



Metals Finance Limited

(ABN 83 127 131 604)

and its Controlled Entities

**Consolidated Interim Financial Report
for the six months ended 28 February 2010**

CONTENTS

| | |
|--|----|
| Directory | 2 |
| Directors' Report | 3 |
| Auditor's Independence Declaration | 4 |
| Consolidated Interim Statement of Comprehensive Income | 5 |
| Consolidated Interim Balance Sheet | 6 |
| Consolidated Interim Statement of Changes in Equity | 7 |
| Consolidated Interim Cash Flow Statement | 8 |
| Notes to the Consolidated Interim Financial Report | 9 |
| Directors' Declaration | 13 |
| Independent Auditor's Review Report | 14 |

DIRECTORY**CORPORATE INFORMATION****Registered Office**

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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)
Rick Anthon (Non-Executive Director)
Mike Gunn (Non-Executive Director)

Principal Office

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

Solicitors

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

Company Secretaries

Ian Morgan
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

Auditor

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

Investor enquires

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DIRECTORS' REPORT

The Directors of Metals Finance Limited ("MFC" or "the Company") present their report for the half-year ended 28 February 2010. The Directors report as follows:

Directors

The names of the Directors of the Company during the half-year and up to the date of this report are:

Name

| | |
|---------------------------------------|----------------------|
| Geoff Hill (Chairman) | Appointed 18/10/2007 |
| Tony Treasure (Executive Director) | Appointed 20/08/2003 |
| Rick Anthon (Non-Executive Director) | Appointed 7/10/2009 |
| Mike Gunn (Non-Executive Director) | Appointed 7/10/2009 |
| Warren Eades (Non-Executive Director) | Resigned 18/12/2009 |

Background

Metals Finance Limited specialises in providing a combination of financing and technical skills for the development of small to medium scale metal recovery projects around the world. The Company's primary targets are those opportunities which, even during an upturn in world metal markets, may be too small, complex or unusual to easily attract the funding and high level technical input required to ensure their successful development. Metals Finance Limited (ASX Code: MFC) was listed on the ASX on 20 December 2007. The Company is also an investor in projects and Companies that operate in or have similar characteristics to the Company's business plan.

Review and Results of Operations

The consolidated net loss after income tax for the half-year ended 28 February 2010 was \$1,737,562 (2009: \$403,032).

State of Affairs

There has been no significant change in the Company's state of affairs during the reported period. During the period Metals Finance:

- Completed a detailed feasibility study on the Chambishi tailings project in Zambia
- Continued feasibility studies on the Lucky Break nickel project in North Queensland
- Commenced leach test work on nickel ore samples from the Barnes Hill laterite project in Tasmania
- Continued providing technical assistance and support for the Palabora project in South Africa
- The Company has entered into ongoing discussions with PMC with a view to improving the performance of the plant and the possible restructuring of joint venture arrangements
- Disposed of its interest in the Met-Solve mineral testing laboratory in Canada

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The auditor's independence declaration pursuant to Section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the Board of Directors.



Tony Treasure
Executive Director

Brisbane

23rd April 2010



Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

As lead auditor for the review of Metals Finance Limited for the half-year ended 28 February 2010, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF

Albert Loots
Partner

Dated at Brisbane this 23rd day of April 2010

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Consolidated Interim Statement of Comprehensive Income for the Half-Year Ended 28 February 2010

| | Consolidated Entity | |
|---|----------------------------|------------------|
| | Half-Year Ended | |
| | 28 February 2010 | 28 February 2009 |
| | \$ | \$ |
| Consulting revenue | 79,480 | 516,156 |
| Interest received | 437,684 | 999,918 |
| Rental income | 20,801 | - |
| | 537,965 | 1,516,074 |
| Employee expenses | (602,980) | (693,818) |
| Project costs | (127,772) | (32,200) |
| Depreciation and amortisation expense | (26,969) | (69,160) |
| Foreign exchange gain/(loss) - unrealised | (332,686) | (49,850) |
| Finance costs | (539,914) | (336,625) |
| General administration expenses | (645,151) | (713,154) |
| Loss on investment - realised | (55) | (24,299) |
| Loss before income tax benefit | (1,737,562) | (403,032) |
| Income tax benefit | - | - |
| Loss after income tax | (1,737,562) | (403,032) |
| Other comprehensive income | | |
| Foreign currency translation differences for foreign operations | 57,771 | 123,985 |
| Gain on available for sale financial assets | 120,061 | - |
| Income tax on other comprehensive income | - | - |
| Total other comprehensive income, net of tax | 177,832 | 123,985 |
| Total comprehensive income | (1,559,730) | (279,047) |
| | Cents per share | Cents per share |
| Loss per Share: | | |
| Basic loss | (2.38) | (0.55) |
| Diluted loss | (2.38) | (0.55) |

