



The Manager
Company Announcements Office
Australian Securities Exchange

6 February 2012

Dear Sir/Madam,

BARNES HILL NICKEL PROJECT UPDATE

- **Confirmed no major issues in doubling annual throughput to 500,000 tonnes per annum**
- **Significantly improved project economics indicated**
- **Final feasibility study due for completion by July 2012**

An update released today by resources investment company Metals Finance Limited (ASX code MFC) of its definitive feasibility study on the Barnes Hill nickel laterite project in Tasmania has significantly strengthened the venture's economic and development potential.

The initial study, which was released last August, found that economy of scale would be required for Barnes Hill to achieve a robust return on capital, and that the financial outcome could be significantly improved if the project is doubled in size from the originally modelled 250,000 tonnes-per-year. Today's update found that, while many issues remained to be resolved, there were no major constraints to boosting throughput to 500,000 tonnes-per-year. Sufficient resources have been identified to sustain such an operation.

Barnes Hill is a joint venture between MFC and Proto Resources & Investments Ltd (Proto), the owner of the tenements. MFC can earn a 50% interest by completing flow sheet designs, engineering and feasibility studies and bringing the project into production. MFC would be operator of the joint venture.

MFC's managing director Mr Tony Treasure said: "While the final study will not be ready until July 2012 and significant further work remains, we are encouraged by what has been found so far. The update indicates that the projected capital cost of Barnes Hill is \$98 million at the expanded throughput, and that total revenues of more than \$1.1 billion could be generated over its full life. At this stage, the project could yield an internal rate of return of 47%."

The update was based on a novel approach to the treatment of nickel laterite ores developed for MFC's Lucky Break project in Queensland. It provides an opportunity for a significant decrease in operating costs by using Dow Chemical's ion exchange technology to avoid iron removal prior to recovering nickel from leach solutions. It also offers a significant increase in product value through the production of nickel metal rather than a lower value intermediate product.

Financial modelling now indicates a potential operating cost at Barnes Hill of approximately US\$6.90/lb nickel. The indicated NPV for the project (15% discount rate) is in excess of \$100 million, with a potential capital payback within 2+ years.

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The update also highlighted that project economics could be further improved. There is a possibility that high iron material over and surrounding the Barnes Hill resource could be treated and sold. MFC is also undertaking a detailed review of the Barrier Bay acid recovery technology, which is majority owned and under development by Proto. This technology is currently undergoing large scale pilot testing on a solution generated by the Barnes Hill leach program. If commercially proven, it has the potential to reduce operating costs to approximately US\$3/lb from significantly reducing the project's acid consumption.

About Metals Finance Limited

MFC develops and operates mineral assets in partnership with other exploration and mining companies, rather than purchasing them. It applies the extensive experience of its executives, board and consultants to establish appropriate treatment processes on geologically defined resources, to undertake detailed feasibility studies and to operate projects. It is currently working with two ASX-listed partners at Lucky Break in Queensland and Barnes Hill in Tasmania. MFC is also seeking new opportunities, and is reviewing the development of gold and nickel projects in South America and Europe.



P.A.Treasure
Managing Director

For further information:

Tony Treasure, Managing Director, Metals Finance
Alan Deans, Partner, Last Word Corporate Communications

07 3807 4166
0427 490 992

Information within this announcement which pertains to mineralisation or resources is based on information compiled by Mr Tony Treasure who is a full time employee of Metals Finance Limited and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Treasure has sufficient experience in the fields under consideration to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration results, Mineral Resources and Ore reserves and consents to the inclusion of this information in the form and context of which it appears in this report



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