



**INTERNATIONAL FERRO METALS (SA)
(PROPRIETARY) LIMITED**

*(Incorporated with limited liability under Registration Number 2002/011936/07 in the
Republic of South Africa)*

ZAR695,657,421
Subordinated Unsecured 12,5% Fixed Rate Registered Debentures

On 25 January 2006, International Ferro Metals (SA) (Proprietary) Limited (the “**Issuer**”) issued debentures through a private placement (“**Initial Issue**”). A total amount of ZAR695,657,421 subordinated unsecured fixed rate debentures (the “**Debentures**”) were issued in denominations of ZAR6,956,574,21 each, on the terms and conditions (“**Terms and Conditions**”) contained in this Offering Circular.

For as long as the Debentures are in issue, interest on the Debentures will be payable semi-annually in arrears on the Interest Payment Date (as defined in the Terms and Conditions) and subject to subordination provisions in Condition 5 of the Terms and Conditions. The Debentures bear interest at a rate of 12,5% per annum in respect of the period from and including 25 January 2006 to but excluding the Redemption Date (as defined in the Terms and Conditions). Payments in respect of the Debentures are made subject to deduction for or on account of South African taxes as described in Condition 10 of the Terms and Conditions.

Unless previously redeemed at a prior date for taxation reasons or purchased by the Issuer and cancelled, the Debentures will mature on the Redemption Date (as defined in the Terms and Conditions) at their principal amount.

The Debentures will be listed on the Bond Exchange of South Africa (“**BESA**”) (under stock code number IFM01). The application was granted on 11 May 2007 and the Debentures may be traded by or through members of BESA from 16 May 2007 in accordance with the rules and operating procedures for the time being of BESA. The settlement of trades on BESA shall take place in accordance with the electronic settlement procedures of BESA and STRATE Limited.

This Offering Circular supercedes any previous placement document in relation to the Initial Issue. The Initial Issue was not rated by any rating agency.

Lead Manager
NEDBANK CAPITAL,
a division of NEDBANK LIMITED

Offering Circular dated 11 May 2007

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Capitalised terms used in this section shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.

*International Ferro Metals (SA) (Proprietary) Limited (the “**Issuer**”) accepts responsibility for the information contained in this Offering Circular, except as may be otherwise stated. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.*

The Issuer, having made all reasonable inquiries, confirms that this Offering Circular contains or incorporates all information which is material in relation to the issue and the offering of the Debentures, that all information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or expression of any such opinions or intentions misleading in any material respect.

*Nedbank Capital, a division of Nedbank Limited (“**Nedbank Capital**” or the “**Lead Manager**”) has not separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, expressed or implied is made and no responsibility is accepted by the Lead Manager as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer. Neither the Lead Manager nor BESA accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Debentures. The statements made in this paragraph are without prejudice to the responsibilities of the Issuer.*

This Offering Circular is to be read in conjunction with all documents incorporated herein by reference (see the section entitled “Documents Incorporated by Reference”) and should be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the issue and sale of the Debentures and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Lead Manager or BESA. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that any other financial statement or other information supplied in connection with the Offering Circular is correct at any time subsequent to the date indicated in the document containing the same.

This Offering Circular and any other information supplied in connection with the Debentures is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Lead Manager or BESA that any recipient of this Offering Circular or any other information supplied in connection with the Debentures should purchase any Debentures. Each investor contemplating purchasing any Debentures should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither this Offering Circular nor any other information supplied in connection with the Debentures constitutes an offer or invitation by or on behalf of the Issuer, the Lead Manager or BESA to any person to subscribe for or to purchase any Debentures.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Debentures in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the Issuer nor the Lead Manager represents that this Offering Circular may be lawfully distributed, or that any Debentures may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Lead Manager which would permit a public offering of any Debentures or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Debentures may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except in compliance with any applicable laws and regulations and the Lead Manager has represented that all offers and sales by them will be made in compliance with this prohibition.

The distribution of this Offering Circular and the offer for the subscription or sale of Debentures may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular or any Debentures come must inform themselves about, and observe, any such restrictions. In particular there are restrictions on the distribution of this Offering Circular and the offer for the subscription or sale of Debentures in the United States, the United Kingdom, European Economic Area and South Africa.

The Debentures have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"). The Debentures may not be offered, sold or delivered within the United States or to US persons except in accordance with Regulation S under the Securities Act.

In this Offering Circular, all references to "Rands", "South African Rand", "ZAR", "R" or "cents" is to the legal currency of the Republic of South Africa.

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DOCUMENTS INCORPORATED BY REFERENCE

Words used in this section entitled "Documents Incorporated By Reference" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the audited annual financial statements, and notes thereto, of the Issuer for the financial years ended 30 June 2004, 2005 and 2006, as well as the published audited annual financial statements, and notes thereto of the Issuer in respect of further financial years, as and when such become available;
- (b) any supplements to this Offering Circular circulated by the Issuer from time to time; and
- (c) the Common Terms Agreement dated 21 September 2005 entered into and between the Prior Ranking Creditors, the Issuer, International Ferro Metals Limited and Lexshell 662 Investment (Proprietary) Limited,

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of the audited financial statements of the Issuer are available free of charge at the registered office of the Issuer.

SUMMARY OF THE TRANSACTION

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Offering Circular. Terms not otherwise defined in this summary have the same meanings as used in the Terms and Conditions.

Issuer	International Ferro Metals (SA) (Proprietary) Limited (Registration Number 2002/011936/07), a private company duly incorporated with limited liability in accordance with the company laws of the Republic of South Africa;
Description of Debentures	International Ferro Metals (SA) (Proprietary) Limited Subordinated Unsecured 12,5% Fixed Rate Registered Debentures;
Amount	The issue of the Debentures was for a total amount of ZAR695,657,421;
Lead Manager	Nedbank Capital, a division of Nedbank Limited (Registration Number 1951/000009/06), a public company and registered bank duly incorporated with limited liability in accordance with the company and banking laws of the Republic of South Africa;
Paying Agent	Nedbank Investor Services, a division of Nedbank Limited (Registration Number 1951/000009/06) or such other Participant as may be nominated by the Issuer from time to time, subject to the approval of BESA;
Clearing System	The CSD acting as the approved electronic clearing house, carrying on the role of matching, clearing and facilitation of settlement of all transactions carried out on BESA;
Currency	South African Rand ("ZAR");
Denomination of Debentures	Debentures will be listed in such denominations as may be agreed with the Issuer, save that the minimum denomination of each Debenture may not be less than R100,000 each;
Form of the Debentures	The Debentures will be listed in registered form as described below in the section entitled " <i>Form of the Debentures</i> ";
Governing Law	The Debentures will be governed by, and construed in accordance with, the laws of the Republic of South Africa;
Interest Payment Dates	Semi-annually on 31 March and 30 September of each year and as more fully set out in the Terms and Conditions;
Interest Rate	A fixed rate (the " Fixed Rate ") of 12,5% per annum over the period from and including 25 January 2006 to but excluding the Redemption Date;
Listing and Trading	An application was made to list the Debentures on BESA (under stock code number (IFM01). The application was granted on 11 May 2007 and the Debentures may be traded by and through members of BESA from 16 May 2007;
Capital Amount	The face value of each Debenture;
Purchase of Debentures	The Issuer may, at any time, purchase Debentures at any price in the open market or otherwise. Such Debentures may be held, resold or, at the option of the Issuer, cancelled;
Redemption Value	100% of the Capital Amount of each Debenture;

Register Closed	The Register shall be closed prior to each Interest Payment Date and the Redemption Date for the periods as described in Condition 14 of the Terms and Conditions;
Selling Restrictions	The distribution of this Offering Circular and the offer for the subscription or sale of Debentures may be restricted by law in certain jurisdictions and are restricted by law in the United States of America, European Economic Area, the United Kingdom and the Republic of South Africa. Persons who come into possession of this Offering Circular must inform themselves about and observe any such restrictions;
Status of Debentures	The Debentures constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> amongst themselves;
Taxation	All payments in respect of the Debentures will be made with withholding, or deduction for or on account of taxes levied in the Republic of South Africa, as more fully set out in condition 10;
Terms and Conditions	The terms and conditions of the Debentures set out below in this Offering Circular; and
Transfer Secretary	Nedbank Investor Services, a division of Nedbank Limited or any successor as contemplated in the Terms and Conditions.

FORM OF THE DEBENTURES

Words used in this section entitled "Form of the Debentures" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Debentures will be listed on BESA, a licensed financial exchange in terms of the Securities Services Act. The Debentures were issued in accordance with the Terms and Conditions set out below in this Offering Circular and will now be listed in the form of a Global Certificate without interest coupons, which will be lodged and immobilised in CSD, which forms part of the settlement system of BESA. This will entail that the Debentures, represented by the Global Certificate, will be deposited with and registered in the name of, and for the account of the CSD's Nominee.

Beneficial Interests in Debentures which are lodged in the form of the Global Certificate in the CSD may, in terms of existing law and practice, and subject to the existing contractual arrangements with International Ferro Metals Limited (Registration Number A3/099355790) and Morgan Stanley & Co International Limited, be transferred through the CSD by way of book entry in the securities accounts of the Participants in the CSD, who are also approved by BESA to act as Settlement Agents and therefore perform electronic settlement of both funds and scrip on behalf of market participants. A certificate or other document issued by a Participant as to the nominal amount of such Beneficial Interest in Debentures standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. A Global Certificate may be replaced by the issue of uncertificated securities in terms of Section 37 of the Securities Services Act.

Beneficial Interests in the Debentures may be exchanged by the Issuer, for Individual Certificates in accordance with Condition 11 of the Terms and Conditions. Such Individual Certificates will not be issuable in bearer form. The Debentures represented by the Global Certificate and Individual Certificates will be registered in the names of the Debenture Holders in the Register of Debenture Holders maintained by the Transfer Secretary. The Issuer shall regard the Register as the conclusive record of title to the Debentures. The CSD shall be recognised by the Issuer as the owner of the Debentures represented by the Global Certificate and the registered holders of Individual Certificates shall be recognised by the Issuer as the owners of the Debentures represented by such Individual Certificates. The Debentures represented by an Individual Certificate shall be transferred in accordance with Condition 13 of the Terms and Conditions.

TERMS AND CONDITIONS OF THE DEBENTURES

The following is the text of the terms and conditions of the Debentures which will be incorporated by reference into the Global Certificate and each Individual Certificate.