The Consolidated Interim Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

Consolidated Interim Balance Sheet as at 28 February 2010

| | Note | Consolidated Entity | |
|---------------------------------------|------|---------------------|-------------------|
| | | 28 February 2010 | 31 August 2009 |
| | | \$ | \$ |
| Current Assets: | | | |
| Cash and cash equivalents | | 6,474,353 | 8,225,139 |
| Trade and other receivables | | 46,594 | 636,264 |
| Other | | 950 | 3,163 |
| Total Current Assets | | 6,521,897 | 8,864,566 |
| Non-Current Assets: | | | |
| Trade and other receivables | | 5,114,576 | 5,119,320 |
| Property, plant and equipment | | 561,730 | 580,443 |
| Other financial assets | | 5,546,823 | 4,322,000 |
| Total Non-Current Assets | | 11,223,129 | 10,021,763 |
| Total Assets | | 17,745,026 | 18,886,529 |
| Current Liabilities: | | | |
| Trade and other payables | | 287,257 | 302,793 |
| Interest bearing loans and borrowings | | 3,529,932 | 548,855 |
| Total Current Liabilities | | 3,817,189 | 851,648 |
| Non-Current Liabilities: | | | |
| Interest bearing loans and borrowings | | - | 2,687,836 |
| Total Non-Current Liabilities | | - | 2,687,836 |
| Total Liabilities | | 3,817,189 | 3,539,484 |
| Net Assets | | 13,927,837 | 15,347,045 |
| Equity: | | | |
| Contributed equity | 4 | 20,511,496 | 20,511,496 |
| Reserves | | 2,622,861 | 2,304,507 |
| Equity component of convertible notes | | 1,571,630 | 1,571,630 |
| Accumulated losses | | (10,778,150) | (9,040,588) |
| Total Equity | | 13,927,837 | 15,347,045 |

Consolidated Interim Statement of Changes in Equity for the Half-Year Ended 28 February 2010

| | Note | Share Capital \$ | Reserves \$ | Convertible Notes \$ | Accumulated Losses \$ | Total \$ |
|---|------|------------------------|------------------|----------------------------|-----------------------------|-------------------|
| Balance at 1 September 2008 | | 20,407,177 | 66,302 | 1,571,630 | (7,963,155) | 14,081,954 |
| Comprehensive income | | | | | | |
| Loss after income tax | | - | - | - | (403,032) | (403,032) |
| Other comprehensive income, net of tax | | - | 123,985 | - | - | 123,985 |
| Balance at 28 February 2009 | | 20,407,177 | 190,287 | 1,571,630 | (8,366,187) | 13,802,907 |
| Balance at 1 September 2009 | | 20,511,496 | 2,304,507 | 1,571,630 | (9,040,588) | 15,347,045 |
| Transactions with owners in their capacity as owners | | | | | | |
| Share-based payment expense | 8 | - | 140,522 | - | - | 140,522 |
| Comprehensive income | | | | | | |
| Loss after income tax | | - | - | - | (1,737,562) | (1,737,562) |
| Other comprehensive income, net of tax | | - | 177,832 | - | - | 177,832 |
| Balance at 28 February 2010 | | 20,511,496 | 2,622,861 | 1,571,630 | (10,778,150) | 13,927,837 |

The Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

Consolidated Interim Cash Flow Statement for the Half-Year Ended 28 February 2010

| | Consolidated Entity | |
|--|----------------------------|--------------------|
| | Half-Year Ended | |
| | 28 February 2010 | 28 February 2009 |
| | \$ | \$ |
| Cash Flows from Operating Activities: | | |
| Cash receipts in the course of operations | 694,641 | 95,702 |
| Interest received | 437,684 | 427,772 |
| Cash payments in the course of operations | (1,522,389) | (1,962,555) |
| Finance costs paid | (213,008) | (216,086) |
| Net Cash Used In Operating Activities | <u>(603,072)</u> | <u>(1,655,167)</u> |
| Cash Flows from Investing Activities: | | |
| Payments for property plant and equipment | (9,487) | (9,613) |
| Payments for deferred development expenditure | - | (345,219) |
| Payments for investments | (1,104,562) | (1,864,265) |
| Proceeds from sale of investments | - | - |
| Net Cash Used In Investing Activities | <u>(1,114,049)</u> | <u>(2,219,097)</u> |
| Cash Flows from Financing Activities: | | |
| (Repayments) / Proceeds of loans | (31,009) | 350,372 |
| Principal repayment - finance leases | (2,656) | (2,656) |
| Net Cash (Used In) / Provided By Financing Activities | <u>(33,665)</u> | <u>347,716</u> |
| Net decrease in cash and cash equivalents | (1,750,786) | (3,526,548) |
| Cash and cash equivalents at beginning of financial period | 8,225,139 | 13,066,288 |
| Cash and Cash Equivalents at End of Financial Period | <u>6,474,353</u> | <u>9,539,740</u> |

The Consolidated Interim Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES

Metals Finance Limited is a public company incorporated and domiciled in Australia.

The Interim Financial Report for the half-year ended 28 February 2010 consists of the financial statements of Metals Finance Limited (**Company**) and its Controlled Entities (**Consolidated Entity**). The Company's shares are traded on the Australian Securities Exchange (ASX).

(a) Basis of Preparation

This Interim Financial Report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 "Interim Financial Reporting".

This financial report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this report be read in conjunction with the Consolidated Entity's annual report for the year ended 31 August 2009 (MFC Annual Report 2009) and any public announcements made by the Company during the half-year, in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

This financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing this report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of this financial report are consistent with those adopted and disclosed in the MFC Annual Report 2009, with the exception of new accounting standards and interpretations adopted below.

(b) New Accounting Standards and Interpretations

When the adoption of the Standard or Interpretation is deemed to have a material impact on the financial statements or performance of the group, its impact is described below:

AASB 101 'Presentation of Financial Statements'

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Consolidated Entity has elected to present one statement.

AASB 8 'Operating Segments'

This standard is applicable to annual reporting periods commencing on or after 1 January 2009. The change from the previous standard (AASB 14 'Segment Reporting') to this standard has resulted in changes as outlined in Note 2 to the Interim Financial Statements.

Notes to the Interim Financial Report (continued)

2. SEGMENT REPORTING

The Company has identified the operating segments based on internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments identified are based on geographical location, different risk profiles and performance assessment criteria. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

As at 28 February 2010, the Consolidated Entity was operating primarily in two reportable segments being the resource industry and specifically metals recovery and production in Australia and South Africa. The closure of the Canadian office had an effect on the revenue and expenses in the prior period and has been included for disclosure purposes.

Reportable segment information is as follows:

| Half-Year Ended 28 February 2010 | Canada | Corporate | Australia | South Africa | Consolidated |
|---|---------------|------------------|------------------|---------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue: | | | | | |
| Revenue from outside the Consolidated Entity | - | | - | 315,733 | 315,733 |
| Other revenue | - | 222,233 | | - | 222,233 |
| Revenue from Ordinary Activities | - | 222,233 | | 315,733 | 537,965 |
| Result: | | | | | |
| Segment result | - | (1,243,782) | (99,683) | (394,097) | (1,737,562) |
| Loss from ordinary activities before income tax | - | (1,243,782) | (99,683) | (394,097) | (1,737,562) |
| Income tax | | | | | - |
| Net Loss | | | | | (1,737,562) |

| Half-Year Ended 28 February 2009 | Canada | Corporate | Australia | South Africa | Consolidated |
|---|---------------|------------------|------------------|---------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue: | | | | | |
| Revenue from outside the Consolidated Entity | 44,548 | | - | 412,336 | 456,884 |
| Other revenue | - | 1,059,190 | | - | 1,059,190 |
| Revenue from Ordinary Activities | 44,548 | 1,059,190 | - | 412,336 | 1,516,074 |
| Result: | | | | | |
| Segment result | (523,107) | (2,124) | - | 122,199 | (400,908) |
| Loss from ordinary activities before income tax | (523,107) | (2,124) | | 122,199 | (403,032) |
| Income tax | | | | | - |
| Net Loss | | | | | (403,032) |

3. DIVIDENDS

During the half year, no dividends were paid or provided for (2009 \$Nil).

