Metals Finance Limited

ABN 83 127 131 604

and its Controlled Entities

2013 Annual Report

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DIRECTORY

CORPORATE INFORMATION

Registered Office
Level 14, 52 Phillip Street
Sydney, NSW, 2000
Telephone: +61 2 9252-5300
Facsimile: +61 2 9252-8400
Website: www.metalsfinance.com
Email: info@metalsfinance.com

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

Directors
Geoff Hill (Chairman)
Richard Anthon (Non-Executive Director)
Simon Bird (Non-Executive Director)

Bankers
Bank of Queensland – Australia

Principal Place of Business
Level 14, 52 Phillip Street
Sydney, NSW, 2000
Telephone: +61 2 9252-5300
Facsimile: +61 2 9252-8400

Auditor
BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane, QLD 4000

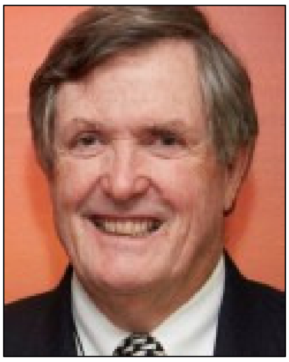
Solicitors
CBP Lawyers
Level 5, 307 Queen Street
Brisbane, QLD, 4000
Telephone: +61 7 3002-8700
Facsimile: +61 7 3221-3068

Investor enquires
Level 14, 52 Phillip Street
Sydney, NSW, 2000
GPO 3486, Sydney, NSW, 2001
Telephone: +61 2 9252-5300
Facsimile: +61 2 9252-8400
www.metalsfinance.com

Chief Executive Officer
Mark Sykes

Company Secretary
Arno de Vos (Chief Financial Officer)
Ian Morgan

CHAIRMAN'S LETTER



Dear shareholder,

I am pleased to present to you Metals Finance Limited's Annual Report for the period ending 31 August 2013.

Metals Finance has continued to deliver results to shareholders throughout 2013, with the release of two detailed studies showing the economic advantages of using innovative technology that the company has developed on nickel laterite deposits, along with an ongoing focus towards cost control.

2013 has also been a year of change for Metals Finance with the departure of Tony Treasure as Managing Director and the diversification of the company's strategic focus into new commodities and investment opportunities. Under the leadership of our Chief Executive Officer, Mark Sykes, Metals Finance has rationalised our asset base and has engaged in activity with the purpose of adding value to our existing investments.

In 2013 we continued to see downward pressure on commodities prices with Metals Finance being predominately exposed to the volatility of the nickel market. These factors have placed pressure on the mining industry as a whole, along with our share price and cash reserves. Your directors have implemented steps towards preserving our cash while retaining our capital structure, as we seek to strengthen and rebuild the company.

Metals Finance is well placed to deliver value to shareholders in the short term as we implement our strategic objective to diversify into high value commodities with near term cash flow investments. Metals Finance is also well placed in the longer term with a portfolio of low cost nickel laterite assets that can be developed once the nickel market returns into balance. Our longer term goals are strengthened through the detailed feasibility study realised for Barnes Hill in March this year and the Option Agreement to acquire Lucky Break signed in May.

I would like to thank my fellow directors and our staff for their ongoing efforts through 2013.

Most importantly, I would also like to thank you, my fellow Metals Finance shareholders, for your support in what have been difficult times in 2013. I can assure you that your directors continue to seek valuing adding activities for all our shareholders and that we look forward to your ongoing support in 2014.

Yours sincerely,

Geoff Hill
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

I would like to share with you the activities and results Metals Finance has achieved over the past 12 months and our outlook for the future.

Like many Australian resource stocks this year, the performance of Metals Finance has been heavily influenced by external factors. As a fellow shareholder, our desire is for the company to achieve a strong financial position that is sustainable for the long-term. It is my belief that Metals Finance can achieve this. Your ongoing support of our company will aid in placing Metals Finance into a cash generating business with the objective of rewarding all shareholders.

I would like to recognise our employees and stakeholders that work towards the common purpose of strengthening Metals Finance. During the year we were advised that Mr Tony Treasure was stepping down as Managing Director of the Company. Tony's passion and commitment to the company has instilled a company-wide culture that draws the best out of our employees. Our staff's modus operandi is continuous improvement as they seek ways to deliver more for less.

With our shareholders, employees and stakeholders support, I am optimistic about the future outlook of Metals Finance as we seek to diversify and grow our company.

Occupational Health and Safety

Safety is a core value at Metals Finance and we are committed to ensuring all staff and contracted employees adopt a culture of safety. With the objective of becoming a mining operator, Metals Finance will continue to build on its safety systems with a Company Goal of "Zero Harm". Metals Finance is pleased to announce that no Lost Time Injuries were reported during the past 12 months.

Summary of Operational Achievements

Nickel Developments

- Signing of Option Agreement to acquire 100% of the Lucky Break project
- Completion of an Optimised Detailed Feasibility study for the Barnes Hill project
- Completion of a Scoping Study for Homeville Project

Corporate

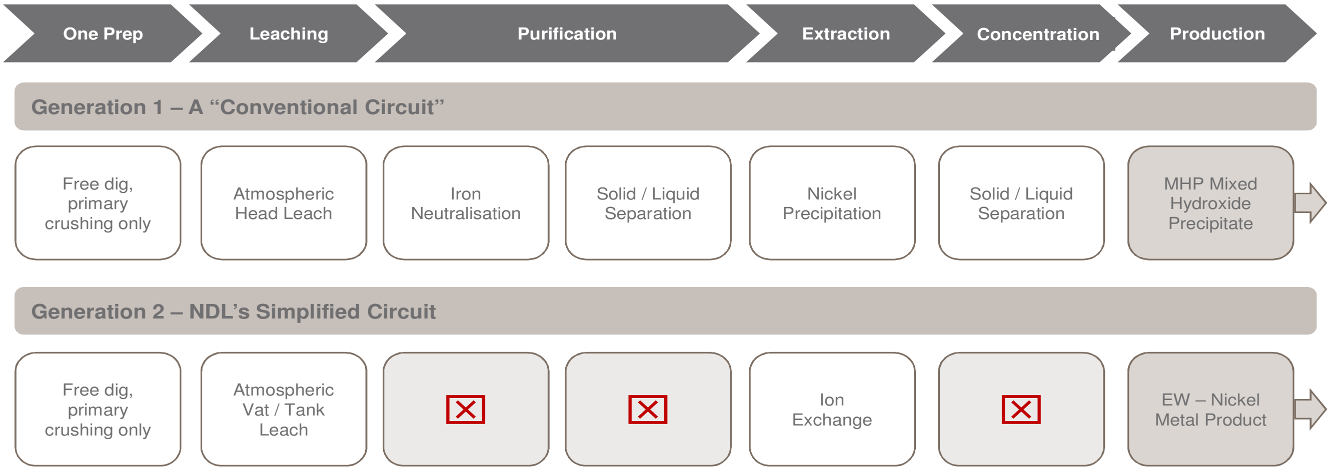
- Bass Metals Limited (Bass, ASX:BSM) proactive shareholder activity
- Ongoing progress towards settling the Company's Metals Finance Africa sale
- Divestment of non-core assets
- Rationalisation of corporate overheads
- Diversification Strategy
- Finalisation of business development initiatives

Nickel Developments

Nickel Developments Limited is a wholly owned subsidiary of Metals Finance that has been established for the purpose of developing and funding nickel laterite projects. Nickel Developments has a portfolio of assets held under Joint Venture Agreements that are in various phases of study and potential development. Nickel Developments current Joint Venture partners and assets are:

Project	Location	Joint Venture Partner	ASX Code
Lucky Break	North Queensland	Metallica Minerals Limited	MLM
Barnes Hill	Tasmania	Proto Resources and Developments Limited	PRW
Homeville	New South Wales	Augur Resources Limited	AUK

The competitive advantage Nickel Developments brings to a nickel laterite project is the innovative process flowsheet that has been developed from laboratory testing to pilot plant operations. This innovative process flowsheet was enhanced during the period under review, by validating efficiencies through the inclusion of agitated tank leaching and heating the process above ambient temperatures. The key differences between conventional nickel laterite processes and Nickel Developments process is shown below.



Nickel Developments has the capability of providing a platform for long term growth in the nickel laterite industry, commencing with the Lucky Break project and progressing through the development and acquisition of future potential projects.

Over the past 24 months there has been a downward trend in the LME spot price for nickel. This has been reflected in the volatility shown by investors interested in funding Nickel Developments' advanced stage projects. Noteworthy is that the LME nickel price has consistently remained above AU$6.50 per pound of nickel. Nickel Developments flowsheet supports an operating cost of below AU$6.50 reflecting the strength in this strategy.

Nickel Projects

Lucky Break, North Queensland

The Lucky Break nickel laterite project is a joint venture with Metallica Minerals. During the review period, Nickel Developments entered into an Option Agreement with Metallica Minerals, whereby Nickel Developments could acquire 100% of the Lucky Break project for $1 million. The Agreement is an important step for Nickel Developments as exercising the Agreement will expose Nickel Developments to 100% of the project economics.

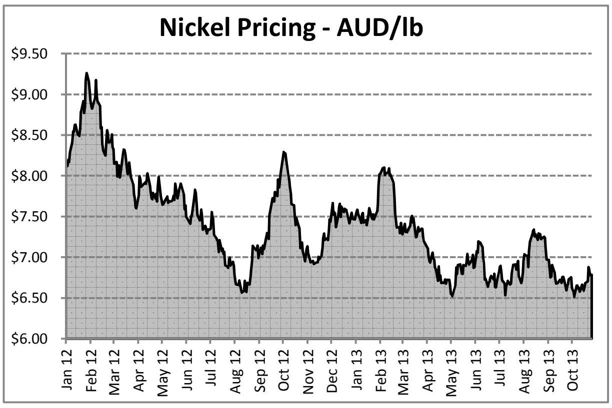
Lucky Break has a permitted Mining Lease as well as Environmental Permits in place and approvals for water harvesting from the nearby Burdekin River. Preliminary infrastructure works have been performed at Lucky Break, making the project ready for development once funding is in place.