1. INTERPRETATION

In these terms and conditions, unless inconsistent with the context, the following expressions shall have the following meanings:

“Agent Bank”	The Standard Bank of South Africa Limited (or such replacement agent as contemplated in the “ <i>Intercreditor Agreement</i> ”) representing the Prior Ranking Creditors, acting in its capacity as such;
“Applicable Procedures”	the rules and operating procedures for the time being of the CSD, the Settlement Agents and BESA, as the case may be;
“Beneficial Interest”	the undivided share of a co-owner of the Debentures represented by a Global Certificate as provided in section 41 of the Securities Services Act;
“BESA”	the Bond Exchange of South Africa, a licensed financial exchange in terms of the Securities Services Act or any exchange which operates as a successor exchange to BESA;
“Business Day”	a day (other than a Saturday, Sunday or official South African public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg;
“Capital Amount”	the face value of each Debenture;
“Certificate”	a Global Certificate or Individual Certificate;
“Common Terms Agreement”	the common terms agreement dated 21 September 2001 entered into and between the Prior Ranking Creditors, the Issuer, International Ferro Metals Limited and Lexshell 662 Investment (Proprietary) Limited;
“CSD”	STRATE Limited (Registration Number 1998/022242/06), or its nominee, operating in terms of the Securities Services Act (or any successor legislation thereto), or any additional or alternate depository approved by the Issuer;
“CSD’s Nominee”	Central Depository Nominees (Proprietary) Limited (Registration Number 1990/006665/07, a wholly owned subsidiary of the CSD;
“Companies Act”	the Companies Act, 1973 (as amended);
“Debenture Holder”	the holder of a Debenture as recorded in the Register being the CSD’s Nominee and the holders of Individual Certificates;
“Debenture(s)”	each subordinated unsecured fixed rate debenture issued by the Issuer on the Issue Date, with such denominations as may be agreed with the Issuer, save that the minimum denomination of each Debenture will not be less than R100,000 each, pursuant to the written terms and conditions executed by the Issuer on the Issue Date and incorporated into these Terms and Conditions;
“Distribution”	any payment, repayment, redemption, cash dividend, dividend in specie, discharge by way of set-off, capital reduction, counterclaim or otherwise or other distribution, whether in cash or in kind, howsoever such distribution may arise and whether pursuant to or in terms of an agreement or otherwise or by way of a gift or donation;
“Event of Default”	events of default by the Issuer set out in Condition 10;

“Extraordinary Resolution”	a resolution passed at a properly constituted meeting of the Debenture Holders upon a show of hands by a majority consisting of not less than 75% (seventy five percent) of the Debenture Holders present in person and voting at the meeting or, if a poll be duly demanded, a majority consisting of not less than two-thirds of the votes given at such poll by Debenture Holders present in person or by Proxy;
“Finance Documents”	the meaning assigned to such term in the Common Terms Agreement;
“Form of Proxy”	an instrument in writing signed by the Debenture Holder or, in the case of a Debenture Holder which is a corporation, executed under its common seal or signed on its behalf by a duly authorised representative of the corporation appointing a Proxy. A Global Certificate may be replaced by the issue of uncertificated securities in terms of Section 37 of the Securities Services Act;
“Global Certificate”	the single certificate, without interest coupons, registered in the name of the CSD’s Nominee and representing those Debentures which are lodged and immobilised in the CSD other than those Debentures represented by the Individual Certificates;
“IFRS”	the International Financial Reporting Standards;
“Individual Certificate”	a Debenture in the definitive registered form of a single certificate exchanged for a Beneficial Interest in the Debentures represented by the Global Certificate in accordance with Condition 11 and any further Certificate issued in consequence of a transfer thereof;
“Interest Payment Date”	the day upon which interest due in respect of the Debentures shall be paid by the Issuer, being 31 March and 30 September of each year, commencing on 25 January 2006, provided that the last date for such payment shall be on the Redemption Date and, provided that on that date the Issuer is, in terms of provisions of the Common Terms Agreement (including those relating to Subordinated Shareholders Loans) and the provisions of these Terms and Conditions, permitted to pay interest to the Debenture Holder, having regard to the fact that the Debenture Holder is to be treated as a “ <i>Subordinated Shareholders Loan</i> ” for the purposes of the Common Terms Agreement. For the sake of clarity and avoidance of doubt, it is recorded that if on any of the dates referred to above the Issuer is not entitled to pay any interest to the Debenture Holder in terms of the provisions of the Common Terms Agreement and/or these Terms and Conditions, then that date shall not constitute an Interest Payment Date and no amount will be due to the Debenture Holder in respect of interest on that date;
“Interest Period”	each period commencing on and including the day of any Interest Payment Date and ending on but excluding the following Interest Payment Date during the period from and including the Issue Date to the Redemption Date, provided that the first Interest Period shall be from and including the Issue Date to, but excluding the first Interest Payment Date thereafter;
“Interest Rate”	the rate of interest applicable to the Debentures, being 12.5% per annum compounded semi-annually;
“Issue Date”	16 May 2007;
“Issuer”	International Ferro Metals (SA) (Proprietary) Limited (Registration Number 2002/011936/07), a private company duly incorporated with limited liability in accordance with the company laws of the Republic of South Africa;

“Last Day to Register”	16h00 South African time on the tenth day preceding an Interest Payment Date or Redemption Date, as the case may be, the last day on which the Transfer Secretary will accept Transfer Forms and record the transfer of the Debentures in the Register and whereafter the Register is closed for further transfers or entries until such Interest Payment Date or Redemption Date;
“Nedbank Capital”	Nedbank Capital, a division of Nedbank Limited (Registration Number 1951/000009/06), a public company and registered bank duly incorporated with limited liability in accordance with the company and banking laws of the Republic of South Africa;
“Ordinary Resolution”	a resolution passed at a properly constituted meeting of Debenture Holders, upon a show of hands by a majority of the Debenture Holders present in person and voting at the meeting or, if a poll is demanded, a majority of the votes cast at such poll by Debenture Holders present in person or by Proxy;
“Participant”	a person accepted by the CSD as a participant in terms of section 34 of the Securities Services Act;
“Paying Agent”	Nedbank Capital or such other paying agent as may be nominated by the Issuer from time to time, subject to the approval of BESA;
“Prime Rate”	the publicly quoted basic rate of interest (percent, per annum, compounded monthly in arrear and calculated on a 365-day year irrespective of whether or not the year is a leap year) from time to time published by The Standard Bank of South Africa Limited as being their prime rate as certified by any manager of such bank whose authority, appointment and designation need not be proved;
“Prior Ranking Creditors”	Nedbank Limited, The Standard Bank of South Africa Limited and SAAB Supporter ETT AB in respect of their claims against the Issuer under any one or more or all of the Finance Documents;
“Proxy”	a person appointed under a Form of Proxy to act on behalf of a Debenture Holder in connection with any meeting or proposed meeting of the Debenture Holders;
“Redemption Date”	the latest of: <ul style="list-style-type: none"> (a) the tenth anniversary of the Issue Date; or (b) the Junior Debt Discharge Date (as that term is defined in the Common Terms Agreement); or (c) the Senior Debt Discharge Date (as that term is defined in the Common Terms Agreement), provided that after the Junior Debt Discharge Date and the Senior Debt Discharge Date (both as defined in the Common Terms Agreement) have both occurred, the Issuer and the Debenture Holder (or where there are multiple Debenture Holders, such Debenture Holders acting in terms of an Extraordinary Resolution) may agree that the Redemption Date shall be a date earlier or later than the tenth anniversary of the Issue Date;
“Register”	the register maintained by the Transfer Secretary in terms of Condition 14;
“Relevant Date”	in respect of any payment, the date on which such payment first becomes due, except that, in relation to monies payable to the CSD in accordance with these Terms and Conditions, it means the first date on which (a) the full amount of such monies have been received by the CSD; (b) such monies are available for payment to the holders of Beneficial Interests;

	and (c) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
“Representative”	where a Debenture Holder is a corporation, a person authorised by a resolution of the Debenture Holder’s directors or other governing body to act as its representative in connection with any meeting or proposed meeting of the Debenture Holders;
“SA GAAP”	the South African Statements of Generally Accepted Accounting Practice;
“Settlement Agent”	a Participant, approved by BESA in terms of the rules of BESA to perform electronic settlement of both funds and scrip on behalf of market participants;
“Stipulated Agreements”	the meaning assigned to such term in the Umbrella Agreement dated 24 June 2005 entered into between the Debenture Holder, the Issuer and others on or about the date of execution of these Terms and Conditions;
“Subordinated Shareholders Loans”	any loan granted from time to time to the Issuer by any of its shareholder/s or any loan of a similar nature made to the Issuer by a third party with the prior written consent of the Agent Bank which is or should be subordinated in accordance with clause 23 of the Common Terms Agreement or any other agreement;
“Subsidiary”	a subsidiary, as defined in section 1(3) of the Companies Act;
“Terms and Conditions”	the original terms and conditions incorporated into this section entitled <i>“Terms and Conditions of the Debentures”</i> and in accordance with which the Debentures were issued on the Issue Date;
“Transfer Form”	the written form for the transfer of any Debenture, in the form approved by the Transfer Secretary and signed by the transferor and transferee;
“Transfer Secretary”	Nedbank Investor Services, a division of Nedbank Limited (Telephone: (27) (11) 667 1170; Telefax: (27) (11) 667 1637) or any successor secretaries appointed by the Issuer; and
“ZAR”	the lawful currency of the Republic of South Africa, being South African Rand, or any successor currency.

2. ISSUE AND LISTING

A total amount of ZAR695,657,421 Debentures were issued on 25 January 2006. An application has been made to list the Debentures on BESA (under Stock Code No. IFM01). The application was granted on 11 May 2007 and the Debentures may be traded by and through members of BESA from 16 May 2007, on which date the registered holder of each Debenture will acquire a Beneficial Interest in that Debenture represented by the Global Certificate.

3. FORM AND DENOMINATION

- 3.1 The Debentures are subordinated unsecured fixed rate registered debentures issued in such denominations as may be agreed with the Issuer, save that the minimum denomination of each Debenture may not be less than R100,000 each.
- 3.2 The Debentures will be listed in the form of the Global Certificate which will be deposited with and registered in the name of, and for the account of the CSD’s Nominee. An owner of a Beneficial Interest in the Debentures represented by the Global Certificate shall be entitled to exchange such Beneficial Interest for an Individual Certificate in accordance with Condition 11.

