on the extent that the Options are exercised by Optionholders and is detailed further at paragraph 4 below.

Taking into account the above range of cash balances and based on the Directors anticipation of the final amount of Options likely to be exercised, as well as the other liquid current assets held by the Company the Directors estimate that the cash and liquid current asset resources available to the Company after the payment of the Full Special Dividend will be approximately US\$15 million (at an exchange rate of 1.5083).

Taking into account the above range of cash balances and based on the Directors anticipation of the final amount of Options likely to be exercised, as well as the other liquid current assets held by the Company the Directors estimate that the cash and liquid current asset resources available to the Company after the payment of the Reduced Special Dividend will be approximately US\$15 million (at an exchange rate of 1.5083) plus 8,917,647 Kalahari Shares.

The proposed Special Dividend has been unanimously approved by the Directors.

### 2. Background information on Kalahari Minerals plc

Kalahari Minerals is an AIM-traded mining, exploration and evaluation group with a portfolio of uranium, copper and base metal interests in Western and Eastern Central Namibia. Kalahari Minerals' principal asset is its approximate 40.88 per cent. holding in ASX and TSX-listed Extract Resources Limited, which is developing the Rossing Project, strategically located within a 50km radius of several world class uranium deposits in Namibia.

Extract Resources Limited has been focused on exploration and resource definition at the Rossing South property. As at the date of this document, the JORC Code compliant Inferred and Indicated mineral resource for Rossing South is 267 million lbs of U<sub>3</sub>O<sub>8</sub> at a grade of 487 ppm.

Further information about Kalahari Minerals is available on its website at [www.kalahari-minerals.com](http://www.kalahari-minerals.com).

### **3. Reasons for the Tranche One Sale, the Proposed Sale and the Special Dividend**

The Directors unanimously believed that the Tranche One Sale was in the best interests of Shareholders. Further, the Directors unanimously believe that the Proposed Sale is also in the best interests of Shareholders. In particular Shareholders should note:

- The total consideration paid by the Company in respect of its original holding of 17,835,294 Kalahari Shares was £9,720,469.38, equal to a price per Kalahari Share of £0.5450. On 24 March 2010, the day before the Tranche One Sale, the Company's holdings of Kalahari Shares had a market value of approximately £32,594,000 based on the closing price of a Kalahari Share traded on AIM of 182.75 pence. This represents an increase, since the date of the Company's first investment in Kalahari Minerals, of over 235 per cent. The Company has received no dividends or other distributions or income from the Kalahari Shares since the date of its investment.
- The market value of the Ordinary Shares has consistently traded at a significant discount to the value of the Company's holdings of Kalahari Shares. Based on the closing prices of shares traded on AIM in the Company (7.375 pence) and Kalahari Minerals (182.75 pence) on 24 March 2010 (the day immediately before the Tranche One Sale) the Company's holdings of Kalahari Shares (then 17,835,294 Kalahari Shares) was valued at approximately £32,594,000, compared to the market capitalisation of the Company of £24,393,498 at that time – a discount of approximately 25.2 per cent.
- The recent significant fluctuations in the share price of Kalahari Minerals on AIM illustrated how volatile the market for shares in companies can be and, while the Board remains confident about Kalahari Minerals' prospects, there can be no assurance that the price of shares of Kalahari Minerals would rise or in future reflect further progress, if any, made by Extract Resources Limited.
- The 185 pence per Kalahari Share offered to the Company under the terms of the Proposed Sale represents a premium of 10 pence to the closing market price of 175 pence per Kalahari Share on 31 March 2010.
- The disposal of the Kalahari Shares as a block (rather than declaring a dividend in specie of these Kalahari Shares to Shareholders) ensured the Company (and accordingly its Shareholders) received full market value for the Kalahari Shares and a small premium. The Directors believed that if the Kalahari Shares were distributed pro rata to Shareholders this could have an adverse affect on the market value of Kalahari Minerals as a key strategic stake is broken up.
- Having seen the value of the Company's investment in Kalahari Minerals increase so significantly, on realising an exit from the investment, the Directors believe it is appropriate to return some of the value to Shareholders by way of the Full Special Dividend. This will allow any Shareholders who wish to retain an exposure to Kalahari Minerals or Extract Resources Limited to purchase shares in those companies directly.