Recently Nickel Developments commenced discussions with 3rd Parties located in the area to assess options that could further reduce both the upfront capital requirements and the ongoing operating costs of the project. The viability of these options are ongoing and under investigation.

Barnes Hill, Tasmania

In March 2013, Nickel Developments released an Optimised Detailed Feasibility study for the Barnes Hill Nickel and Cobalt Project. The study focused on several elements of the project with the view to:

- Reduce the environmental impact of the project,
- Improving the safety aspects of the facilities design, and
- Improve the economics of the project



The Optimisation Phase identified the following improvements:

Optimisation	Proposition	Advantages
Leaching Vessels	Employ an agitated tank system	Reduce footprint of leach vessel and increase confidence in nickel recovery
Leach Temperature	Increase leach temperature to 80^{o}C	Reduce residence time in leach from 120 days to 18 hours
Water Medium	Utilise saline water in the process flow sheet	Reduce operating cost by reducing water unit charge rates and acid consumption
Plant Relocation	Reposition the processing facility	Reduce site establishment capital by locating plant closer to existing road infrastructure
Power Options	Connect to existing distribution system	Reducing total power demand enables connection to nearby power system
Increase Strip Ratio	Maximise extraction of resource from deposit	Ensures total resource recovery and maximises potential mine life.

Undertaking this phase of design has confirmed the advantages of using Nickel Developments innovative flowsheet and the advancements identified above. The result is that the average mine site cash cost over the first 10 years are modelled at AU$5.75/lb with the first 5 years mine site cash costs of AU$5.16/lb. The key economic parameters reported for Barnes Hill were:

Barnes Hill Project	Unit	Base Case
Capital cost	$ millions	78.4
Project ROM tonne throughput	million t	500,000
Nickel grade first 5 yrs	%	1.01
Nickel grade second 5 yrs	%	0.73
Nickel recovery	%	90
Life of mine nickel price	US$/lb	10.00
Foreign Exchange	USD:AUD	1:1
Total revenue	$ millions	1,045
Indicated NPV 12.5%	**$ millions**	**143.7**
Indicated IRR	**%**	**51**

The environmental and economic advantages identified in the Optimisation Phase are likely to require updated approvals from various stakeholders. Nickel Developments continues to work with its Joint Venture partner to advance the project through permitting and approvals processes and ultimately through funding and into development.

Homeville, NSW

The Homeville project is at an early stage of evaluation. In August 2013, Nickel Developments completed a Scoping Study for the Homeville Nickel and Cobalt project. Building on the metallurgical test work performed last year, Nickel Developments analysed several scenarios to ascertain the most favourable economic potential for the project. While further work is required to establish the full merits of the project, the strength of project is underpinned by the innovate flowsheet developed by Nickel Developments. The innovative flowsheet developed by NDL, delivers operational efficiencies that result in the lowest quartile capital intensity and competitive operating costs when benchmarked to alternative nickel extraction techniques. The Joint Venture Agreement with Augur Resources Limited (Augur) expired on the 9th August 2013. An extension of the JV Agreement has been requested of Augur, with a formal response to this request under consideration by Augur.

Bass Metals Limited

As at 31 August 2013 Metals Finance has a substantial shareholding of 9.61% in the Tasmanian focused mining company, Bass Metals Limited (**Bass**). This investment represents a significant asset of Metals Finance.

During the period under review a series of events/decisions occurred whereby Metals Finance lost confidence in the board of Bass to restore value in the company. Following numerous discussions with the board of Bass, and after considering the views of other Bass shareholders, Metals Finance took decisive action to restore this lost value.

On 8 August 2013, Metals Finance requisitioned a shareholder meeting pursuant to sections 249D of the Corporations Act 2001 (Cth) (Corporations Act). Metals Finance sought to remove the chair of the board of Bass Mr Craig McGowan, the Managing Director Mr Michael Rosenstreich and Mr Barry Sullivan, a non-executive director; and appoint to the board Mr Rick Anthon, a non-executive director of Metals Finance and Mr Gavin Solomon, the Managing Director of Helmsec Global Capital Limited.

After 31 August 2013, the issued share capital in Bass rose to 326,105,104 shares, resulting in Metals Finance's holding diluting to 9.12% without an uplift in value.

On 4 October 2013, the Bass shareholder meeting, requisitioned by Metals Finance, was held to determine the result of the shareholders voting. The action taken by Metals Finance was supported by a majority of Bass shareholders and all resolutions put forward by Metals Finance were passed. MFC has confidence the new Board will increase value for all BSM shareholders in the long-term.

Metals Finance Africa

As previously advised, the Company has entered into a conditional agreement for Muva Metals (Pty) Ltd (Muva), of South Africa, to purchase its interests in Metals Finance Africa (Pty) Ltd. (MFA) and the Chambishi tailings project in Zambia. The sale is conditional upon the establishment by Muva and MFA of the funding required for the development of the Chambishi project, with settlement entailing an initial cash payment of $700,000 followed by a further $2.2 million in the form of a royalty per tonne of tailings treated by the project.

The Company has been notified that the Chambishi project is still advancing towards financial close for completing a funding arrangement. This process was interrupted on 24 June 2013, when a proposed takeover of Eurasian Natural Resources Corporation (ENRC) by Eurasian Resources Group B.V (ERG) was announced. As ENRC is the 90% owner of Chambishi, and consequently these dealings related with Chambishi were delayed. Metals Finance is confident closure of the sale agreement with Muva will progress, however timing remains uncertain.

Divestment of Assets

During the year Metals Finance disposed of two non-core European businesses. One of these business's required ongoing financial support and it was the view of the board, following an internal strategic review that this asset was to be disposed of. Metals Finance disposed of the asset for a nominal cash consideration of $15,000. The second business was disposed of for nil consideration.

Rationalisation of Overheads

The Company has maintained a tight cost control over all parts of the business while delivering outcomes that underpin the future of the Company. The Company has been able to achieve this through the attention of our employees to minimise their costs and their contribution to sustain their workload and output.

A consequence of rationalising costs is that the Company has had to focus on activities that offer immediate benefit to shareholders. This has resulted in certain activities being delayed while the Company re-establishes its cash position.

The Company has relocated the office to Sydney where greater synergies and business efficiencies can be realised.

Diversification Strategy and Business Development

The Company undertook a rigorous strategic review process to determine the benefits of implementing a diversification strategy. The outcome of this process is that the Company has clearly defined a set of criteria that need to be adhered to when seeking new opportunities. This criterion address preferred commodities, geographies, stages of development and size of opportunity.

The Company is cognisant that seeking new investment opportunities will need to be appropriately structured to best preserve the capital structure of the Company as well as requiring structured financing. The company is confident that progress in this regard will be announced soon.

Finally I would like to assure you that as custodians of your company, the directors and management of Metals Finance are focused on delivering value to all shareholders. We are optimistic that our plans for 2014 will place Metals Finance in a strong financial position.

Kind regards,

Mark Sykes
Chief Executive Officer

DIRECTORS' REPORT

Your directors present their report, together with the financial statements, on the consolidated entity (the "**Consolidated Entity**") consisting of Metals Finance Limited and the entities it controlled at the end of, or during, the year ended 31 August 2013.

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 18 October 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) • 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), Centrex Metals Limited (October 2008 to February 2011), Outback Metals Limited (April 2010 to November 2010), Hills Holdings Limited (February 1999 to April 2011), and Heritage Gold NZ Limited (July 1999 to April 2012). 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.
Richard Anthon Independent Non-Executive Director Appointed 7 October 2009	Rick Anthon BA (ANU) LLB (ANU) MAICD is a partner of CBP Lawyers. He has practiced extensively in corporate, mining and resources law for over 27 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 and chairman for a number of public resource companies over the last 20 years and has chaired audit and remuneration committees for those companies. Other Listed Company Directorships include: • Laneway Resources Limited (ASX: LNY) (appointed June 1996) • Stratum Metals (ASX: SXT) (appointed May 2011) • Lamboo Resources Limited (ASX: LMB) (appointed October 2011). • Bass Metals Limited (ASX: BSM) (appointed October 2013).
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 a Non-Executive Director and Chairman of the Audit Committee (since 13 July 2010). Simon's 30 year professional career in Australia, Africa and Europe includes six years with PricewaterhouseCoopers and senior roles 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 as well as Chief Executive Officer of ASX listed mining company King Island Scheelite Limited. He is currently Non-Executive Director and Chairman of the Audit Committee of ASX listed Mount Gibson Iron Limited [ASX:MGX] and Chairman of ASX listed oil and gas company Rawson Resources Limited [ASX:RAW]. His former public company directorships include King Island Scheelite Limited [ASX:KIS] (ceased August 2013), CPA Australia Limited and Kosciusko Alpine Club Limited. Simon is a Fellow of the Australian Institute of Company Directors (FAICD) and Fellow of CPA Australia (FCPA).
Tony Treasure Managing Director Appointed Director 20 August 2003 and Managing Director 18 October 2010 Resigned 1 May 2013	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.

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

CHIEF EXECUTICE OFFICER

Mark Sykes – appointed 1 May 2013

Mark Sykes B.Eng (Mining) (WASM), Masters Minerals and Energy Economics (Macquarie University) is an experienced Mining Engineer with a wealth of operations and business development experience, during a career of some 22 years. Mark's career includes time with BHP in an operational capacity and with Mitsubishi Development in a senior corporate investment role. Mark has exposure to a broad range of commodities including coal, uranium, iron ore, platinum group metals and other minerals. Mark brings exceptional experience in areas of corporate and strategic development, transactional due diligence, operations, technical engineering and project management.

