

METALS OF AFRICA LIMITED

ACN 152 071 095

NON-RENOUNCEABLE RIGHTS ISSUE OFFER DOCUMENT

A non-renounceable pro rata fully underwritten offer of New Shares at an issue price of \$0.15 each on the basis of one (1) new fully paid ordinary share in the Company (New Share) for every five (5) existing fully paid ordinary shares held in the Company (Shares) on the Record Date to raise up to approximately \$3.2 million (Offer).

This Rights Issue Offer Document is dated 3 September 2014. This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares being offered by this document.

**THE OFFER IS CURRENTLY SCHEDULED TO CLOSE AT 5.00PM WST ON 2 OCTOBER
2014**

VALID APPLICATION FORMS MUST BE RECEIVED BEFORE THAT TIME.

**Please read the instructions in this Rights Issue Offer Document and on the Entitlement
and Acceptance Form regarding the acceptance of Shares under the Offer.**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT
SHOULD BE READ IN ITS ENTIRETY.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD
CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.**

**THE SHARES OFFERED BY THIS RIGHTS ISSUE OFFER DOCUMENT SHOULD BE
CONSIDERED SPECULATIVE IN NATURE.**

IMPORTANT INFORMATION

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Rights Issue Offer Document. Any information or representation not so contained may not be relied on as having been authorised by Metals in connection with the Offer.

Eligibility

Applications for New Shares by Eligible Shareholders can only be made on the original Entitlement and Acceptance Form, as sent with this Rights Issue Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

Privacy

Metals collects information about each applicant provided on an Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the applicant's security holding in Metals.

By submitting an Entitlement and Acceptance Form, each applicant agrees that Metals may use the information provided by an applicant on the Entitlement and Acceptance Form for the purposes in this privacy disclosure statement and may disclose it for those purposes to the share registry, Metals' related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, Metals may not be able to accept or process your application.

An applicant has a right to gain access to the information that Metals holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to Metals' registered office.

Overseas Shareholders

No Offer will be made to Shareholders resident outside Australia and New Zealand.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document. The distribution of this Rights Issue Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

New Zealand

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Offer Document or any Entitlement and Acceptance Form in any country outside Australia and New Zealand, except in such other country as the Company may determine it is lawful and practical to make the Offer.

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares being offered by this document.

1. Details of Offer

1.1 Offer

Pursuant to this Offer Document, Metals is making a non-renounceable pro-rata offer of Shares to Shareholders whose registered address is in Australia and New Zealand (**Eligible Shareholders**) on the basis of 1 Share for every 5 Shares, each at an issue price of \$0.15, held at the Record Date (**Offer**). Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded down to the nearest whole Share. The Offer is fully underwritten by Morgans Corporate Limited (**Underwriter**).

As at the Record Date (and assuming no existing Options are exercised converted into shares prior to the Record Date), Metals will have on issue approximately 107,773,418 Shares (as a result of the Placement as described below). The Company expects that up to approximately 21,554,684 New Shares will be issued under the Offer.

Prior to the Offer, the Company intends to proceed with an issue of Shares by way of a placement to sophisticated and professional investors (for the purposes of section 708 of the Corporations Act) to allow the Company to raise up to approximately \$1.8 million (before costs) (**Placement**).

The Placement comprises an offer of up to 12,196,011 Shares made at an issue price of \$0.15 per Share under the Company's placement capacity pursuant to Listing Rule 7.1. Shareholder approval is consequently not required in order to make the Placement offer.

The Company has received Placement applications for 12,196,011 Shares. The Placement Shares will be eligible to participate in the Offer.

The combined gross proceeds of the Placement and the Offer will be approximately \$5 million which will be used to pay the costs of the Placement and the Offer as well as to fund further exploration and working capital.

The Placement is not being offered pursuant to this Offer Document.

Metals will accept Entitlement and Acceptance Forms until 5.00pm WST on the Closing Date in Section 1.2 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the ASX Listing Rules.

Your Entitlement is shown on the personalised Entitlement and Acceptance Form accompanying this Rights Issue Offer Document. You may accept the Offer only by applying for Shares on the Entitlement and Acceptance Form.

