



Metals Finance Limited
SPECIALISTS IN METAL RECOVERY

The Manager
Company Announcements Office
Australian Securities Exchange

17 May 2012

Dear Sir/Madam,

MFC ESTABLISHES DEDICATED NICKEL DEVELOPMENT VEHICLE

- **Nickel Developments Pty.Ltd. established for the dedicated development and funding of Metals Finance nickel laterite projects**
- **Mark Sykes appointed as dedicated manager**
- **Share issue being offered to sophisticated investors to fast-track Lucky Break**

As previously noted, Metals Finance Limited has established a separate vehicle for the development and funding of its nickel laterite projects. The projects under study and potential development are:

1. Lucky Break, North Queensland, JV with Metallica Minerals Limited (ASX:MLM)
2. Barnes Hill, Tasmania, JV with Proto Resources and Developments Limited (ASX:PRW)
3. Homeville, New South Wales, JV with Augur Resources Limited (ASX:AUK)

The Company wishes to advise that:

- The name of the subsidiary in which agreements are held on the Lucky Break and Homeville projects has now been changed to Nickel Developments Pty.Ltd. (Nickel Developments).
- Nickel Developments has been created to focus on securing a development position in the expected new wave of nickel developments, targeting the two-thirds of the worlds nickel reserves that sit in laterite ore bodies.
- With the agreement of Proto Resources & Investments, the joint venture agreement covering the Barnes Hill project has been transferred from Metals Finance Limited to Nickel Developments.
- Nickel Developments has appointed Mr Mark Sykes, an experienced mining engineer with a wealth of operations and business development experience, to provide dedicated management of the new enterprise. Mr Simon Bird, a director of Metals Finance, has been appointed as non executive Chairman of the company, and further appropriate board appointments will be made over the coming months.
- Nickel Developments will be initially funded through an issue of shares to sophisticated investors. This issue will be targeted at raising \$3 million, which will be utilised to fast track development of the Lucky Break project and to accelerate completion of feasibility studies on the Barnes Hill project.
- The company will progressively supplement funds for development of its pipeline of projects over the next nine months through appropriate offtake, debt and equity facilities.

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The Company has dedicated significant resources to the establishment of Nickel Developments as a separate entity over the past six months. Nickel Developments now contains a portfolio of advanced projects which are capable of sustaining a long term development programme, supported by:

1. The lower cost nickel laterite flow sheet developed by Metals Finance
2. The capability of procuring a high grade LME product from nickel laterite
3. The key relationship developed with Dow Chemical
4. The achievement of permitting of the Lucky Break project
5. The solid and accelerated progress being achieved on the Barnes Hill project
6. The relationship established by Proto with Caterpillar Finance on the Barnes Hill project

Further notes on the projects under development are provided as follows:

Barnes Hill

Detailed studies on the Barnes Hill nickel laterite project are continuing, with a view to completion of the Definitive Feasibility Study by the end of June 30 2012. As previously advised, an interim study completed in February 2012 confirmed that a project sized at 500,000 tonnes per annum throughput has potential to be financially robust. The update indicated a projected capital cost of \$98 million at the expanded throughput, with total potential revenue in excess of \$1.1 billion and a potential internal rate of return of 47%.

Since completion of the interim study, the Company has commenced investigations into the possibility of iron rich material associated with the Barnes Hill nickel laterite deposit, being amenable to separate commercial development. This could impact the project in two areas – firstly, as a potential additional source of income to the project and, secondly, as a means of defraying costs of mining of underlying nickel rich material. Ongoing test work has indicated that simple magnetic separation can yield a high iron content (>60%) product, and it is possible to enhance recovery through higher intensity magnetic processing.

The Company's work is currently focussed on refining potential operating and capital costs, and on ensuring local facilities (such as power, water and infrastructure) are adequate and appropriate for the project. It is currently expected that significant savings will be achievable in these areas. Subject to further detailing, and the final results of the feasibility study, it is currently projected that development of the project can be completed within 12 months of obtaining permits and funding. Permitting of the operation is well advanced and a preliminary agreement has been reached with a potential acid supplier for the project.

Lucky Break

Both environmental and operating permits have now been received for the Lucky Break project. As recently announced, a consulting and supply agreement has been entered into with The Dow Chemical Company. As well as supporting the Lucky Break project as a commercial operation, the project will be used as the base for identifying process improvements which may be applicable to the treatment of nickel laterite projects on a global basis – the benefits of which will be available for use on the Company's other nickel laterite projects, including Barnes Hill.

A substantial proportion of the funds raised through the share issue in Nickel Developments will be allocated to fast tracking development of Lucky Break, with significant related works and engineering having already been completed.

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Homeville

The Company has commenced work on the Homeville project in New South Wales. This programme will commence with initial metallurgical testing of drill hole samples from the site, and completion of an initial scoping study based on the information available from the Lucky Break and Barnes Hill studies. The agreement with Augur Resources requires completion of a Definitive Feasibility study on the project by mid 2013.

The Company will continue to provide a supporting role to Nickel Developments, contributing its extensive technical and project management capabilities to the successful development of its business plan. Nickel Developments will be provided full access to the considerable expertise built up over the past four years, including the knowledge built up through the establishment of the Palabora nickel plant in South Africa.

This restructuring will allow Metals Finance to give more focus to the development of other opportunities in Australia and overseas, based on a sound position, with no debt and sufficient cash reserves to achieve its current aims.



P.A.(Tony)Treasure
Managing Director

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