



The Manager
Company Announcements Office
Australian Securities Exchange

6 October 2011

Dear Sir/Madam,

BARNES HILL PROJECT UPDATE

- First draft of the feasibility study for Barnes Hill project completed at throughput of 250,000 tpa
- Enhanced returns indicated at higher annual throughput
- Next draft feasibility study scheduled for completion December 2011
- Definitive feasibility study on increased throughput expected by end of second quarter 2012

Metals Finance Limited (ASX code MFC) is completing a detailed feasibility study on the Barnes Hill nickel laterite project in Tasmania, and provides the following update.

Barnes Hill is a joint venture between Metals Finance and Proto Resources & Investments Ltd (Proto), the owner of the tenements. Metals Finance has the right to earn a 50% equity interest in the project through the completion of flow sheet designs, engineering and feasibility studies, in addition to procuring the funding required for implementation of the project and bringing it into production. On production, Metals Finance will be the Operator of the joint venture.

Proto is responsible for the full definition of the target resource, and for permitting and logistical aspects of the project. The resource drilling has defined an initial Ore Reserve on which to base a Definitive Feasibility Study, and there remains significant potential to expand the available resource in areas yet to be drilled. Proto was recently granted a Mining Lease over the proposed mine and processing site, has optioned land to provide environmental offsets and is in the process of obtaining operating permits.

The studies being undertaken by Metals Finance are based on a new flow sheet approach to the treatment of nickel laterite ores, developed during the past three years for the Lucky Break project in Queensland. It provides an opportunity for a significant decrease in operating costs, through the use of ion exchange to avoid iron removal prior to nickel recovery from leach solutions. It also results in a significant increase in product value, through the production of nickel metal rather than a lower value intermediate product.

The Company's initial feasibility study has been based on:

- The reserve defined by Proto
- Bulk leach testing of representative samples from the site
- 250,000 tonnes throughput per annum
- Detailed engineering and costing of the proposed flow sheet
- Financial modelling and optimisation of project scale and format

Work to date has focussed on preliminary costing and modelling of the project at a throughput rate of 250,000 tonnes per annum. It has shown that economy of scale and consistent nickel recovery from the leach are the primary economic drivers for the project, with first pass operating and capital costs estimates indicating that an increased scale of 500,000 tonnes per annum throughput is required to achieve a more robust return on projected capital. Much of the detailed engineering and flow sheet design has now been completed and a first draft of the initial 250,000 tonnes Feasibility Study has been provided to the joint venture partners for review.

The next stage of the programme will focus on detailing capital and operating costs for the revised scale of the project, and on completion of the comprehensive bulk leach test work, expected early in 2012. It will also review any logistical and permitting issues that may arise through a larger operation than originally modelled. The programme is targeted at completion of an update version of the study in December 2011 and a final Definitive Feasibility Study, based on increased throughput and detailed engineering of a final flow sheet, towards the end of the second quarter of 2012.

The Company is monitoring the Barrier Bay acid recovery technology under development by a private company controlled by Proto. The proposed flow sheet for Barnes Hill does not yet incorporate this technology, as it remains under development. However, its operating characteristics have already been established at bench scale and are recognised as having potential to significantly impact on the operating costs of the project. The technology will shortly undergo a continuous pilot trial, the results of which will be used by Metals Finance and Proto to provide a more detailed assessment of its potential impact in the final flow sheet and Definitive Feasibility study.

The Company is pleased with progress on the Barnes Hill feasibility study and looks forward to providing further updates as the project progresses.



P.A. Treasure
Managing Director

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

