



Metals Finance Limited

(ABN 127 131 604)

and its Controlled Entities

Financial Report For the year ending 31 August 2009

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DIRECTORY

CORPORATE INFORMATION

Registered Office

Metals Finance Limited
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Level 7, Grant Thornton House
102 Adelaide Street, Brisbane, QLD, 4000
Telephone: +61 7 3220 1144
Facsimile: +61 7 3220 3434
Website: www.metalsfinance.com
Email: info@metalsfinance.com

Directors

Geoff Hill (Chairman)
Tony Treasure (Executive Director)
Warren Eades (Non-Executive Director)
Richard Stacy Anthon (Non-Executive Director)
Michael John Gunn (Non-Executive Director)

Principal Office

Unit 32, 28 Burnside Road
Yatala, Qld, Australia, 4207

Solicitors

Rick Anthon
Hemming + Hart Lawyers
Level 2, 307 Queen Street
Brisbane, QLD, 4000
Telephone: +61 7 3002 8700
Facsimile: +61 7 3221 3068

Company Secretary

Arno de Vos (Chief Financial Officer)

Share Registry

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: +61 2 9290 9667
Facsimile: +61 2 9279 0664
Website: www.registries.com.au

Bankers

Bank of Queensland – Australia
National Australia Bank – Australia
Bankwest – Australia
Standard Bank – South Africa
Scotia Bank – Canada

Auditor

PKF Chartered Accountants
Level 6, 10 Eagle Street
Brisbane Qld 4000

Investor enquires

Unit 32, 28 Burnside Road
Yatala, QLD, 4207
PO Box 689, Ormeau, Qld, 4208
Telephone: +61 7 3807 4166
Facsimile: +61 7 3807 3801
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DIRECTORS' REPORT

The Directors present their Report together with the Financial Report of Metals Finance Limited ('Company') and of the Consolidated Entity ('Consolidated Entity'), being the Company and its Controlled Entities, for the year ended 31 August 2009 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Company during the year and until the date of this Report are:

<i>Name, qualifications and independence status</i>	<i>Experience, special responsibilities and other directorships</i>
<p>Geoffrey Guild Hill Chairperson Non-Executive Director</p>	<p>Geoffrey Hill is a merchant banker based in Hong Kong and is currently Chairman of International Pacific Securities Inc. and Principal of Debt Management Corporation. He has over 30 years experience in the resources industry, as Director, Investor and Advisor. During this period he has acted for many of Australia's larger mining groups, including Rio Tinto, Woodside, New Hope, Woodside Petroleum, Santos, North Broken Hill, Homestake, Gold Mines of Kalgoorlie and Bell Resources. His career highlights include the formation of Bancorp Holdings, appointment to the board of Morgan Grenfell and Co Plc and the merger of his merchant banking business to form Pitt Capital Partners, with W H Soul Pattinson Partners in 2002.</p> <p>Geoff's professional directorships include Hills Industries Limited, Metals Finance Limited, Centrex Limited International Pacific Securities Limited, So Co. Limited and Heritage Gold. He has served as a Director of Metals Finance Corp. since 9 March 2007, and Chairman since 18 December 2008.</p>
<p>Patrick Anthony Treasure Chief Executive Officer</p>	<p>Tony Treasure is a geologist by profession who has been actively involved in the resource and metal recovery industry for over 34 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.</p> <p>Tony Treasure has served as a Director of Metals Finance Limited since 2 September 2003. He was appointed as Chief Executive Officer on May 14, 2005. He was Chairman of the Board from September 2, 2003 to March 7, 2007 and Secretary from September 2, 2003 to November 20, 2005.</p>
<p>Richard Stacy Anthon Independent Non-Executive Director (appointed 7 October 2009)</p>	<p>Rick Anthon is the Managing Partner of the Queensland law firm Hemming+Hart. He has practiced extensively in corporate, mining and resources law for over 20 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 for a number of public resource companies over the last 15 years and has previously chaired audit and remuneration committees for those companies.</p>
<p>Michael John Gunn Independent Non-Executive Director (appointed 7 October 2009)</p>	<p>Mike Gunn is a metallurgical engineer with a 34 year career in mineral processing operations, project development with a number of engineering design companies, and project and technology evaluation as an independent consultant. He has previously served as an executive director of a publicly listed resource company and has been a director of several private consulting and project development organisations. Mike is a specialist hydrometallurgist with significant expertise in the development and implementation of projects including, in recent years processing of lateritic nickel ores and bacterial treatment of refractory sulphide ores.</p>
<p>Warren Richard Eades Independent Non-Executive Director (appointed 22 September 2008)</p>	<p>Warren Eades joined the Board of Metals Finance Limited on 22 September 2008. Mr Eades has held a number of executive and non executive positions on Australian public Company boards in the past and he brings to the board a wealth of experience in the resources sector and equity capital markets.</p> <p>Warren was Managing Director of International Pacific Securities Limited (IPS) from 1991 until 1996. He was Chief Executive of International Pacific Investments from 1991 to 1998. From 1998 to 2001, he was Group General Manager of the listed Sabre Group Ltd. From 1997 to 2003, he was a Director of the listed Balmoral Corporation Limited and from 1999 to 2004, he was a Director of Pacific Strategic Investments. He currently acts as a portfolio manager to a private investment group.</p>
<p>Bayne Boyes Independent Non-Executive Director (resigned 16 December 2008)</p>	<p>Bayne Boyes has extensive executive and business management experience in both the public and private sector. Bayne is a former executive member and President of BC CMA (British Columbia Certified Management Accountants) and subsequently, executive member and Chairman of the 50,000 member national CMA organisation and was awarded a fellowship by the CMA Canada in 1988 for contributions to the profession and the community and received the Life Member award in 2004, the highest award granted by the Provincial Society.</p> <p>Bayne Boyes retired as a Director of Metals Finance Limited on 16 December 2008.</p>

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

COMPANY SECRETARY

Arno De Vos [B.Com, B.Com (Hons), B.Compt (Hons), CA, PMP] is the Chief Financial Officer and was appointed to the added position of Company secretary on 25 March 2009. Arno previously held the role of Director, compliance manager and Company secretary with numerous private companies for the past nine years.

Arno is a Chartered Accountant with over 17 years experience in accounting, audit, corporate finance, treasury and Company secretarial, as well as 8 years as Chief Financial Officer of a property related industry Company. Arno has also served as a Director on more than 34 private companies. Employed by Deloitte for a period of 5 years, Arno was involved in numerous listed entities.

Arno is a member of the Institute of Chartered Accountants Australia (ICAA), affiliate of Chartered Public Accountants Australia (CPA), 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).

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.

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	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held ¹	Attended	Held	Attended	Held	Attended
G Hill	8	8	2	2	1*	1*
T Treasure	8	8	2	2	1*	1*
W Eades	6	6	1	1	1*	1*
B Boyes	3	2	1	1	-	-

¹ Reflects the number of meetings held during the time the Director held office during the year.

* Meeting was held after the financial year-end (30 September 2009) but addressed remuneration matters relating to the 2009 financial 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 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 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 around the world. 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.

PRINCIPAL ACTIVITIES (continued)

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 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 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 other significant changes in the nature of the activities of the Group during the year.

REVIEW AND RESULTS OF OPERATIONS

Consolidated Result

The consolidated loss after income tax for the year attributable to the Members of the Company was \$1,077,433 (2008: \$3,841,815).

DIVIDENDS

There were no dividends paid or declared by the Company (2008: nil).

STATE OF AFFAIRS

As resolved at the Company's Annual General Meeting held on 16 December 2008 the Company has proceeded with its plan to move the domicile of the Company to Australia, through lodgement of the appropriate application with the Australian Securities and Investments Commission (ASIC) and became a resident company of Australia on 15 May 2009. On the same day the name of Metals Finance Corp was changed to Metals Finance Limited. Furthermore PKF Chartered Accountants were appointed auditors for the reporting period starting 1 September 2008.

From 1 September 2008 the Company re-located its office and operations of Metals Finance Limited from Vancouver, Canada to its current location at Yatala, Queensland. This re-location took place with the intention for all future transactions to be made in Australian Dollars as all operational and managerial decision making processes of the Company were carried out in Australia.

Consequently the functional and presentation currency of Metals Finance Limited has changed from Canadian Dollars to Australian Dollars from 1 September 2008. For reporting purposes the comparative figures in this financial report have been restated to Australian Dollars.

Expenses relating to the closure of the Canadian office are reflected in the income statement for the year ended 31 August 2009.

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.

SUBSEQUENT EVENTS

Metals Finance Limited appointed as from 7 October 2009 two new independent non-executive Directors, Richard Stacy Anthon (Rick Anthon) and Michael John Gunn (Mike Gunn).

Subsequent to year end the share price of Bass Metals Limited (ASX code: BSM) increased from 20 cents a share at 31 August 2009 to approximately 31 cents a share at the date these accounts were approved. This results in a material increase in value of the Company's investment by approx \$2,377,210. The investment is classified as an 'available-for-sale' financial instrument and movements in the value of the investment are taken directly to equity.

There has not arisen in the interval between the end of the financial year and the date of this Report other than the appointment of two new Directors and the increase in the Bass Metals financial instrument, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

LIKELY DEVELOPMENTS

Likely developments have been reported in the Directors' Report to the extent considered appropriate. Further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this Report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares of 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 Report is as follows:

	Ordinary Shares	Options
G Hill*	4,904,350	600,000
T Treasure*	2,760,187	1,500,000
W Eades	Nil	Nil
B Boyes**	Nil	600,000
M Gunn***	30,000	75,000
R Anthon***	Nil	Nil

* Held directly and indirectly

** Resigned 16 December 2008

*** Appointed 7 October 2009

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

We confirm that we have obtained the Auditor's Independence Declaration which is set out on Page 11.

