



QUARTERLY REPORT FOR THE PERIOD TO 29 FEBRUARY 2012

Metals Finance Limited (ASX: MFC) is pleased to provide its first quarterly report since transferring its ASX listing to the Diversified Metals and Mining sector. The report covers corporate news and project activities undertaken on the Company's projects during the three month period ending 29 February 2012. Additional details are available from the Company's website at www.metalsfinance.com.

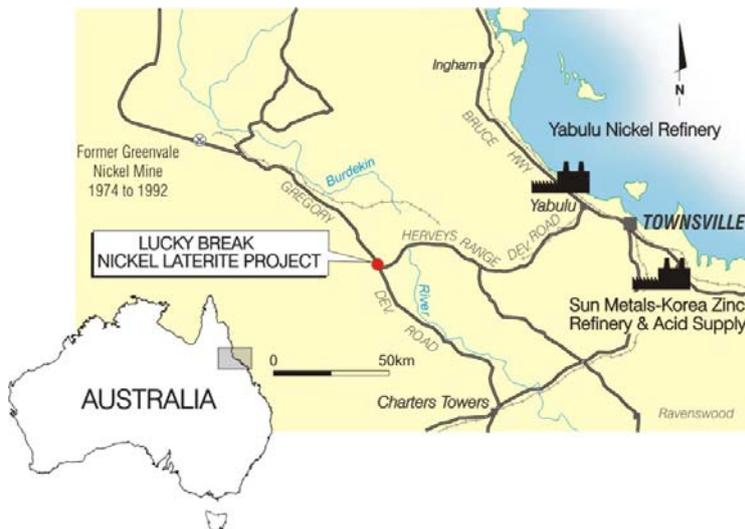
HIGHLIGHTS

- Environmental permits were issued for the Lucky Break nickel project in North Queensland, and detailed engineering work continued.
- The Definitive Feasibility Study on the Barnes Hill nickel project in Tasmania was updated to confirm that annual throughput of ore could be doubled to 500,000 tonnes.
- A Joint Venture Agreement was signed with Augur Resources to assess development of the Homeville nickel-cobalt project near Nyngan, New South Wales.
- A restructuring of MFC's Australian nickel projects is under consideration, including a separate corporate entity and management team.
- MFC is investigating potential new mineral ventures in Australia, SE Asia, Chile and Europe.

NICKEL DEVELOPMENT PROJECTS

Through its wholly owned subsidiary, Metals Finance Australia Pty Ltd, the Company holds a portfolio of nickel laterite projects which are at various stages of development assessment based on extensive technical work completed during the past three years. Those projects include:

Lucky Break, North Queensland (JV with Metallica Minerals Ltd, ASX: MLM)



The Lucky Break nickel laterite project is a joint venture with Metallica Minerals whereby MFC is responsible for completing feasibility studies, funding and implementation of the project. Upon development, 100% of surplus cash flow will be directed to repayment of development capital and interest, after which project surplus will be split equally between the parties.

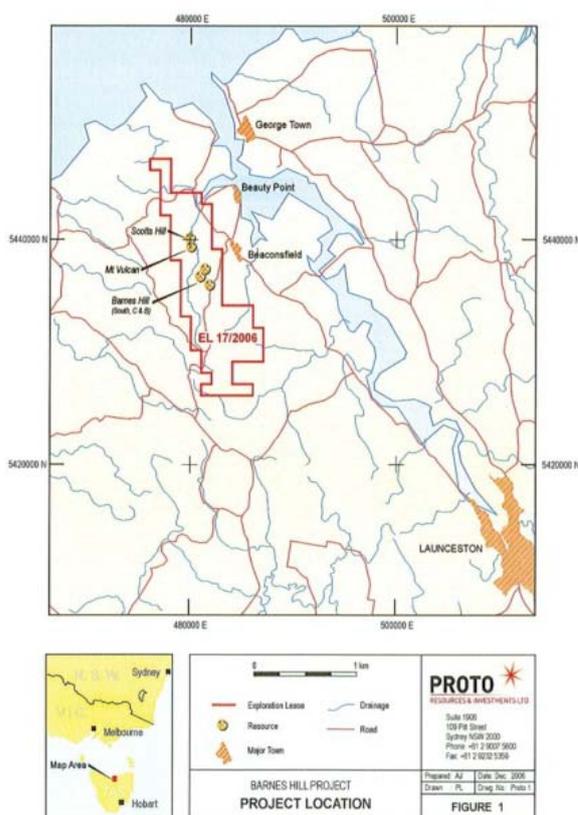
MFC completed a Definitive Feasibility Study in 2011 aimed at producing 650-700 tonnes per annum of nickel metal from the higher grade portions of the Lucky Break orebody. The study projects a capital requirement for the project of \$13.5 million - \$15 million, with operating projections made under the base model assumptions indicating potential for payback of capital within two years. An Independent Review concluded that the project was technically and operationally sound and that the study constituted a valid basis for project initiation.