Mark, who occupied the position of CEO of Nickel Developments Limited for the preceding 12 months took over from Tony Treasure as CEO of Metals Finance Limited on 1 May 2013 as part of the succession planning implemented by the Board.

COMPANY SECRETARIES

Arno De Vos

Arno De Vos B Com., B Com (Hons), B Compt. (Hons), CA, CPA, PMP, MAICD, 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 20 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 and was employed for a period of 5 years by Deloitte where Arno also worked with numerous listed entities.

Arno is a member of the Institute of Chartered Accountants Australia (ICAA), member of Chartered Public Accountants Australia (CPA), member of the Australian Institute of Company Directors (MAICD), 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), MComLaw (Macquarie University), Grad Dip App Fin (Securities Institute), CA, ACIS, ACSA, MAICD, F Fin, was appointed Company Secretary on 11 March 2010.

Ian is a qualified Company Secretary and Chartered Accountant with over 30 years of experience in businesses operating in Australia and overseas. Ian holds a Bachelor of Business from the NSW Institute of Technology (now University of Technology, Sydney), a Master of Commercial Law from Macquarie University, and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia (now FINSIA). He is an Associate Member of the Institute of Chartered Accountants in Australia, an Associate Member of Chartered Secretaries Australia, a Member of the Australian Institute of Company Directors, and a Fellow of the Financial Services Institute of Australasia (FINSIA).

Ian's experience includes:

- Eleven years as an independent specialist consultant supplying company secretarial services to clients, including effective management of compliance to enable Australian listed public companies to comply with Australian law, including ASIC and ASX requirements;
- Seven years as Managing Director of Corporate and Administrative Services and Financial Controller / Company Secretary of the Republic Group, a boutique merchant bank;
- Eight years as Group Financial Controller / Financial Accountant for various listed and other public companies including Green's Foods Limited, Foxtel and AKZO Chemicals Limited; and
- Seven years as a professional chartered accountant, including three years with a major international accounting firm.

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 54.

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:

Directors	Appointed	Resigned	Board Meetings		Audit Committee Meetings	
			Eligible to Attend	Attended	Eligible to Attend	Attended
G Hill	18 October 2007		6	6	0	0
T Treasure	20 August 2003	1 May 2013	3	3	0	0
R Anthon	7 October 2009		6	5	2	2
S Bird	13 July 2010		6	6	2	2

MEETINGS OF DIRECTORS AND COMMITTEES OF BOARD (continued)

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. 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.

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 significant changes in the nature of the activities of the Consolidated Entity during the year.

REVIEW OF OPERATIONS

The consolidated loss after income tax for the Consolidated Entity was $1,135,554 (2012: $6,826,103).

The 31 August 2013 consolidated loss includes the following:

- An impairment loss on the loan account with Canadian company Met-Solve Laboratories Inc. (Met-Solve) of $161,709 (C$154,346). Met-Solve has not made any loan repayments in the 2012 or 2013 financial year; and
- An impairment loss of $161,710 on the carrying values of assets held for the development of the Lucky Break project.

During the current period the consolidated entity:

- Entered into an option agreement through its wholly owned subsidiary Nickel Developments Limited (NDL) with Metallica Minerals Limited (ASX: MLM). Under the option agreement, NDL has the exclusive right to acquire 100% of Lucky Break nickel project for a cash consideration of $1,000,000. The option agreement expires on 28 February 2014.
- Successfully completed its optimised detailed feasibility study of its Barnes Hill project in Tasmania
- Tony Treasure resigned as Managing Director on 1 May 2013 and was replaced by Mark Sykes as Chief Executive Officer. This transition reduced the Board of the consolidated entity from 4 to 3 members as a further reduction in overheads.
- Completion of a scoping study for its Homeville project in New South Wales
- Sold its entire 100% holding in its European entities, being Metals Finance Europe Limited and Metals Finance Albania SHPK for $15,000
- On 8 August 2013, Metals Finance requisitioned a shareholder meeting pursuant to sections 249D of the Corporations Act 2001 (Cth) (Corporations Act). Metals Finance sought to remove the chair of the board of Bass Metals Limited (Bass) Mr Craig McGowan, the Managing Director Mr Michael Rosenstreich and Mr Barry Sullivan, a non-executive director; and appointment to the board Mr Rick Anthon, a non-executive director of Metals Finance and Mr Gavin Solomon, the Managing Director of Helmsec Global Capital Limited. On 4 October 2013, a general meeting was held to determine the result of the shareholders' voting. The action taken by Metals Finance was supported by a majority of Bass shareholders and all resolutions put forward by Metals Finance were passed.
- Relocated its head office to Sydney where greater synergies and business efficiencies can be realised. A consequence of rationalising costs is that the Company has had to focus on activities that offer immediate benefit to shareholders. This has resulted in certain activities being delayed while the Company re-establishes its cash position.

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the consolidated entity to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of evaluation expenditure, is dependent on the ability of the consolidated entity to successfully raise additional capital and or sell off its investments and or recover loans through successful finalisation of its subsidiary in Africa, Metals Finance Africa Pty Ltd.

Additionally, subsequent to 31 August 2013 the Directors have taken steps to significantly further reduce project, corporate and administration expenditure to preserve cash and maintain the consolidated entity's core activities. The company auditor has, without qualifying their audit opinion, included an "emphasis of matter" paragraph in their audit report which draws attention to the aforementioned uncertainty regarding going concern.

CAPITAL EXPENDITURE

There were no capital expenditures in 2013 (2012: Nil)

CASH FLOW AND LIQUIDITY

During 2013 the net cash used in operating activities reduced by $1,408,835 from $2,305,990 for the year ended 31 August 2013. In the current financial year a research and development tax refund of $587,698 (2012: $225,089) was received.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

DIVIDENDS

There were no dividends paid or declared by the Consolidated Entity (2012: $nil).

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.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 31 August 2013, that has significantly affected, or, may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in financial years subsequent to 31 August 2013.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Due to the weakness in current and expected market and business conditions, the sustained difficulty in attracting sufficient project funding and the general weakness in equity markets, the Board has decided that it is prudent to reduce non-essential project, corporate and administration expenditure to conserve cash. The Board will revisit this decision once it has either secured funding or any new project that might take the company further in creating wealth for its shareholders. Whilst the Board has taken this decision to conserve cash, the company is continuing to identify, pursue and explore new opportunities together with procuring funding for its existing projects. The company has also completed a significant amount of test and feasibility work in optimising its feasibility of the Barnes Hill project and has a high level of confidence as the technical viability of its existing Lucky Break and Barnes Hill projects.

The company will continue actively seek new project and investment opportunities whist procuring funding for its existing projects.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options issued by 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 [1]	12,171,016	-
T Treasure [1, 2]	4,665,929	-
R Anthon [1]	1,716,666	-
S Bird [1]	1,433,333	-

[1] Held directly and indirectly
[2] T Treasure resigned as Managing Director on 1 May 2013

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 19.

AUDITOR

BDO Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

SHARES UNDER OPTION

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

Date options granted	Expiry date	Exercise price	Number of options
30 March 2012 *	28 February 2017	15 cents per share	1,000,000
			1,000,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

* Included in these options were options granted as remuneration to officers. Details of options granted to key management personnel are disclosed in the remuneration report and Note 16 in the notes to the financial statements.

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.

Since the end of the previous financial year, the Company has paid insurance premiums of $13,030 (2012: $19,878) 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 prior year BDO Audit Pty Ltd, 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 prior 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:

	2013 $	2012 $
BDO (Qld) Pty Ltd:		
Taxation services	-	10,000

REMUNERATION REPORT - AUDITED

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) – Non-Executive Director
- Geoff 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 in either the current or the prior financial year. Equity-based remuneration is detailed below.

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. No remuneration consultants were used in the 2013 financial year. 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% and 9.25% as from 1 July 2013, 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.

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 the performance of the Consolidated Entity and Executives and the subsequent benefits the performance had on shareholders' wealth, the Remuneration Committee had regard to the following:

REMUNERATION REPORT – AUDITED (continued)

	2013	2012	2011	2010	2009
Net loss ($)	(1,135,554)	(6,826,103)	(2,766,999)	(2,930,928)	(1,077,433)
Loss per share (cents)	(1.55)	(8.9)	(3.1)	(4.0)	(1.5)
Dividends / distributions ($)	-	-	-	-	-
Share price at year end (cents)	1.0	2.3	7.5	5.8	10.0
Market capitalisation ($)	731,096	1,681,520	5,483,218	4,240,355	7,310,957
Director & Key Management Personnel remuneration ($)	602,429	755,021	742,986	1,135,456	959,824

The Remuneration Committee considers that the Consolidated Entity's remuneration policy is appropriate.

Employment Contracts

No director or key management personnel are employed under an official contract of service.