OPTIONS

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

Expiry date	Exercise price	Number of options
3 February 2010	\$ 0.265	1,500,000
6 March 2010	\$ 0.265	3,600,000
		5,100,000

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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND AUDITORS (continued)

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. Each Deed is governed by and construed in accordance with the laws of the Province of British Columbia, Canada.

Since the end of the previous financial year the Company has paid insurance premiums of \$60,802 (this includes a portion of cover for 2010 financial year) in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and 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 of the Company.

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

Amounts in the Financial Report and Directors' Report are rounded off to the nearest dollar, unless otherwise stated.

NON-AUDIT SERVICES

During the year PKF, 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 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 Consolidated Entity 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 Combined Group, acting as an advocate for the Combined Group 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:

	2009
	\$
PKF Chartered Accountants:	
Other assurance services	7,190
Taxation services	9,115
	<u>16,305</u>

Signed in accordance with a resolution of the Directors:



Director

Dated at Brisbane, 27 October 2009

REMUNERATION REPORT

The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors themselves of the Company and of other group executives for the Group. 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:

- Warren Eades (Chairperson) (appointed 24 July 2009) – Independent Non-Executive
- Geoffrey Hill (appointed 9 March 2007) – Non-Executive not considered independent

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 Company.

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 and equity-based remuneration paid in either the current or the prior financial period.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT 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 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. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at a General Meeting. Fees for Non-executive Directors are not linked to the performance of the Company. However, to align Non-executive Directors' interests with shareholder interests, the Non-executive Directors are encouraged to hold shares in the Company and may receive options as long-term incentive remuneration.

Executives

Executive Directors and Executives receive either a salary plus superannuation guarantee contributions as required by law, currently set at 9%, 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 are based on an executive's performance.

All remuneration paid to Directors and Executives is valued at cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Base Salary

Structured as a total employment cost package comprising cash, leave benefits and superannuation. Executives' remuneration is reviewed annually with regard to competitiveness and performance. There are no guaranteed salary increases fixed in any senior executives' contracts.

Benefits

Directors and Executives may receive reimbursements of out-of-pocket expenses incurred in the undertaking of their duties, including reasonable travel, accommodation and entertainment expenses.

Employment Contracts

The only employment contract in existence is for the Chief Executive Officer, Mr Tony Treasure, who is retained via an employment contract dated 17 October 2007 and is valid to 1 November 2011. This agreement provides for a total package amount inclusive of prescribed superannuation and for participation in the Company's Share Purchase Plan and Employee Share Option Plan. The cash remuneration inclusive of superannuation paid under the agreement from 1 September 2008 is \$272,500 and is subject to annual review.

The Company may terminate the employment of the Executive without prior notice and without any further obligation if:

- The Executive conducts himself in such a manner to justify termination for just cause;
- Through sickness, accident or any other cause which renders the Executive unable to perform his duties under the Agreement for a continuous period of twelve (12) months;
- Upon paying to the Employee an amount equal to the Severance Payment.

The Executive may terminate the Agreement upon:

- Giving the Company ninety (90) days' notice;
- In the event of a change in control of the Company (Change in Control) where:
 - the Employee within six (6) months of the Change in Control providing written notice to the Company whereupon the Company is required, subject to the ASX Listing Rules to pay the Executive an amount equal to the Severance Payment; or
 - where a Change in Control has occurred and the Agreement is terminated by the occurrence of one of the following triggering events:
 - the Agreement is terminated by the Company within 18 months of the Change in Control; or
 - the Employee terminates the Agreement within 18 months following the Change in Control because the Company has made significant changes to the Executive's working condition and status, whereupon the Company is required to pay the Executive the Severance Payment.

The Agreement obliges the Executive for a period of one (1) year following the termination of the Agreement not to be involved in carrying on or engaged or be concerned with any business in the recovery of metals from waste dumps.

Discussion on the relationship between the Remuneration Policy and the Consolidated Entity's Performance

In considering the Consolidated Entity's performance and the benefits for security holders' wealth the Remuneration Committee have had regard to the following in respect of the current financial year and previous financial year:

	2009	2008
Net profit / (loss) (\$)	(1,077,433)	(3,841,815)
EPS (cents) ¹	(1.47)	(6.21)
Dividends / distributions (\$)	-	-
Security price at year end (\$)	0.10	0.10
Market capitalisation (\$)	7,310,957	7,310,957

Metals Finance Limited listed in 2007 and as a result the data shown above is only for the previous two years.

The Remuneration Committee considers that the Consolidated Entity's remuneration policy is generating desirable outcomes.

Details of Directors and Key Management Personnel

Directors

Name	Position
G Hill	Non -Executive Chairman
T Treasure	Chief Executive Officer
B Boyes	Non-Executive Director Chairman (resigned 16 December 2008)
A Neale	Executive Director and Chief Operating Officer (resigned 31 August /2008)

REMUNERATION REPORT (continued)*Key Management Personnel 2009*

Name	Position
A de Vos	Chief Financial Officer/ Company Secretary
A Voisin	Former Chief Financial Officer
L Heurlin	Executive (Metals Finance Africa)
G Parker	Executive (Metals Finance Africa)

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 Key Management Personnel of the Company during the financial year are:

Key Management	Personnel	Year	Short-Term Employee Benefits			Post-Employment	Termination	Total
			Salary & Fees	Bonus	Non-Monetary Benefits	Superannuation	Benefits Severance	
			\$	\$	\$	\$	\$	\$
Directors								
Non-executive Directors								
	G Hill	2009	84,753	-	-	-	-	84,753
		2008	54,955	-	-	-	-	54,955
	W Eades ¹	2009	47,917	-	-	4,313	-	52,230
		2008	-	-	-	-	-	-
Former								
	B Boyes ²	2009	53,970	-	-	-	-	53,970
		2008	60,450	-	-	-	-	60,450
	A Neale ³	2009	-	-	-	-	-	-
		2008	216,155	-	-	9,068	309,501	534,724
Executive Director								
	T Treasure	2009	178,000	-	-	94,500	-	272,500
		2008	222,912	-	-	17,257	-	240,169
Executives (Other)								
	A de Vos	2009	145,000	-	-	18,500	-	163,500
		2008	60,500	-	-	5,446	-	65,946
	A Voisin	2009	40,134	-	-	-	-	40,134
		2008	125,483	-	-	4,946	83,216	213,645
	L Heurlin	2009	190,000	-	-	17,100	-	207,100
		2008	156,500	-	-	10,505	-	167,005
	G Parker	2009	125,771	-	-	-	-	125,771
		2008	53,124	-	-	-	-	53,124
Total	2009		865,545	-	-	134,413	-	999,958
	2008		950,079	-	-	47,222	392,717	1,390,018

¹ W Eades was appointed as Director on 22 September 2008

² B Boyes resigned as Director on 16 December 2008

³ A Neale resigned as Director on 31 August 2008.

The Key Management Personnel are also the five most highly paid Executive Officers of the consolidated entity for the year ended 31 August 2009.

The amounts disclosed are the same for the Company and the Consolidated Entity.

Auditor's Independence Declaration

As lead auditor for the audit of Metals Finance Limited for the year ended 31 August 2009, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) 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 year.



PKF



Albert Loots
Partner

Dated at Brisbane this 27th day of October 2009.

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The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

Income Statement for the Year Ended 31 August 2009

	Note	Consolidated Entity		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
			Restated*		Restated*
Consulting revenue		643,882	137,563	289,827	809,400
Employee expenses**		(1,213,330)	(1,452,789)	(1,005,258)	(1,228,887)
Project costs		(98,285)	(71,061)	(98,285)	(41,514)
Depreciation and amortisation expense		(123,440)	(141,933)	(101,855)	(41,591)
Foreign exchange gain/(loss)		(223,353)	1,466,755	(222,567)	1,295,407
Finance costs		(805,732)	(920,918)	(805,732)	(904,827)
General administration and operating expenses		(1,211,043)	(3,828,458)	(766,790)	(1,313,225)
Impairment of receivables from controlled entities		-	-	(3,148,848)	-
Impairment of property, plant and equipment		(121,131)	-	-	-
Results from operating activities		(3,152,432)	(4,810,841)	(5,859,508)	(1,425,237)
<i>Other Income</i>					
Interest received		1,557,139	963,279	582,772	1,008,863
Gain/(loss) on investment		(24,299)	5,747	(24,299)	5,747
Rental income		1,671	-	-	-
		1,534,511	969,026	558,473	1,014,610
Loss before income tax benefit		(1,617,921)	(3,841,815)	(5,301,035)	(410,627)
Income tax benefit	2	540,488	-	-	-
Loss after income tax		(1,077,433)	(3,841,815)	(5,301,035)	(410,627)
Earnings per Share:					
Basic loss per share (cents per share)	3(a)	1.47	6.21		
Diluted loss per share (cents per share)	3(a)	1.47	6.21		

* - See Change in Functional Currency- Note 1(a)

