Metals Finance Limited

2011
Annual Report

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METALS FINANCE LIMITED
ABN 83 127 131 604

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DIRECTORY

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CORPORATE INFORMATION

REGISTERED OFFICE

Metals Finance Limited
Unit 32, 28 Burnside Road
Yatala Queensland Australia 4207
Telephone: +61 7 3807 4166
Facsimile: +61 7 3807 3801
Website: www.metalsfinance.com
Email: info@metalsfinance.com

DIRECTORS

Geoff Hill	(Chairman)
Tony Treasure	(Managing Director)
Richard Anthon	(Non-Executive Director)
Michael Gunn	(Non-Executive Director)
Simon Bird	(Non-Executive Director)

PRINCIPAL OFFICE

Unit 32, 28 Burnside Road
Yatala, Queensland, Australia, 4207

SOLICITORS

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Level 2, 307 Queen Street
Brisbane, QLD, 4000
Telephone: +61 7 3002 8700
Facsimile: +61 7 3221 3068

COMPANY SECRETARY

Arno de Vos (Chief Financial Officer)
Ian Morgan

SHARE REGISTRY

Boardroom Limited
Level 7, 207 Kent Street
Sydney, NSW, 2000
Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
Website: www.boardroomlimited.com.au

BANKERS

Bank of Queensland – Australia

AUDITOR

PKF Chartered Accountants
Level 6, 10 Eagle Street
Brisbane Qld 4000

INVESTOR ENQUIRES

Unit 32, 28 Burnside Road
Yatala, QLD, 4207
PO Box 689, Ormeau, Qld, 4208
Telephone: +61 7 3807 4166
Facsimile: +61 7 3807 3801
Website: www.metalsfinance.com

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CHAIRMAN'S LETTER

Dear Shareholder,

2011 did not yield the results we had hoped for as Global Economic conditions continued to impact on equity markets. Our exit from Africa has been delayed and Bass Metals disappointed. However, we did restore our finances by selling our investment in the Palabora nickel sulphate facility and we continued the development of our nickel projects to position the company to deliver on the promise of advancing mining projects that provide value for our shareholders.

In 2012, the aim is to:

- Commence the construction of a mine and processing plant at the Lucky Break nickel project in Queensland.
- Conclude a technical and financial alliance with Dow Chemical regarding Lucky Break and other projects.
- Complete our due diligence on prospective Chilean projects.
- Broaden the company's horizons by initiating new projects in Australia and around the world for nickel laterites and also in other minerals including gold and copper.
- Complete the Barnes Hill feasibility analysis.

With Lucky Break, the challenge immediately ahead is to complete financing arrangements so that construction of a mine and plant can get underway. Barnes Hill is progressing and has taken a step forward with the completion of a first draft of a feasibility study for a 250,000 tonne-a-year development. Work is currently being undertaken on examining a project of double that throughput, with a definitive feasibility study due by mid-2012.

Under the company's revised business plan, we intend to realise value from projects such as Lucky Break and Barnes Hill by handing the responsibility for funding, development and operation to other corporate entities to ensure a successful investment outcome for Metals Finance.

Optimising or exiting from our investment in Bass Metals will be a major priority in the year ahead.

Management are aware of the need to establish a successful cash flow mining project

Geoffrey Hill
Chairman

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MANAGING DIRECTORS REPORT

1. OVERVIEW

Highlights for the 2010/2011 fiscal year were:

- Development of the Lucky Break nickel project is intended to start in 2012. An Independent review has confirmed its positive economics, and development funding options are under consideration.
- A Letter of Intent was signed with Dow Chemical (Australia) Limited to form a significant financial and technical alliance covering the Lucky Break project and future nickel laterite projects.
- Discussions and negotiations for additional nickel laterite projects are underway to provide an expanded pipeline of projects.
- Substantial progress on bulk leach trials and feasibility studies were made at the Barnes Hill nickel project. The first draft was provided to Proto Resources & Investments Limited at the end of August 2011 and the Definitive Feasibility Study is due by June 2012.
- A substantive internal review resulted in a strategic shift of the Company's business model to better and more rapidly capture value from our core skill base.
- The search for projects in Chile and Europe has been accelerated, with a number of potential gold, iron and copper targets identified and under discussion.
- Metals Finance has focused on Australia and its new global opportunities after the conditional sale of its interests in Metals Finance Africa (Pty) Ltd. and the Chambishi copper/cobalt project was finalised. Prior to this, a joint venture operating agreement was concluded to advance the project's development.
- Significant cash was returned after the sale of the Palabora nickel sulphate facility to the Rio Tinto controlled Palabora Mining Company was settled.

Metals Finance Limited ('Metals Finance' or 'the Company') remains in a strong financial position and can achieve its short to medium term aims without raising further capital. The Company's overheads have been significantly reduced through the agreement reached with Muva Metals, and management and the board continue to look for sensible savings in overheads.

2. NICKEL DEVELOPMENT PROJECTS

Lucky Break Nickel Laterite Project

Substantial progress has been made over the past year towards the development of the Lucky Break nickel laterite project in North Queens land in joint venture with Metallica Minerals Limited (ASX:MLM). A project format has now been established, which is robust under current conditions, and the revised Definitive Feasibility Study (DFS) has been independently technically reviewed by Dr John Canterford, an inde pendent consultant with Process Technologies Australia Pty Ltd (PTA). Dr Canterford concludes as follows:

"… PTA is of the opinion that the 2011 Feasibility Study and supporting documents relating to the Lucky Break Project show that it is technically and operationally sound and that from this perspective the report is correctly classified as having a definitive level of accuracy and thus can be used as the basis of project initiation without any additional and extensive assessment from a technical/engineering point-of-view."

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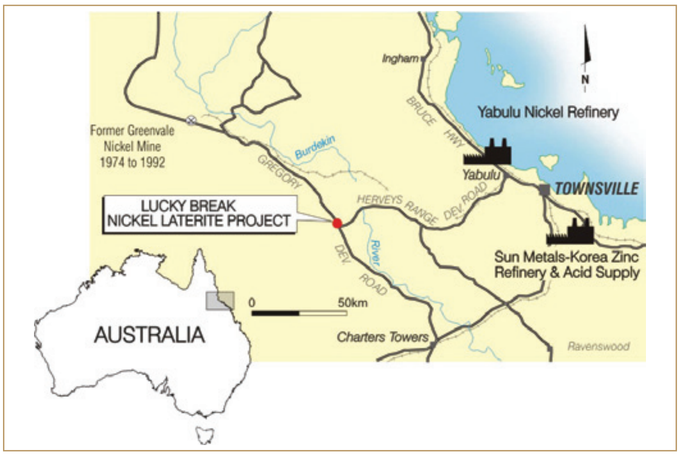
MANAGING DIRECTORS REPORT (CONTINUED)

2. NICKEL DEVELOPMENT PROJECTS (CONTINUED)

The feasibility study has indicated positive financial return based on the novel flow sheet designed by Metals Finance, the higher grade ore and product quality being targeted and a projected long-term nickel price of around US$10/lb. Appropriate funding mechanisms are currently being considered.

Lucky Break's project manager, Peter Shelley, has completed a substantial portion of the detailed engineering and permitting. It is the Company's aim to commence development during 2012.



Dow Chemical Agreement

Metals Finance has developed a simplified and novel treatment circuit for the exploitation of higher grade nickel laterite resources, thanks to work undertaken on the Palabora nickel sulphate facility and test work for Lucky Break. The circuit eliminates some steps required in conventional circuits, reduces operating costs and yields a higher grade product with the potential for increased revenues. The core element is the use of ion exchange resin to capture nickel from the leach solution, and its transferral into a stream which can readily be purified and used for electrowinning nickel cathode.

The Dow Chemical company is a world leader in ion exchange resins and has worked closely with the Company at Palabora and Lucky Break to become our supplier of choice. A Letter of Intent was recently signed with Dow relating to the formation of an alliance between the companies to develop mineral processing technologies in specific resource settings. The initial intent is for the companies to work on the Lucky Break project as the base for identifying process improvements which may be applied to nickel laterite projects globally.

A definitive agreement is under discussion. It is contemplated such an agreement would include Dow providing know-how, technical and process engineering support and equipment for the use of its Ion Exchange Resin PLS separations technology for the Lucky Break project.

Barnes Hill Nickel Laterite Project

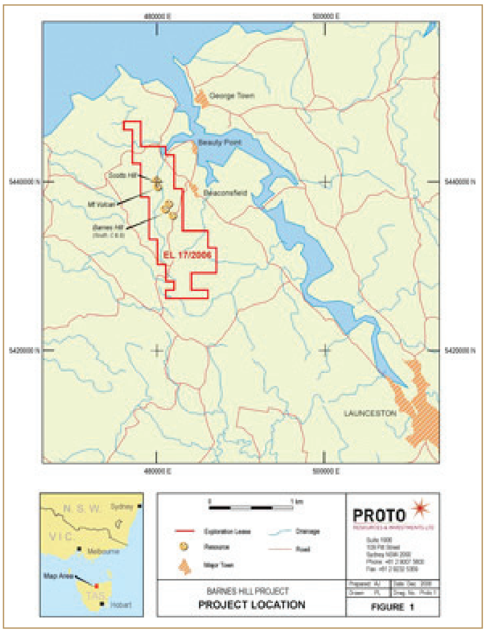
The Company is completing detailed feasibility studies on the Barnes Hill nickel laterite project in Tasmania, under a joint venture with the owner of the tenements, Proto Resources & Investments Ltd (ASX: PRW)(Proto). Metals Finance can earn 50% of the project through the completion of flow sheet designs, engineering and feasibility studies, funding and bringing it into production.

The feasibility study is based on the Lucky Break flow sheet and the initial Ore Reserve established and reported by Proto. Work to date has focussed on preliminary costing and modelling at a throughput of 250,000 tonnes per annum and a project life of 10 years. It has shown that economy of scale and consistent nickel recovery from the leach are the primary economic drivers. First pass operating and capital costs indicate that an increased scale of 500,000 tonnes per annum throughput will be required to achieve a more robust return on projected capital.

MANAGING DIRECTORS REPORT (CONTINUED)

2. NICKEL DEVELOPMENT PROJECTS (CONTINUED)

A draft of the initial 250,000 tonnes Feasibility Study has been completed for review. The next stage is to detail capital and operating costs for a revised scale of 500,000 tonnes throughput, and on the completion of bulk leach test work. An updated version of the study is expected by December 2011. A final Definitive Feasibility Study, based on increased throughput and detailed engineering of a final flow sheet, is due towards the end of the second quarter of 2012.



The Company is also monitoring the Barrier Bay acid recovery technology being developed by a private company controlled by Proto. The proposed flow sheet for Barnes Hill does not yet incorporate this technology, as it remains under development. However, its operating characteristics have already been established at bench scale and are recognised as having potential to significantly impact on the operating costs.

Other Nickel Laterite Projects

Based on its experience with Lucky Break, the Company has defined a set of project parameters for pursuing joint ventures on a number of other known laterite resources. The focus is on projects that display a discrete zone of higher grade mineralisation (1.2% - 1.4% nickel).

3. REFINEMENT OF BUSINESS PLAN

Metals Finance's original intent was to develop projects in its own right, directly capturing the resulting cash flows and expanding its assets by delivering a succession of projects. That plan has been revised to align it with the core skills and expertise which it has available and to capture value at a significantly earlier stage in the generally protracted development cycle for projects.

The plan now encompasses two core value propositions:-

- Metals Finance recognises the significant uplift in value that is achieved through investing its key technical skills in taking a project from the stage where it is 'geologically' defined, to establishment of an appropriate treatment process and completion of detailed feasibility studies. In other words, creating 'a defined value from a geological possibility'. The refined plan aims to capture this value uplift at an earlier stage by passing the responsibility for project funding, physical development and operation to special purpose structures.

- Metals Finance also recognises that it is an investor. By utilising its key skills in evaluating and measuring the value of a company or project, there is a solid opportunity to extract further value for shareholders via direct investment in companies that own resources requiring Metals Finance's specialist skills in order to be realised.

A key feature of this plan is that it enables the Company to maintain flexibility in its approach and financial capacity, rather than restricting its available resources to the protracted and less diverse task of development of single projects.

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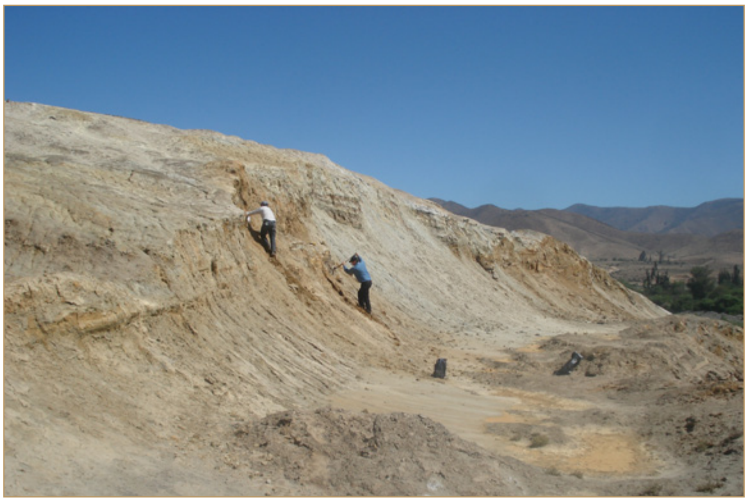
MANAGING DIRECTORS REPORT (CONTINUED)

4. EXPANDED SEARCH IN CHILE AND EUROPE



A number of potential projects have been identified in Chile during the past six months which fit the Company's criteria. Discussions and negotiations have commenced with the owners of prospective gold, iron and copper bearing tailings resources, with a view to establishing a portfolio of projects within our Chilean subsidiary.

A search for projects in Europe has identified two gold tailings dump resources which merit detailed investigation and modelling, and also a potential high grade nickel laterite project. The Company has commenced discussions with the owners of these projects.