Details of Key Management Personnel

Directors

Name	**Position**
G Hill	Non-Executive Chairman
R Anthon	Non-Executive Director
S Bird	Non-Executive Director
T Treasure	Managing Director (resigned 1 May 2013)

Other Key Management Personnel

Name	**Position**
M Sykes	Chief Executive Officer (appointed 1 May 2013)
A de Vos	Chief Financial Officer / Company Secretary
I Morgan	Company Secretary

REMUNERATION REPORT – AUDITED (continued)

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

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

Key Management Personnel	Year	Short-Term Employee Benefits			Post-Employment	Share Based Payments		Performance Related %	% Consisting of Options
		Salary & Fees	Bonus	Non-Monetary Benefits	Super-annuation Benefits	Options	Total		
		$	$	$	$	$	$		
Directors									
Non-executive Directors									
G Hill	**2013**	**67,500**	**-**	**-**	**-**	**-**	**67,500**	**-**	**-**
	2012	82,500	-	-	-	-	82,500	-	-
R Anthon	**2013**	**22,330**	**-**	**-**	**2,209**	**-**	**24,539**	**-**	**-**
	2012	27,500	-	-	2,475	-	29,975	-	-
S Bird	**2013**	**29,774**	**-**	**-**	**2,945**	**-**	**32,719**	**-**	**-**
	2012	36,667	-	-	3,300	-	39,967	-	-
M Gunn[4]	**2013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2012	23,750	-	-	-	-	23,750	-	-
Executive Director									
T Treasure[1]	**2013**	**256,987**	**-**	**-**	**-**	**-**	**256,987**	**-**	**-**
	2012	271,688	-	-	28,063	-	299,751	-	-
Executives (Other)									
M Sykes[2]	**2013**	**42,077**	**-**	**-**	**3,786**	**-**	**45,863**	**-**	**-**
	2012	-	-	-	-	-	-	**-**	**-**
A de Vos[3]	**2013**	**153,819**	**-**	**-**	**-**	**-**	**153,819**	**-**	**-**
	2012	182,792	-	-	31,575	28,000	242,367	11.55	11.55
I Morgan	**2013**	**21,002**	**-**	**-**	**-**	**-**	**21,002**	**-**	**-**
	2012	36,711	-	-	-	-	36,711	-	-
Total	**2013**	**593,489**	-	-	**8,940**	**-**	**602,429**	**-**	**-**
	2012	661,608	-	-	65,413	28,000	755,021	3.71	3.71

[1] T Treasure was appointed as Director on 2 September 2003 and resigned 1 May 2013. During 2013 Mr Treasure earned the fees through Karton Investments Pty Ltd of which he is a Director.
[2] M Sykes, in addition to CEO of Nickel Developments Limited was appointed CEO of the Company on 1 May 2013. M Sykes earned the fees shown above through Larkin Sykes Pty Ltd of which he is a Director.
[3] During 2013 A de Vos earned fees through Konkola Investments Pty Ltd of which he is a Director.
[4] M Gunn resigned 26 June 2012.

No termination or long-term benefits have been paid or accrued for any director or key management personnel in the year ended 31 August 2013 (2012: $nil).

REMUNERATION REPORT – AUDITED (continued)

Compensation options: Granted and vested during the year

No options were issued during the year to Directors or key management personnel as part of their remuneration.

During the year the following options lapsed during the year. No options were exercised during the year.

	Number of Options Lapsed	Date Lapsed	Value of Equity Options Lapsed During the Year
T Treasure	2,000,000	31/01/2013	-
G Hill	1,000,000	31/01/2013	-
R Anthon	500,000	31/01/2013	-

Shares issued on exercise of compensation options

No shares were issued on the exercise of compensation options in the 2012 or 2013 financial years.

END - REMUNERATION REPORT – AUDITED

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 OF AMOUNTS

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

Sydney, 11 November 2013

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DECLARATION OF INDEPENDENCE BY ALBERT LOOTS TO THE DIRECTORS OF METALS FINANCE LIMITED

As lead auditor of Metals Finance Limited for the year ended 31 August 2013, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Metals Finance Limited and the entities it controlled during the period.

A S Loots
Director

BDO Audit Pty Ltd

Brisbane, 11 November 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 31 August 2013

	Note	2013 $	2012 $
Revenue			
Consulting revenue		**44,394**	70,652
Interest revenue		**49,855**	147,125
		94,249	217,777
Other income			
Gain on disposal of subsidiary		**14,000**	-
Loss on sale of property, plant and equipment		**(398)**	-
		107,851	217,777
Expenses			
Employee expenses		**(178,031)**	(1,231,262)
Depreciation and amortisation expense		**(18,396)**	(23,517)
Foreign exchange loss		**(83,404)**	(229,299)
Finance costs		**(429)**	(12,568)
Other expenses from ordinary activities			
Project and feasibility costs		**(353,000)**	(921,346)
Administration		**(913,723)**	(891,768)
Impairment of property, plant and equipment		**(122,410)**	(121,131)
Impairment of receivables		**(161,710)**	-
Impairment of available-for-sale financial assets		**-**	(3,430,853)
Fair value loss on financial assets at fair value through profit or loss		**-**	(407,225)
Loss before income tax benefit		**(1,723,252)**	(7,051,192)
Income tax benefit	2	**587,698**	225,089
Loss after income tax		**(1,135,554)**	(6,826,103)
Loss after income tax attributable to:			
Owners of the Parent Entity		**(1,068,143)**	(6,482,830)
Non-Controlling Interest		**(67,411)**	(343,273)
		(1,135,554)	(6,826,103)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		**100,522**	280,363
Changes in the fair value of available-for-sale financial assets		**118,987**	(1,823,314)
Income tax on other comprehensive income		**-**	-
Total other comprehensive income		**219,509**	(1,542,951)
Total comprehensive income		**(916,045)**	(8,369,054)
Total comprehensive income attributable to:			
Owners of the Parent Entity		**(898,895)**	(8,165,963)
Non-Controlling Interest		**(17,150)**	(203,091)
		(916,045)	(8,369,054)
Loss per Share:			
Basic and diluted loss per share (cents)	3	**(1.6)**	(8.9)

CONSOLIDATED BALANCE SHEET
as at 31 August 2013

	Note	2013 $	2012 $
Current Assets:			
Cash and cash equivalents	4	**768,958**	1,635,682
Trade and other receivables	5	**18,858**	110,493
Financial assets at fair value through profit or loss	7 (a)	**3,333**	3,333
Total Current Assets		**791,149**	1,749,508
Non-Current Assets:			
Trade and other receivables	5	**-**	140,510
Property, plant and equipment	6	**-**	175,355
Available-for-sale financial assets	7 (b)	**356,961**	237,974
Total Non-Current Assets		**356,961**	553,839
Total Assets		**1,148,110**	2,303,347
Current Liabilities:			
Trade and other payables	8	**174,075**	369,797
Provisions	9	**41,974**	67,724
Loans and borrowings	10	**605,389**	599,810
Total Current Liabilities		**821,438**	1,037,331
Non-Current Liabilities:			
Loans and borrowings	10	**-**	23,299
Total Non-Current Liabilities		**-**	23,299
Total Liabilities		**821,438**	1,060,630
Net Assets		**326,672**	1,242,717
Equity:			
Contributed equity	11	**22,083,126**	22,083,126
Reserves	12	**650,184**	480,936
Accumulated losses		**(21,769,708)**	(20,701,565)
Total equity attributable to the equity holders of the Company		**963,602**	1,862,497
Non-controlling interest		**(636,930)**	(619,780)
Total Equity		**326,672**	1,242,717

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 August 2013

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Parent Equity $	Non-Controlling Interest $	Total Equity $
Balance at 1 September 2011	22,083,126	2,112,736	(14,218,735)	9,977,127	(416,689)	**9,560,438**
Transactions with owners in their capacity as owners						
Employee share options	-	51,333	-	51,333	-	**51,333**
Total comprehensive income						
Loss after income tax for the year	-	-	(6,482,830)	(6,482,830)	(343,273)	**(6,826,103)**
Foreign currency translation differences for foreign operations	-	140,181	-	140,181	140,182	**280,363**
Change in the fair value of available-for-sale financial assets	-	(1,823,314)	-	(1,823,314)	-	**(1,823,314)**
Total comprehensive income for the year	-	(1,683,133)	(6,482,830)	(8,165,963)	(203,091)	**(8,369,054)**
Balance at 31 August 2012	**22,083,126**	**480,936**	**(20,701,565)**	**1,862,497**	**(619,780)**	**1,242,717**
Balance at 1 September 2012	22,083,126	480,936	(20,701,565)	1,862,497	(619,780)	**1,242,717**
Transactions with owners in their capacity as owners						
Employee share options	-	-	-	-	-	**-**
Total comprehensive income						
Loss after income tax for the year	-	-	(1,068,143)	(1,068,143)	(67,411)	**(1,135,554)**
Foreign currency translation differences for foreign operations	-	50,261	-	50,261	50,261	**100,522**
Change in the fair value of available-for-sale financial assets	-	118,987	-	118,987	-	**118,987**
Total comprehensive income for the year	-	169,248	(1,068,143)	(898,895)	(17,150)	**(916,045)**
Balance at 31 August 2013	**22,083,126**	**650,184**	**(21,769,708)**	**963,602**	**(636,930)**	**326,672**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended 31 August 2013

	Note	2013 $	2012 $
Cash Flows from Operating Activities:			
Cash receipts in the course of operations		**55,228**	254,466
Interest received		**42,720**	147,125
Cash payments in the course of operations		**(1,582,372)**	(2,920,102)
Income tax benefit received		**587,698**	225,089
Finance costs paid		**(429)**	(12,568)
Net Cash Used In Operating Activities	15	**(897,155)**	(2,305,990)
Cash Flows from Investing Activities:			
Payments for property plant and equipment		**-**	(12,033)
Proceeds from sale of property, plant and equipment		**48,151**	-
Net Cash Provided by/ (Used In) Investing Activities		**48,151**	(12,033)
Cash Flows from Financing Activities:			
Proceeds from borrowings		**12,894**	383,112
Principal repayment - finance leases		**(30,614)**	(7,011)
Net Cash (Used In) / Provided By Financing Activities		**(17,720)**	376,101
Net decrease in cash and cash equivalents		**(866,724)**	(1,941,922)
Net foreign exchange differences		**-**	151,544
Cash and cash equivalents at beginning of financial year		**1,635,682**	3,426,060
Cash and Cash Equivalents at End of Financial Year	4	**768,958**	1,635,682

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(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 extraction, recovery and processing from raw materials.

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

Authorisation of financial report
The financial report was authorised for issue on 11 November 2013.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Metals Finance Limited is a for-profit entity for the purpose of preparing the financial statements.

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 below.

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.

Going concern basis of accounting
The Consolidated Entity incurred a net loss of $1,135,554 for the year ended 31 August 2013. As at 31 August 2013 the Consolidated Entity has cash and cash equivalents of $768,958, net current liabilities of $30,289 and net assets of $326,672.