4. TITLE

- 4.1 Title to the Debentures will pass upon registration of transfer in the Register in accordance with Condition 13. The Issuer, the Paying Agent and the Transfer Secretary shall recognise a Debenture Holder as the sole and absolute owner of the Debentures registered in that Debenture Holder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Debenture may be subject.
- 4.2 Beneficial Interests in Debentures lodged in the CSD in the form of the Global Certificate may, in terms of existing law and practice, be transferred through the CSD by way of book entry in the securities accounts of the Participants. Such transfers will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the Debenture Holder in respect of the Global Certificate, notwithstanding such transfers.

5. STATUS

- 5.1 The Debentures constitute direct, subordinated unsecured obligations of the Issuer and will rank *pari passu* amongst themselves.
- 5.2 The rights of the Debenture Holders to payment of principal or interest under these Terms and Conditions or their payment of any other amount under the Stipulated Agreements (as the case may be) shall be subordinated in all respects to the claims of the Prior Ranking Creditors.
- 5.3 The Issuer and the Debenture Holder irrevocably acknowledge and agree that:
- (a) the Debenture(s) will by agreement constitute a "*Subordinated Shareholder's Loan(s)*" for purposes of the Common Terms Agreement and all the provisions of the Common Terms Agreement relating to Subordinated Shareholders Loans as set out therein, shall apply to the obligations created by the Debenture(s);
 - (b) a payment may only be made by the Issuer under the Debenture(s) in circumstances where a payment or Distribution towards a Subordinated Shareholders Loan or other Distribution to its shareholder(s) may be made under the Common Terms Agreement, and then only after the reasonable working capital requirements of the Issuer (as determined by the Issuer's Board of Directors) have been fully provided for;
 - (c) payments may be made by the Issuer in respect of the Debenture(s) only on an Interest Payment Date, such that payments will never be made on more than 2 (two) days in any single calendar year;
 - (d) all claims of the Debenture Holder, both present and future, under or arising in any manner in connection with the Debenture(s) and/or the Stipulated Agreements shall be treated for all purposes as subordinate in all respects to all present and future claims of the Prior Ranking Creditors under or arising in any manner in connection with the Finance Documents, the said claims of the Prior Ranking Creditors accordingly at all relevant times ranking in priority to any claims of the Debenture Holder;
 - (e) no assets of the Issuer shall be applied (by set-off or otherwise) to the repayment of any obligations to the Debenture Holder under or in connection with the Debenture(s) and/or the Stipulated Agreements, save as may be explicitly and unequivocally permitted by the provisions of the Common Terms Agreement;
 - (f) the subordination provisions in these Terms and Conditions constitute a continuing subordination and benefit to the Prior Ranking Creditors regardless of any intermediate discharge (in whole or in part) of the claims of the Prior Ranking Creditors (or any one or more of them) under the Finance Documents.
- 5.4 The Issuer represents and warrants to and in favour of the Prior Ranking Creditors and the Agent Bank that nothing contained in these Terms and Conditions nor anything done pursuant to its terms,

will in any way cause any term or provision of the Common Terms Agreement or any warranty, representation or undertaking given by the Issuer in the Common Terms Agreement, to be breached in any way.

- 5.5 Without prejudice to the remaining subordination provisions in this Condition 5, if and for so long as the Issuer's liabilities exceed its assets, the Debenture Holder hereby further subordinates so much of its claim for payment of interest equal to such excess in favour of all the Issuer's other creditors. Accordingly, for so long as the Issuer's liabilities exceed its assets, the Debenture Holder shall not be entitled to claim or receive payment of interest (by set-off or otherwise).
- 5.6 If the Issuer is placed in provisional or final liquidation or under judicial management, or in the event of the Issuer effecting a compromise with its creditors generally:
- 5.6.1 the Debenture Holder shall not prove or tender proof of a claim in respect of the Debenture(s) and /or the Stipulated Agreements to the extent that such proof would in any way reduce or diminish any dividend payable to the Prior Ranking Creditors;
- 5.6.2 the Debenture Holder shall not prove or tender proof of a claim in respect of interest to the extent that such proof would in any way reduce or diminish any dividend payable to any of the Issuer's other creditors (including but limited to the Prior Ranking Creditors) and the Debenture Holder's claim for payment of interest shall be reduced accordingly.
- 5.7 The Debenture Holder irrevocably acknowledges and agrees that:
- 5.7.1 it shall not demand, realise, sue for, deal with or receive any payment or Distribution whatsoever under or in connection with the Debenture Holder or the Stipulated Agreements, contrary to the provisions of the Common Terms Agreement or these Terms and Conditions;
- 5.7.2 if at any time the Debenture Holder receives any payment or Distribution whatsoever in connection with the Debenture(s) or the Stipulated Agreements (or any amount due under the Debenture(s) or the stipulated Agreements is discharged by set-off) which is not permitted in terms of the Common Terms, it will receive the same in escrow for and immediately pay or Distribute it (as the case may be) to the Agent Bank, who will receive the same on behalf of the Prior Ranking Creditors;
- 5.7.3 it shall not take any corporate action or other steps or institute any legal proceedings for the winding up, liquidation, deregistration or re-organisation of the Issuer, or for the appointment of a trustee, liquidator, judicial manager or similar officer in respect of the Issuer or the Issuer's revenues or assets,

irrespective of whether or not an Event of Default has occurred.

6. REDEMPTION AND PURCHASES

6.1 Redemption

Subject to these Terms and Conditions and provided that all obligations to the Prior Ranking Creditors under all the Finance Documents shall have been unconditionally and discharged in full, prior or on the Redemption Date, the Debentures shall be redeemed at their Capital Amount on the Redemption Date (together with interest accrued to such Redemption Date). If such Redemption Date falls upon a day which is not a Business Day, any amounts shall be payable upon the first following day that is a Business Day, provided that additional interest shall be payable for the period necessitated by such delay. For the avoidance of doubt, it is recorded that unless the Issuer discharges its obligations to the Prior Ranking Creditors, there shall be no obligation on the Issuer to redeem the Debentures and accordingly the Debenture Holder shall not be entitled to claim payment thereof.

- 6.2 It is recorded that, prior to the Issuer discharging its obligations to the Prior Ranking Creditors, there shall be no obligation on the Issuer to redeem the Debenture and, accordingly, the Debenture Holder shall not be entitled to claim payment thereof.

6.3 Procedure for redemption

Payments in respect of the redemption of the Debentures shall be made in accordance with Condition 8 and, in relation to Debentures represented by the Global Certificate held by the CSD's Nominee and Individual Certificates held by Debenture Holders, the Applicable Procedures relating to the redemption of debt securities.

Debenture Holders shall surrender their Certificates in respect of Debentures held by them to the Transfer Secretary at least 10 (ten) days prior to the Redemption Date.

6.4 Purchases

The Issuer or any of its affiliates may at any time purchase Debentures at any price in the open market or otherwise. In the event of the Issuer purchasing Debentures, such Debentures may (subject to restrictions of any applicable law) be held, resold or, at the option of the Issuer, surrendered to the Transfer Secretary for cancellation.

6.5 Cancellation

Subject to the provisions of Condition 6.4, all Debentures which are redeemed by the Issuer will forthwith be cancelled. All Debentures so cancelled shall be held by the Transfer Secretary and cannot be re-issued or resold.

7. INTEREST

7.1 The Debentures shall bear interest at the Interest Rate from and including the Issue Date, to but excluding the Redemption Date.

7.2 Interest in respect of each Interest Period, shall, subject to the provisions of the Common Terms Agreement and Condition 5 of these Terms and Conditions, be payable in arrears on the Interest Payment Date immediately succeeding such Interest Period. If any Interest Payment Date falls upon a day which is not a Business Day, the interest payable upon such Interest Payment Date shall be payable upon the first following day that is a Business Day, provided that for the purposes of determining a Interest Period, no adjustment shall be made to such Interest Payment Date.

7.3 If, and to the extent that the conditions in Condition 7.2 are not satisfied at the relevant time, the Issuer shall neither be entitled nor obliged to effect payment of any interest on that Interest Payment Date. Any interest which has accrued but which is not due for payment in accordance with the provisions of this Condition 7.3 shall be capitalised and paid on the next Interest Payment Date on which the Issuer is entitled to make payment thereof in accordance with the provisions of the Common Terms Agreement.

7.4 Each Debenture will cease to bear interest from the Redemption Date unless, upon due presentation thereof, payment of principal is improperly withheld or refused.

7.5 In the event that the Issuer fails to punctually make payment of any amounts owing in accordance with these Terms and Conditions, the amounts so owing shall continue to bear interest at a rate being 200 basis points above the Prime Rate subject to condition 5 of these Terms and Conditions, and provided that all obligations to the Prior Ranking Creditors under any Finance Document(s) shall have been unconditionally and absolutely discharged in full.

7.6 Calculation of interest

The amount of interest payable per Debenture in respect of each Interest Period shall accrue on the Capital Amount on a daily basis at the Interest Rate in accordance with the provisions of these Terms and Conditions, and shall be paid to the Debenture Holder on each Interest Payment Date, if and only if on that date such payment is permissible in terms of the provisions of the Common Terms Agreement and Condition 5 of these Terms and Conditions.

8. PAYMENT

8.1 The Capital Amount and interest on the Debentures shall be paid by the Paying Agent for and on behalf of the Issuer in ZAR without provision for exchange or bank commission by the Issuer's bank.