5. METALS FINANCE AFRICA

Palabora Sale

Settlement of the Palabora nickel sulphate plant for $5.4 million occurred in February 2011, resulting in the Company recouping $4.5 million in loan funds provided to Metals Finance Africa (Pty) Ltd. The facility was installed in September 2008 at a cost of $3.8 million based on a novel flow sheet design engineered by Metals Finance.

Chambishi Tailings Project

Metals Finance completed a comprehensive feasibility study on the Chambishi Tailings project in Zambia during the year. Subsequently, a detailed Joint Venture Operating Agreement was executed, providing a detailed operating and management framework under which the project can be developed. Discussions with potential funders and independent technical assessment of the project are ongoing as at the date of this report.

Conditional Sale to Muva Metals

In June 2011, as a consequence of the sale of the Palabora project and the resulting reduction in activities in Southern Africa, Metals Finance entered into a conditional sale agreement with Muva Metals (Pty) Ltd, our joint shareholder in Metals Finance Africa (Pty) Ltd., for the sale of our 50% interests in the local company and the Chambishi project. The sale is conditional upon Muva Metals securing the funding required for theChambishi project, but it provided for the immediate assumption of responsibility for funding by Muva Metals of Metals Finance Africa's ongoing activities.

Upon completion of the conditions precedent the consideration for the sale will be as follows:

1. A cash settlement of $700,000 on confirmation of funding for the Chambishi project; and
2. A fee of $1.50 per tonne of tailings treated by the project, totalling up to $2,200,000.

Muva Metals were granted 120 days in which to complete negotiations relating to funding of the Chambishi project. However, the process has been delayed by requirements for further metallurgical test work. The Company has therefore granted an extension to the agreement time period to February 2012. Subject to successful completion, this sale will conclude a process of rationalisation of the Company's activities in Africa. Coupled with loan funds recouped from the Palabora sale, the Company expects a total return of cash of approximately $7.4 million.

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MANAGING DIRECTORS REPORT (CONTINUED)

6. BASS METALS INVESTMENT

The Company maintains a significant investment in the Tasmanian base metal producer Bass Metals Limited ('Bass Metals" ASX:BSM). The year has seen a diminution in the market value of that investment, due to operational difficulties encountered by Bass Metals in mid-2011, which delayed the achievement of steady state operation of their lead-zinc mine at Hellyer in Tasmania. The operational delays placed Bass Metals in a position where the company was forced to raise further funds to supplement working capital.

Bass Metals has now completed the required capital raising and resolved the operational difficulties at its Hellyer project. Bass Metals has also made some key management changes, in areas critical to maintenance of smooth ongoing operation of the project. In reporting to the market in early November, Bass Metals have highlighted the following:

- Ore production from the Hellyer project since the beginning of July has been on budget with higher than budgeted grades.
- Production of zinc concentrate since the beginning of the financial year has been 8% above budget, with recovered zinc metal exceeding budget by 3%. Similarly lead concentrate production has been 12% above budget with recovered metal being 8% above budget.
- Mine operating costs have been generally in accordance with budget, with mill and treatment costs, on preliminary estimates indicating the mill and treatment costs are trending below budget.

The Company remains of the view that Bass Metals has an exciting future, based on:

- Defined reserves which are currently being mined and treated
- Cash flow from existing operations
- Defined resources in known ore situations
- Continuing exploration success through ongoing drilling
- A substantial resource in existing gold bearing tailings
- Early studies indicate the gold resource is potentially viable

The Company looks forward to a steady increase in share price of Bass Metals as the operations settle down, cash flow projections are achieved and results of the current gold study become available.

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DIRECTORS' REPORT

Your Directors submit their report for the year ended 31 August 2011 for Metals Finance Limited (the "Company") and the consolidated entity incorporating the entities that it controlled during the financial year (the "Consolidated Entity").

DIRECTORS

The Directors of the Company during the year and until the date of this report are:

NAME AND POSITION — **QUALIFICATIONS, EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS**

Geoff Hill
Non-Executive
Chairman

Appointed Director
9 March 2007 and
Chairman 18 December 2008

Geoff Hill BEcon (Syd), MBA (NSW), FFIN, FCPA, FAICD is a merchant banker and Director with over 30 years of international experience. He is the Founder of Bancorp Holdings Limited, a former MD of Morgan Grenfell Australia and a former Director of Morgan Grenfell PLC. Mr. Hill was also the founding Partner and Managing Director of Pitt Capital Partners in Australia and a former Chairman of Pitt Capital Partners Asia Limited (HK).

He is the Executive Chairman of International Pacific Securities Limited Group and Chairman of Hong Kong Administrative Services Limited, a Partner of Hill Sherlock and Willis [Sydney] and Chairman of Australasian Investment Holdings Limited [Singapore]. A Director and Founder of Asian Property Services Limited and Asian Property Investments Limited he is also the Non-Executive Chairman of Parry International Trading. Mr Hill is the Hong Kong Representative of Lagerkvist & Partners, Sweden.

An experienced Company Director for over 30 Years, current public company boards include :-

- Chairman Mount Gibson Iron Limited [ASX: MGX] (appointed May 2011)
- Chairman Heritage Gold NZ Limited [ASX: HTM] (appointed July 1999)
- Chairman Metals Finance Limited [ASX: MFC] (appointed March 2007)
- Director Broken Hill Prospecting [ASX: BHL] (appointed February 1989)
- Chairman Texas & Oklahoma Coal Company Inc.

Geoff is a former director of Brickworks Investment Company Limited (December 2005 to September 2009), Huntley Investment Company Limited (April 1998 to January 2009), Centrex Metals Limited (October 2008 to February 2011), Outback Metals Limited (April 2010 to November 2010), and Hills Holdings Limited (February 1999 to April 2011).

A current member of RHKYC and WPO Hong Kong Chapter in Hong Kong, Mr Hill is a member of the Australian Union, Royal Sydney Yacht Squadron and CYCA in Sydney.

Tony Treasure
Managing Director

Appointed Director
2 September 2003 and
Managing Director
18 October 2010

Tony Treasure BSc(Hons), MAusIMM, MAICD is a geologist by profession who has been actively involved in the resource and metal recovery industry for over 35 years, holding senior executive positions with a number of publicly listed companies in the process metallurgy and mining fields. Mr Treasure has extensive experience in corporate management, technology development, project evaluation and development. He was a founding Director of Metals Finance Limited and the primary architect of the Company's business plan. Tony Treasure is a non-executive director of Bass Metals Limited (ASX: BSM) (appointed December 2008).

Tony Treasure has served since September 2003 as a Director of Metals Finance Limited. He was Chairman of the Board from September 2003 to March 2007 and Company Secretary from September 2003 to November 2005.

Richard Anthon
Independent Non-
Executive Director

Appointed
7 October 2009

Rick Anthon BA (ANU) LLB (ANU) MAICD is the Managing Partner of the Queensland law firm Hemming + Hart. He has practiced extensively in corporate, mining and resources law for over 20 years. He has advised on numerous acquisitions, joint ventures, and debt and capital raisings both in Australia and overseas. Additionally, Rick has acted as non-executive director for a number of public resource companies over the last 20 years and has previously chaired audit and remuneration committees for those companies.

Rick is a director of Renison Consolidated Mines NL (ASX: RSN) (appointed June 1996), Metals Finance Ltd (ASX: MFC) (appointed October 2009) and International Coal Limited (ASX: ICX) (appointed February 2011) Stratum Metals (ASX : SXT) (Appointed May 2011) and Baru Resources Limited (ASX: BAC) (listed September 2011).

DIRECTORS' REPORT (CONTINUED)

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DIRECTORS (CONTINUED)

NAME AND POSITION	QUALIFICATIONS, EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
Michael Gunn Independent Non-Executive Director Appointed 7 October 2009	Mike Gunn B.Sc. [Metallurgy] (UNSW) is a metallurgical engineer with a 35 year career in mineral processing operations, project development with a number of engineering design companies, and project and technology evaluation as an independent consultant. He has previously served as an executive director of a publicly listed resource company and has been a director of several private consulting and project development organisations. Mike is a specialist hydrometallurgist with significant expertise in the development and implementation of projects including, in recent years processing of lateritic nickel ores and bacterial treatment of refractory sulphide ores.
Simon Bird Independent Non-Executive Director Appointed 13 July 2010	Simon Bird B.Compt (University of South Africa), B.Compt (Hons) (University of South Africa), FCPA, FAICD is Chief Executive Officer of ASX listed mining company King Island Scheelite Limited and member of the Board of Directors at CPA Australia Limited. Simon's 30 year professional career in Australia, Africa and Europe includes six years with PricewaterhouseCoopers and time in the resources, financial services, property, infrastructure and agricultural sectors. His time in Australia includes terms as Chief Financial Officer with Stockland Limited, GrainCorp Limited and the Wizard Mortgage Corporation. Simon is a Fellow of the Australian Institute of Company Directors (FAICD) and Fellow of CPA Australia (FCPA).

All Directors shown were in office from the beginning of the year until the date of this report, unless otherwise stated.

COMPANY SECRETARIES

Arno De Vos

Arno De Vos B Com., B Com (Hons), B Compt. (Hons), CA, PMP is the Chief Financial Officer and was appointed on 25 March 2009 to the position of Company Secretary. For the previous ten years he was director, compliance manager and company secretary for numerous private companies.

Arno is a Chartered Accountant with over 18 years of experience in accounting, audit, corporate finance, treasury and company secretarial. For 8 years, he was Chief Financial Officer of a property industry related company. Arno has served as a director for more than 34 private companies. Employed for a period of 5 years by Deloittes, Arno also worked with numerous listed entities.

Arno is a member of the Institute of Chartered Accountants Australia (ICAA), affiliate of Chartered Public Accountants Australia (CPA), affiliate of Chartered Secretaries Australia (CSA), Registered Project Management Professional with the Project Management Institute and member of the Australian Institute of Project Management (AIPM) and Registered with the Australian Office of Fair Trading as Principal Real Estate Agent and Property Developer.

Ian Morgan

Ian Morgan B Bus (NSW Institute of Technology), M Comm Law (Macquarie University), Grad Dip App Fin (Securities Institute) CA, ACIS, MAICD, F Fin is a Chartered Accountant and Company Secretary with initial experience in a major international accounting firm. Ian's subsequent experience includes six years as Financial Controller and Company Secretary for the Republic Group merchant bank, as well as its listed and unlisted public company affiliates.

He spent two years as Group Financial Controller for Green's Foods Limited and five years as Financial Accountant for AKZO Australia Limited, the Australian subsidiary of the AKZO chemical and pharmaceutical group. Ian has been involved in the resources sector for many years and his current clients include being Company Secretary for Finders Resources Ltd, King Island Scheelite Limited and Newcastle Coal Infrastructure Group Pty Ltd. Ian is also an Executive Director of Spencer Hamilton Limited.

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CORPORATE GOVERNANCE

The Board adheres to strict Corporate Governance practices in accordance with its corporate charter (a copy of which is provided on the company web site www.metalsfinance.com) and in accordance with ASX best practice guidelines. Further information is provided in the last section of this report on page 63.

MEETINGS OF DIRECTORS AND COMMITTEES OF BOARD

The number of meetings held (including Meetings of Directors) and the number of meetings attended during the financial year are:

	Board Meetings		Audit Committee Meetings	
Directors	Eligible to Attend	Attended	Eligible to Attend	Attended
G Hill	12	12	–	–
T Treasure	12	12	–	–
R Anthon	12	12	4	4
M Gunn	12	10	–	–
S Bird	12	12	4	4

During the year, the Board met to independently consider that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear. No separate Remuneration Committee meetings were held during the year.

PRINCIPAL ACTIVITIES

Metals Finance Limited has been formed for the specific purpose of providing a unique combination of finance and technical skills for the development of small to medium scale metal recovery projects around the globe. The Company's primary targets are those opportunities which, even during an upturn in world metal markets, may be too small, complex or unusual to easily attract the funding and high level technical input required to ensure their successful development.

Metals Finance Limited does not assume the classical resource risks inherent to mineral exploration and mine development. It rather focuses its activities on metal-bearing resources and materials which have already been identified and fully outlined/measured. Metals Finance Limited is not a mining or exploration Company, rather it provides financial and production services to mining and metals companies.

The Company is currently pursuing a number of projects around the world. It is also seeking to expand its portfolio of development opportunities in areas such as:

- Medium sized, proven, high-grade primary resources
- Start-up projects requiring demonstration of new technologies
- Mine waste dumps and tailings
- Smelter and solid industrial wastes
- Industrial waste materials and streams

There are many high-grade, small to medium sized metal recovery opportunities available for evaluation and, if selected, for development through Metals Finance Limited. They are widely varied in location and commodity, but are characteristically owned/controlled by parties who lack the funding, technical capability or business structure required for their development.

We particularly seek associations where the opportunity has a high potential for viability but, without Metals Finance Limited, is unlikely to proceed to profitable development.

Access to development funding, application of key leading edge, metals recovery technologies and a highly skilled network of technical experts are all underlying factors in Metals Finance Limited's business strategy.

DIRECTORS' REPORT (CONTINUED)

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PRINCIPAL ACTIVITIES (CONTINUED)

One of the inherent advantages that Metals Finance Limited possesses is the capability to rapidly assess available projects. This is aided by the fact that the projects targeted are, from a resource point of view, late stage or already developed. The facts are generally known, and technical and financial assessment simply requires testing to determine an appropriate treatment methodology. Metals Finance Limited follows a strict, sequential model in project development:

- Establishment of a suitable process flow sheet
- Preliminary financial modelling and risk assessment
- Site testing of the proposed flow sheet
- Decision to proceed with plant design and engineering
- Determination of minimum scale for positive return
- Design and engineering of treatment facility, including permitting
- Determination of capital and operating costs
- Establishment of personnel requirements and availability
- Generation and independent review of project plan
- Project development

Metals Finance Limited, through its range of contacts, has access to a network of individuals around the world who are highly experienced in the field of project establishment.