** - Includes Canadian severance packages for 2008 and 2009

Balance Sheet as at 31 August 2009

	Note	Consolidated Entity		Company	
		2009 \$	2008 \$ Restated*	2009 \$	2008 \$ Restated*
Current Assets:					
Cash and cash equivalents	4	8,225,139	13,066,288	8,161,914	12,868,155
Trade and other receivables	5	636,264	439,114	56,027	874,435
Other	6	3,163	14,014	-	10,314
Total Current Assets		8,864,566	13,519,416	8,217,941	13,752,904
Non-Current Assets:					
Trade and other receivables	5	5,119,320	148,068	6,510,927	8,436,995
Property, plant and equipment	7	580,443	750,343	39,857	68,951
Deferred development costs	8	-	3,318,718	-	-
Other financial assets	9	4,322,200	24,354	4,322,450	24,548
Total Non-Current Assets		10,021,963	4,241,483	10,873,234	8,530,494
Total Assets		18,886,529	17,760,899	19,091,175	22,283,398
Current Liabilities:					
Trade and other payables	10	302,793	885,984	252,668	946,672
Interest bearing loans and borrowings	11	548,855	540,375	-	-
Total Current Liabilities		851,648	1,426,359	252,668	946,672
Non-Current Liabilities:					
Interest bearing loans and borrowings	11	2,687,836	2,252,586	2,670,127	2,229,565
Total Non-Current Liabilities		2,687,836	2,252,586	2,670,127	2,229,565
Total Liabilities		3,539,484	3,678,945	2,922,795	3,176,237
Net Assets		15,347,045	14,081,954	16,168,380	19,107,161
Equity:					
Contributed equity	12	20,511,496	20,407,177	20,511,496	20,407,177
Reserves	13	2,304,507	66,302	2,332,674	74,739
Equity component of convertible notes		1,571,630	1,571,630	1,571,630	1,571,630
Accumulated losses		(9,040,588)	(7,963,155)	(8,247,420)	(2,946,385)
Total Equity		15,347,045	14,081,954	16,168,380	19,107,161

* - See Change in Functional Currency- Note 1(a)

Statement of Changes in Equity for the Year Ended 31 August 2009

Consolidated	Share Capital	Reserves	Convertible Notes	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 September 2007*	3,816,894	74,739	-	(4,121,340)	(229,707)
Issue of share capital	18,856,258	-	-	-	18,856,258
Share issue costs	(2,265,975)	-	-	-	(2,265,975)
Movement in reserves	-	(8,437)	-	-	(8,437)
Equity component of Con Notes	-	-	1,571,630	-	1,571,630
Loss for the period	-	-	-	(3,841,815)	(3,841,815)
Balance at 31 August 2008*	20,407,177	66,302	1,571,630	(7,963,155)	14,081,954
Balance at 1 September 2008	20,407,177	66,302	1,571,630	(7,963,155)	14,081,954
Issue of share capital	-	-	-	-	-
Adjustments to share issue costs	104,319	-	-	-	104,319
Movement during the period	-	2,238,205	-	-	2,238,205
Equity component of Con Notes	-	-	-	-	-
Profit/(loss) for the period	-	-	-	(1,077,433)	(1,077,433)
Balance at 31 August 2009	20,511,496	2,304,507	1,571,630	(9,040,588)	15,347,045

Parent	Share Capital	Reserves	Convertible Notes	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 September 2007*	3,816,894	74,739	-	(2,535,758)	1,355,875
Issue of share capital	18,856,258	-	-	-	18,856,258
Share issue costs	(2,265,975)	-	-	-	(2,265,975)
Movement in reserves	-	-	-	-	-
Equity component of Con Notes	-	-	1,571,630	-	1,571,630
Loss for the period	-	-	-	(410,627)	(410,627)
Balance at 31 August 2008*	20,407,177	74,739	1,571,630	(2,946,385)	19,107,161
Balance at 1 September 2008	20,407,177	74,739	1,571,630	(2,946,385)	19,107,161
Issue of share capital	-	-	-	-	-
Adjustments to share issue costs	104,319	-	-	-	104,319
Movement during the period	-	2,257,935	-	-	2,257,935
Equity component of Con Notes	-	-	-	-	-
Profit/(loss) for the period	-	-	-	(5,301,035)	(5,301,035)
Balance at 31 August 2009	20,511,496	2,332,674	1,571,630	(8,247,420)	16,168,380

* - Restated - see Change in Functional Currency- Note 1(a)

Cash Flow Statement for the Year Ended 31 August 2009

	Note	Consolidated Entity		Company	
		2009 \$	2008 \$ Restated*	2009 \$	2008 \$ Restated*
Cash Flows from Operating Activities:					
Cash receipts in the course of operations		311,471	137,563	320,478	-
Interest received		723,118	985,971	652,428	883,176
Cash payments in the course of operations		(2,955,039)	(3,539,153)	(2,934,088)	(712,085)
Finance costs paid		(273,295)	(619,722)	(273,295)	(603,631)
Net Cash Provided By / (Used In) Operating Activities	16	(2,193,745)	(3,035,341)	(2,234,477)	(432,540)
Cash Flows from Investing Activities:					
Payments for property plant and equipment		(9,046)	(785,472)	(7,136)	(69,387)
Payments for deferred development expenditure		(668,733)	(3,170,420)	-	-
Payments for investments		(2,064,265)	-	(2,064,265)	-
Proceeds from sale of investments		-	-	-	-
Net Cash Provided By / (Used In) Investing Activities		(2,742,044)	(3,955,892)	(2,071,401)	(69,387)
Cash Flows from Financing Activities:					
Proceeds/ from the issue of shares		104,320	19,653,000	104,320	19,653,000
Share issues expenses		-	(3,302,717)	-	(3,302,719)
Proceeds from issue of convertible notes		-	3,500,000	-	3,500,000
Repayment of shareholder loan		-	(580,450)	-	(580,450)
Proceeds/ (repayments) of loans		(4,367)	152,584	-	-
Principal repayment - finance leases		(5,313)	(3,542)	-	-
Funds issued to subsidiaries		-	-	(504,683)	(6,370,263)
Net Cash Provided By / (Used In) Financing Activities		94,640	19,418,875	(400,363)	12,899,568
Net increase / (decrease) in cash and cash equivalents		(4,841,149)	12,427,642	(4,706,241)	12,397,641
Cash and cash equivalents at beginning of financial year		13,066,288	638,646	12,868,155	470,514
Cash and Cash Equivalents at End of Financial Year	4	8,225,139	13,066,288	8,161,914	12,868,155

* - Restated - see Change in Functional Currency- Note 1(a)

Notes to the Financial Statements for the Year Ended 31 August 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES

Metals Finance Limited (the "Company") is a publicly traded company on the Australian Stock Exchange (symbol: MFC) with principal operations in metals recovery and production. The Company became a resident company of Australia on 15 May 2009 and changed its name from Metals Finance Corp. to Metals Finance Limited on the same date (ACN 127 131 604). This was as resolved at the Company's Annual General Meeting that was held on 16 December 2008 the Company is proceeding with its plan to move the domicile of the Company to Australia, through lodgement of the appropriate application with the Australian Securities and Investments Commission (ASIC). This application is to put into effect a change in the country of incorporation of Metals Finance Corp. from Canada to Australia, in accordance with notices that were provided to Shareholders in November 2008 and a resolution passed at the Company's Annual General Meeting that was held on 16 December 2008. The Company was initially incorporated on September 2, 2003 under the Business Corporations Act (British Columbia, Canada). The company was also then registered as a Foreign Company with the Australian Securities and Investments Commission.

The Financial Report of the Consolidated Entity was authorised for issue by the Directors on 27th October 2009.

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (including Australian Accounting Standards). Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Metals Finance Limited and the consolidated entity comply with International Financial Reporting Standards (IFRS).

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.

Application of AASB 1: 'First-time adoption of Australian Equivalents to International Financial Reporting Standards ('AIFRS').

This financial report is the first Metals Finance Limited financial report to be prepared in accordance with AIFRS's. AASB1: 'First-time adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. Financial statements of Metals Finance Limited up until 31 August 2008 had been prepared in accordance with Canadian Generally Accepted Accounting Principles ('CGAAP'). CGAAP differs in certain respects from AIFRS. When preparing the Metals Finance Limited financial report for the year ended 31 August 2009 management has amended required accounting and valuation methods applied in previous CGAAP financial statements to comply with AIFRS. The comparative figures were restated to comply with AIFRS.

Reconciliations and descriptions of the effect of transition from previous CGAAP to AIFRS on the consolidated entity's equity and its net income are provided in Note 23.

Change in functional and presentation currency

All amounts are presented in Australian dollars and rounded to the nearest dollar, unless otherwise noted.

From 1 September 2008 the Company re-located its registered office and operations of Metals Finance Limited from Vancouver, Canada to its current location at Yatala, Queensland. This re-location took place with the intention for future transactions to be made in Australian Dollars as all operational and managerial decision making processes of the Company are now carried out in Australia.

Consequently the functional and presentation currency of Metals Finance Limited has changed from Canadian Dollars to Australian Dollars effective 1 September 2008. For reporting purposes the comparative figures in this financial report have been restated to Australian Dollars.

Critical accounting estimates and judgments

The directors evaluate estimates and judgements 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 current trends and economic data, obtained both externally and within the consolidated entity.

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. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(b) Principles of consolidation*Subsidiaries*

A controlled entity is any entity Metals Finance Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

Associated and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Notes to the Financial Statements for the Year Ended 31 August 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (continued)**(b) Principles of consolidation (continued)**

Associated and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Jointly controlled operations and assets

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(c) Foreign Currencies

Items included in the financial statements of each of the Company entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(d) Revenue Recognition

Revenues are recognised at the fair value of the consideration received or receivable, net of the amount of Goods and Services Tax ('GST'). Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Rendering of Services

Consulting revenue is recognised as it accrues.

Other Revenue

All other classes of revenue are recognised as they accrue.

