



Metals Finance Limited

SPECIALISTS IN METAL RECOVERY

ASX RELEASE

Monday 30th September 2013

ASX CODE

MFC

CAPITAL STRUCTURE

Shares on Issue	73,109,576
52 Week High	\$ 0.05
52 Week Low	\$ 0.01
Share Price (30/9/13)	\$ 0.01

ABOUT

Metals Finance develops mineral assets in partnership with exploration and mining companies, rather than purchasing them. MFC applies the extensive experience of its executives, board and consultants on geologically defined resources to establish appropriate treatment processes, to undertake detailed feasibility studies and to promote the development of projects. It is currently working with three ASX-listed partners at Lucky Break in Queensland and Barnes Hill in Tasmania and Homeville in New South Wales.

Board

Chairman – Geoff Hill
Non-Executive Director – Simon Bird
Non-Executive Director – Rick Anthon

Company Secretary

Ian Morgan

Management

Chief Executive Officer – Mark Sykes
Chief Financial Officer – Arno De Vos

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QUARTERLY REPORT FOR THE PERIOD TO 30 SEPTEMBER 2013

Metals Finance Limited (ASX: MFC) is pleased to provide its Quarterly Activities Report for the three month period ending 30 September 2013.

SUMMARY

The activities over the past quarter have primarily focused on corporate initiatives that seek to add value to Metals Finance shareholders. In addition to these corporate activities, Nickel Developments Limited (NDL) completed a Scoping Study on one of our joint venture nickel assets. The activities for the quarter included:

NICKEL PROJECTS

- **Completion of the Scoping Study for the Homeville Nickel and Cobalt Project**
 - Cash Cost A\$6.04/lb of product
 - Capital Intensity A\$9.26/lb of annual production

CORPORATE

- **Bass Metals Limited (ASX:BSM) Board Changes**
 - Dilution of shareholding
- **Review of operations**
- **New project evaluation**

NICKEL PROJECTS

Nickel Developments Limited (NDL) is a wholly owned subsidiary of Metals Finance Limited (**Metals Finance**, the **Company**, **MFC**), and has three nickel projects under detailed investigation and development. NDL has Joint Venture Agreements on the following projects:

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

During the quarter the main activity undertaken by NDL was the completion of the Homeville Nickel and Cobalt Project Scoping Study. Building on the knowledge gained from previously completed detailed feasibility study studies on other projects, NDL has been able to confidently deliver a study for Homeville that meets a $\pm 25\%$ level of accuracy. NDL drew on in-house corporate intellectual property and the results from metallurgical testwork performed on representative Homeville ore samples.

The Homeville Project is a nickel/cobalt resource located approximately 50km due south of Nyngan in central New South Wales – Refer Fig 1.



Figure 1 - Location of Homeville EL6336 (green)

Two scenarios were evaluated to determine the operational inputs that had the greatest sensitivity to the project economics. Key project parameters used in the scenario analysis were:

Factor	Units	Scenario 1	Scenario 2
ROM throughput	tpa	470,000	950,000
Total resource	MT	4.7	14.3
Life of operation	yrs	10	15
Nickel	%	1.18	0.95
Cobalt	%	0.045	0.045
Overburden to ore ratio	t/t ore	0.75	0.75
Ni ¹ _{equiv} Product	tpa	5,150	8,500

Table 1 - Homeville scenario parameters

¹ Ni_{equiv} product volumes are based on a modelled nickel price of AUD9/lb and a cobalt price of AUD13/lb

A sequential summary of the key operational steps are:

- Contract mining
- Primary ore preparation
- Agitated heat tank leaching
- Solid/liquid separation
- Ion Exchange to recover nickel and cobalt
- Purification
- Nickel cathode product through electrowinning
- Cobalt sulphate product through evaporation
- Disposal of waste to long term storage facilities

From the scenario analysis the most favourable project option was Scenario 1 producing 5,150 tonnes of Ni_{equiv} product per annum. The output from the economic model, using a 12.5% DCF rate yielded:

Factor	Unit	Scenario 1
Direct Capital	\$m	87.83
Indirect Capital	\$m	17.29
Total Capital	\$m	105.12
Ni_{equiv} Cash Cost	\$/lb	6.04
Capital Intensity	\$/lb annual product	9.26
Nickel Revenue	\$/lb	9.00
NPV	\$m	50.9
IRR	%	24

The Scoping Study for the Homeville Nickel and Cobalt Project further demonstrates the intellectual property NDL has developed has broad application to the nickel laterite industry. 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.