There have been some major recent developments in metal processing technology, which have resulted in:

- Increased efficiency in process application
- Modular construction of unit processes
- Reduction in unit capital and operating cost

As a consequence the potential economies of scale in metal recovery have changed. Whereas conventional recovery processes have, in their traditional application, required large scale projects to achieve viability, it is now possible to develop relatively small resources in the phased and rigidly controlled Metals Finance Limited fashion.

Metals Finance Limited employs proven metals recovery technologies that can be implemented quickly and in a modular fashion, in order to allow confirmation of project economics without protracted feasibility study. In many cases the first phase of the project is in essence the 'bankable feasibility study'. In order to execute this model, a thorough working knowledge of the capabilities of the technologies to be used is necessary. This is a key competence of the team and technical network established by Metals Finance Limited.

There were no other significant changes in the nature of the activities of the Consolidated Entity during the year.

REVIEW AND RESULTS OF OPERATIONS

The consolidated loss after income tax for the year attributable to the Owners of the Consolidated Entity was $2,766,999 (2010: $2,930,928).

DIVIDENDS

There were no dividends paid or declared by the Consolidated Entity (2010: nil).

STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Consolidated Entity.

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ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to environmental regulations under relevant local laws, council policies and state and federal government legislation in relation to operating activities.

Operations are closely monitored in accordance with operating procedures to ensure that the potential for environmental contamination is minimised.

The Directors are not aware of any significant breaches in environmental regulations during the period covered by this report.

SUBSEQUENT EVENTS

There has arisen in the interval between the end of the financial year and the date of this report transactions and events of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years. These transactions and events are:

(a) Conditional sales of Metals Finance Africa Pty Ltd and Metals Finance Zambia Limited

The conditional sales of Metals Finance Africa Pty Ltd and Metals Finance Zambia Limited have been extended to 19 February 2012 through a variation deed signed on 13 October 2011; and

(b) Bass Metals Ltd

(i) Conversion of Bass Metals Ltd Convertible Notes

On 30 September 2011 the Consolidated Entity converted its 500,000 $1.00 convertible notes in Bass Metals Ltd (ASX: BSM). Each $1.00 convertible note converted into 6.66 shares at a conversion price of 15 cents per share resulting in the Consolidated Entity receiving 3,333,333 additional shares in BSM. Based on the share price as at the date of this report, the value of these shares would be approximately $313,000. Following the conversion Metals Finance Limited held 29,746,778 in Bass Metals Limited equating to a 10.1% holding. At 31 August 2011 the Consolidated Entity also held 3,333,333 options that were attached to the convertible notes. These options have a 20 cent exercise price and expire 3 years from the date of issue.

(ii) Fair Value of Bass Metals Ltd Investment

At 31 August 2011 Metal Finance Limited's shareholding in BSM was 26,413,445 shares (excluding the conversion shares noted in (b) (i) above).

On 11 July 2011 BSM entered into a voluntary trading halt pending completion of a capital raising and securing further debt funding. The trading halt was lifted on 7th November 2011 following the successful capital raising. Based on available information at reporting date the Consolidated Entity determined the share price of BSM as at 31 August 2011 to be 18.9 cents (refer note 1(b) for details of the valuation method applied). The options were valued by applying the same 18.9 cent share price at 31 August 2011.

Subsequent to the trading halt being lifted on 7th November 2011 the share price of BSM has been trading in the range of 9 cents to 13.5 cents. This price range would result in a material decrease in the value of the Company's investment by between approximately $1,426,326 (at a price of 13.5 cents) and $2,614,931 (at a price of 9 cents). The impact of this has not been reflected in the financial statements at 31 August 2011.

The investment is classified as an 'available-for-sale' financial instrument and changes in fair value, that are not considered an impairment, are recognised in other comprehensive income. An impairment is considered to have occurred when there has been a significant or prolonged decline in the fair value of the security below the consolidated entity's cost, in this case 12 cents, and this movement is required to be reflected in profit and loss.

The impact of these movements have not been reflected in the financial statements at 31 August 2011.

The effect of the reduced share price on the value of the options is not considered material. Refer to Note 8 of the financial statements for further details.

DIRECTORS' REPORT (CONTINUED)

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LIKELY DEVELOPMENTS

Likely developments have been reported in the Directors' Report to the extent considered appropriate. Further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares of the Company, as notified by the Directors to the Australian Securities Exchange ('ASX') in accordance with Section 205G (1) of the Corporations Act 2001, at the date of this Directors' Report is as follows:

	ORDINARY SHARES	OPTIONS
G Hill*	5,504,350	1,000,000
T Treasure*	3,177,596	2,000,000
M Gunn	30,000	500,000
R Anthon*	50,000	500,000
S Bird*	100,000	–

* Held directly and indirectly

AUDITOR'S INDEPENDENCE DECLARATION

We confirm that we have obtained the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 which is set out on page 22.

OPTIONS

At the date of this report unissued ordinary shares of the Company under option are:

EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS
31 January 2013	25 cents per share	2,000,000
31 January 2013	30 cents per share	2,000,000
		4,000,000

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND AUDITORS

INDEMNIFICATION

Under the Company's Constitution, the Company indemnifies each Director, Officer and Agent of the Company ('Officer') against:

- any liability incurred by that Officer as such in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the Officer or which are discontinued, withdrawn, dismissed or struck out, or in which the Officer is acquitted, or in connection with any application in relation to those proceedings in which relief is granted to the Officer by the Court; and
- any liability incurred by an Officer in carrying out the business or exercising the powers of the Company which does not involve any negligence, default, breach of duty or breach of trust by the Officer in relation to the Company.

INSURANCE PREMIUMS

Each of the Directors of the Company have entered into an Indemnity Agreement with the Company whereby the Company has agreed at the Company's discretion, to effect and maintain insurance in respect of directors and officers liability. The Company has also agreed to provide certain indemnities to each of the Directors, to the fullest extent permitted by law.

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DIRECTORS' REPORT (CONTINUED)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND AUDITORS (CONTINUED)

Since the end of the previous financial year, the Company has paid insurance premiums of $19,478 (2010 $17,737) in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former Officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant Officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual Officers.

NON-AUDIT SERVICES

During the year PKF Chartered Accountants, the Consolidated Entity's external auditor, performed certain other services in addition to statutory duties.

The Board has considered the non-audit services provided during the year by the external auditor and in accordance with advice provided by the Audit Committee, is satisfied that the provision of those services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the external auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, as they did not involve reviewing or auditing the external auditor's own work, acting in a management capacity for the Company, acting as an advocate for the Company or jointly sharing risks or rewards.

The following amounts were paid or are payable by the Consolidated Entity for non-audit services provided during the year:

	2011 $	2010 $
PKF CHARTERED ACCOUNTANTS:		
Other assurance services	–	2,700
Taxation services	21,810	13,250
	21,810	15,950

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

ROUNDING

Amounts in the financial report and Directors' Report are rounded off to the nearest dollar, unless otherwise stated.

Signed in accordance with a resolution of the Directors

Director

25 November 2011 – Brisbane

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REMUNERATION REPORT

The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors of the Company and of other executives of the Consolidated Entity. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the remuneration committee during the year were:

- Rick Anthon (Chairman) – Independent Non-Executive Director
- Mike Gunn – Independent Non-Executive Director
- Geoffrey Hill – Non-Executive Board Chairman

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for security holders. The remuneration structures take into account a range of factors, including the following:

- the capability and experience of the key management personnel;
- the requirement to utilise those skills in the furtherance of the Consolidated Entity's strategic objectives;
- the performance of the key management in their particular role;
- the Consolidated Entity's overall performance;
- the remuneration levels being paid by competitors for similar positions; and
- the need to ensure continuity of executive talent and smooth succession planning.

In assessing the performance of a particular executive, consideration of various other aspects are taken into account regardless of only the immediate profit and loss performance. The nature of the Consolidated Entity's operations and investment is such that decisions are constantly being taken that will not have profit repercussions for several years. Moreover, the evaluation of executive performance also has regard to the Executive's effectiveness in developing a capable support team and in showing leadership qualities and instilling positive cultural values within the Consolidated Entity.

Remuneration packages included fixed remuneration only for the past financial year, but a revision of a performance bonus structure is under consideration. There was no performance-based remuneration and equity-based remuneration paid in either the current or the prior financial year.

FIXED REMUNERATION

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles, car parking and other specified benefits), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers the factors outlined above.

Non-executive Directors

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. On 16 December 2008, shareholders last approved a maximum aggregate amount totalling $250,000. Fees for Non-Executive Directors are not linked to the performance of the Consolidated Entity. However, to align Non-Executive Directors' interests with shareholders' interests, the Non-Executive Directors are encouraged to hold shares in the Consolidated Entity and may receive options as long-term incentive remuneration.

Executives

Executive Directors and other Company executives (Executives) receive either a salary plus superannuation guarantee contributions as required by law, currently set at 9%, or provide their services via a consultancy arrangement. Individuals may elect to sacrifice part of their salary to increase payments towards superannuation. Bonus payments are at the discretion of the Board and based on an Executive's performance.

All remuneration paid to Executives is valued at cost to the Company and expensed. Options are valued using Black-Scholes methodology.

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REMUNERATION REPORT (CONTINUED)

Base Salary

Structured as a total employment cost package comprising cash, leave benefits and superannuation, Executives' remuneration is reviewed annually for competitiveness and performance. There are no guaranteed salary increases fixed in any Executives' contract.

Benefits

Executives may receive reimbursement for out-of-pocket expenses incurred in undertaking their duties, including reasonable travel, accommodation and entertainment expenses.

When considering the relationship between the Consolidated Entity's Remuneration Policy and Executives' performance; Consolidated Entity's performance; and benefits for shareholders' wealth, the Remuneration Committee had regard to the following:

	2011	2010	2009
Net loss ($)	(2,766,999)	(2,930,928)	(1,077,433)
Loss per share (cents)	(3.8)	(4.0)	(1.5)
Dividends / distributions ($)	–	–	–
Share price at year end (cents)	7.5	5.8	10.0
Market capitalisation ($)	5,483,218	4,240,355	7,310,957

Metals Finance Limited listed in 2007 on the Australian Securities Exchange and, as a result, the data shown above is only for the previous three years.

The Remuneration Committee considers that the Consolidated Entity's remuneration policy is generating desirable outcomes.

Employment Contract

During the financial year, the Company entered into an employment contract with the Managing Director, Mr Tony Treasure, who is retained by a contract dated 18 October 2010 and valid to 1 November 2012. The agreement provides for an annual base salary, exclusive of compulsory superannuation contributions and other incentives or bonuses. Subject to approval required by the Company's shareholders, the Managing Director is also eligible to participate in short and long term incentive plans implemented by the Company.

The annual base salary exclusive of compulsory superannuation contributions paid under the agreement totals $300,000 per annum, subject to annual review. The Managing Director's annual incentive plan provides the Managing Director with an opportunity to earn a cash bonus in excess of the annual base salary. The annual incentive plan is subject to, in the opinion of the Board, achieving certain annual key performance indicators. A total cash bonus of up to $100,000 would be payable. If the Managing Director qualifies for payment, the cash bonus payments would be made to the Managing Director or his nominee within 30 days of achievement of individual key performance indicators. The first annual incentive plan payment would be paid in January 2012, and then on an annual basis.

The Managing Director will be entitled to participate in all of the Company's Benefit Plans (all life insurance, medical, dental, health, accident, disability and similar plans, policies, programs, funds or arrangements) in which the Managing Director is entitled to participate or which are or become generally available from time to time during the Managing Director's employment, subject to the terms and conditions of such plans.

The Company may terminate the Managing Director's employment with the Company at any time by giving a notice of termination to the Managing Director.

The Company may terminate the Managing Director's employment with the Company at any time without notice, for certain causes.

The Company may terminate the Managing Director's employment with the Company by the giving of 6 months of notice, or payment in lieu, without cause or for permanent disability.

The Managing Director may terminate his employment with the Company at any time by giving the Company 3 months of notice in writing. The Company may waive all or part of such notice and end the Managing Director's employment immediately without liability, by giving the Managing Director pay in lieu of the period of notice so waived. The Managing Director agreed that such waiver will not constitute termination of the Managing Director's employment by the Company.

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REMUNERATION REPORT (CONTINUED)

Employment Contract *(continued)*

The Managing Director must not (whether directly or indirectly and in any position including a prescribed position) during a restricted period and in a restricted area, carry on, be employed by or engaged in or otherwise interested in any competitive business to provide services which are the same as or similar to those the Managing Director provided to the Company or the Consolidated Entity at any time within the 6 months immediately preceding 24 months from 18 October 2010 or the day on which the Managing Director's employment with the Company ends, whichever occurs first.

DETAILS OF KEY MANAGEMENT PERSONNEL

DIRECTORS

Name	Position
G Hill	Non-Executive Chairman
T Treasure	Managing Director
M Gunn	Non-Executive Director
R Anthon	Non-Executive Director
S Bird	Non-Executive Director

OTHER KEY MANAGEMENT PERSONNEL

Name	Position
A de Vos	Chief Financial Officer / Company Secretary
I Morgan	Company Secretary
H Muller	General Manager: Projects
P Shelley	Operations Manager
L Heurlin	Executive (Metals Finance Africa)
G Parker	Executive (Metals Finance Africa)

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Company and the Consolidated Entity.