Unless you apply to participate in the Shortfall Offer described on the Entitlement and Acceptance Form, acceptances must not exceed your maximum Entitlement (as shown on the Entitlement and Acceptance Form),

although you may accept for a lesser number of New Shares should you wish to take up only part of your Entitlement. If your acceptance of the Offer exceeds your Entitlement, and you have not applied to participate in the Shortfall Offer, your acceptance will be deemed to be for your maximum Entitlement and any surplus Application Monies will be returned to you. Refer to Section 1.10 for information in relation to the Shortfall Offer.

Acceptance of a completed Entitlement and Acceptance Form by Metals creates a legally binding contract between the applicant and Metals for the number of Shares accepted or deemed to be accepted by the applicant. The Entitlement and Acceptance Form does not need to be signed by the applicant to be legally binding. The Offer and contract formed on acceptance are governed by the laws of Western Australia.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

Shares offered by this Rights Issue Offer Document are expected to be issued, and security holder statements dispatched, on the date specified in the timetable in Section 1.2.

It is the responsibility of applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

1.2 Timetable

Announcement of Placement and Offer, lodgment of Offer Document, Appendix 3B and s708AA notice	3 September 2014
Notice to Optionholders and Shareholders	3 September 2014
Existing Shares quoted on an "ex" basis	16 September 2014
Record Date	18 September 2014
Opening Date – Rights Issue Offer Document and Entitlement and Acceptance Form sent to Eligible Shareholders	23 September 2014
Closing Date	2 October 2014
Shares quoted on a deferred settlement basis	3 October 2014
Company to notify ASX of under subscriptions (if any)	7 October 2014
Anticipated date for the issue of the Shares	9 October 2014
Deferred settlement trading ends	9 October 2014
Normal trading (on a T+3 basis) commences	10 October 2014

Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the Shares.

1.3 Use of Funds

It is proposed that the current cash reserves of Metals and the proceeds raised from the Offer be allocated as follows:

	\$'000
Pre Offer cash available	650
Funds raised from the Offer and Placement	5,063
Total funds available	5,713
Project evaluation and exploration	4,500
Expenses of the Offer	207
General working capital	1,006
Total funds applied	5,713

1.4 No Rights trading

The pro-rata offer of Shares is non-renounceable, which means that Eligible Shareholders may not sell or transfer all or any part of their Entitlement to subscribe for Shares under the Offer.

1.5 ASX quotation

Application will be made to ASX for the Official Quotation of the Shares to be issued under the Offer. If permission is not granted by ASX for the Official Quotation of the Shares to be issued under the Offer, Metals will repay, as soon as practicable, without interest, all application monies received pursuant to the Offer.

1.6 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 3.

1.7 Underwriting

The Offer is fully underwritten by Morgans Corporate Limited (**Underwriter**) on the terms of the Underwriting Agreement. Details regarding the Underwriting Agreement are set out in Section 4.1.

1.8 Effect of the Offer on control and capital structure of the Company

The potential effect the Offer will have on each Shareholder's percentage interest in the total issued capital is as follows:

- (a) if all Eligible Shareholders take up their Entitlement for New Shares under the Offer, each Eligible Shareholder's percentage in the total issued Shares of the Company will remain the same and will not be diluted, and the Offer will have no effect on the control of the Company;
- (b) to the extent that any Eligible Shareholder fails to take up their Entitlement to New Shares under the Offer, that Eligible Shareholder's percentage holding in the Company will be diluted by the New Shares issued under the Offer; and
- (c) although the issue of New Shares which are not taken up by Eligible Shareholders under the Offer may increase the voting power of the Underwriter, it is not expected to have any material effect on the control of the Company. The Underwriter currently has voting power of 0%.

As the total number of Shares to be issued under the Offer will amount to only 16.67% of the number of Shares on issue in the Company, it is not expected that the Offer will have any material impact on the control of the Company.

The capital structure on completion of the Offer will be as follows:

Shares currently on issue	95,577,407
Shares offered under the Placement	12,196,011
Shares offered under the Offer	21,554,684 ¹
Total Shares on issue on completion of the Offer	129,328,102 ²

1. Assumes no Options are exercised prior to the Record Date.

2. Metals has also agreed to issue a further \$200,000 worth of shares to the vendors of the Balama Central Project. Refer ASX announcement 22 August 2014 for further details.

Metals also has the following Options to acquire Shares on issue. To participate in the Offer, the holders of Option must exercise their Options and be registered as an Eligible Shareholder prior to the Record Date.

