



Metals Finance Limited
SPECIALISTS IN METAL RECOVERY

FOR MARKET RELEASE

6th March 2014

Company Announcements Office

Australian Securities Exchange

METALS FINANCE LIMITED SIGNS HEADS OF AGREEMENT WITH TEXAS AND OKLAHOMA COAL CO LIMITED

Highlights

- **Metals Finance (ASX: MFC, Metals Finance or the Company) has signed a Heads of Agreement with Texas and Oklahoma Coal Co Limited (TOCC) to acquire 100% of TOCC for a consideration of \$11.1m.**
- **The acquisition will create an ASX listed, international mining company with a coal producing asset in Oklahoma and exploration projects in Oklahoma and British Columbia in North America.**
- **Metals Finance will have positive cash flow from an 80% interest in the operating P8 Mine in Oklahoma.**
- **The acquisition offers Metal Finance shareholders a portfolio of coking coal exploration tenements.**
- **Metals Finance will strengthen its Board composition and management team by inviting two TOCC Directors to the Metals Finance Board and merging management capability and expertise.**
- **Prior to the acquisition, Metals Finance will consolidate its existing capital structure at a ratio of 10:1 and offer Metals Finance shareholders a new attached free option for each consolidated share.**
- **As a precondition to the acquisition, Metals Finance will undertake a capital raising to facilitate the acquisition and expansion of the P8 Mine and develop the exploration tenements.**

Agreement to acquire TOCC

The Directors of Metals Finance Limited are pleased to advise they have entered into a non-binding Heads of Agreement (HOA) with privately owned Texas and Oklahoma Coal Co Limited (TOCC). The HOA outlines the terms and conditions for the acquisition by Metals Finance of 100% of the securities issued by TOCC.

The acquisition of TOCC by Metals Finance offers the Company:

- Cash flow from an existing mining operation.
- A regional coking coal focus in the State of Oklahoma, USA, that offers growth opportunities at low cost.
- Access to established infrastructure and exposure to export markets.
- A portfolio of coking coal exploration tenements in established coal basins in Colorado, USA, and British Columbia, Canada, with combined exploration targets of between 0.72 - 1.05 billion tonnes. All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2012). As such it is conceptual in nature and there has been insufficient exploration drilling to define a coal resource on the licence, it is uncertain if further exploration will result in discovery of a coal resource on the licence.
- An investment vehicle to raise capital for project expansion and development.

The parties are currently undertaking due diligence and finalising the terms of a binding merger implementation deed, and obtaining an Independent Expert's Report on the fairness and reasonableness of the respective company valuations. Following approval by shareholders, Metals Finance will issue new ordinary shares to TOCC in a relative proportion of 5 to 6 to acquire 100% of TOCC's issued capital.

The transaction between Metals Finance and TOCC is a significant transaction for the purposes of Chapter 11 of the ASX Listing Rules. Metals Finance will be required to satisfy the provisions of Chapters 1 and 2 of the ASX Listing Rules following completion of the transaction, to allow the re-quotations of its securities on the ASX. In order to comply with the ASX Listing Rules, Metals Finance will issue a Prospectus.

The transaction will also be classified as a 'related party transaction' because Mr Geoff Hill is a major shareholder and Chairman of the Board of Directors for both Metals Finance and TOCC. Metals Finance will establish a Due Diligence Committee consisting of non-conflicted Directors and Executives of the Company to review the TOCC business and set out the terms and conditions of a transaction in a final Share Sale Agreement. This transaction will require Company shareholder approval pursuant to the provisions of Chapter 10.1 of the Listing Rules and Chapter 2E of the Corporations Act.