Current operating cash inflows are not sufficient to continue to fund operations and based on current and projected expenditure levels required to meet minimum commitments and operating expenses management anticipates that a capital raising may be required to continue to fund operations.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Consolidated Entity to raise additional capital in the form of equity;
- the continued support of current shareholders; and
- the ability to successfully develop and extract value from its projects that are under development.

These conditions give rise to a material uncertainty over the Consolidated Entity's ability to continue as a going concern.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Consolidated Entity has funded its activities through issuance of equity securities and it is expected that the Consolidated Entity will be able to fund its future activities through further issuances of equity securities; and
- The directors believe there is sufficient cash available for the Consolidated Entity to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

(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 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 23 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.

<u>Business combinations</u>
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 consolidated statement of comprehensive income.

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

<u>Joint Ventures</u>

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint ventures are included in the appropriate items of the consolidated financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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.

The credit (charge) for current income tax benefit (expense) is based on the profit (loss) for the year adjusted for any non-assessable 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.

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.

(e) Property, 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 re-valued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer below for details of impairment).

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.

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 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 consolidated statement of comprehensive income during the financial period in which they are incurred.

<u>Depreciation</u>
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%

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 profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(g) Financial instruments

<u>Recognition and initial measurement</u>
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.

<u>Classification and subsequent measurement</u>
Financial 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.
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.

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.

(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.

(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 (i.e. gains or losses) recognised in other comprehensive income (except for impairment 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(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 significant or 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.

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. Where applicable, 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 the Parent's 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, adjusted as appropriate. 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 Standards and Interpretations during the period:

- AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive

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 2013 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 10: 'Consolidated Financial Statements'

This standard replaces the requirements of AASB 127: 'Consolidated and Separated Financial Statements' and is applicable for the annual period beginning on or after 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. It is expected that the standard will not have a material impact on the Consolidated Entity.

AASB 12: ' Disclosure of interest in other Entities'

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirements associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the Consolidated Entity such as significant judgments and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) New standards and interpretations not yet adopted (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the Consolidated Entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the Consolidated Entity.

AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This amendment is applicable to annual periods beginning on or after 1 January 2013. The interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The stripping costs are able to be recorded as an asset in accordance with Interpretation 20. It is expected that the interpretation will not have a material impact on the Consolidated Entity.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Consolidated Entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 11: 'Joints Arrangements'

This standard replaces IAS 31: 'Interest in Joint Ventures' and is applicable 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 therefore the potential impacts of a change on the presentation of the Financial Statements. The Consolidated Entity will adopt this standard from 1 July 2013 and the impact of its adoption will not have a material impact on the Consolidated Entity.

(r) Research and development

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the development of mining projects) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

Currently all of the Consolidated Entity's projects have not yet reached the stage where costs are capitalised.

2. INCOME TAX

(a) Income Tax Benefit

	2013 $	2012 $
Current tax:		
Current tax year movement	**587,698**	225,089
Deferred tax:		
Current tax year movement	**-**	-
Income Tax Benefit	**587,698**	225,089

(b) Reconciliation of Income Tax Benefit to Loss Before Income Tax

	2013 $	2012 $
Loss before income tax	**(1,723,252)**	(7,051,192)
Tax at the Australian tax rate of 30%	**(516,976)**	(2,115,358)
Non-deductible expenses	**(148,489)**	-
Deferred tax assets not recognised	**665,465**	2,115,358
R&D tax concession	**587,698**	225,089
Income Tax Benefit	**587,698**	225,089

(c) Unrecognised Deferred Tax Assets

	2013 $	2012 $
Deferred tax assets not brought to account	**4,455,926**	3,790,461

At 31 August 2013 (amounts are all stated in Australian Dollar) the Consolidated Entity had South African tax losses of $1,079,000 (2012: $1,040,499) and Australian tax losses of $13,774,088 (2012: $11,594,371) 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. LOSS PER SHARE

(a) Basic and Diluted Loss per Share

	2013	2012
Basic and diluted loss per share	**(1.6) cents**	(8.9) cents

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

	2013 Number	2012 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 loss per share calculation because they are anti-dilutive	**1,000,000**	6,500,000

4. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at bank	**768,958**	1,635,682
Total Cash and Cash Equivalents	**768,958**	1,635,682

5. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Current:		
Trade receivables	**-**	10,834
Other receivables	**18,858**	99,659
Total Current Receivables	**18,858**	110,493
Non-Current:		
Due from related parties	**161,710**	140,510
Impairment of receivable	**(161,710)**	-
Total Non-Current Receivables	**-**	140,510

Ageing and Impairment

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. At 31 August 2013 an impairment expense has been recognised due to the doubt over the recoverability of the receivable from Met-Solve Laboratories Inc (2012: All receivables were within their standard terms (none past due) and were not considered impaired).

There was a provision for doubtful debts recognised on the Met-Solve Laboratories Inc receivable for the Consolidated Entity for the current year. There was no impairment or provision for doubtful debts recognised in the prior year.

6. PROPERTY, PLANT AND EQUIPMENT

	2013 $	2012 $
Plant and equipment		
At cost	**756,220**	756,220
Accumulated depreciation	**(114,737)**	(96,341)
Allowance for impairment [1]	**(641,483)**	(484,524)
Total Plant and Equipment	**-**	175,355
Movements during the Year		
Plant and Equipment:		
Balance at beginning of year	**175,355**	307,970
Additions	**-**	12,033
Disposals	**(34,549)**	-
Depreciation	**(18,396)**	(23,517)
Impairment [1]	**(122,410)**	(121,131)
Balance at End of Year	**-**	175,355

[1] During the year ended 31 August 2008 the Company halted development of the Lucky Break project due to uncertainty over the project's 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 2013 and an impairment loss of $122,410 was recognised due to the plant not being utilised for its intended purpose as a result of the project halt (2012: $121,131).

7. 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:

	2013 $	2012 $
Current:		
Derivative instruments – Bass Metals Ltd Options [1]	**3,333**	3,333
Total Derivative Instruments	**3,333**	3,333

[1] At 31 August 2013 the Consolidated Entity held 3,333,333 listed options over Bass Metals Ltd shares. The options were reflected at a value of 0.1 cents being the market bid price at 31 August 2013 (2012: 0.1 cents).

Each option has an exercise price of 20 cents and expires on 30 June 2014.

(b) Available-for-sale financial assets

	2013 $	2012 $
Non-current:		
Listed shares – Bass Metals Ltd [2]	**356,961**	237,974

[2] At 31 August 2013 the Consolidated Entity held 29,746,778 (2012: 29,746,778) ordinary shares. The ordinary shares in Bass Metals Ltd were reflected at a value of 1.2 cents (2012: 0.8 cents).

8. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Current:		
Trade payables	**76,916**	121,508
Other creditors and accruals	**97,159**	248,289
Total Current Trade and Other Payables	**174,075**	369,797

Trade payables are usually due within 30 days.

Secured Amounts Payable

None of the payables are secured.

9. PROVISIONS

	2013 $	2012 $
Current:		
Employee benefits	**41,974**	67,724

10. LOANS AND BORROWINGS

	Note	2013 $	2012 $
Current:			
Loan from related party - unsecured	17	**605,389**	592,495
Finance lease liabilities - secured		**-**	7,315
		605,389	599,810
Non-Current:			
Finance lease liabilities - secured		**-**	23,299
Total Loans and borrowings		**605,389**	623,109
Facilities utilised at reporting date:			
Loan from related party - unsecured		**605,389**	592,495
Finance lease facility - secured		**-**	30,614
		605,389	623,109

Loans from Related Parties

Amounts due to the Muva Metals (Pty) Ltd related party are unsecured, not interest bearing and no fixed date for repayment has been determined. No amounts will be repayable until the underlying entity generates sufficient surpluses.

Finance Lease Liability (Wholly-Secured)

The Consolidated Entity leased a motor vehicle with a carrying amount of $ Nil (2012: $32,530) under finance lease. The finance lease liability was secured over the motor vehicle. The effective interest rate was 8.5%. The motor vehicle was sold in 2012 and the finance lease settled in full.

Defaults and Breaches

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

11. CONTRIBUTED EQUITY

	2013	2012
Issued Capital - Number of shares	**73,109,576**	73,109,576
Value of Issued Capital	**$22,083,126**	$22,083,126

Movement in contributed equity during the year:

Share Capital Movements	2013 Number	2013 $	2012 Number	2012 $
Fully paid ordinary shares at 1 September	**73,109,576**	**22,083,126**	73,109,576	22,083,126
Movement during the year	**-**	**-**	-	-
Total fully paid ordinary shares at 31 August	**73,109,576**	**22,083,126**	73,109,576	22,083,126

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. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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, reserves and retained losses as disclosed in the Balance Sheet. 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.

Options

The Company grants incentive stock options for the purchase of ordinary fully paid shares of the Company to its officers, directors, employees 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.

Information relating to the Metals Finance Limited's Share Option Plan (ESOP), including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of financial year, is set out in Note 24.

12. RESERVES

	2013 $	2012 $
Foreign exchange translation reserve	**264,603**	214,342
Share based payments reserve	**266,594**	266,594
Investment revaluation reserve	**118,987**	-
Total Reserves	**650,184**	480,936

Movement in Reserves

	Share-based Payments		Foreign Exchange Translation		Investment Revaluation Reserve	
	2013 $	2012 $	**2013 $**	2012 $	**2013 $**	2012 $
Balance at 1 September	**266,594**	215,261	**214,342**	74,161	**-**	1,823,314
Options expensed	**-**	51,333		-	**-**	-
Change in fair value	**-**	-	**-**	-	**118,987**	(5,254,167)
Reclassification through profit and loss	**-**	-	**-**	-	**-**	3,430,853
Foreign currency translation	**-**	-	**50,261**	140,181	**-**	-
Balance at 31 August	**266,594**	**266,594**	**264,603**	**214,342**	**118,987**	**-**

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.