### **4. Information on the Company after the payment of the Special Dividend**

Taking into account the Directors anticipation of the final amount of Options likely to be exercised, as well as the other liquid current assets held by the Company the Directors estimate that the cash and liquid current

asset resources available to the Company after the payment of the Full Special Dividend will be approximately US\$15 million (at an exchange rate of 1.5083).

Taking into account the Directors anticipation of the final amount of Options likely to be exercised, as well as the other liquid current assets held by the Company the Directors estimate that the cash and liquid current asset resources available to the Company after the payment of the Reduced Special Dividend will be approximately US\$15 million (at an exchange rate of 1.5083) plus 8,917,647 Kalahari Shares.

In addition the Company's other significant asset will continue to be its interest in the Tsumeb Slag Stockpiles Project as per its rights under the Tsumeb Option Agreement. The Company continues to conduct its own studies and test work to determine the viability of winning the contained metals, principally germanium but also zinc and gallium, from the Tsumeb Slag Stockpiles. However, given current market conditions for these particular metals, the Directors believe that better returns will be achievable in the short term by continuing to build exposure to a breadth of Investment Metals. The Company will accordingly seek to minimise the evaluation and test work costs on the Tsumeb Slag Stockpiles whilst these conditions continue and may consider exiting the Tsumeb Slag Stockpiles Project altogether. The Company will update Shareholders about any results from the evaluation and test work and the Company's intentions regarding the Tsumeb Option in due course.

The Ordinary Shares will continue to be traded on AIM, although the price per Ordinary Share should be expected to fall following the Ex-Dividend Date. It is impossible to accurately predict the level of the fall in the value of the Ordinary Shares, but Shareholders should expect that the decrease in value could reflect the implied value of the Full or Reduced Special Dividend – whichever is paid.

Save as provided above in relation to the Tsumeb Slag Stockpiles Project the Company has no other material liabilities outstanding at the date of this document other than its general overheads and expenses (including expenses incurred in relation to the Proposed Sale and the Special Dividend). The Board believes, if approved, the Company will use the funds available to it following the Special Dividend to provide working capital for the day-to-day business of the Company and to fund the remaining budgeted exploration and development of the Tsumeb Slag Stockpiles, as well as to pursue further acquisition and investment opportunities in line with the Company's business and investing policy approved by Shareholders from time-to-time.

## **5. Investing Policy of the Company if the Proposed Sale is approved**

If the Proposed Sale is approved, it remains the intention of the Board to continue to broadly pursue the existing business strategy of the Company as approved by Shareholders at the general meeting of the Company in April 2009. As following the Proposed Sale the Company will be reclassified an "investing company" (as defined in the AIM Rules) the effective business strategy of the Company will be re-named its Investing Policy. For ease of reference the Investing Policy is set out at Schedule A of the Notice contained in Part II of this document. Shareholders must approve the terms of the Investing Policy at the Meeting of Shareholders after which the Company will have a period of twelve months to make an acquisition or acquisitions which constitute a reverse take over under AIM Rule 14 or otherwise implement its Investing Policy to the satisfaction of AIM.

The Board unanimously believes the cash it will retain (whether or not the Proposed Sale is approved) provides sufficient working capital for the Directors to continue to develop the Tsumeb Slag Stockpile Project in line with the Company's previously stated strategy. Further, the Board believes that market conditions for Investment Metals projects will continue to provide good opportunities for investment in situations which are, in their opinion, undervalued or capable of producing a satisfactory return and the Board intends therefore to continue to implement its stated Investing Policy.