Key Offer Terms

1. Metals Finance shareholders will be asked to approve a consolidation of its capital on the basis of 1 new share for each existing 10 shares. This consolidation will reduce, Metals Finance's share capital from 73,109,576 shares on issue to approximately 7,310,958 shares (**New Share**). The existing options of Metals Finance will be cancelled by agreement with the option holder.
2. Following consolidation Metals Finance shareholders will be issued with 1 free attached Option (New Option) for each New Share. The New Options will be exercisable at \$0.25c and have an exercise period of 3 years.
3. Metals Finance will issue to all TOCC shareholders, 5 New Shares for every 6 TOCC shares. TOCC currently has 66.6m shares on issue resulting in 55.5m New Shares being issued to TOCC shareholders. Additionally, TOCC Shareholders will be issued with 3 New Options, with the same terms, for every 10 New Shares issued to them.
4. Existing TOCC Option holders (8.75 million Options) will exchange these options for New Options on a 1 for 1 basis.

Offer Conditions

The offer is subject to certain conditions being achieved. These include;

- a) Completion of satisfactory mutual due diligence.
- b) Shareholder approval for the consolidation of the shares of Metals Finance.
- c) Share purchase agreements being entered into between all TOCC shareholders and Metals Finance.
- d) An Independent Expert's Report commenting on the fairness and reasonableness of the transaction being obtained.
- e) The issue of a Prospectus detailing the assets and use of funds to be raised via the capital raising.
- f) Metals Finance raising a minimum of \$5,000,000, with the ability to raise up to \$15,000,000.
- g) The obtaining all other necessary shareholder and regulatory consents and approvals.
- h) Metals Finance satisfying the relevant provisions of Chapters 1 and 2 of the ASX Listing rules and its securities being granted re-quotation to the ASX upon completion of the transaction.



Pro forma Capital Structure

Upon completion the transaction the pro forma capital structure of Metal Finance will be:

Shares	Number
Metals Finance (post consolidation)	7,310,958
New Shares issued to TOCC shareholders	55,493,052
Shares issued pursuant to prospectus capital raising (minimum \$5,000,000 at 20 cents per share)	25,000,000
Total Shares	87,804,010
Options	
New Options granted to Metals Finance shareholders post consolidation	7,310,958
New Options granted and exchanged by existing TOCC option holders	8,750,000
New Options granted to TOCC shareholders	16,647,915
Total Options	32,708,873
<i>All options have a 25 cents exercise price and an exercise period of 3 years.</i>	

Directors Recommendation

Upon the successful completion of all due diligence, and completion of all relevant transaction documentation, including a Prospectus and general meeting materials, the independent directors of Metals Finance will provide a recommendation for the Metals Finance shareholders to consider. The recommendation and supporting information will be detailed in a Notice of Meeting that will form part of an Extraordinary General Meeting where Metals Finance shareholders will be requested to vote on the proposed Resolutions for the acquisition to proceed, together with the Prospectus that Metals Finance is required to issue

Anticipated Completion

Metals Finance anticipates the acquisition of TOCC will be completed prior to the end of June 2014. Further detail on TOCC follows in this announcement or is available at the TOCC website www.texascoal.com.

For additional information relating to this announcement please contact Mark Sykes.



Mark Sykes
Chief Executive Officer



About Texas and Oklahoma Coal Company (TOCC)

<http://www.texascoal.com>

TOCC is registered in the British Virgin Islands. Since TOCC's incorporation on the 7th April 2011, TOCC has actively been evaluating and acquiring a portfolio of exploration and mining tenements throughout North America. TOCC has subsidiaries that manage the operational and administrative activities of the company in the United States of America (USA) and British Columbia, Canada. TOCC has an option agreement to acquire an 80% equity interest in an operating coal mine located in the state of Oklahoma, USA. TOCC has 2012 JORC exploration resource targets across a portfolio of tenements located in four established coal basins throughout North America. TOCC is a company that has a strategy focused on developing commercially sustainable coking coal projects supplying overseas customers. TOCC will have cash flow through domestic contracts with local power generators and is seeking to expand its production capacity and uplift the quality of the product portfolio in the short term.

