



Metals Finance Limited

SPECIALISTS IN METAL RECOVERY

ASX RELEASE

Monday 31st March 2014

ASX CODE

MFC

CAPITAL STRUCTURE

Shares on Issue	73,109,576
52 Week High	\$ 0.021
52 Week Low	\$ 0.005
Share Price (28/03/14)	\$ 0.016

ABOUT

MFC applies the extensive experience of its executives, board and consultants to seek out resource investment opportunities that will add value to shareholders in the long term. MFC undertakes rigorous review and due diligence when assessing the value proposition of an investment. MFC is seeking to deliver a company changing acquisition for shareholder approval in 2014.

Board

Non-Executive Chairman – Geoff Hill
Non-Executive Director – Simon Bird
Non-Executive Director – Rick Anthon

Company Secretary

Ian Morgan

Management

Chief Executive Officer – Mark Sykes

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QUARTERLY REPORT FOR THE PERIOD TO 31 MARCH 2014

Metals Finance Limited (ASX: MFC) is pleased to provide its Quarterly Activities Report for the three month period ending 31 March 2014.

SUMMARY

During the quarter, Metals Finance actively sought out new investment opportunities capable of bringing value to MFC shareholders. This review process concluded in the signing of a Heads of Agreement with privately owned Texas and Oklahoma Coal Co Limited (TOCC) on the 6th March 2014. Metal Finance has been conducting extensive due diligence, including a site visit to the TOCC Oklahoma assets

Metals Finance requires shareholder approval to finalise the acquisition of TOCC and is in the process of preparing documentation that will be distributed shortly.

CORPORATE

- **MFC Signs Heads of Agreement with TOCC**
- **Due Diligence Process**
 - **TOCC Vision and Strategy**
- **\$15 million Proposed Capital Raising**
- **Key dates, timelines and events**

CORPORATE

MFC Signs Heads of Agreement with TOCC

Metals Finance announced to the market on 6th March 2014 that MFC entered into a Heads of Agreement (HOA) with Texas and Oklahoma Coal Co Limited. The HOA outlines the acquisition by MFC of TOCC and addresses key aspects of the proposed transaction, including:

- Consideration offered to acquire TOCC;
- Consolidation of the current capital structure and capital composition of the combined company post acquisition;
- Conditions precedent for the transaction to proceed;
- Composition of the MFC Board post the acquisition;
- Approvals required by shareholders of both companies and regulatory bodies; and
- A portfolio of assets TOCC has compiled via formal agreements or through application.

Due Diligence Process

Our due diligence efforts have focussed on TOCC's vision to be a metallurgical coal export company with projects throughout North America exporting over 2Mt per annum of metallurgical coal within a 3-5 year time frame. This vision is to be achieved through the delivery of a progressively structured strategy implemented over three distinct phases:

- Phase 1* Expand the existing underground coal operation in Oklahoma, USA by investing in additional mining equipment and installing a coal handling preparation plant to upgrade product margins.
- Phase 2* Expand the operational footprint in Oklahoma, USA by developing adjacent coal tenements in the Arkoma Basin - thereby building localised synergies and further cost efficiencies.
- Phase 3* Commence exploration activities on the British Columbia, Canada assets with the purpose of identifying a Tier 1 metallurgical coal deposit capable of attracting significant project financing.

Phase 1 of the strategy is achieved by repurposing the P8 mine to produce both an energy and coking coal product.

Phases 2 and 3 are achieved through the portfolio of coal exploration tenements TOCC has in application in the established coking coal basins of Oklahoma and Colorado, USA, and British Columbia, Canada. These tenements have a combined exploration targets of between 0.72 - 1.05 billion tonnes of insitu resources.

Subsequent phases seek to identify a strategic partner with the capability of providing project financing, off take or mining expertise so as to assist in fast tracking the development and commissioning of future projects.