Option Class	Number
Listed (\$0.15, 7 Jan 2017)	57,904,395

Unlisted (\$0.25, 30 June 2015)	5,000,000
Unlisted (\$0.40, 30 June 2015)	5,000,000
Unlisted (\$0.25, 31 Dec 2015)	4,000,000
Unlisted (\$0.15, 3 Dec 2016)	2,488,500
Unlisted (\$0.168, 3 Dec 2016)	600,000
Unlisted (\$0.093, 31 March 2017)	2,500,000

1.9 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Shares under this Rights Issue Offer Document. Metals, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Rights Issue Offer Document.

1.10 Shortfall and Shortfall Offer

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will revert to the Underwriter unless it is allocated to other Eligible Shareholders as follows.

You may, in addition to taking up your Entitlement in full, apply for additional Shares out of the Shortfall (**Shortfall Shares**) in excess of your Entitlement pursuant to a top-up facility (**Shortfall Offer**) by completing the relevant part of the Entitlement and Acceptance Form relevant to the Shortfall Offer.

Shortfall Shares will only be available where there is a Shortfall between Entitlement and Acceptance Form applications received from Eligible Shareholders and the number of Shares proposed to be issued under the Offer.

Shortfall Shares will be issued at the issue price of \$0.15 per Shortfall Share. Eligible Shareholders who apply for Shortfall Shares may be allocated a lesser number of Shortfall Shares than applied for, or may be allocated no Shortfall Shares at all, in which case excess Application Monies will be refunded without interest. To the extent any Shares under the Offer remain unallocated, the Underwriter will (subject to the terms of the Underwriting Agreement) be required to subscribe for those Shares or procure sub-underwriters to do so on the Underwriter's behalf.

All decisions regarding the allocation of Shortfall Shares will be made by the Directors (at their discretion) and Underwriter and will be final and binding on all Eligible Shareholders.

The Offer is fully underwritten. In the event the Underwriting Agreement is terminated and there is a Shortfall, the Directors reserve the right to place the Shortfall Shares at their discretion.

1.11 Overseas Shareholders

No Offer will be made to Shareholders resident outside Australia and New Zealand. The Company has decided that it is unreasonable to make the Offer to Shareholders outside Australia and New Zealand having regard to the relatively small number of Shareholders with addresses in other jurisdictions, the number and value of Shares they hold and the cost of complying with the legal requirements and the requirements of regulatory authorities to extend the Offer in those jurisdictions.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document. The distribution of this Rights Issue Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Notwithstanding the above, the Company may (in its absolute discretion) extend the Offer to certain shareholders who have registered addresses outside the Eligible Countries in accordance with applicable law.

1.12 CHESS and issuer sponsorship

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. All trading on ASX in Shares will be settled through CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Rules.

The Company's Registry operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. Both these sub-registers constitute the Company's principal register of Shareholders.

Holders of Shares will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored or other participant in CHESS, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of Shares issued under this Rights Issue Offer Document, provide details of your holder identification number, and provide the participant identification

number of the sponsor and the terms and conditions applicable to the Shares, including a notice to exercise the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Company's Registry and will contain the number of Shares issued to you under this Rights Issue Offer Document and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.13 Enquiries

Enquiries concerning the Entitlement and Acceptance Form can be made by contacting the Company's Registry, Automic Registry Services (**Automic**), by telephone on + 61 (0)8 9324 2099.

The addresses for Automic are:

Mailing Address

Metals of Africa Ltd
C/- PO Box 223
West Perth
WA 6872
Australia

Delivery Address

Metals of Africa Ltd

C/- Suite 1a, Level 1
7 Ventnor Avenue
West Perth
WA 6005
Australia

General enquires in relation to Metals can be made to the company secretary at 945 Wellington Street, West Perth, Western Australia, Australia, 6005 or by telephone on (08) 9322 7600 or by facsimile on 08) 9322 7602. Information may also be obtained by visiting the Company's website at www.metalsofaustralia.com.au

2. Action Required

2.1 Acceptance of Offer under this Rights Issue Offer Document

You may accept all, part, or none of your Entitlement under this Offer. If you accept your Entitlement in full, you may also apply to participate in the Shortfall Offer.