## **6. Qualifying Shares for the purposes of the Special Dividend**

As at the date of this document the Company has 330,759,300 issued Ordinary Shares. In addition, at the date of this document there are options and warrants over 24,165,595 new Ordinary Shares outstanding. The number of Qualifying Shares for the Special Dividend shall be the number of Ordinary Shares in issue at the Record Date, which shall, include any Options exercised by Optionholders between the date of this document and the Ex-Dividend Date.

## 7. Terms of the Special Dividend

The Board proposes to distribute the Special Dividend to Qualifying Shareholders who will receive a cash dividend of 7.13 pence per Qualifying Share (the Full Special Dividend) if Resolution 1 (the Proposed Sale) is approved and a cash dividend of 2.53 pence per Qualifying Share (the Reduced Special Dividend) if Resolution 1 (the Proposed Sale) is not approved.

The Special Dividend will be paid on 18 May 2010 to all Qualifying Shareholders on the register of members of the Company at the Record Date, which is 30 April 2010. The Qualifying Shares will comprise the existing Ordinary Shares plus any new Ordinary Shares to be issued to the Optionholders on exercise of any Options prior to the Ex-Dividend Date.

## 8. The Resolutions

At the Meeting of Shareholders the following Resolutions will be proposed:

1. Approval by Shareholders of the sale by the Company of 8,917,647 Kalahari Shares to Nippon Uranium Resources (Australia) Proprietary Limited

*THAT the proposed sale by the Company of 8,917,647 Kalahari Shares to Nippon Uranium Resources (Australia) Proprietary Limited be and is hereby approved and that the Directors of the Company be authorised to take all such steps as any of them may consider necessary or desirable to implement and give full effect to the intentions of the Shareholders in approving the sale of the Kalahari Shares.*

2. Approval of the Company's Investing Policy

*THAT the Investing Policy, as set out in Schedule A of the Notice, be approved and that the Directors of the Company be authorised to take all such steps as any of them may consider necessary or desirable to implement the Investing Policy.*

## 7. Forms of Proxy and Forms of Instruction

A Form of Proxy and a Form of Instruction for use at the Meeting of Shareholders are enclosed with this document.

Shareholders holding their shares in certificated form should complete and sign the Form of Proxy and return it to Computershare Investor Services (Jersey) Limited, PO Box 83, 31 Pier Road, St Helier, Jersey, JE4 8PW or by fax to the following number +00 44 (0)1534 825315 as soon as possible but in any event to be received not later than 10.00 a.m. BST on 14 April 2010 or 48 hours before any adjourned meeting.

Shareholders holding their shares in uncertificated form should complete and sign the Form of Instruction and return it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or by fax to the following number +00 44 (0)870 703 6116 as soon as possible but in any event to be received not later than 10.00 a.m. BST on 13 April 2010 or 72 hours before any adjourned meeting.

The return of a Form of Proxy or Form of Instruction will not, however, prevent you from attending the Meeting of Shareholders and voting in person, should you wish to do so. Shareholders who wish to attend in person should contact Computershare Investor Services PLC in advance to confirm what identity documents they should bring with them and to complete a Form of Representation if necessary.

## 8. Recommendation

**The Board unanimously recommends that Shareholders vote in favour of resolutions 1 and 2 at the Meeting of Shareholders as they intend to do in respect of their own beneficial holdings of Ordinary Shares (in aggregate representing 18.9 per cent. of the current issued share capital).**

The Board believes that the Proposed Sale will substantially eliminate the discount to underlying value to which the Ordinary Shares have traded. Further, the Board believes that following the success of the investment in Kalahari Minerals the Shareholders should share in the Net Sale Proceeds.

There is absolutely no assurance that the Proposed Sale will be approved and the Board urges all Shareholders to submit a Form of Proxy as soon as possible and in any event before 10.00 a.m. BST on 14 April 2010, or in the case of Shareholders holding Depository Interests, a Form of Instruction before 10.00 a.m. on 13 April 2010.