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REMUNERATION REPORT (CONTINUED)

Details of the nature and amount of each element of the remuneration of Directors and Key Management Personnel of the Company during the financial year are:

Key Management Personnel	Year	Short-Term Employee Benefits Salary & Fees $	Short-Term Employee Benefits Bonus $	Short-Term Employee Benefits Non-Monetary Benefits $	Post-Employment Superannuation Benefits $	Termination Benefits Severance Payments $	Total $
DIRECTORS							
Non-executive Directors							
G Hill	**2011**	**90,000**	**–**	**–**	**–**	**–**	**90,000**
	2010	90,000	–	–	–	–	90,000
R Anthon[1]	**2011**	**30,000**	**–**	**–**	**2,700**	**–**	**32,700**
	2010	27,016	–	–	2,431	–	29,447
M Gunn[1]	**2011**	**30,000**	**–**	**–**	**–**	**–**	**30,000**
	2010	27,016	–	–	–	–	27,016
S Bird[2]	**2011**	**40,000**	**–**	**–**	**3,600**	**–**	**43,600**
	2010	5,667	–	–	510	–	6,177
W Eades[3]	**2011**	**–**	**–**	**–**	**–**	**–**	**–**
	2010	15,057	–	–	1,355	–	16,412
Executive Director							
T Treasure	**2011**	**279,833**	**–**	**–**	**42,625**	**–**	**322,458**
	2010	208,000	–	–	64,500	–	272,500
Executives (Other)							
A de Vos	**2011**	**174,220**	**–**	**–**	**21,980**	**–**	**196,200**
	2010	160,833	–	–	16,292	–	177,125
H Muller	**2011**	**210,833**	**–**	**–**	**18,000**	**–**	**228,833**
	2010	157,810	–	–	6,000	–	163,810
P Shelley	**2011**	**155,000**	**–**	**–**	**13,950**	**–**	**168,950**
	2010	24,414	–	–	2,197	–	26,611
I Morgan	**2011**	**28,028**	**–**	**–**	**–**	**–**	**28,028**
	2010	9,666	–	–	–	–	9,666
L Heurlin	**2011**	**190,000**	**–**	**–**	**17,100**	**–**	**207,100**
	2010	190,000	–	–	17,100	–	207,100
G Parker	**2011**	**83,585**	**–**	**–**	**–**	**–**	**83,585**
	2010	109,592	–	–	–	–	109,592
Total	**2011**	**1,311,499**	**–**	**–**	**119,955**	**–**	**1,431,454**
	2010	1,025,071	–	–	110,385	–	1,135,456

[1] R Anthon and M Gunn were appointed as Directors on 7 October 2009.
[2] S Bird was appointed as Director on 13 July 2010.
[3] W Eades resigned as Director on 18 December 2009

The Key Management Personnel are also the five most highly paid Executive Officers of the consolidated entity for the year ended 31 August 2011.

Chartered Accountants
& Business Advisers

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Lead auditor's Independence declaration under Section 307C of the Corporations Act 2001

To: The Directors of Metals Finance Limited and the entities it controlled during the year.

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 August 2011 there have been:

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

Albert Loots

Dated at Brisbane 25 November 2011

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2011

	Note	2011 $	2010 $
Consulting revenue		**168,424**	161,531
Employee expenses		**(1,331,988)**	(1,236,237)
Project costs		**(117,950)**	(182,925)
Depreciation and amortisation expense		**(27,386)**	(48,388)
Foreign exchange loss		**(483,325)**	(61,593)
Finance costs		**(202,972)**	(1,155,289)
General administration and operating expenses		**(1,298,985)**	(1,221,179)
Impairment of property, plant and equipment		**(121,131)**	(121,131)
Results from operating activities		**(3,415,313)**	(3,865,211)
Other Income			
Interest received		**180,546**	866,714
Loss on sale of investments		**–**	(55)
Changes in the fair value of financial assets at fair value through profit or loss		**410,558**	–
Gain on sale of property, plant and equipment		**3,465**	–
Rental income		**7,041**	19,637
		601,610	886,296
Loss before income tax benefit		**(2,813,703)**	(2,978,915)
Income tax benefit	2	**46,704**	47,987
LOSS AFTER INCOME TAX		**(2,766,999)**	(2,930,928)
Other comprehensive income			
Foreign currency translation differences for foreign operations		**206,182**	(763)
Changes in the fair value of available-for-sale financial assets		**633,923**	(1,068,544)
Income tax on other comprehensive income		**–**	–
Total other comprehensive income		**840,105**	(1,069,307)
Total comprehensive income		**(1,926,894)**	(4,000,235)
Loss after income tax attributable to:			
Owners of the Parent Entity		**(2,247,219)**	(2,930,928)
Non-Controlling Interest		**(519,780)**	–
		(2,766,999)	(2,930,928)
Total comprehensive income attributable to:			
Owners of the Parent Entity		**(1,510,205)**	(4,000,235)
Non-Controlling Interest		**(416,689)**	–
		(1,926,894)	(4,000,235)
Loss per Share:			
Basic and diluted loss per share (cents)	3	**3.8**	4.0

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 27 to 57.

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BALANCE SHEET
AS AT 31 AUGUST 2011

	Note	2011 $	2010 $
Current Assets:			
Cash and cash equivalents	4	**3,426,060**	5,335,370
Trade and other receivables	5	**671,263**	63,445
Financial assets at fair value through profit or loss	8 (a)	**410,558**	–
Other	6	**467**	1,964
Total Current Assets		**4,508,348**	5,400,779
Non-Current Assets:			
Trade and other receivables	5	**134,737**	5,701,256
Property, plant and equipment	7	**307,970**	425,378
Available-for-sale financial assets	8 (b)	**4,992,141**	4,358,218
Total Non-Current Assets		**5,434,848**	10,484,852
Total Assets		**9,943,196**	15,885,631
Current Liabilities:			
Trade and other payables	9	**89,388**	327,216
Provisions	10	**46,361**	38,095
Interest bearing loans and borrowings	11	**216,394**	4,020,592
Total Current Liabilities		**352,143**	4,385,903
Non-Current Liabilities:			
Interest bearing loans and borrowings	11	**30,615**	12,396
Total Non-Current Liabilities		**30,615**	12,396
Total Liabilities		**382,758**	4,398,299
NET ASSETS		**9,560,438**	11,487,332
Equity:			
Contributed equity	12	**22,083,126**	20,511,496
Reserves	13	**2,112,736**	1,375,722
Equity component of convertible notes		**–**	1,571,630
Accumulated losses		**(14,218,735)**	(11,971,516)
Total equity attributable to the equity holders of the Company		**9,977,127**	11,487,332
Non-Controlling Interest		**(416,689)**	–
TOTAL EQUITY		**9,560,438**	11,487,332

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 27 to 57.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2011

	Share Capital $	Reserves $	Convertible Notes $	Accumulated Losses $	Total $	Non-Controlling Interest $	Total $
Balance at 1 September 2009	20,511,496	2,304,507	1,571,630	(9,040,588)	15,347,045	–	15,347,045
Transactions with owners in their capacity as owners							
Share-based payment expense	–	140,522	–	–	140,522	–	140,522
Comprehensive income							
Loss after income tax for the year	–	–	–	(2,930,928)	(2,930,928)	–	(2,930,928)
Foreign currency translation differences for foreign operations	–	(763)	–	–	(763)	–	(763)
Change in the fair value of available -for-sale financial assets	–	(1,068,544)	–	–	(1,068,544)	–	(1,068,544)
Balance at 31 August 2010	20,511,496	1,375,722	1,571,630	(11,971,516)	11,487,332	–	11,487,332
Balance at 1 September 2010	20,511,496	1,375,722	1,571,630	(11,971,516)	11,487,332	–	11,487,332
Transactions with owners in their capacity as owners							
Transfer from Convertible Note reserve	1,571,630	–	(1,571,630)	–	–	–	–
Comprehensive income							
Loss after income tax for the year	–	–	–	(2,247,219)	(2,247,219)	(519,780)	(2,766,999)
Foreign currency translation differences for foreign operations	–	103,091	–	–	103,091	103,091	206,182
Change in the fair value of available -for-sale financial assets	–	633,923	–	–	633,923	–	633,923
Balance at 31 August 2011	**22,083,126**	**2,112,736**	**–**	**(14,218,735)**	**9,977,127**	**(416,689)**	**9,560,438**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 27 to 57.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2011

	Note	2011 $	2010 $
Cash Flows from Operating Activities:			
Cash receipts in the course of operations		5,741,320	194,610
Interest received		180,546	340,835
Cash payments in the course of operations		(3,456,847)	(2,497,230)
Income tax benefit received		46,704	588,475
Finance costs paid		(96,238)	(432,150)
Net Cash Provided By/(Used In) Operating Activities	16	**2,415,485**	**(1,805,460)**
Cash Flows from Investing Activities:			
Payments for property plant and equipment		–	(15,685)
Payments for deferred development expenditure		–	(37,222)
Payments for investments		–	(1,104,562)
Net Cash Used In Investing Activities		**–**	**(1,157,469)**
Cash Flows from Financing Activities:			
Payments for Bass Metals Limited convertible notes		(500,000)	–
Repayment of Metals Finance Limited convertible notes		(3,500,000)	–
(Repayments of)/Proceeds from loans		(417,945)	78,473
Principal repayment - finance leases		(5,879)	(5,313)
Net Cash (Used In)/Provided By Financing Activities		**(4,423,824)**	**73,160**
Net decrease in cash and cash equivalents		(2,008,339)	(2,889,769)
Net foreign exchange differences		99,029	–
Cash and cash equivalents at beginning of financial year		5,335,370	8,225,139
Cash and Cash Equivalents at End of Financial Year	4	**3,426,060**	**5,335,370**

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 27 to 57.

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NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES

(a) Introduction

This financial report covers the Consolidated Entity of Metals Finance Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). Metals Finance Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities
The principal activity of the Consolidated Entity is metals recovery and production.

Currency
The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Consolidated Entity.

Authorisation of financial report
The financial report was authorised for issue on 24 November 2011.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS
The consolidated financial statements of the Consolidated Entity also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 8 (b) available-for-sale financial assets.

Key estimates – impairment
The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(b) Basis of preparation (continued)

Valuation of available-for-sale financial assets

At 31 August 2011 the Consolidated Entity held 26,413,445 shares in ASX listed entity Bass Metals Ltd. On 11 July 2011 Bass Metals Ltd entered into a voluntary trading halt pending completion of a capital raising and securing further debt funding. The trading halt was lifted on 7th November 2011 following the successful capital raising. The closing price of Bass Metals Ltd shares preceding the trading halt on 11 July 2011 was 22 cents.

The Consolidated Entity follows the guidance of AASB139 *Financial Instruments: Recognition and Measurement* to determine the fair value of an available-for-sale investment and identify indicators of impairment.

The determination of the fair value of available-for-sale investment requires significant judgment. In determining the value of the share price of Bass Metals Ltd at financial year end of 31 August 2011, the Consolidated Entity evaluated, among other factors, the level of funding raised to date in the on-going financing transaction, the dilution effect of the current share issues on Bass Metals Ltd 's market capital position and the forecasted net asset position of Bass Metals Ltd subsequent to completion of capital raising as presented in the prospectus issued by Bass Metals Ltd on 15 September 2011. Based on these factors the Consolidated Entity has determined the share price of Bass Metals Ltd as at 31 August 2011 to be at a reduced value of 18.9 cents compared to the last trading value of 22 cents as at 11 July 2011. Refer Note 20 (e) and Note 20 (f) for the impact of price sensitivity and presentation of available-for-sale investments in accordance with the fair value hierarchy prescribed in AASB 7: *Financial Instruments - Disclosure*.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Metals Finance Limited at the end of the reporting period. A controlled entity is any entity over which Metals Finance Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Consolidated Entity during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 24 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Consolidated Entity have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated balance sheet and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is re-measured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(d) Income Tax

The income tax benefit (expense) for the year comprises current income tax benefit (expense) and deferred tax benefit (expense). Current income tax benefit (expense) credited (charged) to profit or loss is the tax receivable (payable) on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The credit (charge) for current income tax benefit (expense) is based on the profit (loss) for the year adjusted for any nonassessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the reporting date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, (except for a business combination) where there is no effect on accounting or taxable profit or loss.

(e) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h)for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(e) Plant and Equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset is:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10% - 20%
Computer Equipment	33%
Laboratory Equipment	20%
Motor Vehicles	20%
Pilot Plant	50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Leases

Leases where the Consolidated Entity assumes all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(g) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Consolidated Entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(g) Financial Instruments (continued)

Classification and subsequent measurement
Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Recognition and initial measurement
Financial assets and financial liabilities are recognised when the Consolidated Entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(g) Financial Instruments (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Consolidated Entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature during the period commencing 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold during the period commencing 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Consolidated Entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach.

The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(g) Financial Instruments (continued)

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Impairment of Assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a re-valued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a re-valued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Employee Benefits

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The volatility input in the pricing model is determined by the historical volatility of the Company's share price over a similar period to the exercise period. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(j) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the balance sheet.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(m) Share Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Earnings per share

The Consolidated Entity presents basic and diluted earnings (loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(o) Comparative figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures have also been changed where classifications of income and expenditure items have been altered from the prior year as a result of a review by directors. The new classifications have been made to reflect a more accurate view of the Consolidated Entity's operations.

(p) New Accounting Standards and Interpretations

The Consolidated Entity adopted the following new Accounting Standard and Interpretations during the period:

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.'
- AASB 2009-8 'Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions'.
- AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'.
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

There were no material impacts on the financial statements or performance of the Consolidated Entity.

(q) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 August 2011 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 2009-12 Amendments to Australian Accounting Standards
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 September 2011 will not have a material impact on the Consolidated Entity.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(q) New Standards and Interpretations Not Yet Adopted (continued)

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 September 2011 will not have a material impact on the Consolidated Entity.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity will adopt this standard from 1 September 2013 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

AASB 2010-5 Amendments to Australian Accounting Standards
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 September 2011 will not have a material impact on the Consolidated Entity.

AASB 124 Related Party Disclosures (December 2009)
This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 September 2011 will not have a material impact on the Consolidated Entity.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 September 2011 will increase the disclosure requirements on the Consolidated Entity when an asset is transferred but is not utilized and new disclosure required when assets are utilized but the Consolidated Entity continues to have a continuing exposure to the asset after the sale.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(q) New Standards and Interpretations Not Yet Adopted (continued)

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The Consolidated Entity is yet to quantify the tax effect of adopting these amendments from 1 September 2012.

AASB 10: 'Consolidated Financial Statements'
This standard replaces the part of IAS 27: 'Consolidated and Separated Financial Statements' and applies for the annual period beginning 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in the Consolidated Entity resulting in more assets and liabilities on the books. The Consolidated Entity is currently assessing the impact of this standard.