- 8.2 Payments of interest and principal in respect of Debentures represented by the Global Certificate will be made to the CSD's Nominee, as the registered holder of the Global Certificate, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the CSD or the relevant Participants, as the case may be, as the holders of Beneficial Interests shall look solely to the CSD or the relevant Settlement Agent, as the case may be, for such person's share of each payment so made by the Issuer to, or for the order of, the registered holder of the Global Certificate. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to such Beneficial Interests. Payments of interest and principal in respect of Debentures represented by the Global Certificate shall be recorded by the CSD's Nominee, as the registered holder of the Global Certificate, distinguishing between interest and principal, and such record of payments by the registered holder of the Global Certificate shall be *prima facie* proof of such payments. Payments of interest and principal in respect of Debentures represented by Individual Certificates shall be made to the person reflected as the registered holder of the Individual Certificate in the Register on the Last Day to Register.
- 8.3 Payments of interest and/or the Capital Amount in respect of each Debenture shall be paid by the Paying Agent, for and on behalf of the Issuer by electronic funds transfer to the account of the relevant Debenture Holder as set forth in the Register at 16h00 Johannesburg time on the Last Day to Register preceding the relevant Interest Payment Date or Redemption Date, as the case may be, or, in the case of joint Debenture Holders, the account of that one of them who is first named in the Register in respect of that Debenture, provided that no payment in respect of the redemption of such Debenture shall be made by the Issuer until 10 (ten) days after the date on which the Global Certificate or Individual Certificate, as the case may be, in respect of the Debenture to be redeemed has been surrendered to the Transfer Secretary.
- 8.4 If the Paying Agent is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with Condition 8.2 (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), such inability shall not constitute an Event of Default and the Issuer shall give notice to the Debenture Holders within three Business Days of such inability arising. Upon receipt of such notice any Debenture Holder may request, in writing, setting out a postal address, that the Issuer make payment of any such amounts by way of cheque if allowed by law or banking practice. The Paying Agent shall deliver any such cheque to such Debenture Holder within 2 (two) Business Days of receiving such request.
- 8.5 Each such cheque shall be made payable to the relevant Debenture Holder or, in the case of joint Debenture Holders, the first one of them named in the Register and each such cheque shall be dated as at the Interest Payment Date or Redemption Date, as the case may be. Subject to these Terms and Conditions, payments by cheque may be posted by ordinary mail and the Issuer or the Paying Agent shall not be responsible for any loss in the transmission of mail and the postal authorities shall be deemed to be the agent of the Debenture Holders for the purpose of all cheques posted in terms of this Condition 8.
- 8.6 Payment of a cheque sent in terms of Condition 8.4 or 8.5 shall be a complete discharge by the Issuer of the amount of the cheque.
- 8.7 If several persons are entered into the Register as joint Debenture Holders then, without affecting the provisions of Condition 8.6, payment to any one of them of any monies payable on or in respect of the Debenture shall be an effective and complete discharge by the Issuer of the amount so paid, notwithstanding any notice (express or otherwise) which the Issuer may have of the right, title, interest or claim of any other person to or in any Debenture or interest therein.
- 8.8 In the event that any cheque provided by the Paying Agent, for and on behalf of the Issuer, as set out above is not presented for payment and no demand is made for payment of the relevant amount of interest or principal within a period of six months from the Relevant Date, the Paying Agent shall forthwith refund any such amount to the Issuer.

9. TAXATION

All payments of Capital Amount and interest will be made without withholding or deduction unless and to the extent that the Issuer is obliged by law to withhold or deduct any amount for or on account of any present or future taxes, duties, assessments or other governmental or quasi-governmental charges of whatsoever nature imposed, levied or assessed by or on behalf of any authority or agency in South Africa having power to impose such taxation. In such event, the Issuer shall make payment of the amounts due in respect of the Debenture after such withholding or deduction has been effected (where applicable) and shall account to the relevant authorities for the amount so withheld or deducted. The Issuer shall be under no obligation to make any additional payments to the Debenture Holder in respect of any amount so withheld or deducted.

10. EVENTS OF DEFAULT

10.1 An Event of Default shall occur if:

- (a) the Issuer fails to pay any Capital Amount due under the Debentures on its due date for payment thereof or the Issuer fails to pay any interest due under the Debentures on its due date for payment thereof and any such failure continues for a period of 10 (ten) Business Days, (other than pursuant to the provisions of Condition 5 above or unless such failure to pay is due to a failure in the banking or payment system through which payment is made, which failure is beyond the Issuer's control); or
- (b) the Issuer fails to comply with any other provision of the Debentures and that failure is not rectified within 15 (fifteen) Business Days of the date of written demand by the Debenture Holder requiring the Issuer to do so to the reasonable satisfaction of the Debenture Holder; or
- (c) a representation, warranty or statement made or repeated under or in connection with the Debenture Holder is incorrect in any material respect when made or deemed to be made or repeated and is not remedied or cured within 10 (ten) Business Days of the date of written demand by the Debenture Holder requiring the Issuer to do so; or
- (d) the Issuer is provisionally or finally wound up (except for the purposes of a reconstruction or an amalgamation without insolvency) or placed under provisional or final judicial management; or
- (e) a resolution is passed by the members of the Issuer to wind up the Issuer voluntarily (except for the purposes of a reconstruction or an amalgamation without insolvency); or
- (f) the Issuer ceases to carry on its business; or
- (g) any assets of the Issuer are attached under a writ of execution issued out of any court in the Republic of South Africa as a result of a final judgement against the Issuer for an amount exceeding ZAR5,000,000 and, subject to Condition 10.2(b), the writ is not satisfied or set aside within 15 (fifteen) Business Days after the attachment has come to the notice of the Board of Directors of the Issuer; or
- (h) if the Issuer, without the prior consent of the Debenture Holder and each Prior Ranking Creditor, makes any alteration to the provisions of its Memorandum and/or Articles of Association which detrimentally affects the interests of the Debenture Holder in a material respect.

10.2 For the purposes of Condition 10.1(g):

- (a) an order of court shall not be deemed to be final unless, being appealable, the period for noting such appeal has lapsed without an appeal being noted, or having been noted, the appeal is dismissed, abandoned or not proceeded with within the period prescribed by the rules of court as extended, if at all, by the court;
- (b) any attachment shall be deemed to have come to the notice of the board of directors of the Issuer, within 15 (fifteen) Business Days of being made, unless the contrary shall be shown. In the event of the Issuer commencing any proceedings to set aside the writ or to remove the

attachment, then the period of 15 (fifteen) Business Days referred to in Condition 10.1(g) shall be extended and shall commence running only after a final and unappealable judgement refusing that setting aside or removal has been granted. The term "*writ of execution*" in Condition 10.1(g) does not include a writ of attachment "*ad fundandam jurisdictionem*" or "*ad confirmandam jurisdictionem*".

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Debenture Holders and BESA. The Issuer shall also provide the Debenture Holder with full details of any steps which the Issuer is taking, or proposes to take, in order to remedy or mitigate the effect of the Event of Default.

10.3 If, and only if:

- (i) both the Junior Debt Discharge Date and the Senior Debt Discharge Date (as those terms are defined in the Common Terms Agreement) shall have occurred; and
- (ii) an Event of Default shall have occurred,

then, and in that event, any Debenture Holder shall be entitled to, by written notice to the Issuer at its registered office, effective upon the date of receipt thereof by the Issuer, declare the Debentures held by such Debenture Holder to be forthwith due and payable. Upon receipt of that notice, such Debentures, together with accrued interest (if any) to the date of payment, shall become forthwith due and payable. Until the eventualities in (i) and (ii) above prevail, no Debenture Holder shall take any action or act upon an Event of Default.

11. UNDERTAKINGS AND WARRANTIES

11.1 The Issuer undertakes to and in favour of the Debenture Holder that for so long as the Debenture remains outstanding, save as provided for to the contrary in the Finance Documents, the Issuer shall:

- (a) prepare (and cause to be certified by its auditors) financial statements for each of its financial years ending after the Issue Date and which shall:
 - (i) be prepared on a basis consistently applied in accordance with SA GAAP;
 - (ii) give a true and fair view of the financial condition and results of operation of the Issuer for the period for which and on the date at which they related;
 - (iii) deliver to the Debenture Holder a copy of its financial statements as soon as they become available but, in any event, by not later than 120 (one hundred and twenty) days after the end of its financial year to which they apply;
 - (iv) inform the Debenture Holder promptly of the occurrence of any Event of Default which occurs or may occur, and provide the Debenture Holder with full details of any steps which the Issuer is taking, or proposes to take, in order to remedy or mitigate the effect of the Event of Default;

11.2 The Issuer represents to and warrants in favour of the Debenture Holder that, save as provided for to the contrary in the Finance Documents:

- (a) it is a company with limited liability duly registered and incorporated and validly existing under the laws of the Republic of South Africa;
- (b) the Debenture constitutes, and will constitute legal, valid and binding obligations on it and is enforceable against it in accordance with its terms;
- (c) no occurrence or condition which constitutes an Event of Default (or a Default as that term is defined in the Common Terms Agreement) has occurred and is continuing or would occur by reason of the Issuer entering into or performing its obligations in respect of the Debenture;
- (d) as at the Issue Date, no litigation, arbitration or administrative proceedings were in progress pending or (to the best of the knowledge, information or belief of the Issuer) threatened against it or any of its assets which:
 - (i) will or is reasonably likely to result in an award in excess of ZAR250,000 (two hundred

and fifty thousand Rand) being taken or granted against the Issuer; and

- (ii) either:
 - (aa) having a material adverse affect on its business, assets or financial condition; or
 - (bb) materially adversely affecting its ability to observe or perform its obligations in respect of the Debenture;
- (e) it has the power to enter into and perform its obligations in terms of the Debenture and has taken all necessary action to authorise the creation and issue of the Debenture and has taken all necessary action to authorise such creation and issue on the terms and conditions set out herein.

11.3 The warranties and representations contained in this Condition 11 were given at the Issue Date and shall be given thereafter on each Interest Payment Date. Each such representation and warranty shall be deemed to be material and to have induced the Debenture Holder to take up and/or acquire the Debenture.

11.4 For the sake of clarity and avoidance of doubt, it is recorded that despite the other provisions of these Terms and Conditions, the Issuer may at any time restructure the Issuer's existing debt and/or raise additional debt on market related terms without the approval of the Debenture Holder.

12. DELIVERY, EXCHANGE AND REPLACEMENT OF CERTIFICATES

- 12.1 The Debentures will initially be listed in the form of the Global Certificate which will replace the debenture certificate issued on the Issue Date and will be lodged and immobilised in the CSD. After the listing, the registered holder of each Debenture will, thereafter, hold a Beneficial Interest in that Debenture represented by the Global Certificate.
- 12.2 A person holding a Beneficial Interest in the Debentures represented by the Global Certificate may, in terms of the Applicable Procedures and through its nominated Participant, direct a written request to the Transfer Secretary for an Individual Certificate representing the number of Debentures to be delivered by the Transfer Secretary in exchange for such Beneficial Interest. The aggregate of the Capital Amounts of the Debentures represented by such Individual Certificate shall be equivalent to the amount of such Beneficial Interest. The Transfer Secretary shall deliver such Individual Certificate upon such written request no later than 14 (fourteen) days after receiving the written request of the holder of such Beneficial Interest in accordance with the Applicable Procedures, provided that, joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding and delivery to one of those joint holders shall be delivery to all of them.
- 12.3 Upon the receipt of a written request for delivery of an Individual Certificate in terms of Condition 12.2, the Global Certificate shall, in terms of the Applicable Procedures, be presented to the Transfer Secretary for splitting and a new Global Certificate for the balance of the Debentures still held by the CSD shall be delivered to the CSD. The old Global Certificate will be cancelled and retained by the Transfer Secretary.
- 12.4 Certificates shall be provided (whether by way of issue, delivery or exchange) by the Issuer, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Certificates and/or the transfer of Debentures may be levied by other persons, such as a Settlement Agent, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Certificates by other than ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Debenture Holder.
- 12.5 If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the office of the Transfer Secretary on payment by the claimant of such costs and expenses as may be incurred in connection therewith and against the furnishing of such indemnity as the Transfer Secretary may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

- 12.6 Any person becoming entitled to Debentures in consequence of the death or insolvency of the relevant Debenture Holder may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this paragraph or of his title, require the Issuer and the Transfer Secretary to register such person as the holder of such Debentures or, subject to the requirements of this Condition 11, to transfer such Debentures to such person.

