



# **Metals Finance Limited**

(ABN 83 127 131 604)

and its Controlled Entities

## **Appendix 4E**

For the twelve months ended

31 August 2010

**METALS FINANCE LIMITED**  
 ABN 127 131 604  
**PRELIMINARY ANNUAL REPORT – 31 AUGUST 2010**

Appendix 4E

## Appendix 4E

### Preliminary Final Report - 31 August 2010

Name of Entity:	<b>Metals Finance Limited</b> ABN 83 127 131 604
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#### 1. Details of the reporting period

Current Period:	1 September 2009 - 31 August 2010
Previous corresponding period:	1 September 2008 - 31 August 2009

#### 2. Results for announcement to the market

				31 Aug 2010 \$
2.1 Revenues from ordinary activities (Aug 2009 - \$ 643,882 )	<b>down</b>	74.9%	to	161,531
2.2 Profit / (Loss) from ordinary activities after tax attributable to members (Aug 2009 - \$ (3,152,432))	<b>up</b>	22.6%	to	(3,865,211)
2.3 Net Profit / (Loss) attributable to members (Aug 2009 - \$ (1,077,433))	<b>up</b>	172.0%	to	(2,930,928)
2.4 Dividends	Amount per security		Franked amount per security	
Interim dividend	Nil		Nil	
Final dividend	Nil		Nil	
2.5 Record date for determining entitlements to dividends				N/A

**METALS FINANCE LIMITED**  
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**3. Net tangible assets per security**

	<b>31 August 2009</b>	<b>31 August 2010</b>
Net tangible assets per share (cents)	21.0	15.7

**4. Control gained or lost over entities during the period**

Control gained:

MFCH Pte Ltd - 100% held by Metals Finance Limited and incorporated in Singapore on 27 April 2010

**5. Details of dividends / distributions**

5.1 Date dividend / distribution is payable

N/A

5.2 Record date to determine entitlements to the dividend / distribution

N/A

5.3 Final dividend

Current year

Previous year

5.4 Interim dividend

Current year

Previous year

Amount per security	Franked amount per security at 30%tax	Amount per security of foreign source dividend	Date of payment
N/A	N/A	N/A	
N/A	N/A	N/A	
N/A	N/A	N/A	
N/A	N/A	N/A	

**6. Details of dividend reinvestment plan**

N/A

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## **7. Details of associates and joint venture entities**

Metals Finance Limited has the following associates and joint venture (incorporated and unincorporated) entities included in its accounts:

- PMC Joint Venture (60%)
- Lucky Break joint venture (50%)
- Chambishi Metals (PLC) joint venture (50%)
- Barnes Hill joint venture (50%)

## **8. Accounting standards used by foreign entities**

AIFRS has been used for the annual reporting purposes

## **9. Qualification of audit / review**

N/A

## **10. Subsequent Events**

At 31 August 2010 Metal Finance's investment in Bass Metals Limited of 26,413,445 shares was recorded at \$0.165 per share, representing the closing share price on that date. This equated to an investment of \$4,358,218. (Please refer to Note 9 of the Preliminary Annual Report).

Subsequent to year end the share price of Bass Metals Limited has increased and at the date of this report is trading at approximately \$0.30. As a result Metals Finance's investment has increased by \$3,565,815 to a total value of approximately \$7,924,033.

The repayment of the convertible notes on 18 October 2010 to the value of \$3,500,000 excluding an interest portion of \$107,700, both were paid out of existing cash reserves. The effect after year end to the Consolidated Entity was a reduction of a \$3,500,000 liability and similar reduction in current assets. None of the convertible notes were converted to shares at a conversion rate of 50 cents for each share. All related options attached to each note converted lapsed as none of the convertible notes were converted into shares.

**METALS FINANCE LIMITED**  
ABN 127 131 604  
**PRELIMINARY ANNUAL REPORT – 31 AUGUST 2010**

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**11. Compliance Statement**

- 1 This report has been prepared under AIFRS accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to the ASX
- Identify other standards used: N/A
- 2 This report and the accounts upon which the report is based (if separate), use the same accounting policies
- 3 This report does give a true and fair view of the matters disclosed
- 4 This report is based on accounts to which one of the following applies:
- The accounts have been audited
- The accounts are in the process of being audited
- The accounts have been subject to review
- The accounts have not yet been audited or reviewed
- 5 If the audit report or review by the auditor is not attached, details of any any qualifications will follow immediately when they become available
- 6 The entity has a formally constituted audit committee

Signed:



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**Patrick Anthony Treasure**  
Chief Executive Officer  
29 October 2010