AASB 11: 'Joints Arrangements'
This standard replaces IAS 31: 'Interest in Joint Ventures' and applies for annual periods beginning on or after 1 January 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Consolidated Entity will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and the potential impacts of a change on the presentation of the Financial Statements. The Consolidated Entity is assessing the impact of this standard.

AASB 12: ' Disclosure of interest in other Entities'
This standard is applicable for annual reporting periods beginning on or after 1 January 2013. This standard clarifies the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Consolidated Entity is assessing the impact of this standard.

AASB 13: 'Fair Value Measurement'
This standard establishes a single course of guidance for determining the fair value of assets and liabilities. The Consolidated Entity is currently assessing the impact of this standard.

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2. INCOME TAX

	2011 $	2010 $
(a) Income Tax Expense		
Current tax:		
Current tax year movement	46,704	47,987
Deferred tax expense from temporary difference:		
Current tax year movement	–	–
Income Tax Benefit	**46,704**	**47,987**
(b) Reconciliation of Income Tax Benefit to Loss Before Income Tax		
Loss before income tax expense	**(2,813,703)**	(2,978,915)
Tax at the Australian tax rate of 30%	**(844,111)**	(893,675)
Other adjustments and the effect of different foreign exchange rates	**280,776**	244,754
Tax losses not recognised	**563,335**	648,921
R&D tax concession	**46,704**	47,987
Income Tax Benefit	**46,704**	**47,987**
(c) Unrecognised Deferred Tax Assets		
The Balance Comprises Temporary Differences Attributable to:		
Tax losses not brought to account	**3,619,465**	3,056,130

At 31 August 2011 (amounts are all stated in Australian Dollar) the Consolidated Entity had South African tax losses of $1,290,138 (2010: $706,442) and Australian tax losses of $10,539,449 (2010: $10,187,100) which may be carried forward and used to reduce certain taxable income in future years. The Australian and South African losses carry forward indefinitely.

No tax benefit has been recognised at reporting date as the Directors of the Company believe it is too uncertain to determine whether sufficient taxable income will be generated in future periods to utilise these tax losses.

3. EARNINGS PER SHARE

(a) Basic and Diluted Earnings per Share

	2011	2010
Basic and diluted loss per share	**3.8 cents**	4.0 cents

(b) Weighted Average Number of Shares used as the Denominator

	2011 Number	2010 Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	**73,109,576**	73,109,576
Number of options excluded from the diluted earnings per share calculation because they are anti-dilutive	**4,000,000**	4,000,000
Number of convertible notes excluded from diluted earnings per share calculation because they are anti-dilutive	**–**	7,000,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CASH AND CASH EQUIVALENTS

	Note	2011 $	2010 $
Cash at bank		3,462,060	5,335,370
Total Cash and Cash Equivalents	20	3,426,060	5,335,370

5. TRADE AND OTHER RECEIVABLES

	Note	2011 $	2010 $
Current:			
Trade receivables		–	21,936
Other receivables		171,263	41,509
Convertible notes – Bass Metals Ltd		500,000	–
Total Current Receivables		671,263	63,445
Non-Current:			
Receivable from Palabora Mining Company	20	–	5,521,505
Due from related parties		134,737	179,751
Total Non-Current Receivables		134,737	5,701,256

(a) Fair Value and Credit Risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. For the fair values of trade and other receivables refer to Note 20(f).

(b) Ageing and Impairment Loss

Other receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. All receivables are within their standard terms and are not considered impaired (2010: All receivables were within their standard terms and were not considered impaired).

Trade receivables as disclosed below are generally aged on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Indicators of impairment include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. All impairment losses have been provided for.

The ageing of trade receivables at the reporting date was:

	2011 $	2010 $
Trade Receivables Ageing		
0-30 days	–	21,936
Total	–	21,936

The ageing of all trade receivables at 31 August 2011 is within standard trading terms.

Trade receivables past due but not considered to be impaired at 31 August 2011 are $Nil for the Consolidated Entity (2010:$Nil).

There was no impairment or movement in the provision for doubtful debts of trade receivables for the Consolidated Entity for the current or prior period.

All trade receivables are subject to normal terms of trade which provide for settlement within 30 days or are subject to a contractual settlement date within 12 months of year end.

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5. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Convertible notes – Bass Metals Ltd

During the period the Consolidated Entity purchased 500,000 convertible notes from Bass Metals Ltd at $1.00 per note. The notes have the following key terms and conditions:

- Each $1.00 Convertible Note will convert into 6.666666 shares at a conversion price of 15 cents per Share. If a further fundraising is undertaken by way of a Convertible Note (ie Tranche 2) and if the conversion price of any Tranche 2 Convertible note issue occurring within 3 months from the date of issue of the convertible notes is 13 cents or lower per share, then the conversion price shall be reduced to match the conversion price of these Tranche 2 notes.
- The convertible notes bear interest at the bank bill swap rate plus 5% per annum payable quarterly in advance or at the rate consistent with the interest rate on any Tranche 2 convertible note issue occurring within 3 months from the date of issue of the convertible notes if the Tranche 2 coupon rate is greater than 12.1%.
- The convertible notes have a maturity date three years from the date of issue.
- Unless converted or redeemed before the maturity date, the convertible notes must be redeemed in full on the maturity date.
- At any time after 18 months from the issue date of the convertible notes, the issuer has the right to redeem in full the outstanding Convertible Notes at a redemption price representing 120% of the outstanding principal amount (plus accrued but unpaid interest). The convertible note holders will have the opportunity to elect to convert any or all of the outstanding convertible notes in the event that the issuer exercises this early redemption option.
- The convertible notes have been granted a second ranking security via a subordination agreement approved by the issuer's secured lender to the Hellyer Mine Project, RMB Australia Holdings Ltd. However, this security will automatically terminate on the settlement of a Tranche 2 fundraising transaction whereby the issuer is seeking to raise up to a further approximately $20 million.

Subsequent to year end, the Consolidated Entity converted all convertible notes into Bass Metals Ltd ordinary shares being a total of 3,333,333 ordinary shares.

(d) Receivable from Palabora Mining Company

As disclosed to the market on 6 December 2010, the Company received proceeds totalling $5,838,401 from the sale of its Palabora Nickel Sulphate Plant facility on 24 February 2011. This amount included $716,997 for Value Added Tax (VAT), payable to the South African Revenue Service.

6. OTHER ASSETS

	2011 $	2010 $
Current:		
Prepaid assets	**467**	1,964
Total Other Assets	**467**	1,964

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7. PROPERTY, PLANT AND EQUIPMENT

	2011 $	2010 $
Leasehold improvements		
At cost	–	42,905
Accumulated amortisation	–	(42,905)
Total Leasehold Improvements	–	–
Plant and equipment		
At cost	**747,042**	748,052
Accumulated depreciation	**(75,679)**	(80,412)
Allowance for impairment[1]	**(363,393)**	(242,262)
Total Land and Buildings	**307,970**	425,378
Total Property, Plant and Equipment	**307,970**	425,378
Movements During the Year		
Leasehold Improvements:		
Balance at beginning of year	–	14,869
Additions	–	–
Depreciation	–	(14,869)
Balance at End of Year	–	–
Plant and Equipment:		
Balance at beginning of year	**425,378**	565,574
Additions	–	15,685
Additions - leases	**49,713**	–
Disposals	**(18,604)**	(1,230)
Depreciation	**(27,386)**	(33,520)
Impairment[1]	**(121,131)**	(121,131)
Balance at End of Year	**307,970**	425,378

[1] During the year ended 31 August 2008 the Company halted development of the Lucky Break project due to uncertainty over the projects feasibility. All capitalised development costs were written off in the 31 August 2008 year. During the 31 August 2008 year the Company had also acquired plant to develop the Lucky Break project and this has been stored since the project was halted. This plant was tested for impairment at 31 August 2011 and an impairment loss of $121,131 was recognized (2010: $121,131).

8. OTHER FINANCIAL ASSETS

(a) Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss are held for trading and include the following:

	Note	2011 $	2010 $
Current:			
Derivative instruments – Conversion option on Bass Metals Ltd Convertible Notes[1]		**395,173**	–
Derivative instruments – Bass Metals Ltd Options[2]		**15,385**	–
Total Derivative Instruments	20 (e)	**410,558**	–

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8. OTHER FINANCIAL ASSETS (CONTINUED)

[1]Each convertible note purchased as prescribed in Note 5(c) has an attaching option to purchase an additional share equal to the number of shares that would be received upon conversion for a price of 20 cents per share. This conversion option expires on 30 June 2014.

[2] The Company also holds a further 250,000 Bass Metals Ltd options which were acquired on 7 December 2009 with an expiry date of 31 December 2012 and a conversion price of 30 cents per share.

Refer Note 20 (f) for the valuation methodology applied to determine the value of these derivative instruments at 31 August 2011.

(b) Available-for-sale financial assets

	Note	2011 $	2010 $$
Non-current:			
Listed shares – Bass Metals Ltd[3]	20 (e)	**4,992,141**	4,358,218

[3] At 31 August 2011 the Consolidated Entity held 26,413,445 Bass Metals Ltd shares. The share in Bass Metals Ltd was reflected at a revised lower value of 18.9 cents at year end being a value of $4,992,141. Refer Note 1 (b) for details on the valuation methodology applied to determine the share value at 31 August 2011.

9. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Current:		
Trade payables	**16,347**	44,619
Other creditors and accruals	**73,041**	282,597
Total Current Trade and Other Payables	**89,388**	327,216

Trade payables are usually due within 30 days. No interest is charged on the balances paid outside normal terms.

(a) Fair Value

The carrying amounts of payables approximate fair values.

(b) Secured Amounts Payable

None of the payables are secured.

10. PROVISIONS

	2011 $	2010 $
Current:		
Employee benefits	**46,361**	38,095

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11. INTEREST BEARING LOANS AND BORROWINGS

	Note	2011 $	2010 $
Current:			
Loan from related party - unsecured	20	**209,383**	627,328
Finance lease liabilities - secured		**7,011**	–
Convertible notes		**–**	3,393,264
		216,394	4,020,592
Non-Current:			
Finance lease liabilities - secured		**30,615**	12,396
		30,615	12,396
Total interest bearing loans and borrowings		**247,009**	4,032,988
Convertible notes			
Face value		**–**	3,500,000
Amount classified as equity	12	**–**	(1,571,630)
Accreted interest		**–**	1,464,894
Carrying amount of the liability at 31 August		**–**	3,393,264
Facilities utilised at reporting date:			
Loan from related party - unsecured		**209,383**	627,328
Convertible notes		**–**	3,393,264
Finance lease facility - secured		**37,626**	12,396
		247,009	4,032,988

(a) Restrictions as to Use or Withdrawal

There are no restrictions on use or withdrawal of any facilities.

(b) Loans from Related Parties

Amounts due to the Muva Metals (Pty) Ltd related party is unsecured and is repayable on a fixed ratio of the joint venture's surplus. Should the joint venture not attain any surpluses or should the Company exit the joint venture, no amounts will be repayable.

(c) Finance Lease Liability (Wholly-Secured)

The finance lease liability is secured over the leased asset being a motor vehicle. The lease expires in March 2016. The effective interest rate is 8.5%.

(d) Convertible Notes

In October 2007, the Company completed a financing agreement for cash proceeds. The financing consisted of 12% per annum unsecured convertible notes maturing 16 October 2010 with four places. The notes were redeemable at the option of the Company within the first year and convertible to common shares at the option of the holder after 180 days and prior to the maturity date at a conversion ratio of 50 cents per share. Upon either conversion or early redemption a share option was to be granted to the holder for an additional 50 cents per share which would have been exercisable for two years from the issue of the option. The conversion and option feature of the notes had a fair value of $1,571,630, which was determined using a Black-Scholes valuation model upon the issue of the notes.

The fair value of the conversion feature of the notes has been recorded as an equity component of the notes financing, reducing the amount assigned to the debt component which was transferred to contributed equity after settlement of the convertible note liability.

During the period on 18 October 2010 the convertible notes liability was fully repaid for $3,500,000 plus an interest portion of $107,700, both of which were paid out of existing cash reserves. None of the convertible notes were converted to shares and all related options attached to the notes lapsed in accordance with the terms of the note agreements.

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11. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(e) Defaults and Breaches

During the current and prior period, there were no defaults or breaches on any of the loans.

12. CONTRIBUTED EQUITY

	2011 $	2010 $
Issued Capital - Number of shares	**73,109,576**	73,109,576
Value of Issued Capital	**22,083,126**	20,511,496

Movement in contributed equity during the year:

Share Capital Movements	Note	2011 Number	2011 $	2010 Number	2010 $
Fully paid ordinary shares at 1 September		**73,109,576**	**20,511,496**	73,109,576	20,511,496
Transfer from Convertible Note reserve	11	**–**	**1,571,630**	–	–
Total fully paid ordinary shares at 31 August		**73,109,576**	**22,083,126**	73,109,576	20,511,496

(a) Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(b) Capital Management

Management controls the capital of the Company in order to provide capital growth to shareholders and ensure the Company can fund its operations and continue as a going concern. The Company's capital includes ordinary share capital, the equity portion of convertible notes, reserves and retained losses. There are no externally imposed capital requirements. Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of share issues.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

(c) Options

The Company grants incentive stock options for the purchase of ordinary fully paid shares of the Company to its officers, directors and consultants. The exercise price and vesting terms of the share options is determined by the board of directors of the Company at the time of the option grant.

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12. CONTRIBUTED EQUITY (CONTINUED)

	2011	2010
Number of options outstanding	**4,000,000**	4,000,000
Exercise price	**$0.25 – $0.30**	$0.25 – $0.30

During the year ended 31 August 2010 4,000,000 options were granted and expire on 31 January 2013. 2,000,000 of these options have an exercise price of 25 cents and the other 2,000,000 have an exercise price of 35 cents. All options were fully vested at the date of the grant.