13. TRANSFER OF DEBENTURES

- 13.1 Beneficial Interests in the Debentures may be transferred through the Transfer Secretary in terms of the Applicable Procedures in the CSD provided that, save for any transfer by or to International Ferro Metals Limited (Registration Number A3/099355790) and/or Morgan Stanley & Co International Limited, shall be subject to the written approval of each Prior Ranking Creditor to be obtained by the Transfer Secretary.
- 13.2 In order for any transfer of Debentures to be effected through the Register and for the transfer to be recognised by the Issuer, each transfer of a Debenture:
- (a) must be embodied in the usual Transfer Form;
 - (b) must be signed by the relevant Debenture Holder and the transferee, or any authorised representatives of that registered Debenture Holder and/or transferee;
 - (c) shall only be in respect of such denominations as may be agreed with the Issuer or a multiple thereof, subject to the applicable laws; and
 - (d) must be made by way of the delivery of the Transfer Form to the Transfer Secretary together with the Certificate in question for cancellation and the original prior written approval of each Prior Ranking Creditor or, if only part of the Debentures represented by a Certificate is transferred, a new Certificate for the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Secretary.
- 13.3 The transferor of any Debentures represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 13.4 Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Secretary reasonably requires as to the identity and title of the transferor and the transferee.
- 13.5 No transfer will be registered while the Register is closed.
- 13.6 If a transfer is registered then the Transfer Form and cancelled Certificate will be retained by the Transfer Secretary.

14. REGISTER

- 14.1 The Register shall be kept at the offices of the Transfer Secretary. The Register shall contain the name, address and bank account details of the registered Debenture Holders. The Register shall set out the Capital Amount of the Debentures issued to any Debenture Holder and shall show the date of such issue and the date upon which the Debenture Holder became registered as such. The Register shall show the serial numbers of Certificates issued. The Register shall be open for inspection during the normal business hours of the Transfer Secretary to any Debenture Holder or any person authorised in writing by any Debenture Holder. The Transfer Secretary shall not be obliged to record any transfer while the Register is closed.
- 14.2 The Register will be closed during the 10 days preceding each Interest Payment Date and the Redemption Date. All periods referred to for the closure of the Register may be shortened by the Issuer from time to time, upon notice thereof to the Debenture Holders.
- 14.3 The Transfer Secretary shall alter the Register in respect of any change of name, address or bank account number of any of the Debenture Holders of which it is notified in accordance with these Terms and Conditions.

15. NOTICES

- 15.1 All notices (including all demands or requests under these Terms and Conditions) to the Debenture Holders will be valid if (a) mailed by registered post or hand delivered to their addresses appearing in the Register or published in a leading English language daily newspaper of general circulation in the Republic of South Africa, and (b) for so long as the Debentures are listed on BESA, published in a daily newspaper of general circulation in Johannesburg, which newspapers are respectively expected to be the *Business Day* and *The Star* (or their respective successors). Any such notice shall be deemed to have been given on the day of first publication or hand delivery or on the seventh day after the day on which it is mailed, as the case may be.
- 15.2 For so long as the Debentures are held in their entirety by the CSD, there may be substituted for publication as contemplated in Condition 15.1 the delivery of the relevant notice to the CSD, the Settlement Agents and BESA for communication by them to the holders of Beneficial Interests in the Debentures represented by the Global Certificate.
- 15.3 Notices (including all demands or requests under these Terms and Conditions) to be given by any Debenture Holder shall be in writing and given by delivering the notice, together with a certified copy of the relevant Certificate, to the Issuer. While any of the Debentures are represented by the Global Certificate, notice may be given by any holder of a Beneficial Interest to the Issuer through the holder's relevant Settlement Agent in accordance with the Applicable Procedures and in such manner as the Issuer and the relevant Settlement Agent may approve for this purpose.
- 15.4 Any notice to the Issuer shall be deemed to have been received by the Issuer, on the second Business Day after being hand delivered to the registered office of the Issuer or on the seventh day after the day on which it is mailed by registered post to the registered office of the Issuer, as the case may be.

16. AMENDMENT OF THESE TERMS AND CONDITIONS

These Terms and Conditions set out all the rights and obligations relating to the Debentures. No addition, variation or consensual cancellation shall be of any force or effect unless approved by the Debenture Holder or Debenture Holders, as the case may be, and each Prior Ranking Creditor and reduced to writing and signed by or on behalf of the Issuer, each Prior Ranking Creditor and (a) signed by or on behalf of a Debenture Holder or Debenture Holders, as the case may be, holding not less than 75% (seventy five percent) in value of the Debentures outstanding from time to time, or (b) authorised by an Extraordinary Resolution of a meeting of Debenture Holders, provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to the Debenture Holders.

17. MEETINGS OF DEBENTURE HOLDERS

17.1 Convening of meetings

- (a) The Issuer may, subject to the written approval of each Prior Ranking Creditor, convene a meeting of Debenture Holders at any time ("**a meeting**" or "**the meeting**").
- (b) The Issuer shall convene a meeting upon the requisition in writing of the holders of at least 10% of the aggregate Capital Amount outstanding of the Debentures ("**requisition notice**").
- (c) Whenever the Issuer wishes or is required to convene a meeting, it shall forthwith give notice in writing to each Prior Ranking Creditor and the Debenture Holders of the place, day and hour of the meeting and of the nature of the business to be transacted at the meeting.
- (d) All meetings of Debenture Holders shall be held in Johannesburg.
- (e) Every director, the company secretary of and the attorneys to the Issuer, and every other person authorised in writing by the Issuer, may attend and speak at a meeting of Debenture Holders, but shall not be entitled to vote, other than as a Proxy or duly authorised representative of a Debenture Holder.

17.2 Requisition

- (a) A requisition notice shall state the nature of the business for which the meeting is to be held and shall be deposited at the registered office of the Issuer.
- (b) A requisition notice may consist of several documents in like form, each signed by one or more requisitionists.

17.3 Convening of meetings by requisitionists

If the Issuer does not proceed to cause a meeting to be held within 30 days of the deposit with the company secretary of the Issuer of a requisition notice, requisitionists who together hold not less than 10% of the aggregate Capital Amount outstanding of the Debentures for the time being, may themselves convene the meeting, but the meeting so convened shall be held within 60 days from the date of such deposit and shall be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. Notice of the meeting shall be required to be given to the Issuer.

17.4 Notice of meeting

- (a) Unless the holders of at least 90% of the aggregate Capital Amount outstanding of the Debentures agree in writing to a shorter period, at least 21 days' written notice specifying the place, day and time of the meeting and the nature of the business for which the meeting is to be held shall be given by the Issuer to Debenture Holders.
- (b) The accidental omission to give such notice to any Debenture Holder or the non-receipt of any such notice, shall not invalidate the proceedings at a meeting.

17.5 Quorum

- (a) A quorum at a meeting shall for the purposes of considering:
 - (i) an Ordinary Resolution, consist of Debenture Holders present in person or by Proxy and holding in the aggregate not less than one-third of the aggregate Capital Amount outstanding of the Debentures;
 - (ii) a Extraordinary Resolution, consist of Debenture Holders present in person or by Proxy and holding in the aggregate not less than a clear majority of the aggregate Capital Amount outstanding of the Debentures.
- (b) No business shall be transacted at a meeting of the Debenture Holders unless a quorum is present at the time when the meeting proceeds to business.
- (c) If, within 15 minutes from the time appointed for the meeting, a quorum is not present, the meeting shall, if it was convened on the requisition of Debenture Holders, be dissolved. In every other case the meeting shall stand adjourned to the same day in the third week thereafter, at the same time and place, or if that day is not a Business Day, the following Business Day. If at such adjourned meeting a quorum is not present the Debenture Holders present in person or by Proxy shall constitute a quorum for the purpose of considering any resolution, including an Extraordinary Resolution.

17.6 Chairman

The chairman of the meeting shall be appointed by the Issuer.

17.7 Adjournment

- (a) Subject to the provisions of this Condition 17, the chairman may, with the consent of, and shall on the direction of, the meeting adjourn the meeting from time to time and from place to place.
- (b) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (c) At least 14 days' written notice of the place, day and time of an adjourned meeting shall be given by the Issuer to each Debenture Holder and the Issuer. In the case of a meeting adjourned

in terms of Condition 17.5(c), the notice shall state that the Debenture Holders present in person or by proxy at the adjourned meeting will constitute a quorum.

17.8 How questions are decided

- (a) At a meeting, a resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the result of the show of hands, a poll is demanded by the chairman or by any one of the Debenture Holders present in person or by Proxy.
- (b) Unless a poll is demanded, a declaration by the chairman that on a show of hands a resolution has been carried, or carried by a particular majority, or lost, shall be conclusive evidence of that fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.
- (c) A poll demanded on the election of a chairman or on the question of the adjournment of a meeting shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs and the result of such poll shall be deemed to be the resolution of the meeting.
- (d) In the case of an equality of votes, whether on a show of hands or on a poll, the chairman shall not be entitled to a casting vote in addition to the vote, if any, to which he is entitled.

17.9 Votes

On a show of hands every Debenture Holder present in person shall have one vote. On a poll every Debenture Holder, present in person or by Proxy, shall have one vote for each ZAR1,000,000 of the Capital Amount outstanding of the Debentures held by him. The joint holders of Debentures shall have only one vote on a show of hands and one vote on a poll for each ZAR1,000,000 of the Capital Amount outstanding of the Debentures of which they are the registered holder and the vote may be exercised only by that holder present whose name appears first on the Register in the event that more than one of such joint holders is present in person or by Proxy at the meeting. The Debenture Holder in respect of Debentures represented by the Global Certificate shall vote at any such meeting on behalf of the holders of Beneficial Interests in such Debentures in accordance with the instructions to the CSD or its nominee from the holders of Beneficial Interests conveyed through the Settlement Agents in accordance with the Applicable Procedures.