2.2 If you wish to acceptance of all of your Entitlement

Should you wish to accept all of your Entitlement to subscribe for Shares, then applications for Shares under this Rights Issue Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY payment, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque please complete the Entitlement and Acceptance Form which must be accompanied by a cheque in Australian dollars, crossed 'Not Negotiable' and made payable to 'Metals of Africa Limited - Rights Issue A/C' and lodged at any time after the issue of this Rights Issue Offer Document and on or before the Closing Date at Metals share registry (by delivery or by post) at the addresses in Section 1.13 above.

If you wish to pay via BPAY you must follow the instructions in the Entitlement and Acceptance Form. Eligible Shareholders who elect to pay via BPAY will not need to return their completed Entitlement and Acceptance Form. Please read the instructions carefully.

2.3 If you wish to acceptance of all of your Entitlement and apply for additional Shortfall Shares

Should you wish to apply for Shortfall Shares, you must first accept all of your Entitlement to subscribe for Shares, then an application for Shortfall Shares under this Rights Issue Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY payment, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque please complete the Entitlement and Acceptance Form which must be accompanied by a cheque in Australian dollars, crossed 'Not Negotiable' and made payable to 'Metals of Africa Limited - Rights Issue A/C' and lodged at any time after the issue of this Rights Issue Offer Document and on or before the Closing Date at Metals share registry (by delivery or by post) at the addresses in Section 1.13 above.

If you wish to pay via BPAY you must follow the instructions in the Entitlement and Acceptance Form. Eligible Shareholders who elect to pay via BPAY will

not need to return their completed Entitlement and Acceptance Form. Please read the instructions carefully.

2.4 If you wish to take up only part of your Entitlement

Should you wish to only take up part of your Entitlement, then applications for Shares under this Rights Issue Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY payment in respect of the portion of your Entitlement you wish to take up in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of Shares you wish to accept and the amount payable (calculated at \$0.15 per Share accepted). Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed 'Not Negotiable' and made payable to 'Metals of Africa Limited - Rights Issue A/C' and lodged at any time after the issue of this Rights Issue Offer Document and on or before the Closing Date at Metals' share registry (by delivery or by post) at the addresses in Section 1.13 above.

If you wish to pay via BPAY you must follow the instructions in the Entitlement and Acceptance Form. Eligible Shareholders who elect to pay via BPAY will not need to return their completed Entitlement and Acceptance Form. Please read the instructions carefully.

2.5 If you do not wish to take up your Entitlement

If you do not wish to accept any of your Rights, you are not obliged to do anything. In that case, Shares not accepted by the Closing Date will become Shortfall Shares and you will receive no benefit.

The number of Shares you hold and the rights attaching to those Shares will not be affected should you choose not to accept any part of your Entitlement, however your percentage holding in the capital of Metals will be diluted.

3. Risk Factors

This Section discusses some of the key risks associated with an investment in Metals Shares. A number of risks and uncertainties, which are both specific to Metals and of a more general nature, may adversely affect the operating and financial performance or position of Metals, which in turn may affect the value of Metals Shares and the value of an investment in Metals.

In addition there are a number of risks associated with the current Metals strategy that may have an impact on the financial returns received by Shareholders. These risks are important for Shareholders to understand.

The risks and uncertainties described below are not an exhaustive list of the risks facing Metals or associated with an investment in Metals. Additional risks and uncertainties may also become important factors that adversely affect Metals operating and financial performance or position.

Before investing in Metals Securities, you should consider whether an investment in Metals Securities is suitable for you. Potential investors should consider publicly available information on Metals (such as that available on the websites of Metals and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

3.1 Risks specific to the Company

(a) Granting of Licences and Licence Title

A number of the Company's licenses are currently in the application process. Consequently, there is a risk that the exploration licences may not be granted. At present, the Company has applications in various stages of the approval process.

The Directors are of the view that the exploration licences under application have been sufficiently de-risked due to the correct application process having been followed.

Interests in licences in Tanzania and Mozambique are governed by legislation and are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in a project if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

(b) Limited Historical Exploration Work

The exploration work done to date across the Company's projects is at an early stage and there is no guarantee that the Company will identify economic mineralisation or develop viable mining operations.