Directors of TOCC

The Board of TOCC consists of the Non-Executive Directors, Mr Geoff Hill, Mr Paul Chappell and Mr Gary Cochrane along with Executive Director Mr Dominic Hill. The Board has extensive experience in the mineral resources sector along with complementary skills ranging from corporate finance, investment, international marketing and technical expertise. Mr Dominic Hill is based in Dallas, Texas.

Operating Asset - P8 Mine

Located in Le Flore County, Oklahoma, the P8 Mine is situated 25 km south-west of the Fort Smith Township, refer Figure 1. P8 Mine has been in operation since 1997, supplying the nearby power plant.



Figure 1 - Location of P8 Mine in the State of Oklahoma



The P8 Mine extracts coal from the Hartshorne seam via the underground bord and pillar mining method. Industry consultants have recently prepared reports on the P8 Mine, indicating the resource and reserves are representative of a product that can be washed to produce a low ash, low-volatile coking coal. These coal characteristics offer TOCC an opportunity to export a coking coal product to international customers.

TOCC has an Option Agreement with the owner of P8 Mine, GCI, to acquire an initial interest of 80% and potentially up to 95%. The Option Agreement is exercisable to Aug 2014, at an estimated cost of \$1.4m.

The P8 Mine is owned by GCI and managed by the South Central Coal Company (SCCC). The operation has a focus on providing a safe working environment while maintaining a high rate of production efficiency. SCCC will be retained as the operator of the mine and will assist in the expansion and development of the P8 Mine.



P8 Mine Underground Drive



Access to nearby rail and barge infrastructure



P8 Mine Surface Minesite Infrastructure



P8 Mine Electrical Panel Room

TOCC plans to invest additional capital to increase total production and to install a Coal Handling Preparation Plant (CHPP). The CHPP will wash Run of Mine feed to produce a product suitable as an export quality coking coal. This strategy will boost the profitability of the business and support the exploration activity across the portfolio of coal tenements.



Exploration Assets

TOCC has established a portfolio of tenements throughout North America. The tenements are located in major coal fields, with a focus on geological coal measures that contain coking coal characteristics. The tenements are in an advanced stage of application and are awaiting final approvals. TOCC is not aware of any impediment to the applications being granted.

The exploration assets are:

Project	Country	Region	Basin / Coalfield	Coal Type	In-situ Exploration Target (Million tonnes)
JORC Exploration Targets					
Hartford	USA	Oklahoma	Arkoma	Coking	87 - 117
Lafayette	USA	Oklahoma	Arkoma	Coking	41 - 54
Howe	USA	Oklahoma	Arkoma	Coking	59 - 94
Bokoshe	USA	Oklahoma	Arkoma	Coking	93 - 140
Left Fork	USA	Colorado	Raton	Coking & Energy	136 - 204
Elko	Canada	British Columbia	Crowsnest	Coking	224 - 336
South Hazell	Canada	British Columbia	Crowsnest	Coking	57 - 86
Non-JORC Exploration Targets					
Wapiti	Canada	British Columbia	Peace River	Coking & Energy	20
Total In-Situ Exploration Target Tonnes (Millions)					717 – 1,051

TOCC has engaged Mr Dwight Kinnes of Highland GeoComputing as an independent Competent Person as defined in the 2012 Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) to assess and signoff on the exploration targets for each of the tenements. The majority of tenements have JORC defined exploration targets, with the combined portfolio having the potential to contain between 717 million and 1.05 billion tonnes of coking coal resources.

The exploration targets are based on a combination of actual Exploration Results from drilling that have historically occurred on the tenements and on proposed exploration programmes that TOCC is planning to undertake. Areas of planned exploration are focused on the geological interpretation of the coal seams and regional structural geology.

Competent Persons Declaration

The information in this Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Dwight Kinnes who is a registered member of the Society of Mining Engineers. Mr Dwight Kinnes is employed by Highland GeoComputing LLC. Mr Dwight Kinnes has been engaged by Texas and Oklahoma Coal Co Limited (TOCC) to prepare JORC Exploration Targets for TOCC. Mr Dwight Kinnes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Dwight Kinnes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears."