13. COMMITMENTS

(a) Operating Lease Commitments

	2013 $	2012 $
Future minimum lease payments under non-cancellable operating leases:		
Within one year	**-**	4,560
Later than one year and no later than five years	**-**	-
	-	4,560

Terms and Conditions

In the prior year the group leased various offices and office equipment under non-cancellable operating leases expiring within one to three years. The leases had varying terms, escalating clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(b) Finance Lease Payment Commitments

	Note	2013 $	2012 $
Future minimum lease payments:			
Within one year		**-**	9,941
Later than one year and no later than five years		**-**	25,680
		-	35,621
Less: Future lease finance charges not provided for in the Financial Statements		**-**	(5,007)
		-	30,614
Carrying amount:			
Current	10	**-**	7,315
Non-current	10	**-**	23,299
Total Lease Liability		**-**	30,614

Finance leases related to motor vehicles which have residual payments with options to purchase at the end of the lease term.

14. CONTINGENT LIABILITIES

The Consolidated Entity has no known contingent assets or contingent liabilities at 31 August 2013.

15. CASH FLOW INFORMATION

	2013 $	2012 $
Loss after income tax	**(1,135,554)**	(6,826,103)
Add / (less) non-cash items:		
Depreciation and amortisation	**18,396**	23,517
Share-based payments	**-**	51,333
Impairment of property, plant and equipment	**122,410**	121,131
Impairment of receivables	**161,710**	-
Impairment of available-for-sale financial assets	**-**	3,430,853
Movement in foreign currency reserve	**100,522**	-
Fair value losses/(gains) on financial assets at fair value through profit or loss	**-**	407,225
Gain on sale of property, plant and equipment	**(13,602)**	-
Change in operating assets and liabilities		
Decrease / (Increase) in trade receivables	**10,834**	(10,834)
(Increase) / Decrease in other receivables	**(7,135)**	194,647
Decrease in other assets	**-**	467
(Decrease) / Increase in accounts payable	**(44,592)**	105,162
(Decrease) / Increase in other payables and accruals	**(84,394)**	175,249
(Decrease) / Increase in provisions	**(25,750)**	21,363
Net Cash Used In Operating Activities	**(897,155)**	(2,305,990)

Non-cash Investing Activities

There were no non-cash financing activities in the current financial year.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation

	2013 $	2012 $
Short-term benefits	**593,489**	661,608
Share based payments	**-**	28,000
Post-employment superannuation benefits	**8,940**	65,413
	602,429	755,021

(b) Loans to Key Management Personnel

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

16. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

	Held at 1 September 2012	Received During the Year on the Exercise of Options	Other Changes During the Year	Held at 31 August 2013
Directors				
G Hill [1]	5,504,350	-	6,666,666	**12,171,016**
R Anthon [1]	50,000	-	1,666,666	**1,716,666**
S Bird [1]	100,000	-	1,333,333	**1,433,333**
T Treasure [1,2]	3,332,596	-	1,333,333	**4,665,929**
Executives				
M Sykes[1]	-		1,150,000	**1,150,000**
A de Vos	630,000	-	-	**630,000**
I Morgan	-	-	174,518	**174,518**
Total	**9,616,946**	**-**	**12,324,516**	**21,941,462**

	Held at 1 September 2011	Received During the Year on the Exercise of Options	Other Changes During the Year	Held at 31 August 2012
Directors				
G Hill [1]	5,504,350	-	-	**5,504,350**
R Anthon [1]	50,000	-	-	**50,000**
M Gunn[3]	30,000	-	-	**30,000**
S Bird [1]	100,000	-	-	**100,000**
T Treasure [1]	3,177,596	-	155,000	**3,332,596**
Executives				
M Sykes	-	-	-	**-**
A de Vos	630,000	-	-	**630,000**
I Morgan	-	-	-	**-**
Total	**9,491,946**	**-**	**155,000**	**9,646,946**

[1] Held directly and indirectly
[2] T Treasure resigned as Managing Director on 1 May 2013. Balance at 31 August represents balance on resignation.
[3] M Gunn resigned 26 June 2012. Balance at 31 August represents balance on resignation.

No shares were granted as remuneration in 2013.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

	Held at 1 September 2012	Issued as Remuneration	Options Exercised	Net Change Other	Held at 31 August 2013	Total Vested and Exercisable
Directors						
G Hill	1,000,000	-	-	(1,000,000) [1]	**-**	**-**
R Anthon	500,000	-	-	(500,000) [1]	**-**	**-**
S Bird	-	-	-	-	**-**	**-**
T Treasure	2,000,000	-	-	(2,000,000) [1]	**-**	**-**
Executives						
M Sykes	-	-	-	-	**-**	**-**
A de Vos	1,000,000	-	-	-	**1,000,000**	**1,000,000**
I Morgan	-	-	-	-	**-**	**-**
Total	**4,500,000**	**-**	**-**	**(3,500,000)**	**1,000,000**	**1,000,000**

	Held at 1 September 2011	Issued as Remuneration	Options Exercised	Net Change Other	Held at 31 August 2012	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)	**-**	**-**
S Bird	-	-	-	-	**-**	**-**
T Treasure	2,000,000	-	-	-	**2,000,000**	**2,000,000**
Executives						
M Sykes	-	-	-	-	**-**	**-**
A de Vos	-	1,000,000	-	-	**1,000,000**	**1,000,000**
I Morgan	-	-	-	-	**-**	**-**
Total	**4,000,000**	**1,000,000**	**-**	**(500,000)**	**4,500,000**	**4,500,000**

[1] Number of securities lapsed during the year.

17. 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 Consolidated Entity. The cost of these services, aggregating $266,987 (2012: $18,030) 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.

(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 Consolidated Entity. The cost of these services, aggregating $1,361 (2012: $9,487) 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 – CBP Lawyers***

CBP Lawyers, a firm related to a non-executive Director (R Anthon), provides legal services to the Consolidated Entity. The cost of these services, aggregating $67,452 (2012: $44,667) 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.

There was $24,981 owing to the related entities identified above as at the end of 2013 (2012: Nil)

17. RELATED PARTIES (continued)

(d) *Balances with Related Parties*

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

	2013 $	2012 $
Loans and Borrowings:		
Payable to related parties		
Beginning of the year	**592,495**	209,383
Loans advanced	**12,894**	383,112
Loan repayments	**-**	-
End of year	**605,389**	592,495
Trade and Other Receivables		
Due from related parties		
Beginning of the year	**140,510**	134,737
Interest accrued	**21,200**	-
Impairment	**(161,710)**	
Foreign exchange adjustment	**-**	5,773
End of year	**-**	140,510

An impairment has been recognised in relation to the outstanding balances from Met-Solve Laboratories Inc. The loan is interest bearing at 6% per annum, and will be forfeited if not repaid by if not repaid by 30 November 2014 as stipulated in the sale agreement dated 18 December 2009.

Terms and conditions:

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

Outstanding balances are unsecured and are repayable in cash.

18. AUDITOR'S REMUNERATION

	2013 $	2012 $
Audit of the Consolidated Entity		
BDO Audit Pty Ltd:		
Audit and review of Financial Reports	**27,000**	37,000
Non-Audit Services:		
BDO (Qld) Pty Ltd:		
Taxation services	**-**	10,000
	27,000	47,000

19. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise deposits with banks, accounts receivable and payable, investments and borrowings. 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 Consolidated Entity. 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.

19. FINANCIAL RISK MANAGEMENT (continued)

(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 instruments, and arises on floating rate instruments. The Consolidated Entity's exposure to market interest rates relates primarily to cash and cash equivalents.

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	2013 $	2012 $
Financial Assets:			
Cash assets	4	**768,958**	1,635,682
		768,958	1,635,682

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 1.0% 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)		Equity Higher/(Lower)	
	2013 $	2012 $	2013 $	2012 $
Consolidated Entity				
+1.00%	**7,690**	16,357	**7,690**	16,357
- 1.00%	**(7,690)**	(16,357)	**(7,690)**	(16,357)

(b) Foreign Currency Risk

Foreign currency risk arises as a result of having instruments/cash flows denominated in a currency other than the functional currency. At 31 August, the Consolidated Entity had the following exposure to foreign currency:

	2013 $	2012 $
Financial Assets:		
Cash and cash equivalents	**-**	756
Trade and other receivables	**26**	-
	26	756
Financial Liabilities:		
Trade and other payables	**3,201**	**7,040**

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 10.0% 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)	
	2013 $	2012 $	2013 $	2012 $
Consolidated Entity				
+ 10.00%	**(318)**	(628)	**(318)**	(628)
- 10.00%	**318**	628	**318**	628

19. FINANCIAL RISK MANAGEMENT (continued)

(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. The consolidated entity does not hold any collateral.

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.

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 2013 the Consolidated Entity had a concentration of credit risk relating to cash deposits totalling $768,958 (2012: $1,635,682. Cash deposits are only held with banks and financial institutions who are independently rated parties with a minimum rating of 'A'.

At 31 August 2013 the Consolidated Entity had a concentration of credit risk relating to a receivable from a related party, Met-Solve Laboratories Inc. ('Met-Solve') of $161,710 (2012: $139,958). The Consolidated Entity held a 50% stake in Met-Solve until December 2009 and receives annual financial records from Met-Solve to allow for assessment of the recoverability of the receivable. Due to the uncertainty regarding repayment of this receivable by Met-Solve the full amount of the outstanding balance has been provided for.