In addition, no assurance can be given that the Company will achieve commercial viability through the successful exploration and/or mining of the Company's projects. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(c) Taxation Risk in Mozambique and Tanzania

The Company's projects are located in Mozambique and Tanzania and are held by subsidiaries of the Company which are based in those countries. These countries are prone to changing tax laws and applying any changes retrospectively. In particular, there is discussion in Mozambique about a change that may result in capital gains taxation being payable in respect of a transaction that occurs outside of Mozambique which creates a direct or indirect change of control of a Mozambican company.

(d) Operations in Mozambique and Tanzania

The Company's projects are located in Mozambique and Tanzania. There are risks associated with operating in those countries, including various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, changes to mining or investment policies and legislation or a shift in political attitudes, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

(e) Legal System in Tanzania and Mozambique

The legal system operating in Tanzania and Mozambique may be less developed than more established countries, which may result in political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute.

(f) Access to the Company's Projects and Weather Delays

The normal exploration season in Mozambique commences in May/June each year and extends through until November/ December. Access to the Company's projects, depending on their location, may be restricted during the wet season (December to May).

There is a risk that adverse weather conditions such as high or unseasonal rainfall may reduce access to the Company's projects and limit the amount of exploration work able to be performed by the Company and the availability of drill rigs when required.

(g) Explosive Devices

Some of the tenements may harbour explosive landmines, or similar devices of any type, left over from former wars.

(h) No Mineral Resource Estimates or Ore Reserves

There are no existing mineral resource estimates or ore reserves in relation to the Company's projects and there is no guarantee that mineral resource estimates or ore reserves in relation to any of the Company's projects will be achieved in the future.

(i) Budget Risk

The exploration costs in respect of the Company's projects are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

3.2 Risks specific to the companies operating in the industry

(a) Exploration and Development

There is a significant risk that the proposed exploration activity on the Company's projects is unsuccessful and does not result in the discovery of a viable resource. Mineral exploration by its nature is a high risk activity and there can be no guarantee of success in relation to the Company's projects.

Whilst the Directors will make every effort to reduce this risk, the fact remains that the discovery and development of a commercially viable resource is the exception rather than the rule.

(b) Environmental Risk

The minerals and mining industry has become subject to increasing environmental regulations and liability. The potential for liability is an ever present risk.

Exploration work will be carried out in a way that has minimal impact on the environment. It may be required for the Company to conduct baseline environmental studies prior to certain exploration or mining activities, so that environmental impact can be monitored and minimised wherever possible. While the Company is not aware of any endangered species of flora or fauna at this point, no baseline studies have been done to date, and such a discovery could prevent exploration and mining activity in certain areas.

(c) Commodity Prices

Commodity prices are influenced by physical and investment demand. Fluctuations in commodity prices relevant to the Company may influence the exploration and development activity on the Company's projects.

3.3 General company risks

(a) Reliance on Key Personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(b) Economic Risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption and the rate of growth of gross domestic product in Australia, Mozambique and Tanzania and other jurisdictions in which the Company may acquire mineral assets

(c) Future Capital Needs and Additional Funding

The future capital requirements of the Company will depend on many factors including the results of future exploration and business development activities. The Company believes its available cash and resources following the Placement and the Offer should be adequate to fund its exploration work program, business development activities and other Company objectives.

Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance. In addition, any additional equity financing will dilute Shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities.

(d) Changes in Government Policies and Legislation

Any material adverse changes in government policies or legislation of Australia, Mozambique, Tanzania or any other country that the Company may acquire economic interests in may affect the viability and profitability of the Company.

(e) Operational Risks

The operations of the Company may be affected by various factors including failure to locate or identify mineral deposits, failure to achieve predicted grades

in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(f) Commodity Price Volatility and Foreign Exchange Risk

In the event that the Company achieves exploration success leading to production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price risks.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for coal, forward selling by producers, and production cost levels in major metal-producing regions.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Furthermore, international prices of various commodities are denominated in United States Dollars and a portion of the Company's capital expenditure and ongoing expenditure is denominated in either United States Dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar and the Australian Dollar as determined in international markets.

3.4 General Investment Risks

(a) Security investments

Applicants should be aware that there are risks associated with any investment in securities. The prices at which the Shares trade may be above or below the issue price, and may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices and volumes will be sustained. These factors may materially affect the market price of the Securities, regardless of the Company's operational performance.