Ongoing work includes detailed engineering and permitting of the project, and assessment of an appropriate structure and mechanism for funding. An Environmental Authority has been issued and the detailed Plan of Operations is expected to be approved within the current quarter.

MFC has developed a simplified and novel treatment circuit for the exploitation of higher grade nickel laterite resources. The flow sheet cuts out a number of the steps required in conventional circuits to return lower operating cost, and it yields a higher grade product with higher revenue. The flow sheet is based on the use of ion exchange resin to capture nickel from the leach solution for transfer into a stream which can be purified and used to make a high value nickel product.

As announced in October 2011, MFC is in discussions with Dow Chemical regarding their involvement in the development of Lucky Break in the form of technical assistance and ion exchange resin technology, which is the central core to the proposed flow sheet. Those discussions are continuing and are expected to result in an initial agreement between the companies during the current quarter.

Barnes Hill, Tasmania (JV with Proto Resources & Investments Limited, ASX: PRW)



MFC is completing a Definitive Feasibility Study on the Barnes Hill nickel laterite project in Tasmania. The study is currently scheduled for completion by June 30, 2012.

Barnes Hill is a joint venture with Proto Resources, the owner of the tenements. MFC 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 development, MFC will be the operator of the joint venture.

An interim report issued in January 2012 to the joint venture partners indicated potential revenues from a 500,000 tonnes per annum operation of more than \$1.1 billion over a 10-year life, with an internal rate of return of 47%. Projected capital cost of the project in that study was estimated at \$98 million, with an operating cost equivalent to approximately US\$6.90 per pound of nickel.

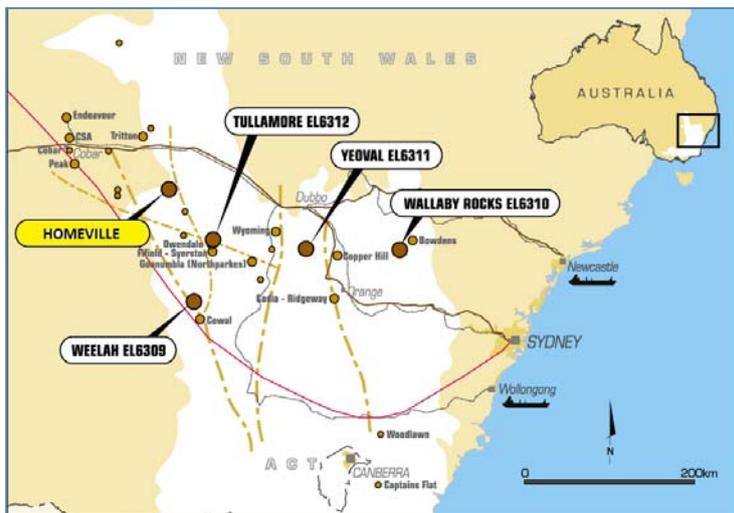
The report highlighted the potential for improved project economics through the development of high iron bearing material above and surrounding the targeted nickel resource, and the possible application of acid recovery technology under development by Proto, once commercially proven.



The Company's activities during the June quarter will focus on refining engineering and financial analysis of the project, with a view to establishing the level of detail and accuracy required for a Definitive Study. The target resource is now covered by a granted mining lease and the permitting of the project, Proto's responsibility under the joint venture agreement, is progressing rapidly. Depending on the timing of permitting and financing of the project, the joint venture partners are aiming to commence work on site before the end of 2012.

Homeville, New South Wales (JV with Augur Resources Limited, ASX: AUK)

During the quarter, MFC expanded the pipeline of potential nickel development projects by entering into a joint venture with Augur Resources over the Homeville nickel-cobalt laterite project near Nyngan in central New South Wales. Under the agreement, MFC has the right to earn 51% through completion of a Definitive Feasibility Study. If development is warranted, the parties will fund capital in accordance with equity held, or may abate to a 10% net profit interest.



Homeville contains an estimated JORC compliant resource of 16.3 million tonnes at 0.93% nickel and 0.05% cobalt (cut-off 0.7% nickel). The mineralisation is at surface in some areas, and has an average depth to the top of the deposit of only 10 metres. Based on a cut-off grade of 0.7% nickel, the resource estimate includes a total of 4.4 million tonnes at 0.99% nickel and 0.06% cobalt as Indicated Resource and 11.9 million tonnes at 0.91% nickel and 0.05% cobalt as Inferred Resource.

MFC's examination of the Homeville drill data base suggests that a discrete portion of the resource is higher grade, and potentially amenable to early development. The detailed modelling, which is required for verification under the terms of the JORC code, has yet to be completed.

Detailed studies of the resource and local infrastructure have commenced, and it is expected that preliminary metallurgical test work will start during the current quarter. The Homeville programme is aimed at completion of a DFS on the project on or before the middle of 2013.

Other Laterite Projects

The Company is in discussions with the owners of other nickel laterite projects in Australia, SE Asia and Europe with a view to expand the potential pipeline of projects for Metals Finance Australia.