The fair value of the options granted in the year ended 31 August 2011 has been determined using the Black-Scholes option pricing model with the following assumptions

Risk-free rate	5.50%
Expected life	3 years
Expected volatility	86%
Expected dividends	–

13. RESERVES

	2011 $	2010 $
Foreign exchange translation reserve	**74,161**	(28,930)
Share based payments reserve	**215,261**	215,261
Investment revaluation reserve	**1,823,314**	1,189,391
Total Reserves	**2,112,736**	1,375,722
Balance at beginning of year	**1,375,722**	2,304,507
Share-based payments	**–**	140,522
Foreign currency translation	**103,091**	(763)
Investment valuation gain/ (loss) recognised	**633,923**	(1,068,544)
	2,112,736	1,375,722

Nature and purpose of reserves

Share based payments reserve
The share based payment reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

Foreign exchange translation reserve
The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Investment revaluation reserve
The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

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14. COMMITMENTS

(a) Operating Lease Commitments

	Note	2011 $	2010 $
Future minimum lease payments:			
Within one year		**28,541**	41,729
Later than one year and no later than five years		**4,560**	37,230
		33,101	78,959

Operating lease commitments relate to the rental of office premises in Yatala, Queensland and photocopier machines.

(b) Finance Lease Payment Commitments

	Note	2011 $	2010 $
Future minimum lease payments:			
Within one year		**9,941**	–
Later than one year and no later than five years		**35,620**	13,945
		45,561	13,945
Less: Future lease finance charges not provided for in the Financial Statements		**(7,935)**	(1,549)
		37,626	12,396
Present value of minimum lease payments:			
Current	11	**7,011**	–
Non-current	11	**30,615**	12,396
Total Lease Liability		**37,626**	12,396

15. CONTINGENT LIABILITIES

The Consolidated Entity has no known contingent assets or contingent liabilities at 31 August 2011.

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16. RECONCILATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2011 $	2010 $
Operating profit after income tax	**(2,766,999)**	(2,930,928)
Add / (less) non-cash items:		
Depreciation and amortisation	**27,386**	48,388
Share-based payments	**–**	140,522
Impairment of property, plant and equipment	**121,131**	121,131
Movement in the fair value of financial assets	**(410,558)**	–
Movement in interest payable	**106,734**	723,138
Movement in interest receivable	**–**	(525,879)
(Gain) / Loss on sale of property, plant and equipment	**(3,465)**	1,230
Movement in foreign currency reserve	**–**	(763)
Change in assets and liabilities		
Decrease in trade receivables	**21,936**	5,960
Decrease in other receivables	**5,543,919**	7,535
Decrease in other assets	**1,498**	1,199
Decrease in accounts payable	**(28,273)**	(23,415)
(Decrease) / Increase in other payables and accruals	**(206,090)**	47,839
Increase in provisions	**8,266**	38,095
Decrease in tax balances	**–**	540,488
Net Cash Used In Operating Activities	**2,415,485**	(1,805,460)

Non-cash Investing Activities

The Consolidated Entity acquired motor vehicles for a cost totalling $49,713, less trade-ins totalling $18,604, by way of finance lease during the year.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were Directors and key management personnel of the Company during the year:

- G Hill (Chairman, Non-Executive Director);
- T Treasure (Managing Director);
- R Anthon (Non-Executive Director); appointed 7 October 2009;
- M Gunn (Non-Executive Director); appointed 7 October 2009;
- S Bird (Non-Executive Director); appointed 13 July 2010;
- A de Vos (Chief Financial Officer and Company Secretary);
- I Morgan (Company Secretary); appointed 11 March 2010;
- H Muller (General Manager: Projects);
- P Shelley (Operations Manager: Lucky Break)
- L Heurlin (Executive Metals Finance Africa);
- G Parker (Executive Metals Finance Africa).

(b) Individual Directors and Executive Compensation Disclosures

Apart from the details disclosed in this Note 17, no director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Key Management Personnel Compensation

	2011 $	2010 $
Salary & Fees	**1,311,499**	1,025,071
Post-employment superannuation benefits	**119,955**	110,385
	1,431,454	**1,135,456**

(d) Loans to Key Management Personnel

There were no loans to key management personnel during the year.

(e) Movement in Share holdings held by Key Management Personnel

	Held at 1 September 2010	Purchased	Other	Held at 31 August 2011
Directors				
G Hill[1]	5,504,350	–	–	5,504,350
R Anthon[1]	50,000	–	–	50,000
M Gunn	30,000	–	–	30,000
S Bird[1]	50,000	50,000	–	100,000
T Treasure[1]	3,177,596	–	–	3,177,596
Executives				
A de Vos	630,000	–	–	630,000
H Muller[1]	–	50,000	–	50,000
P Shelley	–	–	–	–
I Morgan	–	–	–	–
L Heurlin	–	–	–	–
G Parker	–	–	–	–

	Held at 1 September 2009	Purchased	Other	Held at 31 August 2010
Directors				
G Hill[1]	4,904,350	600,000	–	5,504,350
R Anthon[1]	–	50,000	–	50,000
M Gunn	–	–	30,000[2]	30,000
S Bird[1]	–	50,000	–	50,000
T Treasure[1]	2,708,187	469,409	–	3,177,596
Executives				
A de Vos	610,000	20,000	–	630,000
H Muller[1]	–	–	–	–
P Shelley	–	–	–	–
I Morgan	–	–	–	–
L Heurlin	–	–	–	–
G Parker	–	–	–	–

[1] Held directly and indirectly

[2] Number of securities at commencement and / or cessation of employment

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17. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(f) Movement in Option holdings held by Key Management Personnel

	Held at 1 September 2010	Issued as remuneration	Options exercised	Net Change Other	Held at 31 August 2011	Total Vested and Exercisable
Directors						
G Hill	1,000,000	–	–	–	1,000,000	1,000,000
R Anthon	500,000	–	–	–	500,000	500,000
M Gunn	500,000	–	–	–	500,000	500,000
S Bird	–	–	–	–	–	–
T Treasure	2,000,000	–	–	–	2,000,000	2,000,000
Executives						
A de Vos	–	–	–	–	–	–
H Muller	–	–	–	–	–	–
P Shelley	–	–	–	–	–	–
I Morgan	–	–	–	–	–	–
L Heurlin	–	–	–	–	–	–
G Parker	–	–	–	–	–	–

	Held at 1 September 2009	Issued as remuneration	Options exercised	Net Change Other	Held at 31 August 2010	Total Vested and Exercisable
Directors						
G Hill	600,000	1,000,000	–	(600,000)1	1,000,000	1,000,000
R Anthon	–	500,000	–	–	500,000	500,000
M Gunn	–	500,000	–	–	500,000	500,000
S Bird	–	–	–	–	–	–
T Treasure	1,500,000	2,000,000	–	(1,500,000)1	2,000,000	2,000,000
Executives						
A de Vos	–	–	–	–	–	–
H Muller	–	–	–	–	–	–
I Morgan	–	–	–	–	–	–
L Heurlin	300,000	–	–	(300,000)1	–	–
G Parker	–	–	–	–	–	–

[1]Number of options expired during the year.

18. RELATED PARTIES

Transactions with Related Entities

(a) Management Services – Karton Investments Pty Ltd

Karton Investments Pty. Ltd. ("Karton"), a company related to the Managing Director (T Treasure), provides management services to the Company. The cost of these services, aggregating $25,155 (2010: $27,685) was charged to consulting services. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

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18. RELATED PARTIES (CONTINUED)

(b) Management Services – Hong Kong Administrative Services Pty Ltd

Hong Kong Administrative Services Pty. Ltd. ("HKAS"), a company related to the Chairman (G Hill), provides management services to MFCH Pte Ltd. The cost of these services, aggregating $4,262 (2010: $9,147) was charged for administrative expenses. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

(c) Legal Services – Hemming + Hart Lawyers

Hemming + Hart Lawyers ("H+H"), a firm related to a non-executive Director (R Anthon), provides legal services to the Company. The cost of these services, aggregating $102,798 (2010: $44,874) was charged to legal expenses. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

(d) Consulting Services – Gunn Metallurgy

M & A Gunn Family Trust trading as Gunn Metallurgy ("GM"), is an entity related to a non-executive Director (M Gunn), provides consulting services to the Company. The cost of these services, aggregating $51,744 (2010: $56,046) was charged to project expenses. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

(e) Balances with Related Parties

The aggregate amounts payable or provided for, to related parties at the reporting date are as follows:

	2011 $	2010 $
Interest Bearing Loans and Borrowings:		
Loan from Joint Venture Partners	**209,383**	627,328
Trade and Other Receivables:		
Due from related parties	**134,737**	179,751

19. AUDITOR'S REMUNERATION

	2011 $	2010 $
Audit of the Consolidated Entity:		
PKF Chartered Accountants:		
Audit and review of Financial Reports	**44,500**	42,000
Non-Audit Services:		
PKF Chartered Accountants:		
Other assurance services	**–**	2,700
Taxation services	**21,810**	13,250
	21,810	15,950
	66,310	57,950

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial instruments comprise deposits with banks, accounts receivable and payable, loans to subsidiaries, convertible notes and finance leases. The main purpose of these financial instruments is to raise cash for the Consolidated Entity's operations. The Consolidated Entity's policy is to manage its finance costs using a mix of fixed and variable rate debt. Borrowings are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Consolidated Entity's attempt to manage its cash flow volatility arising from interest rate changes.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the directors of the Company. They review and agree to policies for managing each of the risks identified below, including limits for approved instruments, transaction values, tenor and counterparties with whom the Consolidated Entity transacts. The Consolidated Entity does not enter into financial transactions for the purpose of short-term trading.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Consolidated Entity's income or the value of its obligations, and arises on floating debt rate. The Consolidated Entity's exposure to market interest rates relates primarily to long-term debt obligations. The level of debt is disclosed in Note 11.

At reporting date, the Consolidated Entity had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Note	2011 $	2010 $
Financial Assets:			
Cash assets	4	**3,426,060**	5,335,370
Receivable from Palabora Mining Company	5	**–**	5,521,505
		3,426,060	10,856,875
Financial Liabilities:			
Loans from joint venture partners	11	**209,383**	627,328
		209,383	627,328

Interest rates over the 12 month period were analysed and a sensitivity analysis determined to show the effect on profit and equity after tax if the interest rates at the reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 31 August, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower) 2011 $	2010 $	Equity Higher/(Lower) 2011 $	2010 $
Consolidated Entity				
+ 1.00% (100 basis points)	**64,334**	102,295	**64,334**	102,295
- 1.00% (100 basis points)	**(64,334)**	(102,295)	**(64,334)**	(102,295)

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the home currency in which they are reported. At 31 August, the Consolidated Entity had the following exposure to foreign currency:

	Note	2011 $	2010 $
Financial Assets:			
Cash and cash equivalents		**931**	18,583
Trade and other receivables		**16,905**	21,936
Receivable from Palabora Mining Company	5	**–**	5,521,505
		17,836	5,562,024
Financial Liabilities:			
Trade and other payables		**6,928**	14,198
Loan from Joint Venture Partners	11	**209,383**	627,328
		216,311	641,526

Exchange rates over the 12 month period were analysed and a sensitivity analysis determined to show the effect on profit and equity after tax if the exchange rates at reporting date had been 10% basis points higher or lower, with all other variables held constant.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 $	2010 $	2011 $	2010 $
Consolidated Entity				
+ 10.00%	**(19,848)**	492,050	**(19,848)**	492,050
- 10.00%	**19,848**	(492,050)	**19,848**	(492,050)

(c) Credit Risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet contractual obligations.

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents and trade and other receivables. The Consolidated Entity's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

In addition, receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

At 31 August 2011 the Consolidated Entity had a concentration of credit risk relating to cash deposits totalling $3,426,060 (2010: $5,335,370), and convertible note instruments issued by Bass Metals Limited totalling $500,000.

The Consolidated Entity had no other concentrations of credit risk with any single counterparty or group of counterparties.

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity Risk

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of convertible notes, related party loans and finance leases.

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 31 August 2011. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2011 $	2010 $
6 months or less	**94,358**	3,934,916
6-12 months	**214,354**	627,328
1-2 years	**9,941**	–
2-5 years	**25,679**	12,396
Over 5 years	**–**	–
	344,332	4,574,640

Contractual maturity analysis of financial liabilities:

	≤ 6 months $	6-12 months $	1-2 years $	2-5 years $	5+ years $	Total $
2011						
Financial Liabilities:						
Payables	89,388	–	–	–	–	**89,388**
Loan from Joint Venture Partners	–	209,383	–	–	–	**209,383**
Finance leases	4,970	4,971	9,941	25,679	–	**45,561**
	94,358	**214,354**	**9,941**	**25,679**	**–**	**344,332**
2010						
Financial Liabilities:						
Payables	327,216	–	–	–	–	327,216
Loan from Joint Venture Partners	–	627,328	–	–	–	627,328
Convertible notes	3,607,700	–	–	–	–	3,607,700
Finance leases	–	–	–	12,396	–	12,396
	3,934,916	627,328	–	12,396	–	4,574,640

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Price Risk

The Consolidated Entity's exposure to securities in the current period arose from an investment in one listed company, Bass Metals Ltd.

The Consolidated Entity actively monitors the underlying investment in the context of its overall strategic and financial objectives.

At 31 August, the Consolidated Entity had the following exposure to price risk:

	Note	2011 $	2010 $
Available-for-sale financial assets			
Listed shares – Bass Metals Limited	8 (b)	**4,992,141**	4,358,218
Financial assets at fair value through profit and loss			
Derivative instruments – Conversion option on Bass Metals Ltd Convertible Notes		**395,173**	–
Derivative instruments – Bass Metals Ltd Options		**15,385**	–
	8 (a)	**410,558**	–
Total Other Financial Assets		**5,402,699**	4,358,218

Bass Metals Ltd's share price volatility over the 12 month period was analysed and a sensitivity analysis determined to show the effect on profit and equity after tax if the share price at reporting date had been 20.0% higher or lower, with all other variables held constant. The following sensitivity analysis is based on the price risk exposures in existence at the reporting date:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower) 2011 $	2010 $	Equity Higher/(Lower) 2011 $	2010 $
Consolidated Entity				
Financial assets at fair value through profit and loss				
+ 20.0%	**82,112**	–	**82,112**	–
- 20.0%	**(82,112)**	–	**(82,112)**	–
Available-for-sale financial assets				
+ 20.0%	**–**	–	**998,428**	871,644
- 20.0%	**–**	–	**(998,428)**	(871,644)

(f) Fair Value

The carrying amount of the Consolidated Entity's financial assets and financial liabilities approximate their fair value.