(b) Share market conditions

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Global credit and investment markets

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have lead to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including ASX). This may impact the price at which the Company's Shares trade regardless of operating performance and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

3.5 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Rights Issue Offer Document. Therefore, the Shares to be issued pursuant to this Rights Issue Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Shares pursuant to this Rights Issue Offer Document.

4. Underwriting

4.1 Underwriting agreement

The Company and the Underwriter entered into an underwriting agreement (**Underwriting Agreement**) pursuant to which the Underwriter agreed to fully underwrite the New Shares offered under the Offer (**Underwritten Shares**), which for the avoidance of doubt, excludes any New Shares offered as a result of the exercise of any Options prior to the Record Date.

Within 3 days after the issue of the Underwritten Shares, the Company must pay to the Underwriter an underwriting fee of 5% of the aggregate offer price of the Underwritten Shares, estimated to be \$161,660.

Additionally, the Company will pay all professional and third party fees incurred by the Underwriter in respect of the Offer.

The Underwriting Agreement contains termination clauses that relieve the Underwriter of its obligations if certain events occur. These include:

(a) if any of the following occur:

- (1) (**Quotation approvals**) approval for official quotation of all of the New Shares under the Entitlement Offer and including the Underwritten Shares on ASX is refused on or before the proposed allotment date, or if approval is granted, the approval is granted on conditions other than customary conditions or subsequently withdrawn, qualified or withheld before the issue of the Underwritten Shares;
- (2) (**market fall**) the S&P/ASX Small Resources Index (XSR) or the S&P/ASX 200 Index is at any time prior to the proposed allotment date more than 10% below the level of that Index at the close of normal trading on the trading day before the date of the agreement;
- (3) (**adverse change**) any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company, including:
 - (A) any material change in the earnings, cash position, future prospects or forecasts of the Company;
 - (B) any material change in the nature of the business conducted by the Company;
 - (C) any material change to the political stability of Mozambique that the Underwriter reasonably believe may affect the

interest the Company has in and over its assets including its ownership over any in-country subsidiaries;

- (D) there is introduced, or there is a public announcement of a proposal to introduce a new law in Mozambique that the Underwriter reasonably believe may affect the interest the Company has in and over its assets including its ownership over any in-country subsidiaries;
 - (E) any change that may have a material adverse effect; or
 - (F) the insolvency or voluntary winding up of the Company or the appointment of any receiver, receiver and manager, liquidator or other external administrator to the Company;
- (4) **(withdrawal)** the Company withdraws or terminates the Entitlement Offer; or
 - (5) **(repayment)** any circumstance arises after lodgement of the Offer Document that results in the Company either repaying the money received from applicants or offering applicants an opportunity to withdraw their acceptances for Underwritten Shares and be repaid their application money; or
 - (6) **(prejudicial public information)** the issue or release by the Company of any public information which is considered by a reasonable person to be materially prejudicial to the prospects of the Entitlement Offer, having regard to the public information released by the Company prior to the date of the agreement and contained in the Offer Document; or
 - (7) **(ASX)** the ASX announces or makes a statement to any person that the Company will be removed from the official list of ASX or removes the Company from the official list;
 - (8) **(capital structure)** the Company or any related body corporate of the Company takes any steps to alter its capital structure in a way not contemplated by the Offer Document or by the agreement and in a way which the Underwriter has not been made aware in writing and which has not been announced by the Company in each case by the date of the agreement, without the prior written consent of the Underwriter; or
 - (9) **(judgment)** a judgment in an amount exceeding \$100,000.00 is obtained against the Company or a related body corporate of the Company and is not set aside or satisfied within 21 days; or
 - (10) **(process)** any distress, attachment, execution or other process of a governmental agency in an amount exceeding \$250,000.00 is issued against, levied or enforced upon any of the assets of the

Company or a related body corporate of the Company and is not set aside or satisfied within 21 days; or

- (11) **(financial assistance)** the Company or a related body corporate passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriter; or
- (12) **(suspends payment)** the Company or a related body corporate of the Company suspends payment of its debts generally; or
- (13) **(insolvency)** the Company or a related body corporate of the Company is or becomes unable to pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act or is presumed to be insolvent under the Corporations Act; or
- (14) **(arrangements)** the Company or a related body corporate of the Company enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (15) **(ceasing business)** the Company or a related body corporate of the Company ceases or threatens to cease to carry on business;