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

(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 2013. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	≤ 6 months $	6-12 months $	1-2 years $	2-5 years $	5+ years $	Contractual cash flows $	Carrying Amount $
2013							
Financial Liabilities:							
Payables	174,075	-	-	-	-	**174,075**	**174,075**
Loan from related party	-	605,389	-	-	-	**605,389**	**605,389**
	174,075	**605,389**	**-**	**-**	**-**	**779,464**	**779,464**
2012							
Financial Liabilities:							
Payables	369,797	-	-	-	-	369,797	369,797
Loan from related party	-	592,495	-	-	-	592,495	592,495
Finance leases	4,970	4,971	9,941	15,739	-	35,621	30,614
	374,767	**597,466**	**9,941**	**15,739**	**-**	**997,913**	**992,906**

(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	2013 $	2012 $
Financial assets at fair value through profit and loss			
Derivative instruments – Bass Metals Ltd Options	7	**3,333**	3,333
Available-for-sale financial assets			
Listed shares – Bass Metals Limited	7	**356,961**	237,974
Total other financial assets		**360,294**	241,307

19. FINANCIAL RISK MANAGEMENT (continued)

(e) Price Risk (continued)

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:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2013 $	2012 $	**2013 $**	2012 $
Consolidated Entity				
Financial assets at fair value through profit and loss				
+ 20.0%	**667**	667	**667**	667
- 20.0%	**(667)**	(667)	**(667)**	(667)
Available-for-sale financial assets				
+ 20.0%	**71,393**	47,595	**71,393**	47,595
- 20.0%	**(71,393)**	(47,595)	**(71,393)**	(47,595)

(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.

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).

The following table analyses the Group's financial instruments carried at fair value by the measurement levels set out above:

2013	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets at fair value through profit or loss				
Listed options – Bass Metals Ltd	**3,333**	-	**-**	**3,333**
Available-for-sale financial assets				
Listed shares – Bass Metals Ltd	**356,961**	-	**-**	**356,961**
Total assets	**360,294**	**-**	**-**	**360,294**

2012	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss				
Listed options – Bass Metals Ltd	**3,333**	-	**-**	**3,333**
Available-for-sale financial assets				
Listed shares – Bass Metals Ltd	**237,974**	-	**-**	**237,974**
Total assets	**241,307**	**-**	**-**	**241,307**

<u>Level 1 Investments: Quoted prices (unadjusted) in active markets for identical assets</u>

2013 - Listed shares and options: For the year ended 31 August 2013 the value of the listed shares and options was based on the closing price of Bass Metals Ltd's securities as quoted on the ASX on 31 August 2013.

2012 - Listed shares and options: For the year ended 31 August 2012 the value of the listed shares and options was based on the closing price of Bass Metals Ltd's securities as quoted on the ASX on 31 August 2012.

Unlisted derivative instruments (2012 and 2013): 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.

20. SEGMENT INFORMATION

Identification of reportable operating segments
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 operating decision maker in order to allocate resources to the segment and assess its performance. There is no aggregation of operating segments.

The accounting policies adopted for internal reporting to the chief operating decision maker are consistent with those adopted in the financial statements. Information reported to the chief operating decision maker is on at least a monthly basis.

Types of products and services
The principal activities of both operating segments are the same, being the provision of project implementation and funding for the development of metal recovery projects.

Intersegment transactions
Intersegment transactions were made at market rates and are eliminated on consolidation.

Major customers
During the years ended 31 August 2013 and 31 August 2012 the Consolidated Entity's revenue from external sources was not derived from services provided to any one major customer.

Geographical information is as follows:

	Australia 2013 $	South Africa 2013 $	Consolidated 2013 $
Revenue:			
Revenue from outside the Consolidated Entity	82,855	11,394	**94,249**
Other unallocated revenue	-	-	**-**
Revenue from Ordinary Activities	82,855	11,394	**94,249**
Result:			
Segment result	(1,588,429)	(134,823)	**(1,723,252)**
Loss from ordinary activities before income tax	(1,588,429)	(134,823)	**(1,723,252)**
Income tax benefit			**587,698**
Net loss			**(1,135,554)**
Depreciation and amortisation	15,585	2,811	**18,396**
Assets:			
Segment assets	1,148,084	26	**1,148,110**
Unallocated corporate assets	-	-	**-**
Consolidated Total Assets	1,148,084	26	**1,148,110**
Liabilities:			
Segment liabilities	212,848	608,590	**821,438**
Unallocated corporate liabilities	-	-	-
Consolidated Total Liabilities	212,848	608,590	**821,438**

20. SEGMENT INFORMATION (continued)

	Australia 2012 $	South Africa 2012 $	Consolidated 2012 $
Revenue:			
Revenue from outside the Consolidated Entity	216,954	823	**217,777**
Other unallocated revenue	-	-	**-**
Revenue from Ordinary Activities	216,954	823	**217,777**
Result:			
Segment result	(6,364,646)	(686,546)	**(7,051,192)**
Loss from ordinary activities before income tax	(6,364,646)	(686,546)	**(7,051,192)**
Income tax benefit			**225,089**
Net loss			**(6,826,103)**
Depreciation and amortisation	18,427	5,090	**23,517**
Assets:			
Segment assets	2,299,629	3,718	**2,303,347**
Unallocated corporate assets	-	-	**-**
Consolidated Total Assets	2,299,629	3,718	**2,303,347**
Liabilities:			
Segment liabilities	461,618	599,012	**1,060,630**
Unallocated corporate liabilities	-	-	-
Consolidated Total Liabilities	461,618	599,012	**1,060,630**
Acquisition of property, plant and equipment	10,762	1,271	**12,033**

21. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 August 2013, that has significantly affected, or, may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Company in financial years subsequent to 31 August 2013.

22. 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.

23. PARENT ENTITY INFORMATION

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

	2013 $	2012 $
(a) <u>Parent Entity Financial Information</u>		
Current assets	**755,259**	1,865,675
Non-current assets	**1,938,984**	1,770,733
Total assets	**2,694,243**	3,636,408
Current liabilities	**212,848**	365,870
Non-current liabilities	**-**	23,299
Total liabilities	**212,848**	389,169
Net assets	**2,481,395**	3,247,239
Contributed equity	**22,083,126**	22,083,126
Reserves	**385,581**	266,594
Accumulated losses	**(19,987,312)**	(19,102,481)
Total equity	**2,481,395**	3,247,239
Loss after income tax	**(884,830)**	(7,194,223)
Other comprehensive income	**118,987**	(1,823,314)
Total comprehensive income	**(765,843)**	(9,017,537)

23. PARENT ENTITY INFORMATION (continued)

(a) Guarantees entered into by the parent entity
The parent entity has not provided any financial guarantees as at 31 August 2013 (2012: $nil).

(b) Contingent liabilities of the parent entity
The parent entity did not have any contingent liabilities as at 31 August 2013 or 31 August 2012.

(c) Contractual commitments for acquisition of property, plant and equipment
As at 31 August 2013, the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

Significant investment in subsidiaries:

Name	Formation / Incorporation	Class of Share	Interest Held % [1]	
			2013	2012
Nickel Developments Limited	Australia	Ordinary	100	100
Metals Finance Chile Limitada	Chile	Ordinary	100	100
Metals Finance Africa Pty Ltd	South Africa	Ordinary	50 [2]	50 [2]
Metals Finance Zambia Limited	Zambia	Ordinary	75	75
MFCH Pte Ltd	Singapore	Ordinary	100 [3]	100
Metals Finance Europe plc	Europe	Ordinary	- [4]	100
Metals Finance Albania SHPK	Europe	Ordinary	- [4]	100

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

[2] The Company has a 50% representation on the board of Metals Finance Africa Pty Ltd; however Metals Finance Limited has the power to appoint the chairman who controls the casting vote. It is assessed that this gives the Company the power to govern the financial and operating policies of Metals Finance Africa Pty Ltd, deeming it to be a subsidiary in accordance with AASB 127: *Consolidated and Separate Finance Statements*.

[3] MFCH Pte Ltd was deregistered subsequent to the year-end on 9 October 2013

[4] Metals Finance Europe plc and Metals Finance Albania SHPK were sold on 6 August 2013

All companies have a 31 August reporting date.

Accounting Policies

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.

24. SHARE BASED PAYMENTS

Equity based instruments – Options

Employee option plan
The Metals Finance Directors and Employee Option Incentive Plan ("the Employee Plan") was last approved by shareholders at the annual general meeting held 20th December 2012.

Options granted to Company employees are issued under the Employee Plan. Options are granted under the Employee Plan for no consideration and once capable of exercise entitle the holder to subscribe for one fully-paid ordinary share upon exercise at the exercise price.

Options granted under the Employee Plan that have not vested at the time an option holder becomes ineligible (i.e. no longer an employee), are forfeited and not capable of exercise. When an option holder becomes ineligible and the options have already vested then the option holder has 3 months to exercise or they expire. Options must be exercised by the expiry dates or they lapse.

During the 2012 year 1,000,000 options were issued to an employee which vests in equal portions on 1 May 2012, 1 November 2012, and 1 May 2013 dependent upon continued service up to those dates. The recipient of these options resigned on 30 September 2012. The first tranche of options vested on 1 May 2012 and have been expensed in the 2012 financial year. Subsequent to 31 August 2012, the remaining options have been forfeited due to failure to meet the service condition attached to the options and as a result will not affect future years remuneration.

A further 1,500,000 options were issued to employees during the 2012 year which, along with all other options on issue at year end, vest on grant date. Of these options 1,000,000 were cancelled during 2012 and 500,000 were cancelled during the 2013 financial year due to the resignation of recipients.

On 31 January 2013, 3,500,000 vested options to Directors expired.

At 31 August 2013 there were 1,000,000 (2012: 6,500,000) options over ordinary shares outstanding.

24. SHARE BASED PAYMENTS (continued)

Grant date	Expiry Date	Exercise Price $	Number beginning of year	Granted	Forfeited/ Lapsed	Exercised	Number at end of year	Vested and exercisable
2013								
Options granted								
18/01/2010	31/01/2013	0.25	2,000,000	-	2,000,000	-	-	-
18/01/2010	31/01/2013	0.30	2,000,000	-	2,000,000	-	-	-
30/03/2012	28/02/2017	0.15	2,500,000	-	1,500,000	-	1,000,000	1,000,000
Total			**6,500,000**	**-**	**5,500,000**	**-**	**1,000,000**	**1,000,000**
Weighted average exercise price			0.227	-	0.204	-	0.15	0.15

Grant date	Expiry Date	Exercise Price $	Number beginning of year	Granted	Forfeited	Exercised	Number at end of year	Vested and exercisable
2012								
Options granted								
18/01/2010	31/01/2013	0.25	2,000,000	-	-	-	2,000,000	2,000,000
18/01/2010	31/01/2013	0.30	2,000,000	-	-	-	2,000,000	2,000,000
30/03/2012	28/02/2017	0.15	-	2,500,000	-	-	2,500,000	1,833,333
Total			**4,000,000**	**2,500,000**	**-**	**-**	**6,500,000**	**5,833,333**
Weighted average exercise price			0.275	0.150	-	-	0.227	0.236

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.49 years (2012 – 1.99 years).