BASS METALS

MFC holds a substantial shareholding in the Tasmanian listed mining company, Bass Metals Limited, ASX: BSM. Bass recently encountered operational problems at its Hellyer Mine, which has had significant impact on the value of this investment.

Bass announced on 25 January that the result of an assessment of ongoing activities at Hellyer indicated a potentially significant deterioration in the financial performance of the operation, to the point where it could become marginal in the current AUD metal price environment. Depending on the severity of such an adverse impact, the company stated that there was a risk that Bass would not be able to meet its secured debt repayment schedule. A voluntary suspension of trading was requested and the company has remained in suspension since that date.



Bass reported on 26 March that it had received approval from RMB Resources, and agreement with all key stakeholders, to a revised mine plan aimed at meeting its obligations to secured and unsecured creditors. The current plan is to restructure and pay down the majority of the existing debts through internal cash generation from the Stage 1 Mine Plan and then seek additional funding through either asset sales and/or new equity to erase the residual debt position and provide sufficient funds to re-start an aggressive exploration campaign. The objective is for a “slimmed down”, debt free company to emerge with a highly prospective ground position, advanced targets and resources and potentially a large scale gold development opportunity in pre-feasibility mode.

Bass recommenced trading on the ASX on 26 March.

METALS FINANCE AFRICA

As announced in June 2011, 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. As a condition of entering into the agreement, Muva assumed responsibility for funding and management of all activities relating to the Chambishi project, and therefore no further costs have been incurred by MFC. The sale was conditional upon the establishment by Muva and MFA of the funding required for the development of the Chambishi project within 120 days of execution of the agreements. This entails a cash payment by Muva of \$700,000 upon confirmation of funding, and a further \$2.2 million in the form of a royalty per tonne of tailings treated by the project.

Given substantive progress reported by Muva, MFC has granted an extension to the settlement timeline. Muva has recently reported that sign off by an Independent Technical Expert has been achieved and that conditional approval had been obtained for provision of 100% of the funding. Discussions pertaining to the terms of the funding offer and timing and manner of settlement of the consideration with MFC are currently ongoing.

OTHER ACTIVITIES

The Company is pursuing a number of potential projects in Chile and Europe which, due to their nature as well-defined metal bearing resources, fit the MFC project criteria. Updates will be provided as discussions progress and potential projects are secured.

ACTIVITIES FOR THE JUNE QUARTER

MFC will focus its activities in the coming quarter on establishing Metals Finance Australia as a separate entity with a specific business plan and separate development management. This will include:

- Structuring of the company to suit financing.
- Securing of off-take agreements and financing for the development of the Lucky Break project.
- Completion of an agreement with Dow Chemical.
- Completion of the Definitive Feasibility Study on Barnes Hill.
- Commencement of feasibility studies on Homeville.



CORPORATE AND FINANCIAL

MFC ended the quarter under review with cash reserves of approximately \$2.6 million. The combined value of cash and liquid investments has been adversely impacted by the problems encountered by Bass Metals, the true impact of which will not be known until the company has been relisted and has been trading for a period. In anticipation of a potentially extended period before value can be recovered from this investment, the Company has commenced a strict programme of overhead control and reduction. The result of this is not expected to adversely affect project and development activities, but it will ensure that MFC is funded well into 2013 without any receipt of income from sale of assets.



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

For further information:

Tony Treasure, Managing Director, Metals Finance 07 3807 4166
Alan Deans, Partner, Last Word Corporate Communications 0427 490 992



Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Metals Finance Limited

ABN

83 127 131 604

Quarter ended ("current quarter")

29 February 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	17
1.2 Payments for (a) exploration & evaluation	(85)	(373)
(b) development	-	-
(c) production	-	-
(d) administration	(538)	(845)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	42	117
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	225	225
Net Operating Cash Flows	(357)	(861)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	44
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	44
1.13 Total operating and investing cash flows (carried forward)	(357)	(817)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(357)	(817)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(357)	(817)
1.20	Cash at beginning of quarter/year to date	2,961	3,421
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,604	2,604

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	203
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

None

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	n/a	-
3.2 Credit standby arrangements	n/a	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	175
4.2 Development	-
4.3 Production	-
4.4 Administration	365
Total	540

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	235	632
5.2 Deposits at call	2,369	2,329
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,604	2,961

Changes in interests in mining tenements

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities	-	-	-
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	*Ordinary securities	73,109,576	73,109,576	-
7.4	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	*Convertible debt securities	-	-	-
	<i>(description)</i>			
7.6	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through securities matured, converted	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	2,000,000 2,000,000	- -	<i>Exercise price</i> \$0.25 \$0.30	<i>Expiry date</i> 31 January 2013 31 January 2013
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~* *(delete one)* give a true and fair view of the matters disclosed.



Sign here:

Date: **30 March 2012**

(Director/~~Company secretary~~)

Print name: **Tony Treasure**

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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