(b) if any of the following occur, and the Underwriter reasonably believes that the event has or is likely to have a material adverse effect on the outcome of the Entitlement Offer or could give rise to liability for the Underwriter under any law or regulation and the Underwriter has afforded the Company a reasonable time (not exceeding five business days) to remedy the event if the event is capable of remedy.:

- (1) **(disclosures in Offer Document)** a statement in the Offer Document or the Entitlement Offer cleansing statement is misleading or deceptive;
- (2) **(Supplementary Offer Document)** the Company lodges a supplementary Offer Document without the consent of the Underwriter or fails to lodge a supplementary Offer Document in a form acceptable to the Underwriter in circumstances where the Underwriter reasonably believe that the Company is prohibited by the Corporations Act from offering Shares under the Offer Document;
- (3) **(disclosures in due diligence process)** any information supplied by or on behalf of the Company to the Underwriter in relation to the Company or the Entitlement Offer as part of the due diligence process is materially misleading or deceptive;
- (4) **(new circumstance)** a new circumstance occurs or arises after the Offer Document and supplementary Offer Document is lodged that

would, in the reasonable opinion of the Underwriter, have been required to be included in the Offer Document and supplementary Offer Document if it had arisen before the Offer Document and supplementary Offer Document was lodged;

- (5) **(material contracts)** any material contract of the Company is terminated or materially amended adversely to the Company;
- (6) **(hostilities)** hostilities, political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Israel, Japan, Indonesia, North Korea, Mozambique, Russia, Ukraine, Israel or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (7) **(market conditions)** any material adverse change or disruption to the existing financial markets (as at the date of the agreement), political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or in the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriter reached in good faith, it is impracticable to market the Entitlement Offer or to enforce contracts to issue and allot the Underwritten Shares or that the success of the Entitlement Offer is likely to be adversely affected;
- (8) **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth, State or Territory authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the agreement), any of which does or is likely to have a material adverse effect on the success of the Entitlement Offer;
- (9) **(change in management)** a change in the board of Directors or senior management of the Company occurs;
- (10) **(legal proceedings and offence by Directors)** any of the following occurs:
 - (A) a Director is charged with an indictable offence;
 - (B) material legal proceedings are commenced against the Company or any Director; or

- (C) any Director is disqualified from managing a corporation under section 206A of the Corporations Act;
- (11) **(change to constitution)** prior to the proposed allotment date, a change to the constitution of the Company or the Company's capital structure occurs (other than as contemplated by the agreement or announced to the ASX and of which the Underwriter has been made aware in writing prior to the date of the agreement or issues of securities under the Placement or the Offer (including the Shortfall Offer) or issues of securities upon conversion or exercise of existing securities or rights in the Company) without the prior written consent of the Underwriter;
- (12) **(compliance with regulatory requirements)** the Company contravenes the Corporations Act, the Listing Rules, its constitution or any other applicable law or regulation;
- (13) **(Offer Document to comply)** the Offer Document or any aspect of the Entitlement Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- (14) **(notifications)** any of the following occurs:
 - (A) ASIC applies for an order under Part 9.5 of the Corporations Act in relation to the Offer Document or commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer Document; or
 - (B) the Company issues a public statement concerning the Offers which has not been approved by the Underwriter, unless that statement is required to be issued in order for the Company to comply with the Corporations Act, the Listing Rules, its constitution or other applicable laws; or
- (15) **(breach)** the Company breaches any of its material obligations under the agreement;
- (16) **(material contract breach)** the Company commits a substantial breach of a material contract;
- (17) **(representations and warranties)** any representation or warranty in the agreement on the part of the Company is materially not true or correct;
- (18) **(prescribed occurrence)** an event specified in section 652C(1) or section 652C(2) of the Corporations Act, but replacing "target" with "Company", but excluding events contemplated by the agreement or of which the Underwriter has been made aware in writing by the date of the agreement and which have been announced to the ASX prior to the date of the agreement or issues of securities under the

Placement or Offer (including the Shortfall Offer) or issues of securities upon conversion or exercise of existing securities or rights in the Company; or

- (19) **(timetable)** an event specified in the Offer timetable is delayed for more than five (5) Business Days other than as the direct result of actions taken by the Underwriter (unless those actions are requested by the Company) or the actions of the Company (where those actions are taken with the Underwriter's prior consent).