Fair value of financial liabilities is calculated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For interest bearing loans and borrowings, the market rate of interest is determined by reference to similar liabilities in the same industry and with a similar risk rating, and for finance leases, by reference to similar finance leases at reporting date.

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

AASB 7 *Financial Instruments:* Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Level 1 Investments: Quoted prices (unadjusted) in active markets for identical assets

Listed shares: For the year ended 31 August 2010 the value of the listed shares was based on the closing price of Bass Metals Ltd's securities as quoted on the ASX on 31 August 2010. Bass Metals Ltd entered into a trading halt on 11 July 2011 which was lifted on 7 November 2011. As the shares of Bass Metals Ltd were not being traded in an active market at 31 August 2011 the investment held by the Consolidated Entity is no longer considered a level 1 fair value measurement and has been deemed a level 2 fair value measurement in accordance with the fair value hierarchy.

Level 2 Investments: Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices)

Listed shares: Note 1 (b) - Valuation of available-for-sale financial assets details the methodology applied to determine the value of the listed shares for the year ended 31 August 2011.

Derivative instruments: The fair value at financial year end is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at year end and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

Conversion option: The assessed fair value at 31 August 2011 was 12 cents per option.

Bass Metals Ltd options: The assessed fair value at 31 August 2011 was 6 cents per option.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. SEGMENT INFORMATION

The Consolidated Entity operates primarily in two operating locations, Australia and South Africa.

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and assess its performance.

Geographical information is as follows:	Australia 2011 $	South Africa 2011 $	Consolidated 2011 $
Revenue:			
Revenue from outside the Consolidated Entity	321,649	34,362	**356,011**
Other unallocated revenue	–	–	**–**
Revenue from Ordinary Activities	321,649	34,362	**356,011**
Result:			
Segment result	(1,774,143)	(1,039,560)	**(2,813,703)**
Loss from ordinary activities before income tax	(1,774,143)	(1,039,560)	**(2,813,703)**
Income tax benefit			**46,704**
Net Loss			**(2,766,999)**
Depreciation and amortisation	21,348	6,038	**27,386**
Assets:			
Segment assets	9,932,826	10,370	**9,943,196**
Unallocated corporate assets	–	–	**–**
Consolidated Total Assets	9,932,826	10,370	**9,943,196**
Liabilities:			
Segment liabilities	166,215	216,543	**382,758**
Unallocated corporate liabilities	–	–	**–**
Consolidated Total Liabilities	166,215	216,543	**382,758**
Consolidated Net Assets Surplus / (Deficiency)	**9,766,611**	**(206,173)**	**9,560,438**
Acquisition of property, plant and equipment	49,713	–	**49,713**

	Australia 2010 $	South Africa 2010 $	Consolidated 2010 $
Revenue:			
Revenue from outside the Consolidated Entity	404,287	643,595	1,047,882
Other unallocated revenue	–	–	–
Revenue from Ordinary Activities	404,287	643,595	1,047,882
Result:			
Segment result	(2,863,391)	(115,524)	(2,978,915)
Loss from ordinary activities before income tax	(2,863,391)	(115,524)	(2,978,915)
Income tax benefit			47,987
Net Loss			(2,930,928)
Depreciation and amortisation	41,528	6,860	48,388
Assets:			
Segment assets	10,304,943	5,580,688	15,885,631
Unallocated corporate assets	–	–	–
Consolidated Total Assets	10,304,943	5,580,688	15,885,631
Liabilities:			
Segment liabilities	3,756,773	641,526	4,398,299
Unallocated corporate liabilities	–	–	–
Consolidated Total Liabilities	3,756,773	641,526	4,398,299
Consolidated Net Assets	6,548,170	4,939,162	11,487,332
Acquisition of property, plant and equipment	15,285	400	15,685

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22. SUBSEQUENT EVENTS

There has arisen in the interval between the end of the financial year and the date of this report transactions and events of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years. These transactions and events are:

(a) Conditional sales of Metals Finance Africa Pty Ltd and Metals Finance Zambia Limited

The conditional sales of Metals Finance Africa Pty Ltd and Metals Finance Zambia Limited have been extended to 19 February 2012 through a variation deed signed on 13 October 2011; and

(b) Bass Metals Ltd

(i) Conversion of Bass Metals Ltd Convertible Notes

On 30 September 2011 the Consolidated Entity converted its 500,000 $1.00 convertible notes in Bass Metals Ltd (ASX: BSM). Each $1.00 convertible note converted into 6.66 shares at a conversion price of 15 cents per share resulting in the Consolidated Entity receiving 3,333,333 additional shares in BSM. Based on the share price as at the date of this report, the value of these shares would be approximately $313,000. Following the conversion Metals Finance Limited held 29,746,778 in Bass Metals Limited equating to a 10.1% holding. At 31 August 2011 the Consolidated Entity also held 3,333,333 options that were attached to the convertible notes. These options have a 20 cent exercise price and expire 3 years from the date of issue.

(ii) Fair Value of Bass Metals Ltd Investment

At 31 August 2011 Metal Finance Limited's shareholding in BSM was 26,413,445 shares (excluding the conversion shares noted in (b) (i) above).

On 11 July 2011 BSM entered into a voluntary trading halt pending completion of a capital raising and securing further debt funding. The trading halt was lifted on 7th November 2011 following the successful capital raising. Based on available information at reporting date the Consolidated Entity determined the share price of BSM as at 31 August 2011 to be 18.9 cents (refer note 1(b) for details of the valuation method applied). The options were valued by applying the same 18.9 cent share price at 31 August 2011.

Subsequent to the trading halt being lifted on 7th November 2011 the share price of BSM has been trading in the range of 9 cents to 13.5 cents. This price range would result in a material decrease in the value of the Company's investment by between approximately $1,426,326 (at a price of 13.5 cents) and $2,614,931 (at a price of 9 cents). The impact of this has not been reflected in the financial statements at 31 August 2011.

The investment is classified as an 'available-for-sale' financial instrument and changes in fair value, that are not considered an impairment, are recognised in other comprehensive income. An impairment is considered to have occurred when there has been a significant or prolonged decline in the fair value of the security below the consolidated entity's cost, in this case 12 cents, and this movement is required to be reflected in profit and loss.

The impact of these movements have not been reflected in the financial statements at 31 August 2011.

The effect of the reduced share price on the value of the options is not considered material. Refer to Note 8 of the financial statements for further details.

23. DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the financial year. There were no franking credits available to the shareholders of the Consolidated Entity.

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24. PARENT ENTITY INFORMATION

The parent entity within the Consolidated Entity is Metals Finance Limited. The ultimate parent entity in Australia is Metals Finance Limited.

	2011 $	2010 $
Parent Entity Financial Information		
Current assets	**6,785,689**	5,353,621
Non-current assets	**5,593,257**	11,056,254
Total assets	**12,378,946**	16,409,875
Current liabilities	**134,888**	3,746,347
Non-current liabilities	**30,615**	–
Total liabilities	**165,503**	3,746,347
Net assets	**12,213,443**	12,663,528
Contributed equity	**22,083,126**	20,511,496
Reserves	**2,038,575**	1,404,652
Equity component of convertible notes	**–**	1,571,630
Accumulated losses	**(11,908,258)**	(10,824,250)
Total equity	**12,213,443**	12,663,528
Loss after income tax	**(1,084,008)**	(2,576,830)
Other comprehensive income	**530,506**	(1,068,544)
Total comprehensive income	**(553,502)**	(3,645,374)

Significant investment in subsidiaries:

Name	Formation / Incorporation	Class of Share	Interest Held %[1] 2011	Interest Held %[1] 2010
Metals Finance Australia Pty Ltd	Australia	Ordinary	100	100
MFCH Pte Ltd	Singapore	Ordinary	100	100
Metals Finance Chile Limitada	Chile	Ordinary	100	–
Metals Finance Africa Pty Ltd	South Africa	Ordinary	50	50
Metals Finance Zambia Limited	Zambia	Ordinary	75	–

[1] Percentage of voting power is in proportion to ownership being a combined direct and indirect holding.

All companies have a 31 August reporting date.

The financial information for the parent entity, Metals Finance Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Metals Finance Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

DIRECTORS' DECLARATION

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In the opinion of the directors of Metals Finance Limited (the Company):

(a) The financial statements and notes on pages 23 to 57, and the remuneration report in the Directors' Report, set out on pages 18 to 21, are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the consolidated entity's position at 31 August 2011 and of its performance for the year ended on that date; and
(ii) Complying with Australian Accounting Standards (including Australian Accounting Interpretations) and Corporation Regulations 2001;

(b) The financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1 (b); and

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 31 August 2011.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

P.A. Jheanne

Director

25 November 2011

Brisbane

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

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To the members of Metals Finance Limited

Report on the Financial Report

We have audited the accompanying financial report of Metals Finance Limited, which comprises the balance sheet as at 31 August 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Metals Finance Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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Liability limited by a scheme approved under Professional Standards Legislation.

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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Opinion

In our opinion:

(a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 August 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 August 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Metals Finance Limited for the year ended 31 August 2011, complies with section 300A of the Corporations Act 2001.

PKF

Albert Loots
Partner

25 November 2011

Brisbane

SHAREHOLDER INFORMATION

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The information set out below was prepared as at 16th November 2011.

(a) Class of Shares and Voting Rights

There are currently 384 holders of ordinary fully paid shares of the Company. The voting rights attaching to ordinary shares and set out in the Company's Constitution are:

(a) On a show of hands each person present as a member, proxy, attorney or representative has one vote; and
(b) On a poll each member present in person or by proxy, attorney or representative has:

- (i) one vote for each fully paid share held by him; and
- (ii) in respect of each partly paid share held by him, a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call shall be ignored when calculating the proportion.

(b) Distribution of Shareholders

Holdings Ranges	Number Holders	Number of Shares	Percentage of Total Shares
1-1,000	12	1,357	0.0%
1,001-5,000	47	190,857	0.3%
5,001-10,000	53	481,349	0.6%
10,001-100,000	188	7,795,296	10.7%
100,001-9,999,999,999	84	64,640,717	88.4%
Totals	**384**	**73,109,576**	**1.0%**
Minimum $ 500.00 parcel	**65**	**228,859**	**0.3%**

(c) Substantial Shareholders

Substantial shareholders, as disclosed by substantial shareholder notices given to the Company:

Substantial holder Name	Balance of Shares Held	Percentage of Total Shares
PROTO RESOURCES & INVESTMENTS LTD	8,528,766	11.7%
H F T NOMINEES PTY LTD - HFT SUPER FUND A/C	4,904,350	6.7%
MESUTA PTY LTD	3,818,127	5.2%

SHAREHOLDER INFORMATION (CONTINUED)

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(d) Largest Twenty Shareholders

	Holder Name	Balance of Shares Held	Percentage of Total Shares
1	PROTO RESOURCES & INVESTMENTS LTD	8,528,766	11.7%
2	H F T NOMINEES PTY LTD	5,004,350	6.8%
3	MESUTA PTY LTD	4,403,697	6.0%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,651,825	5.0%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED	3,155,510	4.3%
6	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	3,137,576	4.3%
7	DENMAN TRADING LIMITED	2,605,534	3.6%
8	RYAHED PTY LTD	2,600,000	3.6%
9	MR PATRICK ANTHONY TREASURE	1,762,500	2.4%
10	CARMANT PTY LTD	1,760,916	2.4%
11	G & N LORD SUPERANNUATION PTY LTD	1,675,000	2.3%
12	MR JAMES PERCY FORREST	1,605,240	2.2%
13	BLUMOS S A	1,500,000	2.1%
14	MARLEY HOLDINGS PTY LTD	1,500,000	2.1%
15	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,440,000	2.0%
16	KARTON INVESTMENTS PTY LTD	1,415,096	1.9%
17	MR RUPERT JAMES MCCAMMON	1,065,000	1.5%
18	MR ROBERT NEIL CATTERALL	934,000	1.3%
19	SHORETYPE PTY LTD	840,000	1.1%
20	BATROSA CONCRETE PRODUCTS PTY LTD	700,000	1.0%
	TOTAL	**49,285,010**	**67.6%**

(e) Unquoted Securities

Options 30 cents exercise price and expiring 31 Jan 2013

Holder Name	Balance of Options Held
MR PATRICK ANTHONY TREASURE	1,000,000
MR GEOFFREY GUILD HILL	500,000
MR MICHAEL JOHN GUNN	250,000
STEFREWAN PTY LTD	250,000
TOTAL	**2,000,000**

Options 25 cents exercise price and expiring 31 Jan 2013

Holder Name	Balance of Options Held
MR PATRICK ANTHONY TREASURE	1,000,000
MR GEOFFREY GUILD HILL	500,000
MR MICHAEL JOHN GUNN	250,000
STEFREWAN PTY LTD	250,000
TOTAL	**2,000,000**

(f) On-market Buy Back

There is no current on-market buy back.

(g) Securities Exchange

The Company's ordinary fully paid shares are listed on the Australian Securities Exchange and trade under the ASX code: MFC.

The Company's home exchange is Brisbane.

CORPORATE GOVERNANCE

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1. INTRODUCTION

The Board and management are committed to corporate governance and to the extent they are applicable to the Company, have adopted the Corporate Governance Principles.