(e) Taxes

The income tax expense or benefit for the period is the tax payable on the current periods taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable, and except for receivables and payables which are stated inclusive of GST.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority are classified as operating cash flows.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

Notes to the Financial Statements for the Year Ended 31 August 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (continued)**(g) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Company are capitalised at the present value of the minimum lease payments. A lease liability of equal value is also recognised. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

(h) Cash and cash equivalents

For purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(i) Receivables

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision of doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

The carrying amounts of the loans are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the loan is impaired to its recoverable amount. The recoverable amount of the receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate

(j) Investments and other financial assets

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends upon the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

(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. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Such assets are carried at amortised cost using the effective rate interest method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investment are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

Notes to the Financial Statements for the Year Ended 31 August 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (continued)**(j) Investments and other financial assets (continued)**

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes, in the carrying amount of the security. The translation differences are recognised in profit and loss and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company established fair value by using valuation techniques. These include the use of recent arms' length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

(k) Deferred Development Expenditure

Development costs incurred subsequent to the determination of the feasibility of mining operations are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs are amortised over the estimated useful life of the property following commencement of commercial production according to the units of production used.

(l) Property, Plant and Equipment*Plant and Equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

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 economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful life to the Company commencing from the time the asset is held ready for use. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Property and equipment	5 – 10 years
Computer equipment	3 years
Laboratory equipment	5 years
Motor vehicles	5 years
Pilot plant	2 years

Maintenance and repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and amortised as noted above. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

The cost of plant and equipment constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of directly attributable variable and fixed overheads.

(m) Trade & Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis. Trade account payables are usually settled on a 30 day basis.

(n) Borrowings

All loans and convertible notes are measured at the principal amount net of transaction costs incurred. Costs in relation to the convertible notes issued are amortised on a straight line basis over the period from issue of the notes until the redemption date of the notes. Interest is charged as an expense as it accrues.

Notes to the Financial Statements for the Year Ended 31 August 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (continued)**(o) Contributed Equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Employee Benefits*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and any vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Share-based payments

The Company has issued options to executives and employees as part of their remuneration.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(q) Earnings/Loss per Share*Basic earnings per share*

Basic earnings per share is determined by dividing net profit after income tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of the ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares, including convertible notes and options that have been granted.

(r) 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, the equity portion of convertible notes, reserves and retained losses. 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 group since the prior year.

(s) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to the Financial Statements for the Year Ended 31 August 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (continued)**(m) Impairment of Assets***Financial Assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is transferred to profit or loss. Any impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(m) Impairment of Assets (continued)*Non-Financial Assets*

The carrying amounts of the consolidated entity's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(t) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They are available for early adoption at 31 August 2009, but have not been applied in preparing these Financial Statements:

- AASB 123 'Borrowing Costs' (Revised) and amending standard AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, 101, 107, 111, 116, 138, Interpretations 1 & 12]'. These standards are applicable to annual reporting periods beginning on or after 1 January 2009. These standards eliminate the option of expensing borrowing costs relating to qualifying assets, instead requiring capitalisation. This will not affect the Consolidated Entity as only eligible borrowing costs will be capitalised with regard to qualifying assets.
- AASB 101 'Presentation of Financial Statements' and amending standard AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'. These standards are applicable to annual reporting periods beginning or after 1 January 2009. AASB 101 introduces the notion of the 'complete set of financial statements' and prescribes several changes to the presentation of the financial statements, including the requirement to disclose owner changes in equity separately from non-owner changes in equity. Presentation requirements for restatements or reclassifications of items in the financial statements have been introduced, along with changes to the presentation requirements for dividends and changes to the titles of the financial statements. Also introduced is a statement of comprehensive income.
- AASB 3 'Business Combinations' (Revised) and amending standard AASB 2008-3: 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]'. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. The revised standard introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognised, the results in the period that the acquisition occurs, and the future revenues reported.
- AASB 127 'Consolidated and Separate Financial Statements' (Revised) and AASB 2008-3: 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]'. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. This standard allows a change in the ownership interest of a subsidiary (that does not result in a loss of control) to be accounting for as an equity transaction and will give no impact on goodwill nor will it give rise to a gain or loss.
- AASB 8 'Operating Segments' and AASB 2007-3: 'Amendments to Australian Accounting Standards arising from AASB 8' [AASB 5, 6, 102, 107, 119, 127, 134, 136, 1023, & 1038] are applicable to annual reporting periods beginning in or after 1 January 2009. Application of these standards will not affect any of the amounts recognised in the Financial Statements, but may impact the type of information disclosed in relation to the Consolidated Entity's segment reporting.

Notes to the Financial Statements for the Year Ended 31 August 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES (continued)

- AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]' results from the International Accounting Standards Board's annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The likely effect of these changes is in relation to the IAS40 amendment which includes investment property under construction within the scope of the standard, and will also allow investment property under construction to be measured at cost if fair value cannot be measured reliably until such time as the fair value becomes reliably measureable or construction is completed (whichever comes earlier). The Consolidated Entity has yet to determine the potential effect of this standard.
- AASB 2008-7 'Amendments to accounting for the cost of an investment in subsidiary, jointly controlled entity or associate' [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] no longer requires entities to deduct dividends out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity, or associate. The investor entity must recognise these dividends as income. AASB 136 'Impairment of Assets' now includes recognising a dividend from a subsidiary, jointly controlled entity or associate as an impairment indicator in some circumstances. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. Adoption of the revised AASB 2008-7 is not expected to impact the Consolidated Entity.
- AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments' [AASB 4, AASB 7, AASB 1023 & AASB 1038]. The amendments to AASB 7 require enhanced disclosures about fair value measurements and liquidity risk. This standard is applicable to annual reporting periods beginning on or after 1 January 2009.

The Consolidated Entity has no plans to adopt accounting policy options with effect from 1 September 2008. Application of the amending standards will not affect any of the amounts recognised in the Financial Statements and is expected to only impact disclosures contained within the Financial Report.

Notes to the Financial Statements for the Year Ended 31 August 2009

	Consolidated Entity		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
2. INCOME TAX				
(a) Income Tax Expense				
Current tax:				
Current tax year movement	-	-	-	-
(Over) / under provisions	-	-	-	-
Deferred tax expense from temporary difference:				
Current tax year movement	-	-	-	-
(Over) / under provisions	-	-	-	-
Income Tax Expense	-	-	-	-
(b) Reconciliation of Income Tax Expense to Loss Before Income Tax				
Loss before income tax expense	(1,617,921)	(3,841,815)	(5,301,035)	(410,627)
Tax at the Australian tax rate of 30%	(485,376)	(1,152,545)	(1,590,311)	(123,188)
Other adjustments and the effect of different foreign exchange rates	266,936	-	571,386	-
Tax losses not recognised	218,440	1,152,545	1,018,925	123,188
R&D tax concession	(540,488)	-	-	-
Income Tax Expense/(Benefit)	(540,488)	-	-	-
(c) Unrecognised Deferred Tax Assets				
The Balance Comprises Temporary Differences Attributable to:				
Tax losses not brought to account	2,407,209	1,780,273	1,562,704	991,318
At 31 August 2009 (amounts are all stated in Australian Dollar) the Company had South African losses of \$590,918 (2008: 1,310,351) and Australian losses of \$7,472,505 (2008: \$5,382,219) 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. EARNINGS PER SHARE				
(a) Basic and Diluted Earnings per Share				
Basic and diluted loss per share	1.47 cents	6.21 cents		
(b) Weighted Average Number of Shares used as the Denominator				
			Number of Shares	
			2009	2008
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share			73,109,576	61,818,620
			Number of Securities	
			2009	2008
Number of options excluded from the diluted earnings per share calculation because they are anti-dilutive			9,000,000	9,000,000
Number of convertible notes excluded from diluted earnings per share calculation because they are anti-dilutive			7,000,000	7,000,000
4. CASH AND CASH EQUIVALENTS				
	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash on hand	-	110	-	110
Cash at bank	8,225,139	13,066,178	8,161,914	12,868,045
Total Cash and Cash Equivalents	8,225,139	13,066,288	8,161,914	12,868,155

Notes to the Financial Statements for the Year Ended 31 August 2009

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
5. TRADE AND OTHER RECEIVABLES				
Current:				
Trade receivables	39,749	246,155	-	748,748
Other receivables	596,515	192,959	56,027	125,687
Total Current Receivables	636,264	439,114	56,027	874,435
Non-Current:				
Receivable from Palabora Mining Company	4,958,404	-	-	-
Due from controlled entities	-	-	9,498,859	8,288,927
Allowance for impairment – controlled entities	-	-	(3,148,848)	-
Due from related parties	160,916	148,068	160,916	148,068
Total Non-Current Receivables	5,119,320	148,068	6,510,927	8,436,995

(a) Fair Value and Credit Risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. For the fair values of trade and other receivables refer to Note 27(d).

(b) Ageing and Impairment Loss

Other receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. All receivables are within their standard terms and are not considered impaired (2008: All receivables were within their standard terms and were not considered impaired).

The receivable from the Palabora Mining Company Limited ('PMC') is interest bearing (currently at 10.5%, based on the variable prime overdraft lending rate of the South African banks) and secured over plant that was constructed through a joint venture agreement with PMC (refer note 8). At 31 August 2009 the receivable is not past due or considered impaired.

Amounts due from controlled entities consist of two loans receivable from Metals Finance Australia and Metals Finance Africa. An allowance for impairment has been recognised in relation to the amounts receivable from Metals Finance Australia as there is objective evidence that the receivable is impaired. The amount due from Metals Finance Africa is not past due and is not considered impaired. The maximum exposure to credit risk is the carrying value.

Trade receivables as disclosed below are generally aged on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Indicators of impairment include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. All impairment losses have been provided for.