17.10 Proxies and representatives

- (a) Debenture Holders present either in person or by Proxy may vote on a poll.
- (b) A person appointed to act as Proxy need not be a Debenture Holder.
- (c) The Form of Proxy shall be deposited at the registered office of the Issuer or at the office where the Register is kept or at such other office as the Issuer may determine not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such Form of Proxy proposes to vote, and in default, the proxy shall be invalid.
- (d) No Form of Proxy shall be valid after the expiration of 6 months from the date named in it as the date of its execution.
- (e) A Proxy shall have the right to demand or join in demanding a poll.
- (f) Notwithstanding Condition 17.10(d) the Form of Proxy shall be valid for any adjourned meeting, unless the contrary is stated thereon.
- (g) A vote given in accordance with the terms of a proxy otherwise in accordance with these Terms and Conditions shall be valid notwithstanding the previous death or incapacity of the principal or revocation of the proxy or of the authority under which the Form of Proxy was executed or the transfer of Debentures in respect of which the proxy was given, provided that no intimation in writing of such death, incapacity or revocation shall have been received by the Issuer at the office of the Transfer Secretary more than, and that the transfer has been given effect to less than, 12 hours before the commencement of the meeting or adjourned meeting at which the proxy is to be used.

- (h) Any Debenture Holder which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative in connection with any meeting or proposed meeting of Debenture Holders. Any reference in these Conditions to a Debenture Holder present in person includes such a duly authorised representative of a Debenture Holder.

17.11 Minutes

- (a) The Issuer shall cause minutes of all resolutions and proceedings of meetings to be duly entered in the minute books of the Issuer.
- (b) Any such minutes as aforesaid, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings held or by the chairman of the next succeeding meeting, shall be receivable in evidence without any further proof, and until the contrary is proved, a meeting of Debenture Holders in respect of the proceedings of which minutes have been so made shall be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

18. *STIPULATIO ALTERI*

18.1 These Terms and Conditions constitute stipulations in favour of each Debenture Holder, which stipulations shall be irrevocable and shall be deemed to have been accepted by the Debenture Holder(s) on the Issue Date by that Debenture Holder surrendering its original certificate for cancellation, and by each subsequent Debenture Holder upon delivery of the corresponding Transfer Form to the Transfer Secretary.

18.2 The provisions of Conditions 5,13 and 16 constitute stipulations in favour of each of the Prior Ranking Creditor, which stipulations shall be irrevocable and shall be capable of express or implied acceptance at any time, either in writing or orally or tacitly.

19. NO VOTING RIGHTS ON DEBENTURES HELD BY THE ISSUER

The Issuer shall not have any voting rights on any Debentures repurchased or otherwise held by it.

20. GOVERNING LAW

The Debentures and all rights and obligations relating to the Debentures are governed by, and shall be construed in accordance with the laws of the Republic of South Africa.


USE OF PROCEEDS

For the purposes of the commercial paper regulations published in the Government Gazette Notice 21272 (Government Gazette 16167) of 14 December 1994 ("**Commercial Paper Regulations**") under section 90 of the Banks Act, 1990, it is recorded that the Ultimate Borrower, as defined in the Commercial Paper Regulations, of the net proceeds from the issue of the Debentures will be the Issuer.

The net proceeds from the issue of the Debentures will be applied by the Issuer for the funding of its general corporate purposes.

SIGNED at Mosinooi on this the 11 day of May 2007.

For and on behalf of
International Ferro Metals (SA)
(Proprietary) Limited



Name: MR R H BARNARD
Capacity: DIRECTOR
Who warrants his authority hereto

For and on behalf of
International Ferro Metals (SA)
(Proprietary) Limited



Name: MR I C WATSON
Capacity: DIRECTOR
Who warrants his authority hereto

DESCRIPTION OF INTERNATIONAL FERRO METALS (SA) (PROPRIETARY) LIMITED

1. INTRODUCTION

- 1.1 The International Ferro Metals Group ("**IFM Group**") was established in 2002 to acquire, control and expand the chromite mining and processing operations of the Buffelsfontein mine in the North West Province of South Africa.
- 1.2 International Ferro Metals Limited ("**IFML**"), a company incorporated in Australia, was admitted to trading on the Alternative Investment Market London ("**AIM**") in September 2005. IFML owns 98,75% and Global Eagle Minerals and Beneficiation (Proprietary) Limited ("**GE**") owns 1,25% of the issued share capital of IFM-SA, a company incorporated in the Republic of South Africa. Using the proceeds from the placing together with debt capital raised in South Africa, the Group commenced construction on the 17th of October 2005 of an integrated chromite mine and modern processing facilities to produce ferrochrome. The IFM-SA board of directors (the "**Board of Directors**") expects such production to commence early in 2007.

2. BACKGROUND

- 2.1 In September 2005, IFML embarked on a capital raising exercise in which it raised £80 million (30 September 2005 at R11,55) (R933 million) through the placing of shares with financial institutions, together with a direct equity investment of £19 million (approximately R220 million) from Jiuquan Iron and Steel Company Limited ("**JISCO**"), a large Chinese Stainless Steel producer. All of the IFML shares are listed on the AIM exchange in the United Kingdom ("**UK**") with a market capitalisation of R4 billion (£282 million) (8 May 2007). In addition to the equity raised, IFM-SA raised senior debt and working capital facilities of R742 million from two major South African banks and junior debt of R150 million from SAAB Et.
- 2.2 IFM-SA has entered into guaranteed off take agreements on 25 August 2005 with JISCO (120,000 tpa), and on 19 August 2005 with Commercial-Metals Company ("**CMC**"), a New York listed metals trading company (50,000 tpa) for the sale of its ferrochrome production. These off take agreements equate to approximately 64% of its planned production.
- 2.3 In January 2007, the Company's two ferrochrome furnaces were switched on three months earlier than scheduled. The furnaces are currently able to operate at a combined rate of production of 267,000 tonnes of Charge Chrome per annum. The Beneficiation plant is currently producing at full capacity of 120 tonnes per hour. The Pelletising plant, scheduled for completion in May 2007, will produce 33,000 tonnes of pellets per month, sufficient for IFMSA's current two furnaces. The progression to full furnace production will ramp up between January and May 2007.

3. BUSINESS

3.1 Business

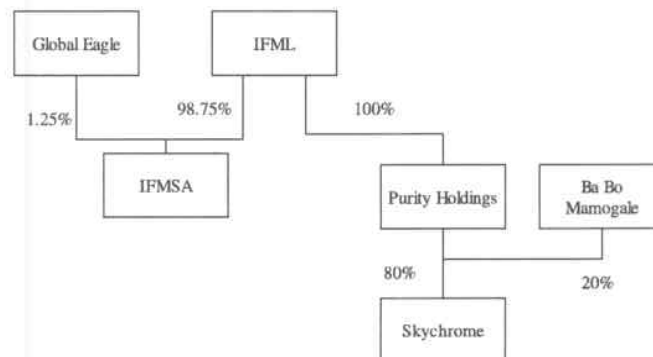
IFM-SA has already commenced with the mining of chrome ore, which ore would be beneficiated and finally processed by two closed ferrochrome submerged arc furnaces. The final product, being ferrochrome would be marketed worldwide, primarily to stainless steel manufacturers.

3.2 History in context of the IFM Group

Both IFML and IFM-SA were established during 2002. IFML initially acquired 100% of the issued shares in IFM-SA, but subsequently entered into an agreement with a Black Economic Empowerment ("**BEE**") partner, Global Eagle Mineral and Beneficiation (Proprietary) Limited, who presently owns 1,25% of the issued shares in IFM-SA and could ultimately, by 2014, own 26% in terms of a shareholders' agreement.

In December 2005, IFML acquired Purity Metals Holdings Limited ("**Purity Holdings**") which in turn holds an 80% stake in Sky Chrome Mining (Proprietary) Limited.

The current structure of the IFM Group, subsequent to the above acquisition is as follows:



3.3 Description of the IFM Group Business

IFML *per se* does not conduct any business other than through its subsidiary IFM-SA.

Mining

The Buffelsfontein property, acquired in 2003 from National Manganese Mines and the National Copper Company, is located near Mooinooi – 40 km east of Rustenburg – in North-West Province. The Project site falls within the western limb of the Bushveld Complex, the largest chromite producing region in the world.

The mining operation is being developed and operated – over an initial five-year period – by SDM Mining Contractors (Proprietary) Limited (“SDM”), a consortium of Shaft Sinkers and Deilmann-Haniel, both underground mining contractors, and mining company Mmakau Mining as their BEE partner.

SRK, the Issuer’s Independent Technical Adviser, has put a fair market value on the Mine Project, based on a 12% discount rate, a 19-year life of mine and a one-times final year EBITDA (earnings before interest tax depreciation and amortization) terminal value, of R3,435 million (£295 million). Based on the cash flows per the SRK valuation, the internal rate of return of the Mine Project is 31%.

The Buffelsfontein mine, which has proved and probable reserves of 12,9 Mt as at 30 June 2006, will be a shallow underground operation exploiting the MG1 and MG2 seams, with mining of ore starting at a vertical depth of around 50 m and eventually going to 400 m. At an annual production rate of 861 000 tons per annum of ore, the mine life will be 19 years.

Sky Chrome has a Geoscientists and Minerals Council of Australia (“JORC”) inferred resource of 29,6 Mt chromite and an indicated resource of 28,4 Mt of chromite based only on the MG1 seam. IFML believes that the acquisition would enable production of ferrochrome at the anticipated rate to extend for at least 20 years beyond the life of the Buffelsfontein mine.

The mine was officially opened on 19 July 2006 and is currently producing approximately 15 000 tons of chrome ore, which is gradually being increased to approximately 63 000 tons per month in November 2007.

3.4 Beneficiation/Processing Operations

Ferrochrome production involves three major processing steps namely beneficiation, pelletising and sintering and smelting.

3.4.1 The ore from the underground mine will be beneficiated using crushing, screening and gravity separation to produce a concentrate suitable for pelletising and sintering, as well as a lumpy ore which is a suitable feed for the smelter and which does not require any further processing.