The ASX Corporate Governance Council encourages companies to use the guidance stated in the Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition 2007) issued on 30th June 2010 by the ASX Corporate Governance Council as a focus for their corporate governance practices. The principles (Principles) are:

(a) Principle 1 – Lay solid foundations for management and oversight. Companies should establish and disclose the respective roles and responsibilities of board and management.
(b) Principle 2 – Structure the Board to add value. Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
(c) Principle 3 – Promote ethical and responsible decision-making. Companies should actively promote ethical and responsible decision-making.
(d) Principle 4 – Safeguard integrity in financial reporting. Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.
(e) Principle 5 – Make timely and balanced disclosure. Companies should promote timely and balanced disclosure of all material matters concerning the company.
(f) Principle 6 – Respect the rights of shareholders. Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.
(g) Principle 7 – Recognise and manage risk. Companies should establish a sound system of risk oversight and management and internal control.
(h) Principle 8 – Remunerate fairly and responsibly. Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

2. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a Corporate Governance Policy, which appears on the Company's website www.metalsfinance.com.

The Company's Corporate Governance Policy defines functions reserved for the Board and those delegated to the Company's management.

The Board is accountable to shareholders for the performance of the Company and has overall responsibility for its operations.

The Board's primary objective is to protect and enhance shareholder value within a defined, informed structure which protects the rights and interests of shareholders and other stakeholders by ensuring that the Company and its controlled entities are properly managed.

The Board, together with Company's management, is responsible to shareholders and other stakeholders for the Company's total business performance.

Management of the business of the Company is conducted by the Chief Executive Officer / Managing Director as designated by the Board and by officers and employees to whom the management function is delegated by the Chief Executive Officer / Managing Director.

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3. STRUCTURE THE BOARD TO ADD VALUE

There is a majority of independent directors, the chair and chief executive are different persons; but the Chair is a substantial shareholder and not independent.

The Board considers that the Board's structure is appropriate for the Company's size. Each Director, independent or not, brings an independent judgement to bear on Board decisions. Directors of the Company have access to any information which the Directors may consider necessary to perform their responsibilities and exercise their independent judgement when making decisions.

In assessing the independence of directors, the Company has regard to Principle 2 Recommendation 2.1 of the Corporate Governance Principles and regards an independent director as a non-executive director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement and who:

(a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
(b) within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
(c) within the last three years has not been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
(d) is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
(e) has no material contractual relationship with the Company or another group member other than as a director of the Company.

The Board of five (5) directors consists of a majority of three (3) independent directors:

(a) Geoffrey Hill Non-Executive Chairperson and substantial shareholder;
(b) Tony Treasure Managing Director;
(c) Richard Anthon Non-Executive Director;
(d) Simon Bird Non-Executive Director; and
(e) Michael Gunn Non-Executive Director.

The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to set up a discrete Nominations Committee. The Board as a whole operates as a Nominations Committee (Principle 2, Recommendation 2.4).

The Company has established a Remuneration Committee. The charter of the Company's Remuneration Committee, including the process for evaluating the performance of the board, its committees and individual directors, is incorporated into the Company's Corporate Governance Charter on the Company's website www.metalsfinance.com .

Details of the professional experience and qualifications for each director are set out in the Directors' Report included in this Annual Report.

4. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Company has established a Code of Conduct. This Code sets out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders, and the broader community. This Code is incorporated into the Company's Corporate Governance Charter on the Company's website www.metalsfinance.com.

The Company has established a policy concerning diversity:

(a) Purpose

The Company recognises the importance of:

(i) corporate benefits arising from employee and Board diversity;
(ii) the Company benefiting from all available talent; and
(iii) Promoting an environment conducive to the appointment of well qualified employees, senior management and Board candidates so that there is appropriate diversity to maximise the achievement of corporate goals.

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4. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (CONTINUED)

(b) Scope

The Diversity Policy is aimed at implementing Principle 3 Recommendation 3.2 of the Corporate Governance Principles and Recommendations.

This Policy appears on the Company's website www.metalsfinance.com .

As proposed by Principle 3 Recommendation 3.3 of the Corporate Governance Principles and Recommendations, the Company will apply its best endeavours to disclose in each annual report the measureable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

5. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board has established an Audit Committee (Principle 4, Recommendation 4.1). The Audit Committee consists of the following:

(a) Only non-executive directors;
(b) A majority of independent directors;
(c) An Independent Chairperson who is not Chairperson of the Board; and
(d) Two members, but where there are not two or more non-executive directors of the Company, the Board may appoint executive directors to the Committee.

Each member of the Audit Committee is financially literate and at least one member of the Committee has accounting or related financial management experience.

The members of the Audit Committee are:

(a) Simon Bird (Audit Committee Chairperson) Non-Executive Director; and
(b) Richard Anthon Non-Executive Director.

The Audit Committee is a committee of the Board.

The Audit Committee's primary function is to approve all financial statements issued by the Company and to assist the Board in discharging its responsibility to exercise due care, diligence and skill, including in relation to the Company's financial statements:

(a) quality of financial controls;
(b) reviewing scope and results of external audits;
(c) monitoring corporate conduct and business ethics;
(d) maintaining open lines of communication between the Board, management and the external auditors;
(e) reviewing matters of significance affecting the financial welfare of the Company;
(f) ensuring that systems of accounting and reporting of financial information to shareholders, regulators and the general public are adequate;
(g) reviewing the Company's internal financial control system; and
(h) considering the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.

The Audit Committee meets at least twice a year. The attendees are the Audit Committee Members, Chief Financial Officer, External Auditor and Company Secretary.

The Audit Committee charter is incorporated into the Company's Corporate Governance Charter on the Company's website www.metalsfinance.com.

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6. MAKE TIMELY AND BALANCED DISCLOSURE

Under the provisions of ASX Listing Rule 3.1, the Company is required to immediately notify the ASX of any information concerning the Company of which it is, or becomes, aware, and which a reasonable person would expect to have a material effect on the price and value of the Company securities.

The Company's corporate ethics policy, including disclosure obligations, appears in the Company's Corporate Governance Charter on the Company's website www.metalsfinance.com.

7. RESPECT THE RIGHTS OF SHAREHOLDERS

The Company's shareholder communications policy is included in the Company's Corporate Governance Charter on the Company's website www.metalsfinance.com:

(a) Purpose

The Company recognises the value of providing current, relevant information to its shareholders and of empowering its shareholders through effective communication.

(b) Scope

The Shareholder Communications Policy is aimed at implementing Principle 6 of the Corporate Governance Principles and Recommendations.

(c) Maintaining Shareholder Communications

It will be the responsibility of the Managing Director or Chief Executive Officer (as the case may be) to ensure that:

(i) materials required to be disclosed by the Shareholder Communications Policy incorporated into the Company's Corporate Governance Charter are available on the Company website www.metalsfinance.com within a reasonable timeframe;
(ii) shareholder communications are distributed to shareholders in accordance with the Corporations Act and ASX Listing Rules; and
(iii) the Shareholder Communications Policy is updated and maintained as required.

8. RECOGNISE AND MANAGE RISK

The Company has adopted a Risk Management Policy, included in the Company's Corporate Governance Charter on the Company's website www.metalsfinance.com:

(a) Purpose

The Company recognises the value of controlling the risk that arises through its activities. Eliminating all risk however also adversely affects the ability of the Company to take up opportunities for potential reward.

(b) Scope

The Risk Management Policy is aimed at implementing Principle 7 of the Corporate Governance Principles and Recommendations.

Included in the Company's Risk Management Policy is the requirement for the Board to ensure that certain necessary controls are in place for risk management policies to be maintained, including by ensuring that the Board has received assurance from the Chief Executive Officer or Managing Director (if applicable) and the Chief Financial Officer that the declaration required under section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks (Principle 7, Recommendation 7.3).

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9. REMUNERATE FAIRLY AND RESPONSIBLY

The Board has established a Remuneration Committee (Principle 8, Recommendation 8.1). The Remuneration Committee consists of the following: (Principle 8, Recommendation 8.2):

(a) A majority of independent directors;
(b) A Chairperson who is an Independent Director; and
(c) Three members, but where there are not three or more non-executive directors of the Company, the Board may appoint executive directors to the Committee.

The members of the Remuneration Committee are:

(a) Richard Anthon (Remuneration Committee Chairperson) Non-Executive Director;
(b) Michael Gunn Non-Executive Director; and
(c) Geoffrey Hill Non-Executive Board Chairperson.

The Remuneration Committee is a committee of the Board. The Committee is responsible for reviewing the remuneration policies and practices of the Company and making recommendations to the Board in relation to:

(a) executive remuneration and incentive plans:
(b) the remuneration packages for Management, directors and the Managing Director (if any):
(c) non-executive director remuneration:
(d) the Company's recruitment, retention and termination policies and procedures for senior Management;
(e) incentive plans and share allocation schemes:
(f) superannuation arrangements;
(g) remuneration of members of other committees of the Board; and
(h) remuneration by gender.

The Company's Remuneration Committee Charter is included in the Company's Corporate Governance Charter on the Company's website www.metalsfinance.com:

The table below contains each of the ASX Best Practice Recommendations. The Company has compiled relevant corporate governance documentation, such as charters, codes of conduct, and policies, which have been placed on the Company's website at www.metalsfinance.com under the heading "Corporate Governance".

CORPORATE GOVERNANCE (CONTINUED)

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ASX BEST PRACTICE RECOMMENDATIONS

Where the Company has complied with a recommendation during the reporting period, this is indicated with "Comply" in the appropriate column and the policy is contained in the Company's Corporate Governance Charter available on the Company's website at www.metalsfinance.com . Where the Company considered it was not appropriate to comply with a particular recommendation, this is indicated with a "Does not comply" and the Company's reasons are set out in the corresponding note in the table.

ASX Principles/Recommendations	Compliance	MFC Corporate Governance Charter Reference www.metalsfinance.com	Disclosure Requirement for Non Compliance
Principle 1			
Principle 1 – Lay solid foundations for management and oversight. Companies should establish and disclose the respective roles and responsibilities of board and management.			
Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. Box 1.1 Content of a director's letter upon appointment	Comply	SECTION B.3	Not Applicable
Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Comply	SECTION D	Not Applicable
Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply		Not Applicable
Principle 2			
Principle 2 – Structure the board to add value Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.			
Recommendation 2.1: A majority of the board should be independent directors. Box 2.1: Relationships affecting independent status.	Comply	SECTION B.3 (c)	Not Applicable

CORPORATE GOVERNANCE (CONTINUED)

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ASX Principles/Recommendations	Compliance	MFC Corporate Governance Charter Reference www.metalsfinance.com	Disclosure Requirement for Non Compliance
Principle 2 (continued)			
Recommendation 2.2: The chair should be an independent director.	Does not comply	SECTION B.3 (c)	The Company is a small company with limited operations. Accordingly, the Board considers that maintaining a non executive Chairperson who is not independent is appropriate for the Company's size.
Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Comply	SECTION B.3 (c)	Not Applicable
Recommendation 2.4: The board should establish a nomination committee.	Does not comply	SECTION E	The Board considers that given the current size, scale and level of complexity of the Company's operations, it is not presently justified to set up a discrete Nominations Committee. The Board as a whole operates as a Nominations Committee.
Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply	SECTION D	Not Applicable
Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply		Not Applicable
Principle 3			
Principle 3 – Promote ethical and responsible decision-making. Companies should actively promote ethical and responsible decision making.			

CORPORATE GOVERNANCE (CONTINUED)

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ASX Principles/Recommendations	Compliance	MFC Corporate Governance Charter Reference www.metalsfinance.com	Disclosure Requirement for Non Compliance
Principle 3 (continued)			
Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. • Box 3.1: Suggestions for the content of a code of conduct	Comply	SECTION B.7	Not Applicable
Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. Box 3.2: Suggestions for the content of a diversity policy.	Comply	SECTION H	Not Applicable
Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Comply	SECTION H 4 (a)	Not Applicable
Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Comply	Proportion of women in the Consolidate Entity totals 17%. There are no women in senior executive positions or on the board.	Not Applicable
Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	Comply		Not Applicable

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CORPORATE GOVERNANCE (CONTINUED)

ASX Principles/Recommendations	Compliance	MFC Corporate Governance Charter Reference www.metalsfinance.com	Disclosure Requirement for Non Compliance
Principle 4			
Principle 4 – Safeguard integrity in financial reporting Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.			
Recommendation 4.1: The board should establish an audit committee.	Comply	SECTION C	Not Applicable
Recommendation 4.2: The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	Does not comply	SECTION C.1	The Company is a small company with limited operations. Accordingly, the Board considers that maintaining two (2) audit committee members, instead of three (3), is appropriate for the Company's size.
Recommendation 4.3: The audit committee should have a formal charter.	Comply	SECTION C	Not Applicable
Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Comply		Not Applicable
Principle 5			
Principle 5 – Make timely and balanced disclosure. Companies should promote timely and balanced disclosure of all material matters concerning the company.			
Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Box 5.1: Continuous disclosure policies.	Comply	SECTION G.11	Not Applicable
Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Comply		Not Applicable

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CORPORATE GOVERNANCE (CONTINUED)

ASX Principles/Recommendations	Compliance	MFC Corporate Governance Charter Reference www.metalsfinance.com	Disclosure Requirement for Non Compliance
Principle 6			
Principle 6 – Respect the rights of shareholders. Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.			
Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Box 6.1: Using electronic communications effectively.	Comply	SECTION I	Not Applicable
Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Comply		Not Applicable
Principle 7			
Principle 7 – Recognise and manage risk Companies should establish a sound system of risk oversight and management and internal control.			
Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply	SECTION J	Not Applicable
Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply	SECTION J.4	Not Applicable

CORPORATE GOVERNANCE (CONTINUED)

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ASX Principles/Recommendations	Compliance	MFC Corporate Governance Charter Reference www.metalsfinance.com	Disclosure Requirement for Non Compliance
Principle 7 (continued)			
Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply	SECTION J.4	Not Applicable
Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply		Not Applicable
Principle 8			
Principle 8 – Remunerate fairly and responsibly. Companies should ensurethat the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.			
• Recommendation 8.1: The board should establish a remuneration committee.	Comply	SECTION D	Not Applicable
Recommendation 8.2: The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	Comply	SECTION D.1	Not Applicable
• Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. • Box 8.1: Guidelines for executive remuneration packages • Box 8.2: Guidelines for non-executive director remuneration	Comply	SECTION D.3	Not Applicable
• Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Comply		Not Applicable

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