4. ISSUED CAPITAL

| | 28 Feb 2010 | 31 Aug 2009 |
|-----------------------------------|----------------------|----------------------|
| Issued Capital - Number of shares | <u>73,109,576</u> | <u>73,109,576</u> |
| Value of Issued Capital | <u>\$ 20,511,496</u> | <u>\$ 20,511,496</u> |

5. CONTROLLED ENTITIES**Company**

Significant investment in subsidiaries:

| Name | Formation / Incorporation | Class of Share | Interest Held % | |
|----------------------------------|------------------------------|----------------|-----------------|----------|
| | | | Feb 2010 | Aug 2009 |
| Metals Finance Australia Pty Ltd | Australia | Ordinary | 100 | 100 |
| Metals Finance Africa Pty Ltd | Australia | Ordinary | 50 | 50 |

(b) Consolidated Entity

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

6. CONTINGENT LIABILITIES

The Consolidated Entity has no known contingent assets or contingent liabilities at 28 February 2010.

7. SUBSEQUENT EVENTS

There has not arisen between the end of the financial half-year and the date of this Report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of these operations, or the state of affairs of the Consolidated Entity, in future financial periods.

8. SHARE BASED PAYMENT RESERVE

| | \$ | \$ |
|---|----------------|---------------|
| Opening balance | 74,738 | 74,738 |
| Options issued under Employee Share Option Plan | <u>140,522</u> | <u>-</u> |
| Closing balance | <u>215,260</u> | <u>74,738</u> |

The options reserve records items recognised as expenses on valuation of options issued.

Employee Share Option Plan (ESOP)

The terms and conditions of the grants made during the six months ended 28 February 2010 are as follows:

Series 1 Options

On 18 January 2010, 2,000,000 share options were issued pursuant to the results of the Annual General Meeting dated 18 December 2009, with an exercisable price of \$0.25 to employees and directors under the ESOP exercisable any time up to 31 January 2013

Series 2 Options

On 18 January 2010, 2,000,000 share options were issued pursuant to the results of the Annual General Meeting dated 18 December 2009, with an exercisable price of \$0.30 to employees and directors under the ESOP exercisable any time up to 31 January 2013.

Notes to the Interim Financial Report (continued)

8. SHARE BASED PAYMENT RESERVE (continued)*Fair Value of Share Options*

The fair value of share options was valued using a Black-Scholes option pricing model incorporating factors such as: number of shares granted, exercise price, expected life, company share price volatility and the risk-free interest rate.

The value of the options was calculated by using the Black-Scholes pricing model applying the inputs shown below:

| <i>Inputs into pricing model</i> | <i>Series</i> | |
|--|----------------------|-----------------|
| | <i>1</i> | <i>2</i> |
| <i>Exercise price</i> | \$0.25 | \$0.30 |
| <i>Share price at grant date</i> | \$0.12 | \$0.12 |
| <i>Life of the options</i> | 3 yrs | 3 yrs |
| <i>Underlying share price volatility</i> | 86.00% | 86.00% |
| <i>Expected dividends</i> | <i>Nil</i> | <i>Nil</i> |
| <i>Risk free interest rate</i> | 5.50% | 5.50% |

Directors' Declaration for the half year ended 28 February 2010

The directors of Metals Finance Limited declare that:

- (a) in the directors' opinion the financial statements and notes set out on pages 5 to 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 28 February 2010 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and Corporations Regulations 2001.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink that reads "P. A. Treasure" with a long horizontal flourish extending to the right.

Tony Treasure
Executive Director

Brisbane

23rd April 2010



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metals Finance Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metals Finance Limited, which comprises the consolidated balance sheet as at 28 February 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Metals Finance Limited and the entities it controlled at 28 February 2010 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 28 February 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metals Finance Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Metals Finance Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 28 February 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF



Albert Loots
Partner

Dated at Brisbane this 23rd of April 2010