The ageing of trade receivables at the reporting date was:

Trade Receivables Ageing				
0-30 days	39,749	246,155	-	551,047
31-60 PDNI*	-	-	-	183,081
31-60 CI*	-	-	-	-
61-90 PDNI*	-	-	-	14,620
61-90 CI*	-	-	-	-
+ 91 days PDNI *	-	-	-	-
+ 91 days CI *	-	-	-	-
Total	39,749	246,155	-	748,748

* Past Due Not Impaired ('PDNI')

* Considered Impaired ('CI')

Trade receivables past due but not considered to be impaired at 31 August 2009 are \$Nil for the Consolidated Entity (2008: \$197,701) and \$nil in the Company (2008: \$nil).

There was no impairment or movement in the provision for doubtful debts of trade receivables for the Consolidated Entity for the current or prior period.

All trade receivables are subject to normal terms of trade which provide for settlement within 30 days or are subject to a contractual settlement date within 12 months of year end.

6. OTHER ASSETS**Current:**

Prepaid assets	3,163	3,700	-	-
Deposits	-	10,314	-	10,314
Balance at End of Year	3,163	14,014	-	10,314

Notes to the Financial Statements for the Year Ended 31 August 2009

7. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Leasehold improvements				
At cost	42,905	41,163	42,905	41,163
Accumulated amortisation	(28,036)	(6,601)	(28,036)	(6,601)
Total Leasehold Improvements	14,869	34,562	14,869	34,562
Plant and equipment				
At cost	733,467	726,121	47,639	42,245
Accumulated depreciation	(46,762)	(10,340)	(22,651)	(7,856)
Allowance for impairment ¹	(121,131)	-	-	-
Total Land and Buildings	565,574	715,781	24,988	34,389
Total Property, Plant and Equipment	580,443	750,343	39,857	68,951
Movements During the Year				
Leasehold Improvements:				
Balance at beginning of year	34,562	8,624	34,562	8,624
Additions	1,742	35,867	1,742	35,867
Depreciation	(21,435)	(9,929)	(21,435)	(9,929)
Balance at End of Year	14,869	34,562	14,869	34,562
Plant and Equipment:				
Balance at beginning of year	715,781	76,334	34,389	32,530
Additions	7,303	771,451	5,394	33,521
Depreciation	(36,379)	(132,004)	(14,795)	(31,662)
Impairment ¹	(121,131)	-	-	-
Balance at End of Year	565,574	715,781	24,988	34,389

¹During the year ended 31 August 2008 the Company halted development of the Lucky Break project due to uncertainty over the projects feasibility (refer Note 8). 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 2009 and an impairment loss of \$121,131 was recognised.

8. DEFERRED DEVELOPMENT COSTS

Total Deferred Development Costs	4,958,404	3,318,718	-	-
Movements During the Year				
Balance at beginning of year	3,318,718	139,852	-	-
Rental	-	1,524	-	-
Travel	12,972	28,798	-	-
Supplies	13,504	10,873	-	-
Consulting	447,296	389,574	-	-
Interest	972,041	-	-	-
Equipment (under development)	193,873	2,869,730	-	-
Write-off of deferred costs	-	(121,633)	-	-
Transfer of deferred development costs to receivables ¹	(4,958,404)	-	-	-
Balance at End of Year	-	3,318,718	-	-

Recoverability of the carrying amount of deferred development costs is dependent on the successful development and commercial exploitation of the assets.

Notes to the Financial Statements for the Year Ended 31 August 2009

8. DEFERRED DEVELOPMENT COSTS (continued)*Palabora Project*

Metals Finance Africa Pty Ltd "the Company" entered into a joint venture agreement dated September 5, 2006 ("Joint Venture Agreement") with Palabora Mining Company Limited ("PMC") to assess and if warranted, install a new nickel recovery circuit at the Palabora Mining Company copper refinery in the Republic of South Africa. The Joint Venture Agreement was originally with Muva Metals (PTY) Limited and was subsequently assigned to Metals Finance Africa Pty Ltd June 23 2007.

Under the terms of the original Joint Venture Agreement:

- (i) At the date of the Joint Venture Agreement, the Company had a 60% interest and PMC held a 40% interest. The Company was responsible for funding the Final Evaluation Period and the participants made a decision to proceed to the Development and Operational Phase in April 2007. The Company is responsible for implementation and funding of the commercial treatment facility.
- (ii) PMC is responsible for ensuring supply of Electrolyte Bleed Stream to the operating plant and is also responsible for certain supplies.
- (iii) The Company is also responsible for funding any operational deficits. The Company is entitled to recover its funding of the project (Capex Account balance) from operating cash flows. The Company retains ownership of capital property until 100% of capital costs are recovered at which point the capital property is transferred to PMC.
- (iv) Liabilities of the participants to each other and third parties are several in proportion to their respective joint venture interests and is neither joint nor joint and several.

An Addendum to the Joint Venture Agreement was signed by PMC and Metals Finance Africa Pty Ltd on 13 February 2009 varying the terms of the agreement.

Under the terms of the amended Joint Venture Agreement:

- (i) Ownership of the Operational Plant vests with PMC and the amount accumulated in the Capex Account are owing to the Company from PMC.
- (ii) PMC has also incurred Capital costs in the construction of the plant. These capital amounts shall be included in the total capital costs to be repaid before sharing in the proceeds of the net cash flow available for distribution. The allocation of the surplus of the net cash flow for the repayment of the two Capex accounts will be on a pro rata basis of the Capex Account to PMC and the Company.
- (iii) As owner of the Operational Plant, PMC will be entitled to claim the full wear and tear allowances.

As a result of the new agreement the Deferred Development costs that have been capitalised in Metals Finance Africa Pty Ltd's accounts have been transferred to a receivable from PMC.

9. OTHER FINANCIAL ASSETS

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Investments in controlled entities	-	-	250	250
Other investments – held for trading	-	24,354	-	24,298
Other investments – available for sale	4,322,200	-	4,322,200	-
Total Other Financial Assets	4,322,200	24,354	4,322,450	24,548

(a) Company

Significant investment in subsidiaries:

Name	Formation / Incorporation	Class of Share	Interest Held % ¹	
			2009	2008
Metals Finance Australia	Australia	Ordinary	100	100
Metals Finance Africa	Australia	Ordinary	50	50

All companies have a 31 August balance date.

¹ Percentage of voting power is in proportion to ownership

(b) Consolidated Entity

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

Notes to the Financial Statements for the Year Ended 31 August 2009

	Consolidated Entity		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
10. TRADE AND OTHER PAYABLES				
Current:				
Trade payables	68,034	72,545	-	41,008
Other creditors and accruals	234,759	813,439	252,668	905,664
Total Current Trade and Other Payables	302,793	885,984	252,668	946,672

Trade payables are usually due within 30 days. No interest is charged on the balances paid outside normal terms.

(a) Fair Value

The carrying amounts of payables approximate fair values.

(b) Secured Amounts Payable

None of the payables are secured.

11. INTEREST BEARING LOANS AND BORROWINGS**Current:**

Loan from related party - unsecured	548,855	540,375	-	-
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Non-Current:

Convertible notes	3,500,000	3,500,000	3,500,000	3,500,000
Amount classified as equity	(1,571,630)	(1,571,630)	(1,571,630)	(1,571,630)
Accreted interest	741,757	301,195	741,757	301,195
Carrying amount of the liability at 31 August	2,670,127	2,229,565	2,670,127	2,229,565

Finance lease liabilities - secured	17,709	23,021	-	-
Total Non-Current Interest Bearing Loans and Borrowings	2,687,836	2,252,586	2,670,127	2,229,565

Facilities utilised at balance date:

Loan from related party	548,855	540,375	-	-
Convertible notes	4,241,757	3,801,195	4,241,757	3,801,195
Finance lease facility	17,709	23,021	-	-
	4,808,321	4,364,591	4,241,757	3,801,195

Facilities not utilised at balance date:

Loan from related party	-	-	-	-
Convertible notes	-	-	-	-
Finance lease facility	-	-	-	-
	-	-	-	-

(a) Restrictions as to Use or Withdrawal

There are no restrictions on use or withdrawal of any facilities.

(b) Loans from Related Parties

Amounts due to the Met-Solve related party is unsecured and bears interest at 6% per annum and is repayable upon agreement with the joint venture partner. The amount has arisen as a result of advances from the joint venture partner to the Met-Solve Joint venture for start up costs.

Amounts due to the MFAf related party is unsecured, bears interest at LIBOR and is repayable on a fixed ratio of the joint ventures surplus. Should the joint venture not attain any surpluses or should the Company exit the joint venture, no amounts will be repayable.

(c) Finance Lease Liability (Wholly-Secured)

The finance lease liability is secured over the leased asset being a motor vehicle. The lease expires in November 2012. The effective interest rates is 9.5%

Notes to the Financial Statements for the Year Ended 31 August 2009

11. INTEREST BEARING LOANS AND BORROWINGS (continued)**(d) Convertible Notes**

In October 2007, the Company completed a financing agreement for cash proceeds. The financing consisted of 12% per annum unsecured convertible notes maturing 16 October 2010 with four places. The notes are redeemable at the option of the Company within the first year and are convertible to common shares at the option of the holder after 180 days and prior to the maturity date. The conversion ratio is \$0.50 per share. Upon either conversion or redemption a share option is to be granted to the holder for an additional \$0.50 per share which is exercisable for two years from the issue of the option. The conversion and option feature of the notes has a fair value of \$1,571,630, which was determined using a Black-Scholes valuation model upon the issue of the notes.

The fair value of the conversion feature of the notes has been recorded as an equity component of the notes financing, reducing the amount assigned to the debt component.