The fair value of the equity-settled share options granted under the option plans is estimated as at the date of grant using a binomial or other appropriate model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used in the valuation of the options:

	2013	2012
Expected volatility	-	124%
Risk-free rate average	-	3.63%
Expected life average (years)	-	5
Dividend yield	-	-
Weighted average exercise price	-	$ 0.15
Share price at grant date	-	$ 0.042
Fair value per option	-	$ 0.028

As no options were issued in 2013, no input data were applicable. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were $ Nil (2012: $51,333).

25. INTERESTS IN JOINT VENTURES

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint ventures are included in the appropriate items of the consolidated financial statements.

Joint Venture	Principal Activities	Consolidated Percentage Interest	
		2013	2012
Lucky Break Joint Venture Agreement	Feasibility for Nickel Recovery	**50%**	50%
Barnes Hill Joint Venture Agreement	Feasibility for Nickel Recovery	**50%**	50%
Homeville Joint Venture Agreement	Scoping Study for Nickel Recovery	**0%**	0%

25. INTERESTS IN JOINT VENTURES (continued)

Lucky Break Joint Venture Agreement:
On 27 September 2005, Metallica Minerals Limited and Metals Finance Limited (MFC) signed a joint venture agreement with respect to Metallica's Lucky Break nickel project in Queensland (Lucky Break). MFC has completed a detailed feasibility study and elected to proceed, at its cost, to develop the project. MFC is responsible for funding, developing and managing Lucky Break project if it proceeds. During the 2013 financial year, MFC through its wholly owned subsidiary, Nickel Developments Limited (NDL) signed an option agreement to acquire 100% of the Lucky Break nickel project. Under the option agreement NDL has the exclusive right to acquire 100% of Lucky Break for a cash consideration of $1 million. The option expires on 28 February 2014.

Barnes Hill Joint Venture Agreement:
On 1 August 2007 Proto Resources and Investments Limited and Metals Finance limited (MFC) signed a joint venture agreement with respect to the Barnes Hill Nickel project in Tasmania (Barnes Hill). MFC will earn 50% of the project on conducting and funding the completion of a detailed feasibility study. If the project proceeds to development, MFC will be responsible for developing and managing the project.

Homeville Joint Venture Agreement with Augur Resources Limited:
On 9 February 2012, Augur Resources Limited and Nickel Developments Limited (NDL) signed a joint venture agreement with respect to the Homeville nickel deposit project in New South Wales (Homeville). NDL will earn in up to 51% subject to conducting and funding the completion of a definitive feasibility study. If development proceeds, funding will be in accordance with each partner's equity interest, or else either may opt for a 10% net profit interest with no contribution to capital. The joint venture agreement expired on the 9th August 2013. NDL is currently waiting upon a formal response from Augur Resources Limited to NDL's request to extend the agreement.

DIRECTORS' DECLARATION

The directors of Metals Finance Limited ("the Company") declare that:

- The financial statements, comprising the statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

  a) comply with Accounting Standards and the Corporations Regulations 2001; and

  b) give a true and fair view of the Consolidated Entity's financial position as at 31 August 2013 and of its performance for the year ended on that date.

- The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

- In the directors' opinion, 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 remuneration disclosures included in pages 15 to 18 of the directors' report (as part of audited Remuneration Report), for the year ended 31 August 2013, comply with section 300A of the Corporations Act 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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

Signed for and on behalf of the directors by:

Director

Sydney, 11 November 2013

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INDEPENDENT AUDITOR'S REPORT

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 consolidated balance sheet as at 31 August 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 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 gives a true and fair view and 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 company's preparation of the financial report that gives a true and fair view 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 company'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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Metals Finance Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Metals Finance Limited 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 2013 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 financial report also complies *with International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, the continued support of current shareholders and the ability to successfully develop and extract value from its projects that are under development. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 31 August 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

A S Loots

Director

Brisbane, 11 November 2013

SHAREHOLDER INFORMATION

The information set out below was prepared as at 7th November 2013.

(a) Class of Shares and Voting Rights

There are currently 361 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	11	798	0.0%
1,001-5,000	48	194,741	0.3%
5,001-10,000	52	474,699	0.6%
10,001-100,000	167	6,774,634	9.3%
100,001- and over	83	65,664,704	89.8%
Totals	**361**	**73,109,576**	**100.00%**
Minimum $ 500.00 parcel	**59**	**195,539**	**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
H F T NOMINEES PTY LTD - HFT SUPER FUND A/C	12,171,016	16.65%
KARTON INVESTMENTS PTY LTD	4,665,929	6.38%
MESUTA PTY LTD	3,818,127	5.22%

(d) Largest Twenty Shareholders

	Holder Name	Balance of Shares Held	Percentage of Total Shares
1	H F T NOMINEES PTY LTD <HFT SUPER FUND A/C>	11,121,017	15.21%
2	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,633,160	4.96%
3	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	3,197,578	4.37%
4	MESUTA PTY LTD	2,600,000	3.55%
5	RYAHED PTY LTD <RYAHED SUPER FUND A/C>	2,443,697	3.34%
6	MR COLIN WEEKES	2,104,756	2.87%
7	PHAIK CHIN LIM	2,000,000	2.73%
8	MR PATRICK ANTHONY TREASURE	1,762,500	2.41%
9	NAMBIA PTY LTD <SUPER FUND A/C>	1,666,666	2.28%
10	MR JAMES PERCY FORREST	1,646,140	2.25%
11	KARTON INVESTMENTS PTY LTD <KARTON INV P/L STAFF S/F A/C>	1,570,096	2.14%
12	BLUMOS S A	1,500,000	2.05%
13	G&N LORD SUPERANNUATION PTY LTD<GNR SUPERANNUATION FUND A/C>	1,500,000	2.05%
14	MARLEY HOLDINGS PTY LTD	1,500,000	2.05%
15	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,440,000	1.97%
16	BNE MANAGEMENT PTY LTD <BIRD SUPER FUND A/C>	1,433,333	1.96%
17	MR ROBERT NEIL CATTERALL	1,410,000	1.92%
18	MS PHAIK CHIN LIM	1,370,000	1.87%
19	KARTON INVESTMENTS PTY LTD	1,333,333	1.82%
20	MRS CLARE SYKES	1,150,000	1.57%
	TOTAL	**46,382,276**	**63.4%**

SHAREHOLDER INFORMATION (continued)

(e) Unquoted Securities

Options 15 cents exercise price and expiring 28 Feb 2017

Holder Name	Balance of Options Held
MR ARNO DE VOS	1,000,000
TOTAL	**1,000,000**

(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 Sydney.

CORPORATE GOVERNANCE

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 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.

1. 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 or Managing Director (as the case may be) as designated by the Board and by officers and employees to whom the management function is delegated by the Chief Executive Officer or Managing Director (as the case may be).

2. STRUCTURE THE BOARD TO ADD VALUE

There is a majority of independent directors, the Chairperson and Chief Executive Officer are different persons; but the Chairperson 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 three (3) directors consists of two (2) independent directors:

(a) Geoff Hill Non-Executive Chairperson and substantial shareholder;
(b) Richard Anthon Non-Executive Director; and
(c) Simon Bird Non-Executive Director.

The Company is a small company with limited operations. Accordingly, the Board considers that maintaining two independent directors is appropriate for the Company's size

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.

3. 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.

(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.

4. 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.

5. 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 .

6. 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.

7. 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).

8. 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 Chairperson who is an Independent Director; and

(b) 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.

The members of the Remuneration Committee are:

(a) Richard Anthon (Remuneration Committee Chairperson) Non-Executive Director; and
(b) Geoff Hill Non-Executive Board Chairperson.

The Company is a small company with limited operations. Accordingly, the Board considers that maintaining an independent chair of the Remuneration Committee and two members is appropriate for the Company's size

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".

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)

ASX Principles/Recommendations	**Compliance**	**MFC Corporate Governance Charter Reference** www.metalsfinance.com	**Disclosure Requirement for Non Compliance**
Recommendation 2.2: The chair should be an independent director.	Does not comply	SECTION B.3 (c)	The Company is small 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.	Comply	SECTION E	Not Applicable
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.			
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

CORPORATE GOVERNANCE (continued)

ASX Principles/Recommendations	Compliance	MFC Corporate Governance Charter Reference www.metalsfinance.com	Disclosure Requirement for Non Compliance
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.	Does not comply	SECTION H 4 (a)	The Company has not established measurable objectives for gender diversity in its annual report. The Board considers that given the current small size, scale and level of complexity of the Company's operations, measurable objectives for gender diversity are not presently justified.
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	SECTION H 4 (b) 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
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 • have at least three members.	Does not comply	SECTION C.1	The Company is small 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
Principle 6			

ASX Principles/Recommendations	Compliance	MFC Corporate Governance Charter Reference www.metalsfinance.com	Disclosure Requirement for Non Compliance
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
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 ensure that 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

CORPORATE GOVERNANCE (continued)

ASX Principles/Recommendations	Compliance	MFC Corporate Governance Charter Reference www.metalsfinance.com	Disclosure Requirement for Non Compliance
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.	Does not comply	SECTION D.1	The Company is small with limited operations. Accordingly, the Board considers that maintaining an independent chair and two (2) members is appropriate for the Company's size
• 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