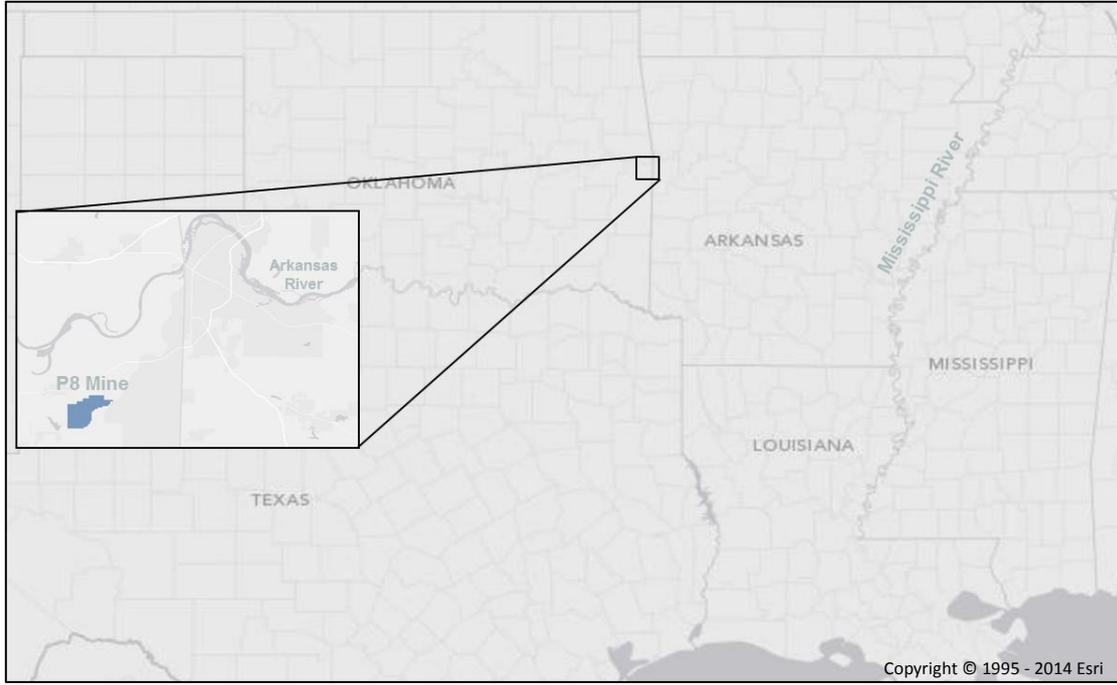
Subsequent to execution of the HOA, MFC has commenced due diligence and undertaken a site visit of TOCC's Oklahoma assets.

TOCC made available an on-line data room that comprised documents relating to the financial and legal aspects of TOCC along with technical information. Materially, the documentation comprised Independent Competent Persons reports on the JORC Exploration Targets assigned to each of the tenements TOCC has under application. All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2012). As such, targets



are 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.

Following the initial document review, Metals Finance attended a site visit at the operating mine in Oklahoma, as well as the Oklahoma tenements that are under application.