(e) Defaults and Breaches

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

12. CONTRIBUTED EQUITY

	Company	
	2009	2008
Issued Capital - Number of shares	73,109,576	73,109,576
Value of Issued Capital	\$ 20,511,496	\$ 20,407,177

Movement in contributed equity during the year:

Share Capital Movements – Consolidated and Parent	2009 Shares	2009 \$	2008 Shares	2008 \$
Fully paid ordinary shares at 1 September	73,109,576	20,407,177	31,215,576	3,816,894
Exercise of warrants ¹	-	-	90,000	13,500
Issued as broker commission ²	-	-	600,000	240,000
Private placement ³	-	-	9,625,000	3,850,000
Initial public offering ⁴	-	-	31,579,000	15,789,500
Effect of change in functional and presentation currency (refer Note 1 (a))	-	-	-	(1,036,742)
Share issue costs	-	104,319	-	(2,265,975)
Total fully paid ordinary shares at 31 August	73,109,576	20,511,496	73,109,576	20,407,177

¹ During the year ended 31 August 2008 the Company issued 90,000 shares on the exercise of warrants for gross proceeds of \$13,500.

² In connection with the private placement (below), the Company issued 600,000 common shares with a market value of \$240,000 as a broker commission.

³ During the year ended 31 August 2008 the Company completed a private placement at \$0.40 per share issuing 9,625,000 shares for gross proceeds of \$3,850,000.

⁴ During the year ended 31 August 2008 the Company completed an IPO at \$0.50 per share, issuing 31,579,000 shares for gross proceeds of \$15,789,000.

(a) 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 Share Holders' Meetings. In the event of winding up of the Company, ordinary share holders rank after all creditors and are fully entitled to any proceeds of liquidation.

(b) 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, the equity portion of convertible notes, reserves and retained losses. 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 group since the prior year.

Notes to the Financial Statements for the Year Ended 31 August 2009

12. CONTRIBUTED EQUITY (continued)**(c) Warrants**

The Company had the following warrants outstanding at year end:

	Company	
	2009	2008
Number of warrants outstanding	3,900,000	3,900,000
Exercise price	\$ 0.265	\$ 0.265
Expiry date	6 March 2010	6 March 2010

(d) Options

The Company grants incentive stock options for the purchase of common shares of the Company to its officers, directors and consultants. The exercise price and vesting terms of the stock options is determined by the Board of Directors of the Company at the time of the grant.

	Company	
	2009	2008
Number of options outstanding	5,100,000	5,100,000
Exercise price	\$ 0.265	\$ 0.265

During the year ended 31 August 2007 3,600,000 options were issued which expire on 3 February 2010 and 1,500,000 options which expire on 6 March 2010. All options were fully vested at the date of the grant.

The fair value of the options granted in the year ended 31 August 2007 has been determined using the Black-Scholes option pricing model using the following assumptions

Risk-free rate	4.25%
Expected life	3 years
Expected volatility	23%
Expected dividends	-

No options were granted or exercised during the year ended 31 August 2009 (2008: nil).

13. RESERVES

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Foreign exchange translation reserve	(28,167)	(8,437)	-	-
Share based payments reserve	74,739	74,739	74,739	74,739
Investment revaluation reserve	2,257,935	-	2,257,935	-
Total Reserves	2,304,507	66,302	2,332,674	74,739
Balance at beginning of year	66,302	74,739	74,739	74,739
Share-based payments	-	-	-	-
Foreign currency translation	(19,730)	(8,437)	-	-
Investment valuation gain/ (loss) recognised	2,257,935	-	2,257,935	-
	2,304,507	66,302	2,332,674	74,739

(c) 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 comprise 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.

Notes to the Financial Statements for the Year Ended 31 August 2009

14. COMMITMENTS**(a) Operating Lease Commitments**

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Future minimum lease payments:				
Within one year	29,769	149,426	89,595	149,426
Later than one year and no later than five years	13,423	126,474	28,000	126,474
	43,192	275,900	117,595	275,900

Operating lease commitments relate to the rental of office premises in Burnaby, British Columbia and Yatala, Queensland.

(b) Finance Lease Payment Commitments

Future minimum lease payments:				
Within one year	-	-	-	-
Later than one year and no later than five years	18,967	28,138	-	-
	18,967	28,138	-	-
Less: Future lease finance charges not provided for in the Financial Statements	(1,258)	(5,117)	-	-
	17,709	23,021	-	-
Present value of minimum lease payments:				
Current (Note 11)	-	-	-	-
Non-current (Note 11)	17,709	23,021	-	-
Total Lease Liability	17,709	23,021	-	-

15. CONTINGENT LIABILITIES

The consolidated entity has no known contingent assets or contingent liabilities at 31 August 2009.

16. NOTES TO THE CASH FLOW STATEMENT**Reconciliation of Net Cash Provided By / (Used In) Operating Activities to Operating Profit after Income Tax**

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Operating profit after income tax	(1,077,434)	(3,841,815)	(5,301,035)	(410,627)
<i>Add / (less) non-cash items:</i>				
Depreciation / amortisation	123,440	141,933	101,855	41,591
Write-off of deferred development costs	-	148,298	-	-
Impairment of receivables from controlled entities	-	-	3,148,848	-
Impairment of property, plant and equipment	121,131	-	-	-
Gain/loss on investments	24,299	18,438	24,299	18,668
Movement in interest payable	532,437	301,195	532,437	301,195
Movement in interest receivable	(834,021)	22,692	69,656	(125,687)
Intercompany revenue	-	-	-	-
Movement in foreign currency reserve	(19,730)	(8,437)	-	-
<i>Change in assets and liabilities</i>				
(Increase) / decrease in trade receivables	(334,082)	-	30,650	(809,399)
(Increase) / decrease in other receivables	-	-	-	-
(Increase) / decrease in other assets	10,851	191,636	10,314	(4,756)
Increase / (decrease) in accounts payable	(4,511)	67,829	(41,006)	185,010
Increase / (decrease) in other payables and accruals	(736,125)	(77,110)	(810,495)	371,465
Net Cash Provided By / (Used In) Operating Activities	(2,193,745)	(3,035,341)	(2,234,477)	(432,540)

Non-cash transactions

In the 2008 financial year there was a share issue of 600,000 fully paid ordinary shares for the payment of broker commission on issue of shares.

Notes to the Financial Statements for the Year Ended 31 August 2009

17. KEY MANAGEMENT PERSONNEL DISCLOSURES**(a) Directors**

The following persons were Directors and key management personnel of the Company during the year:

- G Hill (Chairman, Non-Executive Director);
- W Eades (Non-Executive Director); appointed 17 September 2009
- B Boyes (Non-Executive Director); resigned 16 December 2008
- A Neale (Non-Executive Director); resigned 31 August 2008
- T Treasure (Executive Director and Chief Executive Officer);
- A de Vos (Chief Financial Officer and Company Secretary);
- A Voisin (Former CFO);
- L Heurlin (Executive);
- G Parker (Executive).

(b) Key Management Personnel Compensation

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity. The following table provides the details of all the key management personnel (including Directors) and the nature and amount of the elements of their remuneration for the year ended 31 August 2009:

Key Management Personnel	Year	Short-Term Employee Benefits			Post-Employment	Termination	Total
		Salary & Fees	Bonus	Non-Monetary Benefits	Superannuation	Benefits Severance	
		\$	\$	\$	\$	\$	\$
Directors							
Non-executive Directors							
G Hill	2009	84,753	-	-	-	-	84,753
	2008	54,955	-	-	-	-	54,955
W Eades ¹	2009	47,917	-	-	4,313	-	52,230
	2008	-	-	-	-	-	-
Former							
B Boyes ²	2009	53,970	-	-	-	-	53,970
	2008	60,450	-	-	-	-	60,450
A Neale ³	2009	-	-	-	-	-	-
	2008	216,155	-	-	9,068	309,501	534,724
Executive Director							
T Treasure	2009	178,000	-	-	94,500	-	272,500
	2008	222,912	-	-	17,257	-	240,169
Executives (Other)							
A de Vos	2009	145,000	-	-	18,500	-	163,500
	2008	60,500	-	-	5,446	-	65,946
A Voisin	2009	40,134	-	-	-	-	40,134
	2008	125,483	-	-	4,946	83,216	213,645
L Heurlin	2009	190,000	-	-	17,100	-	207,100
	2008	156,500	-	-	10,505	-	167,005
G Parker	2009	125,771	-	-	-	-	125,771
	2008	53,124	-	-	-	-	53,124
Total	2009	865,545	-	-	134,413	-	999,958
	2008	950,079	-	-	47,222	392,717	1,390,018

¹ W Eades was appointed as Director on 22 September 2008

² B Boyes resigned as Director on 16 December 2008

³ A Neale resigned as Director on 31 August 2008.

The Key Management Personnel are also the five most highly paid Executive Officers of the consolidated entity for the year ended 31 August 2009.

Notes to the Financial Statements for the Year Ended 31 August 2009

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**(c) Loans to Key Management Personnel**

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

(d) Share Holdings of Key Management Personnel at 31 August 2009

Directors	Held at 1 September 2008	Purchased	Received on Exercise of Options	Sales	Other	Held at 31 August 2009
Directors						
G Hill ²	500,000	4,404,350	-	-	-	4,904,350
W Eades	-	-	-	-	-	-
B Boyes	600,000	-	-	-	(600,000) ¹	-
A Neale	2,568,750	-	-	-	(2,568,750) ¹	-
T Treasure ²	2,464,125	244,062	-	-	-	2,708,187
Executives						
A de Vos	610,000	-	-	-	-	610,000
A Voisin	90,000	-	-	-	-	90,000
L Heurlin	-	-	-	-	-	-
G Parker	-	-	-	-	-	-

¹ Number of securities at commencement and / or cessation of employment.