3.4.2 The pelletising and sintering process involves grinding the chromite concentrate in a ball

mill, pelletising a mixture of concentrate, coke, fines and bentonite which acts as a binder, then heating the pellets in a steel belt sintering furnace. In sintering, the pellets are heated so that strong bonds are formed between the chromite grains to yield an agglomerated material. The sintered material is sized and then used as feed to the smelter.

- 3.4.3 The pelletising and sintering technology is being provided by Outokumpu, a world renowned engineering and technology supply company, and constructed by Bateman Africa. The Outokumpu technology has been proven at a number of sites, including other ferrochrome operations in South Africa such as Hernic Ferrochrome.
- 3.4.4 Smelting: the smelting plant, constructed by Pyromet Technologies (Proprietary) Limited will comprise two closed submerged arc furnaces, each rated at 66 MVA, a Venturi scrubber system for the off gases, together with plant and equipment for handling ferrochrome alloy and slag.
- 3.4.5 The construction of the processing plant is approximately 70% complete and it is expected to commence with production early 2007.
- 3.4.6 The plant being constructed should produce 267,400 tons per annum of ferrochrome, which includes 9,176 tpa of ferrochrome that will be recovered from slag.
- 3.4.7 IFM-SA concluded an agreement with Fermet Technologies (Proprietary) Limited for the construction and operation of a metal recovery plant. This plant would toll treat slag tailings generated by the smelting process and extract ferrochrome which remained in the slag.

4. RECENT DEVELOPMENTS

4.1 Acquisition of Purity Holdings

In December 2005, IFML acquired Purity Holdings which holds an 80% stake in Sky Chrome Mining (Proprietary) Limited. The Sky Chrome property is situated five kilometres from IFM-SA's Buffelsfontein mine. The acquisition allows the IFM Group to extend the life of the ferrochrome facility in excess of 40 years and enables IFM-SA to double its production capacity through its planned expansion programme. This acquisition provides IFM-SA with significant additional value. The current budget for the development of the Sky Chrome reserve is approximately R178 million.

4.2 Revision of ESKOM Electricity Contract

In June 2006, IFM-SA renegotiated its arrangement with ESKOM from its current 200 Megavare amperes ("MVA") lines to 400 MVA lines. Besides, providing additional electricity for expansion and a more stable supply of electricity, the standard supply connection charge per month is reduced from R627,469 to R419,155 and the premium supply connection premium per month is reduced from R746,371 to R565,229.

5. DIRECTORS

Executive

Stephen John Turner	Australian (Chairman)
Ronald Henry Barnard	Managing
Xiaoping Yang	PRC (Executive)

Non-Executive

Ian Clyde Watson	Non Executive
Molefe Seth Phalatse	Non Executive

6. CORPORATE GOVERNANCE

6.1 Board of Directors

- 6.1.1 Although IFM-SA is a private company and consequently not registered on the JSE Limited, the Board of Directors decided to implement the principles contained in the South African Code of Corporate Practices and Conduct (the “Code”) and complies substantially and materially with the provisions thereof.
- 6.1.2 It is submitted that the Board is properly structured and functions in accordance with the required principles and standards of the Code.
- 6.1.3 The Board recognized the pillars of corporate governance being accountability, fairness, responsibility and transparency. IFM-SA has taken responsibility, in developing sustainable business and commercial activities that serve communities. It believes that shareholder value and profits are not sustainable in isolation from this broader business strategy which demands quality services, the good will of communities, and a belief in the ethical standards of IFM-SA.
- 6.1.4 Regular Board meetings are being held where it receives and considers *inter alia* financial and operational and other relevant reports and constantly monitors and reviews IFM-SA’s quantitative and qualitative performance and reports annually to shareholders.
- 6.1.5 The board is committed to retain full and effective control over IFM-SA, monitor the executive management and ensure that the decision of material matters is in the hands of the board.
- 6.1.6 The necessary policies and procedures have been introduced in order to ensure proper management.
- 6.1.7 The Board appointed the following officers:
- | | |
|-------------------------|----------------|
| 6.1.8 Public Officer | J A C de Klerk |
| 6.1.9 Company Secretary | H J le Roux |

6.2 Mission

To build a profitable natural resource, based on ferro-alloys mining and processing, and in doing so, combining efficiency and competence with high ethical standards and regard for all stakeholders.

6.3 Board Charter

- 6.3.1 The Board will consider the adoption of a Charter which would encompass the objectives and responsibilities of the Board and in terms whereof it would pursue the above mission statement.
- 6.3.2 Such Charter shall include, but shall not be limited to the following matters:
- 6.3.2.1 determining IFM-SA’s code of ethics;
 - 6.3.2.2 conducting its own affairs in a professional manner;
 - 6.3.2.3 upholding the core values of integrity, transparency and enterprise;
 - 6.3.2.4 evaluating, determining and ensuring the implementation of corporate strategy and policy;
 - 6.3.2.5 monitoring the performance of IFM-SA, including operational performance and management performance against the IFM-SA’s strategic plans;
 - 6.3.2.6 the overall system of risk management and monitoring risk exposures and controls;
 - 6.3.2.7 developing and setting disclosure and reporting practices to best serve the

needs of its shareholders;

6.2.3.8 regularly monitoring and appraising its own performance;

6.2.3.9 seeking to ensure ethical behaviour and compliance with relevant laws, regulations, audit and accounting principles/practices, the IFM-SA's own governing documents and code of ethics;

6.3.3 Each of the directors has unrestricted access to the advice and services of the company secretary, to management and company information, and is entitled to seek independent professional advice at the company's expense, in discharging his duties as a director.

6.3.4 The Board shall prior to the completion of the project phase and commencement of the Operational Phase establish the following committees:

6.3.4.1 Audit committee;

6.3.4.2 Remuneration committee;

6.3.4.3 Health, Safety and Environment committee;

6.3.4.4 Labour and community committee;

6.3.4.5 Executive committee;

6.3.4.6 Risk committee.

6.4 Risk factors

6.4.1 **Markets** – the availability of stainless steel scrap may impact on demand for charge chrome.

6.4.2 **Electricity** – with energy accounting for 23% of the total smelting costs, any price increase would impact significantly on IFM-SA's profitability.

6.4.3 **Reductants** – the major concern to all South African producers is the supply of suitable quality reductants. IFM-SA plans to source its carbon requirements from Mittal Steel South Africa.

6.4.4 **Exchange rate** – the strengthening of the SA rand against the US Dollar, in which ferrochrome is priced, can have a very substantial impact on IFM-SA's trading results.

6.4.5 **Timing** – bringing its ferrochrome operation into production in time to take advantage of the up turn in the ferrochrome prices.

7. BEE DEVELOPMENT

IFM-SA is committed to comply with the Mining Charter, the Preferential Procurement Policy Framework Act, 2000 and its regulations, the Broad Based Black Economic Empowerment Act, 2003 and other relevant legislative framework particularly with regard to the procurement process.

Compliance as above, which is incorporated in the company policy, will result in the implementation of a preferential system in the allocation of contracts for categories of service providers, the promotion of goals to advance the interest of persons disadvantaged by unfair discrimination, and economic transformation in order to ensure meaningful participation of black people in the economy and the company's annual spend. It may furthermore contribute to achieve a change in the racial composition of ownership and management structures of existing and new enterprises.

IFM-SA strives constantly to increase this percentage allocation, mindful of the reality that this effort, in order to be sustainable, must be commercially driven and the considerations such as quality, cost, reliability, occupational health and safety standards must remain essential requirements for suppliers.

IFM-SA's commitment to empowerment is further evidenced in the Social and Labour Plan submitted with the application for conversion of its mining rights in terms of the Minerals and Petroleum Resources Development Act, 2002.

8. **RISKS**

Litigation

The Issuer is currently engaged, as defendant, in a damages claim for R3 million in the High Court of South Africa. The claim allegedly resulted from a repudiation by the Issuer of a contract/tender for the operation of the canteen on the Issuer's premises. This claim is denied and it is expected that the matter would be successfully defended.

A further claim amounting to approximately R37,5 million is expected to be instituted by the contractor responsible for design and construction of the pelletising and sintering plant for additional compensation for alleged delays/acceleration and direct costs as a result of sub surface conditions on site. The Issuer has a counter claim for damages.

SOUTH AFRICAN TAXATION

The comments below are intended as a general guide to the current position under the laws of the Republic of South Africa. The contents of this section entitled "South African Taxation" which are not exhaustive and do not constitute tax advice and persons who are in any doubt as to their tax position should consult their professional advisers.

Words used in this section shall have the same meanings as defined in the section entitled "Terms and Conditions", above, unless they are defined in this section or this is clearly inappropriate from the context.

Stamp Duty and Uncertificated Securities Tax

In terms of the Stamp Duties Act, 1968, no stamp duty is payable on the original issue of debentures or on their transfer, provided that they constitute instruments as contemplated in section 24J of the Income Tax Act, 1962 (as amended) (the "Act").

In terms of the Uncertificated Securities Tax Act, 1998, no uncertificated securities tax is payable on the issue or transfer of securities qualifying as instruments as contemplated in section 24J of the Act.

Accordingly, as at the date of this Offering Circular, (i) no stamp duty (as contemplated in the Stamp Duties Act, 1968) is payable on the issue, cancellation, redemption or on the transfer of the Debentures, and (ii) no uncertificated securities tax (as contemplated in the Uncertificated Securities Tax Act, 1998) is payable on the issue or on the transfer of the Debentures.

General

In general interest received on the Debentures will be subject to income tax in South Africa (the "**Republic**"). Certain entities may be exempt from the tax. Purchasers are advised to consult their own professional advisers as to whether the interest will be exempt or not. The amount of interest to be included in income, the position of non-residents and the capital gains tax consequences are examined below.

Interest for Purposes of Section 24J of the Income Tax Act

In terms of section 24J of the Act, any discount or premium to the nominal value at which a Debenture is issued or acquired is treated as part of the interest income on the Debenture by the Revenue authorities. The Debenture Holder will be deemed to have accrued such interest income on a day-to-day basis until the Debenture Holder disposes of the Debenture or until maturity. This day-to-day basis is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. In practice the premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Act.

Debenture Holders who are not Residents of the Common Monetary Area

In terms of section 10(1)(h) of the Act, interest received by or accruing to a Debenture Holder who is not a resident during any year of assessment is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in the Republic for a period exceeding 183 days in aggregate during that year of assessment; or
- (b) at any time during that year of assessment carried on business through a permanent establishment in the Republic.