As a term of the underwriting, the Company has agreed to indemnify the Underwriter, its related bodies corporate and their respective directors, officers, employees, agents, representatives and advisers from and against any and all claims, actions, damages, losses, liabilities, costs or expenses, including costs for legal advice on a solicitor/client basis, (Losses) which any indemnified party incurs or suffers in respect of or in any way relating to the Offer, this Rights Issue Offer Document or the Underwriting Agreement, including any Losses in connection with any investigation, inquiry or hearing by ASIC, ASX, a government or any government agency.

The Underwriting Agreement also contains covenants, warranties, representations and other terms usual for an agreement of this nature.

4.2 Directors' interests in Company securities and sub-underwriting obligations

The Directors or their nominees currently hold Shares and Options in Metals.

Mr Gilbert George, Ms Cherie Leeden and Mr Brett Smith or their nominees have each agreed to sub-underwrite part of the Offer. Their sub-underwriting commitments are on the same terms as sub-underwriting commitments from others, and are unconditional and irrevocable. However, if the Offer does not proceed, or the Underwriter terminates its obligations under the Underwriting Agreement, the sub-underwriting arrangements terminate immediately. The sub-underwriters will be paid a 2% sub-underwriting fee.

If there are any Shortfall Shares the Underwriter will determine the obligations of each of the sub-underwriters in accordance with the sub-underwriting agreements. The number of Shortfall Shares sub-underwritten by the Directors of the Company is set out in the table below.

The Directors' and their nominee's current shareholdings and interests in Shares and Options and their sub-underwriting obligations are as follows:

	Mr Gilbert George	Ms Cherie Leeden	Mr Brett Smith	Total
Current Number of Shares	2,239,287	2,413,762	213,026	4,866,075
Current percentage holding	2.34%	2.53%	0.22%	5.09%
Current number of Options	3,027,120	3,383,429	1,124,513	7,535,062
Entitlement to Shares under the Offer ¹	447,857	482,752	42,605	973,215
Maximum number of Shares under the Sub-underwriting commitment	900,000	500,000	133,333	1,533,333
Maximum number of Shares following the Offer ²	3,139,287	2,913,762	346,359	6,399,408
Maximum percentage of Shares following the Offer ²	2.43%	2.25%	0.27%	4.95%

¹ Assuming Directors do not exercise their Options.

² Assuming the Directors and their nominees take up their full Entitlements under the Offer and Mr George, Ms Leeden and Mr Smith are allocated the maximum number of Shares under their sub-underwriting commitments.

At the time of lodging the Rights Issue Offer Document the Directors and their nominees have indicated that they intend to take up all or part of their Entitlement under the Offer.

5. Glossary of terms

\$ means Australian dollars.

Applicant means a person who submits an Application Form.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532.

Business Day has the same meaning as in the Listing Rules.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means 5:00pm (WST) on the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Company or **Metals** means Metals of Africa Limited ACN 152 071 095.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Directors mean the directors of the Company as at the date of this Rights Issue Offer Document.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the entitlement to subscribe for 1 New Share for every 5 Shares held by an Eligible Shareholder on the Record Date.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the Listing Rules of ASX.

Morgans means Morgans Corporate Limited.

New Share means a Share proposed to be issued pursuant to this Offer.

Offer is as defined in Section 1.1.

Official List means the official list of ASX.

Official Quotation means quotation of New Shares on the Official List.

Opening Date means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Option means an option to acquire a Share.

Record Date means 5:00pm (WST) on the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Registry or **Automic** means the Company's share registry, Automic Pty Ltd.

Related Corporation means a "related body corporate" of the Company as that expression is defined in the Corporations Act and includes (where applicable) the Company itself and a body corporate which is at any time after the date of the Underwriting Agreement a "related body corporate" but ceases to be a "related body corporate" because of an amendment, consolidation or replacement of the Corporations Act.

Rights Issue Offer Document or **Offer Document** means this document.

Section means a section of this Rights Issue Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall or **Shortfall Shares** means those New Shares for which valid Applications have not been received by the Closing Date.

Shortfall Offer means the offer for the Shortfall pursuant to this Rights Issue Offer Document.

Underwriter means Morgans Corporate Limited.

Underwriting Agreement is as defined in Section 4.1.

WST means Australian Western Standard Time.