² Held directly and indirectly

(e) Option Holdings of Key Management Personnel at 31 August 2009

Directors	Held at 1 September 2008	Issued as remuneration	Options exercised	Net Change Other	Held at 31 August 2009	Total Vested and Exercisable
Directors						
G Hill	600,000	-	-	-	600,000	600,000
W Eades	-	-	-	-	-	-
B Boyes	600,000	-	-	(600,000) ¹	-	-
A Neale	1,500,000	-	-	(1,500,000) ¹	-	-
T Treasure	1,500,000	-	-	-	1,500,000	1,500,000
Executives						
A de Vos	-	-	-	-	-	-
A Voisin	300,000	-	-	-	-	300,000
L Heurlin	300,000	-	-	-	-	300,000
G Parker	-	-	-	-	-	-

¹ Number of options at commencement and / or cessation of employment.

18. RELATED PARTIES**(a) Transactions with Related Entities****(i) Management Services – Karton Investments Pty Ltd**

Karton Investments Pty. Ltd. ("Karton"), a company controlled by the CEO (T Treasure), provides consulting services to the Company. The cost of these services, aggregating \$24,000 (\$51,326 in 2008) was charged to selling, general and 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.

(ii) Capital Raising Services – Pitt Capital Partners Pty Ltd

Companies which share a common director were paid \$665,844 in 2008 for services during the year ended August 31, 2008, including commissions for raising of funds and advisory services relating to the management of the Company's IPO. The cost of these services was based on normal market rates for the services provided.

Notes to the Financial Statements for the Year Ended 31 August 2009

18. RELATED PARTIES (continued)**(iii) Controlled Entities**

Details of interests in controlled entities are set out in Note 26. Details of dealings with these entities are set out below.

Loans

Interest is not charged on loans between entities within the Consolidated Entity and there are no fixed terms for repayment. As at reporting date the following amounts were owed to the Company by controlled entities:

	Company	
	2009 \$	2008 \$
Metals Finance Australia	1,056,693	3,667,432
Metals Finance Africa	5,293,318	4,621,495
	6,350,011	8,288,927

Loan to Metals Finance Australia

Funds used for exploration and evaluation and development expenditure during the period. The outstanding balance is unsecured and interest free.

Details of movements in the loan are as follows:

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Balance at beginning of year	-	-	3,667,432	2,936,048
Loans advanced	-	-	538,109	731,384
Loan repayments made	-	-	-	-
Interest charged	-	-	-	-
Provision for impairment	-	-	(3,148,848)	-
Balance at End of Year	-	-	1,056,693	3,667,432

Loan to Metals Finance Africa

Funds used for exploration and evaluation and development expenditure during the period. The outstanding balance is unsecured and interest bearing.

Details of movements in the loan are as follows:

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Balance at beginning of year	-	-	4,621,495	525,406
Loans advanced	-	-	641,801	4,010,364
Loan repayments made	-	-	-	-
Interest charged	-	-	30,022	85,725
Balance at End of Year	-	-	5,293,318	4,621,495

(vi) Balances with Related Parties

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

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Interest Bearing Loans and Borrowings:				
Loan from Joint Venture Partners	548,855	540,375	-	-
Trade and Other Receivables				
Due from related parties	160,916	148,068	160,916	148,068

Notes to the Financial Statements for the Year Ended 31 August 2009

19. AUDITOR'S REMUNERATION

	Consolidated Entity		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Audit of the Consolidated Entity				
PKF Chartered Accountants:				
Audit and review of Financial Reports	40,000	-	40,000	-
	40,000	-	40,000	-
Audit of the Consolidated Entity				
KPMG				
Audit and review of Financial Reports	-	126,946	-	126,946
	-	126,946	-	126,946
Non-Audit Services:				
PKF Chartered Accountants:				
Audit of Canadian GAAP to AIFRS conversion	5,000	-	5,000	-
Other assurance services	2,190	-	-	-
Taxation services	9,115	-	-	-
	16,305	-	5,000	-
Non-Audit Services:				
KPMG				
Due diligence services	-	3,847	-	3,847
Taxation services	-	4,822	-	4,822
	-	8,669	-	8,669

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise deposits with banks, accounts receivable and payable, loans to subsidiaries, convertible notes and finance leases. 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 Metals Finance Limited, the Company. 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.

(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 obligations, and arises on floating debt rate. The Consolidated Entities' exposure to market interest rates relates primarily to long-term debt obligations. The level of debt is disclosed in Note 16.

At balance 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:

	Consolidated Entity		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Financial Assets:				
Cash assets	8,225,139	13,066,288	8,161,914	12,868,155
Receivable from Palabora Mining Company	4,958,404	-	-	-
Due from controlled entities	-	-	5,293,317	4,621,494
	13,183,543	13,066,288	13,455,231	17,489,649
Financial Liabilities:				
Loans from joint venture partners	548,855	540,375	-	-
	548,855	540,375	-	-

Notes to the Financial Statements for the Year Ended 31 August 2009

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points 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 balance sheet date.

At 31 August 2009, 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:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009 \$	2008 \$	2009 \$	2008 \$
Consolidated Entity				
+1.00% (100 basis points)	126,347	125,259	126,347	125,259
-1.00% (100 basis points)	(126,347)	(125,259)	(126,347)	(125,259)
Company				
+1.00% (100 basis points)	134,552	174,896	134,552	174,896
-1.00% (100 basis points)	(133,552)	(174,896)	(133,552)	(174,896)

(b) Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the home currency in which they are reported. At 31 August 2009, the Consolidated Entity had the following exposure to foreign currency:

	Consolidated Entity		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Financial Assets:				
Cash and cash equivalents	4,071	170,035	-	-
Trade and other receivables	39,749	-	5,293,317	4,621,494
Receivable from Palabora Mining Company	4,958,404	-	-	-
Other financial assets	-	-	-	-
	5,002,224	170,035	5,293,317	4,621,494
Financial Liabilities:				
Trade and other payables	21,222	70,591	-	-
Loan from Joint Venture Partners	548,855	540,375	-	-
	570,077	610,966	-	-

Exchange rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the exchange rates at reporting date had been 10% basis 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 balance sheet date:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009 \$	2008 \$	2009 \$	2008 \$
Consolidated Entity				
+ 10.00%	443,214	(44,093)	443,214	(44,093)
-10.00%	(443,214)	44,093	(443,214)	44,093
Company				
+ 10.00%	529,332	462,149	529,332	462,149
-10.00%	(529,332)	(462,149)	(529,332)	(462,149)

Notes to the Financial Statements for the Year Ended 31 August 2009

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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.

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. Exposure at balance date is addressed in each applicable note.

In addition, 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 2009 the consolidated entity had a concentration of credit risk relating to cash deposits totaling \$8,225,139 (2008: \$13,066,288). The consolidated entity also had a concentration of credit risk in relation to a receivable from Palabora Mining Company amounting to \$4,958,404 (2008: \$nil)

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 2009. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	Consolidated Entity		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
6 months or less	302,793	885,984	252,668	946,672
6-12 months	548,855	540,375	-	-
1-2 years	4,241,757	-	4,241,757	-
2-5 years	18,967	3,829,333	-	3,801,195
Over 5 years	-	-	-	-
	5,112,372	5,255,692	4,494,425	4,747,867

Contractual maturity analysis of financial liabilities:

	≤ 6 months \$	6-12 months \$	1-2 years \$	2-5 years \$	5+ years \$	2009 Total \$
Consolidated Entity						
Financial Liabilities:						
Payables	302,793	-	-	-	-	302,793
Loan from Joint Venture Partners	-	548,855	-	-	-	548,855
Convertible notes	-	-	4,241,757	-	-	4,241,757
Finance leases	-	-	-	18,967	-	18,967
	302,793	548,855	4,241,757	18,967	-	5,112,372
Company						
Financial Liabilities:						
Payables	252,668	-	-	-	-	252,668
Convertible notes	-	-	4,241,757	-	-	4,241,757
	252,668	-	4,241,757	-	-	4,494,425

Notes to the Financial Statements for the Year Ended 31 August 2009

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	≤ 6 months \$	6-12 months \$	1-2 years \$	2-5 years \$	5+ years \$	2008 Total \$
Consolidated Entity						
Financial Liabilities:						
Payables	885,984	-	-	-	-	885,984
Loan from Joint Venture Partners	-	540,375	-	-	-	540,375
Convertible notes	-	-	-	3,801,195	-	3,801,195
Finance leases	-	-	-	28,138	-	28,138
	885,984	540,375	-	3,829,333	-	5,255,692

Company						
Financial Liabilities:						
Payables	946,672	-	-	-	-	946,672
Convertible notes	-	-	-	3,801,195	-	3,801,195
	946,672	-	-	3,801,195	-	4,747,867

(e) Price Risk

The Consolidated Entity's exposure to equity 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 2009, the Consolidated Entity had the following exposure to price risk:

	Consolidated Entity		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Held for Trading: Marketable Securities	-	24,354	-	24,298
Available-for-Sale Investments	4,322,200	-	4,322,200	-
	4,322,200	24,354	4,322,200	24,298

At 31 August 2009, the movement in equity securities price risk, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009 \$	2008 \$	2009 \$	2008 \$
Consolidated Entity				
+ 10.00%	-	2,435	432,220	2,435
-10.00%	-	(2,435)	(432,220)	(2,435)
Company				
+ 10.00%	-	2,430	432,220	2,430
-10.00%	-	(2,430)	(432,220)	(2,430)

(f) Fair Value

The carrying amount of the Consolidated Entity's and Company's Financial Assets and Financial Liabilities approximate their fair value.

Fair value of the 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.

