

## **ASX & Media Announcement**

**1<sup>st</sup> May 2006**

### **Bluestone Tin Ltd and Metals Exploration Limited Proposed Merger**

Bluestone Tin Limited (“Bluestone”) and Metals Exploration Limited (“Metals Ex”) today announce a proposed merger to create a larger and more diversified mining and exploration group.

The merger is proposed to be implemented by way of a scheme of arrangement (“Scheme”) which will require both Bluestone and Metals Ex shareholder approval and Court approval.

Under the proposed Scheme, Metals Ex shareholders will receive 4 Bluestone shares for each Metals Ex share held. At the market closing prices on Friday April 28, 2006 this represents a premium of 39% to Metals Ex shareholders and premiums of 19.4% and 15.7% based upon 1 month and 3 month volume weighted average prices for both entities.

Bluestone Chairman Peter Newton and Metals Ex Chairman Peter Cook said the proposed merger will generate significant benefits for the shareholders and stakeholders of both companies and the merger has the full support of the Directors of both Bluestone and Metals Ex.

### **Benefits of the Merger**

Mr Cook said “Bluestone and Metals Ex are an excellent fit. We have common management, common major shareholders and similar business models and strategies. Bluestone is focussed specifically on tin and Metals Ex is focussed specifically on nickel. Both companies are therefore undiversified from a commodity perspective and significantly linked to the fortunes of their respective metal prices. The merger will diversify the commodity exposure of both companies and create a larger group with enhanced access to financial and human capital and establish a significant pipeline of development projects.”

Mr Newton said “ The merging of the two companies will create a single entity with a common focus, increased critical mass and a clear uncompromised path to grow and will reward its shareholders from creating resource industry developments and opportunities.”

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Shareholders of both companies will share in the benefits realised by this merger. The merged entity will hold a portfolio of assets from exploration to development to production. It will hold two world-class resource assets in the Renison Tin Mine and the Wingellina Nickel Prospect. It will be generating revenue from both the tin division and the nickel division (royalties) with additional development projects in the pipeline. It is expected that the merger will create an enlarged free-float and improve share liquidity.

Synergies of the merger relate mainly to the simplification and elimination of duplication of ASX listing fees, audits and corporate management and reporting. As the entities operate today they have common management and share a pool of technical and operational personnel and equipment.

### **Transaction Details**

Under the scheme, Metals Ex shareholders will be offered 4 Bluestone shares for each Metals Ex share they own.

Metals Ex optionholders who hold unlisted options will also be offered commensurate consideration (subject to the scheme proceeding) for the cancellation or transfer of all of their options.

### **Timing**

It is anticipated that an Explanatory Memorandum with full details of the proposed scheme (including independent expert reports) will be provided to shareholders of both Bluestone and Metals Ex in late June and subject to court approval. It is intended that shareholder meetings will be held in late July where shareholders in both companies will vote on the merger proposal.

### **Further Transaction Details**

A Merger Implementation Agreement has been executed by Bluestone and Metals Ex which is subject to a number of conditions precedent, including:

- Court approval;
- Bluestone Shareholder approval;
- Metals Ex shareholder approval;
- Bluestone convertible notes being converted;
- No material adverse change or prescribed occurrences occurring in respect of either party.

**Exclusivity and Cost Reimbursement**

Consistent with the proposed merger, the Merger Implementation Agreement requires that, whilst the Merger Implementation Agreement remains current, neither party will solicit or encourage or enter into or continue any discussions with any third party in respect of any proposal by that third party to acquire a substantial part of its business or any of its issued shares.

In addition, any party must immediately notify the other of any such approaches from the third parties and, must also identify the third party and the nature of its proposal.

These obligations do not prevent the Directors of each company from complying with their fiduciary or and statutory responsibilities.

Neither party will be required to pay the other party any fee as re-imbusement for costs incurred in relation to the merger or in the event that, for whatever reason, the merger does not proceed.

If the Scheme is not approved, Metals Ex shareholders will retain their direct interest in Metals Ex and it will continue to be listed on the ASX and Bluestone shareholders will retain their direct interest in Bluestone and it will continue to be listed on the ASX. Each company will continue to pursue its operational and growth objectives.

**Enquiries:**      Bluestone – Peter Cook  
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