CORPORATE

Bass Metals Limited (ASX:BSM, Bass) Board Changes

During the quarter, Metals Finance requisitioned a shareholder meeting pursuant to sections 249D of the Corporations Act 2001 (Cth) (Corporations Act). This action was taken after careful consideration and deliberation with other Bass shareholders. Metals Finance formed the opinion that certain members of the current Bass Board had underperformed and in the view of MFC, were not appropriate to take Bass forward.

MFC is seeking the removal of 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 the appointment to the board of Mr. Rick Anthon (a non- executive director of MFC) and Mr. Gavin Solomon (the Managing Director of Helmsec Global Capital Limited). A general meeting is scheduled to be held on the 4th October, with Proxy votes due to be submitted by 9:00am on Wednesday 2nd Oct (Perth time).



Metals Finance updated our shareholders on the 16th September 2013, highlighting the reasons why Metals Finance had taken.

They facts are:

- **Bass shares have declined from \$0.49 in Feb 2011 to \$0.01 in Sep 2013.**
- **Bass raised more than \$54m in equity plus extra debt for its Hellyer mine project. The mine failed, forcing Bass to near insolvency.**
- **The current Managing Director of Bass has earned over \$3.0m since the Bass IPO and he owes Bass \$100,000 via a 10 year, interest free loan.**
- **During the same period, the current Bass Chairman and his related entities have earned over \$1.0m.**
- **Bass reported net losses of \$80m between Jul 2009 and the end of Dec 2012.**
- **Bass's workforce has declined by some 100 employees.**
- **Bass had \$2.4m in cash at 30 June 2013, down from almost \$4m three months earlier.**
- **None of the Bass directors have taken any public responsibility for the failures of Bass and the decline in its share price.**

Bass Shareholder Dilution

As Metals Finance's investment in Bass is a significant asset to the Company, Metals Finance would like to update our shareholders on the current status of our investment in Bass.

During the quarter the issued share capital in Bass increased from 309,450,145 shares to 326,105,104 shares, an increase of 5.38%. Subsequently Metals Finance' shareholding has been diluted from 9.61% to 9.12%. Metals Finance' concern is that the ongoing dilution of Bass is creating zero value for Bass shareholders.

Metals Finance is also concerned that further dilution of Bass shareholders will occur, should Bass continue with a strategy to seek out 'Turkish Mining Opportunities' whereby Bass will issue to Ponte Capital Pty Ltd, a company with no stated bona fides in the mining industry, the following ordinary shares:

- 5 million shares as an *"initial incentive"* to sign a *"consultancy agreement and the execution of a binding Strategic Alliance Agreement"*
- 2 million shares for reaching *"certain technical milestones"*, and
- 15 million shares to secure *"Initial Projects"* in Turkey.

In the event the Bass Board issue these additional 22 million ordinary shares, Metals Finance shareholding in Bass will reduce further from 9.61% to 8.5%.

Review of Operations

The Board and management of Metals Finance continue to enforce financially prudent decisions in order to preserve cash reserves and to prepare the business for the next stage of growth.



Investment Opportunities

As previously reported to shareholders, Metals Finance is currently undertaking a rigorous review of investment opportunities that meet the Company's strategy to diversify our commodity portfolio and add long term value to all our shareholders.

The management of MFC is currently shortlisting projects for the Boards consideration. We look forward to updating shareholders as these initiatives advance.

FOR FURTHER INFORMATION CONTACT:

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More details are available on company website www.metalsfinance.com

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