Notes to the Financial Statements for the Year Ended 31 August 2009

21. SEGMENT INFORMATION

The Consolidated Entity operates primarily in three operating locations, Canada, Australia and South Africa, although the closure of the Canadian office had an effect on the recording period revenue and expenses which has been included for disclosure purposes.

Geographical information is as follows:

	Canada 2009 \$	Australia 2009 \$	South Africa 2009 \$	Consolidated 2009 \$
Revenue:				
Revenue from outside the Consolidated Entity	-	791,542	1,411,151	2,202,693
Other unallocated revenue	-			-
Revenue from Ordinary Activities				2,202,693
Result:				
Segment result	-	(2,337,353)	719,433	(1,617,920)
Profit from ordinary activities before income tax				(1,617,920)
Income tax benefit				540,488
Net Loss	-			(1,077,432)
Depreciation and amortisation	-	117,177	6,263	123,440
Assets:				
Segment assets	-	13,858,168	5,028,361	18,886,529
Unallocated corporate assets				-
Consolidated Total Assets				18,886,529
Liabilities:				
Segment liabilities	-	2,965,728	556,127	3,521,855
Unallocated corporate liabilities	-			-
Consolidated Total Liabilities				3,521,855
Acquisition of property, plant and equipment	7,502	-	1,543	9,045
	Canada 2008 \$	Australia 2008 \$	South Africa 2008 \$	Consolidated 2008 \$
Revenue:				
Revenue from outside the Consolidated Entity	1,075,176	16,899	14,514	1,106,589
Other unallocated revenue	-	-	-	-
Revenue from Ordinary Activities				1,106,589
Result:				
Segment result	(410,627)	(2,857,110)	(574,078)	(3,841,815)
Profit from ordinary activities before income tax expense				(3,841,815)
Income tax expense				-
Net Profit				(3,841,815)
Depreciation and amortisation	41,591	97,889	2,453	141,933
Assets:				
Segment assets	13,558,903	681,462	3,520,534	17,760,899
Unallocated corporate assets				-
Consolidated Total Assets				17,760,899
Liabilities:				
Segment liabilities	3,176,237	15,607	487,101	3,678,945
Unallocated corporate liabilities	-	-	-	-
Consolidated Total Liabilities				3,678,945
Acquisition of property, plant and equipment	780,755	-	26,563	807,318

Notes to the Financial Statements for the Year Ended 31 August 2009

22. SUBSEQUENT EVENTS

Metals Finance Limited appointed as from 7 October 2009 two new independent non-executive Directors, Richard Stacy Anthon (Rick Anthon) and Michael John Gunn (Mike Gunn).

Subsequent to year end the share price of Bass Metals Limited (ASX code: BSM) increased from 20 cents a share at 31 August 2009 to approximately 31 cents a share at the date these accounts are approved. This would result in a material increase in value of the Company's investment by approx \$2,377,210. The investment is classified as an 'available-for-sale' financial instrument and movements in the value of the investment are taken directly to equity.

There has not arisen in the interval between the end of the financial year and the date of this Report other than the appointment of two new Directors and the increase in the Bass Metals financial instrument, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

23. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ('AIFRS')*AASB 128: Investments in Associates*

The Met-Solve Laboratories Inc ("Met-Solve") was previously treated as a joint venture and accounted for using the proportionate consolidation method whereby the Company's proportionate share of the assets and liabilities and the related revenues and expenses are included in the consolidated financial statements. The investment in Met-Solve will not be treated as a joint venture under AIFRS as there is no "joint control" as defined by 'AASB 131 Interest in Joint Ventures'. Under AIFRS the Met-Solve investment will be treated as an Associate and accounted for using the Equity Method as prescribed by AASB 128. Under the Equity Method the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. The effect of this change on equity, retained earnings and profits is immaterial.

AASB 127 Consolidated and Separate Financial Statements:

Under CGAAP Metals Finance Africa (Pty) Ltd ("MFA") had been determined to be a 'variable interest entity' and was therefore fully consolidated. While the 'variable interest entity' concept is not present under AIFRS it has been determined that Metals Finance Corp. has the power to govern the financial and operating policies of MFA so as to obtain benefits from its activities and therefore has 'control' over MFA as defined by AASB 127. As a result MFA has been fully consolidated in these financial statements and there is no material change to equity retained earnings or profits.

AASB 132 Financial Instruments – Presentation and AASB 139 Financial Instruments - Recognition and Measurement:

Effective 1 September 2007, the Company adopted CICA Handbook Section 3955, Financial Instruments – Recognition and Measurement and Section 3861 Financial Instruments – Disclosure and Presentation. As a result the recognition and measurement of the Company's investment in stock options (classified as held-for-trading) and the recognition and measurement of the Company's convertible notes (considered a compound financial instrument with the carrying amount allocated to its equity and liability components) were treated in accordance with AIFRS.

Reconciliation of total equity, retained earnings, profit after tax and cash flow statement presented under CGAAP to that under AIFRSs

There were no material impacts of adopting AIFRSs on the total equity, retained earnings, profit after tax or the cash flow statement as reported under Canadian Generally Accepted Accounting Principles.

24. CORRECTION OF ERROR

An error in the valuation of the options attached to the convertible notes on issue resulted in the equity portion of the notes being overstated by \$568,540 and the liability portion being understated by the same amount.

This error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

25. 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.

Directors' Declaration

The Directors of Metals Finance Limited declare that:

- (a) in the Directors' opinion the financial statements and notes on pages 12 to 39, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 8 to 10, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company and Consolidated Entity's financial position as at 31 August 2009 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- (c) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 'Related Party Disclosures,' the Corporations Act 2001 and the Corporations Regulations 2001; and
- (d) 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 Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 August 2009, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.



Director

Dated at Brisbane, 27th October 2009



Chartered Accountants
& Business Advisers

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 balance sheet as at 31 August 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Metals Finance Limited and the consolidated entity. The consolidated entity comprises Metals Finance Limited 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 Metals Finance Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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.

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Auditor's 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 Company's and the Consolidated Entity's financial position as at 31 August 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 8 to 10 of the directors' report for the year ended 31 August 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Metals Finance Limited for the period ended 31 August 2009, complies with section 300A of the *Corporations Acts 2001*.



PKF



Albert Loots
Partner

Dated at Brisbane this 27th day of October 2009.

SHAREHOLDER INFORMATION

The information set out below was prepared as at 27 October 2009.

(A) Class of Shares and Voting Rights

There are currently 550 holders of Ordinary shares of the Company. The voting rights attaching to the Ordinary shares set out in article 4 and 10 of the Company's Constitution are:

- (a) on a show of hands, each natural person present at a General Meeting who is a voting member or a proxy (other than a person who is present only as one of two proxies appointed by the same member), representative or attorney appointed by a voting member has one vote; and
- (b) on a poll, each natural person present at a General Meeting has the number of votes calculated as the aggregate of the following:
 - (i) the number of fully paid shares held by the person;
 - (ii) the number of fully paid shares in respect of which voting members holding those shares have appointed the person as proxy, representative or attorney.

(B) Distribution of Shareholders

Category	Number of Shareholders	Number of Shares	Percentage of Total Shares
1 - 1,000	8	780	0.001 %
1,001 - 5,000	61	247,427	0.338 %
5,001 - 10,000	88	818,325	1.119 %
10,001 - 100,000	283	12,703,568	17.376 %
100,001 and over	110	59,339,476	81.165 %
	550	73,109,576	100 %

The number of shareholders holding less than a marketable parcel as at 27 October 2009 is 8. They hold a total of 780 shares.

(C) Substantial Shareholders

The name and number of shares held by substantial shareholders listed in the Company's register of substantial shareholders advised to the Australian Securities Exchange are:

Shareholder	Ordinary Shares and %
PROTO RESOURCES & INVESTMENTS LTD	4,215,672 5.766 %
H F T NOMINEES PTY LTD	4,204,350 5.751 %

(D) Largest Twenty Shareholders

NAME	Number of Shares Held	Percentage of Total Shares
1. PROTO RESOURCES & INVESTMENTS LTD	4,215,672	5.766 %
2. H F T NOMINEES PTY LTD	4,204,350	5.751 %
3. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,173,375	4.341 %
4. RYAHED PTY LTD	2,600,000	3.556 %
5. ECLECTIC INVESTMENTS PTY LIMITED	1,900,000	2.599 %
6. MR ANDREW NEALE	1,786,125	2.443 %
7. MR PATRICK ANTHONY TREASURE	1,762,500	2.411 %
8. BLUMOS S A	1,500,000	2.052 %
9. MR GEOFFREY LORD & MRS NANETTE LORD & MR RONALD PECK	1,500,000	2.052 %
10. MARLEY HOLDINGS PTY LTD	1,500,000	2.052 %
11. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,440,000	1.970 %
12. MESUTA PTY LTD	1,434,627	1.962 %
13. SVEN FOLKE INGEMAR HEURLIN	1,200,000	1.641 %
14. MR JAMES P FORREST	1,112,375	1.522 %
15. CARMANT PTY LTD	961,166	1.315 %
16. MR PETER JOUGHIN	900,000	1.231 %
17. NATIONAL NOMINEES LIMITED	886,050	1.212 %
18. MR RICHARD BARTON FORREST & MRS ANNE FORREST	875,573	1.198 %
19. SUSAN KENNEDY	875,572	1.198 %
20. ANZ NOMINEES LIMITED	800,000	1.094 %

The total number of shares on issue at

(E) On-market Buy Back

There is no current on-market buy back.

(F) Securities Exchange

The Company's Ordinary shares are listed on the Australian Securities Exchange and trade under the ASX code: MFC. The Company's home exchange is Brisbane.