Location of P8 Mine and proximity to the Arkansas and Mississippi Rivers



SE view of Bokoshe



Westerly view of Lafayette



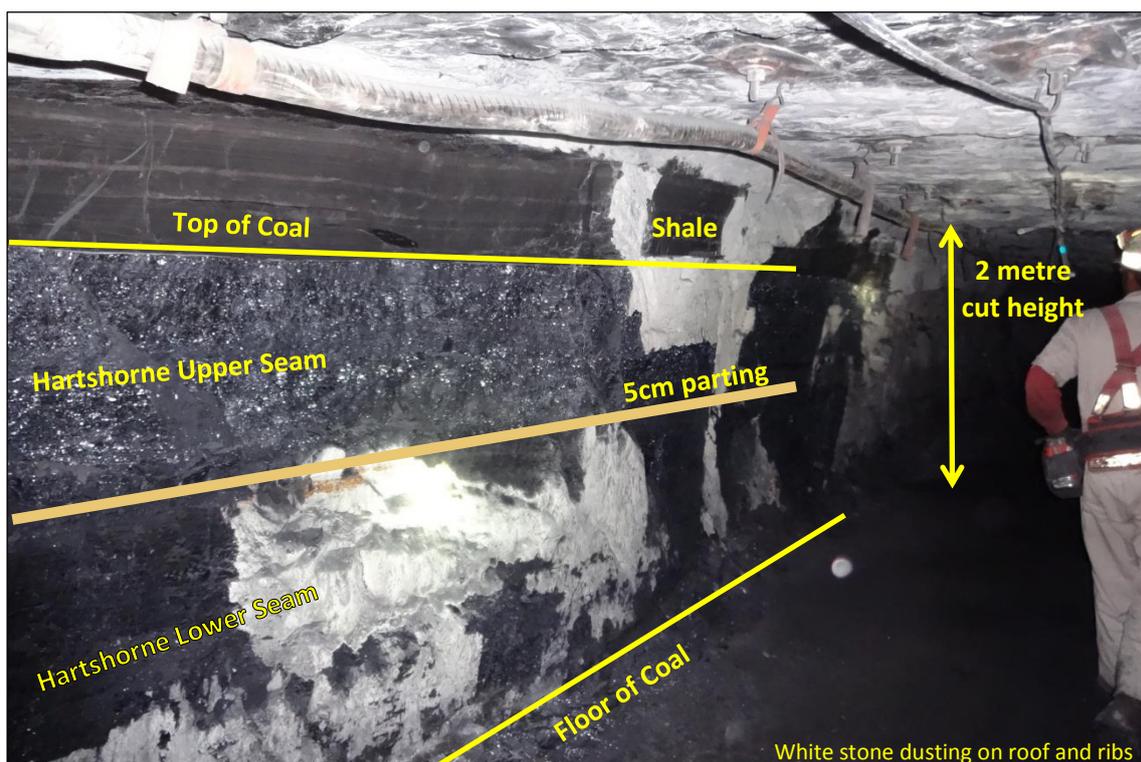
NW view of Hartford



NE view of Hartford

Low Intensity land use over the TOCC tenement areas.

The site visit took in an inspection of the underground workings at the P8 mine as well as confirming the surface land use on the tenements under application.



Metals Finance and Geos Mining conducted a site visit. Geos Mining is MFC's independent technical expert. Inspections of the P8 mine showed that the operation is run both safely and efficiently. This view is supported by comments made at site by personnel from the USA safety regulatory body, Mines Safety and Health Administration (MSHA) following a scheduled inspection taken over a two-day period.

Surface land use on the Oklahoma tenements TOCC has under application reveals a low level of ownership intensity, as well as being in close proximity to road transportation corridors and electrical power distribution lines. Coal and carbonaceous outcrops were noted in several locations, either on or near to the tenements.

\$15 million Proposed Capital Raising

As part of the TOCC acquisition, Metals Finance is proposing to raise \$15 million through the issue of 75 million shares at \$0.20 per share. A successful capital raising would be used to exercise the Option Agreement over the P8 Mine, along with commencing the repurposing of P8 to produce a higher margin coking product.

Capital would also be used to commence exploration activity on TOCC's tenements in Oklahoma and Colorado USA and British Columbia Canada. Activity would initially focus on the tenements adjacent to the P8 Mine in Oklahoma and the Elko tenement in British Columbia.



Key dates, timelines and events

Subject to regulatory and shareholder approval, MFC will undertake the following key activities:

Activity	Indicative Timeframe
Notice of Meeting to MFC shareholders Transaction approval MFC's renaming	End May 2014
Lodge and issue of Prospectus Full disclosure document Including independent expert reports	April 2014
Allotment of shares	June 2014
Relisting on ASX	June 2014

Metals Finance will continue to keep shareholders informed as it advances activities and discussions.

FOR FURTHER INFORMATION CONTACT:

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Metals Finance Limited
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More details are available on MFC's website www.metalsfinance.com



Texas and Oklahoma Coal Co 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	In-situ Exploration Target (Million tonnes)
JORC Exploration Targets				
Hartford	USA	Oklahoma	Arkoma	87 - 117
Lafayette	USA	Oklahoma	Arkoma	41 - 54
Howe	USA	Oklahoma	Arkoma	59 - 94
Bokoshe	USA	Oklahoma	Arkoma	93 - 140
Left Fork	USA	Colorado	Raton	136 - 204
Elko	Canada	British Columbia	Crowsnest	224 - 336
South Hazell	Canada	British Columbia	Crowsnest	57 - 86
Non-JORC Exploration Targets				
Wapiti	Canada	British Columbia	Peace River	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."