Capital Gains Tax

Capital gains and losses of residents on the disposal of Debentures are subject to Capital Gains Tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Act will not be taken into account when determining any capital gain or loss. In terms of section 24J(4A) of the Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest) be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital Gains Tax in terms of the Eighth Schedule to the Act does not apply to assets such as Debentures disposed of by a person who is not a resident unless the Debenture disposed of is attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of

assessment.

SOUTH AFRICAN EXCHANGE CONTROL

The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of, or subscriber for, Debentures. Prospective subscribers for or purchasers of Debentures that are non-South African residents or emigrants from the Common Monetary Area are urged to seek further professional advice in this regard.

Words used in this section shall have the same meanings as defined in the section entitled "Terms and Conditions of the Debentures" above, unless they are defined in this section or this is clearly inappropriate from the context.

Blocked Rand

Blocked Rands may be used for the purchase of, or subscription for, Debentures. Any amounts payable by the Issuer in respect of the Debentures purchased, or subscribed for, with Blocked Rands may not, in terms of the Exchange Control Regulations be remitted out of South Africa or paid into any non-South African bank account. The Minister of Finance stated on 26 February 2003 that emigrants' blocked assets are to be unwound and such emigrants will be entitled, on application to the exchange control department of the South African Reserve Bank, subject to an exiting schedule and an exit charge of 10% (ten percent) of the amount, to exit such blocked assets from South Africa.

Emigrants from the Common Monetary Area

In the event that a Beneficial Interest in Debentures is held by an emigrant from the Common Monetary Area through the CSD and its relevant Settlement Agents, the securities account of such emigrant will be designated as an "*emigrant*" account. Any Individual Certificates issued to Debenture Holders in respect of Debentures in materialised form will be restrictively endorsed "*non-resident*". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

Any payments of interest or principal due to an emigrant Debenture Holder in respect of Debentures will be deposited into such emigrant's Blocked Rand account with the authorised foreign exchange dealer controlling such blocked assets. These amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

In terms of the Exchange Control Regulations, non-residents of the Common Monetary Area may not invest in the Debentures unless general approval is sought and obtained from the relevant authorities.

Any Individual Certificates issued to Debenture Holders who are not resident in the Common Monetary Area will be endorsed "*non-resident*". In the event that a Beneficial Interest in Debentures is held by a non-resident of the Common Monetary Area through the CSD and its relevant Settlement Agents, the securities account of such Debenture Holder will be designated as a "*non-resident*" account.

It will be incumbent on any such non-resident to instruct the non-resident's nominated authorised foreign exchange dealer as to how any funds due to such non-resident in respect of Debentures are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Debentures are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificates or securities account, as the case may be, is designated "*non-resident*".

For the purposes of these paragraphs:

"Common Monetary Area" means the Republic of South Africa, Lesotho, Namibia and Swaziland.

"Blocked Rands" means funds which may not be remitted out of South Africa or paid into a non-South African resident's bank account.

SUBSCRIPTION AND SALE

Words used in this section entitled "Subscription and Sale" shall bear the same meanings as used in the section entitled "Terms and Conditions" above, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Republic of South Africa

The Lead Manager has represented and agreed that it will not solicit any offers for subscription for the Debentures in contravention of the Companies Act, 1973 or the Banks Act, 1990. Debentures will not be offered for subscription to any single addressee for an amount of less than ZAR100,000.

United States of America

The Debentures have not been and will not be registered under the United States Securities Act of 1933, (as amended) (the "**Securities Act**") or under the regulations of the U.S. Office of the Comptroller of the Currency or under any other U.S. securities laws and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Debentures are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the Regulations thereunder.

The Lead Manager has represented and agreed that it will not offer, sell or deliver Debentures (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution, as determined and certified by the Relevant Dealer or, in the case of an issue of such Debentures on a syndicated basis, the relevant lead manager, of all Debentures of the Tranche of which such Debentures are a part, within the United States or to, or for the account or benefit of, U.S. persons. The Lead Manager has further agreed that it will send to each dealer to which it sells any of such Debentures during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Debentures within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Within 40 days after the commencement of the offering of any Series of Debentures, an offer or sale of such Debentures within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

The Lead Manager has represented and agreed that:

- (a) in relation to any Debentures which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Debentures other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Debentures would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act, 2000 (the "**FSMA**") by the Issuer);
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Debentures in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Debentures in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **“Relevant Member State”**), the Lead Manager has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **“Relevant Implementation Date”**) it has not made and will not make an offer of Debentures to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Debentures to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Debentures which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so are authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an *“offer of Debentures to the public”* in relation to any Debentures in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Debentures to be offered so as to enable an investor to decide to purchase or subscribe for the Debentures, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression *“Prospectus Directive”* means Directive 2003/71/EC as amended, superseded or re-instated and includes any relevant implementing measure in each Relevant Member State.

SETTLEMENT, CLEARING AND TRANSFERS

Words used in this section headed "Settlement, Clearing and Transfers" shall bear the same meanings as used in the section entitled "Terms and Conditions" above, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Registered Debentures listed on the BESA or such other or further exchange or exchanges will initially be issued in the form of a single Global Certificate which will be lodged and immobilised in the CSD, which forms part of the settlement system of BESA. The CSD will be the sole Debenture Holder in respect of the Global Certificate.

The CSD holds Debentures subject to the Securities Services Act and the Rules of the CSD. The Rules of the CSD as at the date of this Offering Circular are as published by the Registrar of Securities Services in Government Gazette No. 27758 of 8 July 2005.

While the Debentures are held in the CSD under the Global Certificate, the CSD will be reflected as the Debenture Holder in the Register maintained by the Transfer Agent. Accordingly, in terms of the Terms and Conditions of the Debentures, all amounts to be paid and all rights to be exercised in respect of the Debentures held in the CSD, will be paid to and may be exercised only by the CSD, for the holders of Beneficial Interests in the Debentures held by the CSD under the Global Certificate

The CSD maintains accounts only for the Participants. The Participants are also approved Settlement Agents of BESA. As at the date of this Offering Circular, the Settlement Agents are ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. The Participants are in turn required to maintain securities accounts for their clients. The clients of Participants may include the holders of Beneficial Interests in the Debentures or their custodians. The clients of Participants, as the holders of the Beneficial Interests in the Debentures or as custodians for such holders, may exercise their rights in respect of the Debentures held by them in the CSD only through the Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, (Clearstream Luxembourg) ("**Clearstream**") may hold Debentures through their Participant.

Transfers of Beneficial Interests in Debentures in the CSD to and from clients of Participants, who are also Settlement Agents, occur by electronic book entry in the securities accounts of the clients with the Participants. Transfers among Participants of Debentures held in the CSD occur through electronic book entry in the Participant's central security accounts with the CSD.

Transfers between Participants in the CSD will be effected in the ordinary way in accordance with the Applicable Procedures.

A Beneficial Interest will be exchangeable for an Individual Certificate if (i) a written request for Debentures in definitive form is submitted by the holder of the Beneficial Interest to the relevant Participant not later than 10 days prior to the requested date of such exchange, (ii) the Applicable Procedures for obtaining such a Certificate from the Transfer Agent are followed, and (iii) an equivalent number of Debentures are transferred in accordance with the provisions of Condition 13 from the CSD or its nominee to the holder of such Beneficial Interest.

Payments of interest and principal in respect of Debentures represented by the Global Certificate, or any other Debentures represented by a Certificate immobilised in the CSD and registered in the name of the CSD's Nominee ("**Re-Immobilised Certificate**"), will be made in accordance with Condition 8 of the Terms and Conditions to the CSD, or such other registered holder of the Global Certificate or the Re-Immobilised Certificate, as the case may be, as shown in the Register and the Issuer will be discharged by proper payment to, or to the order of the registered holder of the Certificate in respect of each amount so paid. Each of the persons shown in the records of the CSD and the Participants as the holders of Beneficial Interests, as the case may be, shall look solely to the CSD or the Participants, as the case may be, for such person's shares of such payment so made by the Issuer to, or to the order of, the registered holder of such Global Certificate or Re-Immobilised Certificate, as the case may be.

Payments of interest and principal in respect of Individual Certificates will be made to Debenture Holders in accordance with Condition 8 of the Terms and Conditions.

GENERAL INFORMATION

Words used in this section entitled "General Information" shall bear the same meanings as used in the section entitled "Terms and Conditions" above, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of the Republic of South Africa have been given for the issue of Debentures and for the Issuer to undertake and perform their respective obligations under the Placement Agreement and the Debentures.

Listing

An application has been made to list the Debentures on BESA under stock code number IFM01. The application for listing was granted on 11 May 2007.

Clearing Systems

The Debentures will have been cleared through the CSD, the approved clearing house of BESA and may be accepted for clearance through any additional clearing system as may be agreed between the Issuer and the Manager.

Settlement Agents

As at the date of this Offering Circular, the BESA-recognised Settlement Agents are the South African Reserve Bank, ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking S.A. will settle offshore transfers through South African Settlement Agents.

Litigation

Save as disclosed in this Offering Circular, no member of the Issuer (whether as defendant or otherwise) is engaged in any legal, arbitration, administration or other proceedings, the results of which might have or have had a material effect on the financial position or the operations of the Issuer, nor is it aware of any such proceedings being threatened or pending.

Going Concern and Significant Change

The directors of the Issuer have stated that, as at the date of this Offering Circular, the Issuer is a going concern and can in all circumstances be reasonably expected to be able to meet its commitments as and when they fall due.

Save as disclosed in this Offering Circular, the directors of the Issuer have represented that there has been no material adverse change in the financial position of the Issuer since the date of its audited financial statements dated 30 June 2006.

Commercial Paper Issued

As at the date of this Offering Circular, the total amount of commercial paper in issue is ZAR695,657,421.

To the best of the Issuer's knowledge and belief, the Issuer will not issue additional commercial paper pursuant to this Offering Circular during the current financial year.

Auditors

Ernst & Young Incorporated have acted as auditors of the financial statements of the Issuer for the financial years ended 30 June 2004, 2005 and 2006 and in respect of these years, issued an unqualified audit report. Ernst & Young Incorporated have confirmed that this issue of Debentures complies in all material respects with the Commercial Paper Regulations published in the Government Notice 2172 (Government Gazette 16167) of 14 December 1994 under section 90 of the Banks Act, 1990.

ISSUER

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(Registration Number 2002/011936/07)

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Registration Division JQ

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Contact: The Company Secretary

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Contact: Mr J Hall/ Ms T Tubela

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