Yours sincerely, **James Mellon**, *Executive Co-Chairman*

## **9. Investing Policy**

The Company plans to target exposure to Investment Metals which include all metals other than base metals (such as copper and lead, but excluding for these purposes zinc) and bulk commodities metals (such as iron, potassium and aluminium) in addition to minor metals. Exposure to Investment Metals will be achieved by a number of methods, including but not limited to the acquisition or purchasing of the following:

- i) physical quantities of Investment Metals commodities,
- ii) interests in Investment Metals projects, such as direct licenses or rights over such projects or licenses,
- iii) strategic minority equity stakes in publicly traded or private companies with a focus on Investment Metals, and
- iv) positions in securities or any other interest (including but not limited to loan capital, joint ventures, partnerships, convertibles or other financial instruments as the Directors deem appropriate).

All of these opportunities may include interests (in whole or in part) in (without limit) exploration permits and licences, mining projects under development, operating mines, smelters, slag stockpiles, refineries, and associated activities. Such activity may be undertaken in the ordinary course of its business and as an alternative to holding cash reserves on a day-to-day basis. The Directors believe that current market conditions will provide good opportunities for a positive return from the above investments where prices of the Investment Metals to which the Company has exposure increase. The Directors do not envisage that the Company's investment portfolio will be leveraged initially; however, this position may be reviewed should the Board become aware of available and commercially prudent financing arrangements. The Company will consider cross holdings of shares in circumstances that would benefit its broader investment strategy.

In evaluating possible additional opportunities in Investment Metals the Directors will take into account the goal of achieving a diversified exposure to different Investment Metals as well as the market outlook for individual elements, although there will be no maximum exposure limits. The Directors estimate that investments will be held for periods of up to five years.

The Directors believe that their collective experience in the areas of mining, acquisitions, accounting and corporate and financial management together with the opinion of expert consultants in the evaluation and exploitation of Investment Metals opportunities will enable the Company to achieve its objectives. The Directors intend to take an active role in the management and development of the Tsumeb Slag Stockpiles Project and where practicable in any future projects.

Following the Proposed Sale (if approved) the Company's principal investment will be the Tsumeb Slag Stockpiles Project. The Company continues to conduct its own studies and test work to determine the viability of winning the contained metals, principally germanium but also zinc and gallium, from the Tsumeb Slag Stockpiles. However, given current market conditions for these particular metals, the Directors believe that better returns will be achievable in the short term by continuing to build exposure to a breadth of Investment Metals. The Company will accordingly seek to minimise the evaluation and test work costs on

the Tsumeb Slag Stockpiles whilst these conditions continue and may consider exiting the Tsumeb Slag Stockpiles Project altogether. The Company will update Shareholders about any results from the evaluation and test work and the Company's intentions regarding the Tsumeb Option.

Following the approval of the Investing Policy by Shareholders the Company will have a period of twelve months to make an acquisition or acquisitions which constitute a reverse take over under AIM Rule 14 or otherwise implement its Investing Policy to the satisfaction of AIM.

#### **10. Expected Timetable of Principle Events**

| <b><u>Event</u></b>                                      | <b><u>Expected time / date</u></b> |
|--|------------------------------------|
| Publication of this document                             | 01 April 2010                      |
| Latest time and date for receipt of Forms of Instruction | 10:00 a.m. 13 April 2010           |
| Latest time and date for receipt of Forms of Proxy       | 10:00 a.m. 14 April 2010           |
| <b>Meeting of Shareholders</b>                           | 10:00 a.m. 16 April 2010           |
| Ex-Dividend Date in respect of the Special Dividend      | 28 April 2010                      |
| Record Date  | 30 April 2010                      |
| Expected payment date of the Special Dividend            | 18 May 2010                        |

#### **11. Distribution**

The full notice of meeting is available on the Company's website [www.emergingmetals.com](http://www.emergingmetals.com) and has been dispatched to shareholders.