

## ASX Announcement

7 February 2011

### **MET TO SECURE A STEP-CHANGE IN GOLD EXPLORATION INTERESTS IN BURKINA FASO**

#### **Highlights:**

- MET proposes raising of \$1.8m in seed capital to create a new Burkina Faso focussed gold exploration company – Harmattan Gold Pty Ltd (HMG).
- Burkina Faso remains under-explored and offers numerous opportunities to secure highly prospective gold exploration projects.
- HMG business development in progress and targeting greenstone-hosted gold deposits in a substantial new exploration permit portfolio.
- Proposed HMG permits are all in addition to MET's current Burkina Faso exploration properties.
- HMG will target IPO and stock exchange listing in mid 2011.
- MET is well positioned to secure significant value via MET's proposed significant shareholding interest in HMG post IPO.

#### **HMG Strategy**

The Board of Mt Isa Metals Limited (MET) is pleased to announce that MET has incorporated a new and independent Burkina Faso focussed gold exploration company – Harmattan Gold Pty Ltd (HMG).

Burkina Faso is presently attracting significant exploration interest and the gold sector in the country is undergoing rapid expansion via new mine development. Numerous significant gold discoveries have been made in Burkina Faso in recent years including MET's recently announced high grade gold discovery at Nabanga in its Yactibo Project area.

The MET Board believes that Burkina Faso offers significant potential to secure highly prospective exploration opportunities in addition to those already within MET's exploration portfolio. However, Burkina Faso mining legislation restricts MET from pursuing a significant expansion to its present project portfolio (a maximum limit of 10 permits per company applies).

In order to capitalise on MET's operational capability, knowledge and experience gained to date in Burkina Faso, and secure an interest in an enhanced exploration footprint, MET has incorporated HMG and is seeking to raise \$1.8m via a seed capital raising to sophisticated investors. The majority of these funds have already been received by HMG, with the raising likely to be completed this week.

HMG intends to use the seed capital funds to complete business development activities and to commence preliminary exploration activities leading up to a proposed IPO and application for a stock exchange listing in mid 2011.

### **HMG Capital Structure**

Upon issue of shares under the seed capital raising MET will hold a 47.8% interest in HMG (22m shares). In addition MET will hold 34m convertible shares in HMG which can be converted to fully paid ordinary shares in HMG at MET's election.

The balance of the proposed issued capital (24m shares) is to be held by seed investors.

MET intends that HMG undertake an \$8.0m IPO (40m shares @ \$0.20/share) by mid 2011 and seek a stock exchange listing thereafter. The seed capital participants have provided a commitment to \$3.6m of the proposed IPO. The balance of the IPO funds (\$4.4m assuming an \$8.0 million raising) are to be raised from other sources pursuant to a prospectus to accompany the IPO and listing.

Subsequent to completion of the proposed IPO and assuming MET's full conversion of its convertible shares and an \$8.0 million IPO, the capital structure of HMG will be as follows:

<b>Holder</b>	<b>Shares</b>	<b>Equity</b>	
MET	56m	46.7%	(22m current shares plus 34m convertible shares)
Seed shares	24m	20.0%	
IPO shares	40m	33.3%	(40m shares @ \$0.20/share)
<b>Total</b>	<b>120m</b>	<b>100.0%</b>	

In addition to the above MET will be granted 30m options in HMG with a 5 year term and an exercise price 2x the IPO price (nominal exercise price \$0.40/share). The options will allow MET to maintain significant equity in HMG during the growth phase of the company whilst providing an opportunity for a significant additional cash contribution to HMG to assist in realising that growth.

The ultimate timing and structure of the proposed IPO will be dependent on numerous factors, and MET will keep shareholders informed as to the progress of the proposed IPO as plans become finalised.

### **HMG Management / Business Development**

In return for the significant equity stake in Harmattan Gold Pty Ltd, MET will provide various management services for HMG and access to MET facilities and staff. Such services will continue until such time as HMG establishes its own management capacity (staff recruitment, independent facilities etc) which is anticipated to be in place in the near future.

The cost of all services provided by MET are to be refunded at cost.

## Conclusion

The MET Board believes that Burkina Faso offers significant unrealised exploration potential. MET's capacity to pursue a 100% interest in such potential is constrained by current Burkina Faso mining legislation (limit on the number of permits that can be held by one company).

The creation of HMG provides MET with an opportunity to maintain an indirect interest in a significantly larger exploration footprint in Burkina Faso and therefore a step-change in the number of exploration projects to which the Company is exposed.

MET's proposed significant equity position in HMG provides MET shareholders with an opportunity to realise significant value from any exploration success within the larger exploration portfolio.

Commercially sensitive negotiations are advancing in respect of HMG business development activity. MET will provide an update to the market as to the progress of HMG's acquisitions, as these negotiations are successfully concluded.

**Note that no current MET exploration permits are proposed to be transferred to HMG.**

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Further information on Mt Isa Metals can be found on our website [www.mtisametals.com.au](http://www.mtisametals.com.au)

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### Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Peter Spiers B.Sc (Hons) Geol., who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Spiers is a full time employee of the company. Mr Spiers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Spiers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.