# **Metals Finance Limited**

(ABN 83 127 131 604)

and its Controlled Entities

## **2010 Preliminary Financial Report**

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## DIRECTORY

### CORPORATE INFORMATION

#### Registered Office

Metals Finance Limited  
c/o Hillhouse, Burrough & McKeown  
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](http://www.metalsfinance.com)  
Email: [info@metalsfinance.com](mailto:info@metalsfinance.com)

#### Directors

Geoff Hill (Chairman)  
Tony Treasure (Executive Director)  
Richard Anthon (Non-Executive Director)  
Michael Gunn (Non-Executive Director)  
Simon Bird (Non-Executive Director)

#### Principal Office

Unit 32, 28 Burnside Road  
Yatala, Queensland, 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 Secretary

Arno de Vos (Chief Financial Officer)  
Ian Morgan

#### 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](http://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

Unit 32, 28 Burnside Road  
Yatala, QLD, 4207  
PO Box 689, Ormeau, Qld, 4208  
Telephone: +61 7 3807 4166  
Facsimile: +61 7 3807 3801  
[www.metalsfinance.com](http://www.metalsfinance.com)



## Statement of Comprehensive Income for the Year Ended 31 August 2010

	Note	2010 \$	2009 \$
Consulting revenue		161,531	643,882
Employee expenses		(1,236,237)	(1,213,330)
Project costs		(182,925)	(98,285)
Depreciation and amortisation expense		(48,388)	(123,440)
Foreign exchange loss		(61,593)	(223,353)
Finance costs		(1,155,289)	(805,732)
General administration and operating expenses		(1,221,179)	(1,211,043)
Impairment of property, plant and equipment		(121,131)	(121,131)
<b>Results from operating activities</b>		<b>(3,865,211)</b>	<b>(3,152,432)</b>
<i>Other Income</i>			
Interest received		866,714	1,557,139
Loss on investment		(55)	(24,299)
Rental income		19,637	1,671
		886,296	1,534,511
<b>Loss before income tax benefit</b>		<b>(2,978,915)</b>	<b>(1,617,921)</b>
<b>Income tax benefit</b>	2	47,987	540,488
<b>Loss after income tax</b>		<b>(2,930,928)</b>	<b>(1,077,433)</b>
<b>Other comprehensive (loss) / income</b>			
Foreign currency translation differences for foreign operations		(763)	(19,730)
(Loss) / Gain on available for sale financial assets		(1,068,544)	2,257,935
Income tax on other comprehensive income		-	-
<b>Total other comprehensive income</b>		<b>(1,069,307)</b>	<b>2,238,205</b>
<b>Total comprehensive (loss) / income attributable to the owners of Metals Finance Limited</b>		<b>(4,000,235)</b>	<b>1,160,772</b>
<b>Earnings per Share:</b>			
Basic and diluted loss per share (cents per share)	3(a)	4.01	1.47

## Balance Sheet as at 31 August 2010

	Note	2010 \$	2009 \$
<b>Current Assets:</b>			
Cash and cash equivalents	4	5,335,370	8,225,139
Trade and other receivables	5	63,445	636,264
Other	6	1,964	3,163
<b>Total Current Assets</b>		<b>5,400,779</b>	<b>8,864,566</b>
<b>Non-Current Assets:</b>			
Trade and other receivables	5	5,701,256	5,119,320
Property, plant and equipment	7	425,378	580,443
Other financial assets	8	4,358,218	4,322,200
<b>Total Non-Current Assets</b>		<b>10,484,852</b>	<b>10,021,963</b>
<b>Total Assets</b>		<b>15,885,631</b>	<b>18,886,529</b>
<b>Current Liabilities:</b>			
Trade and other payables	9	327,216	302,793
Provisions	10	38,095	-
Interest bearing loans and borrowings	11	4,020,592	548,855
<b>Total Current Liabilities</b>		<b>4,385,903</b>	<b>851,648</b>
<b>Non-Current Liabilities:</b>			
Interest bearing loans and borrowings	11	12,396	2,687,836
<b>Total Non-Current Liabilities</b>		<b>12,396</b>	<b>2,687,836</b>
<b>Total Liabilities</b>		<b>4,398,299</b>	<b>3,539,484</b>
<b>Net Assets</b>		<b>11,487,332</b>	<b>15,347,045</b>
<b>Equity:</b>			
Contributed equity	12	20,511,496	20,511,496
Reserves	13	1,375,722	2,304,507
Equity component of convertible notes		1,571,630	1,571,630
Accumulated losses		(11,971,516)	(9,040,588)
<b>Total Equity</b>		<b>11,487,332</b>	<b>15,347,045</b>

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements

## Statement of Changes in Equity for the Year Ended 31 August 2010

	Share Capital	Reserves	Convertible Notes	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 September 2008</b>	20,407,177	66,302	1,571,630	(7,963,155)	14,081,954
<b>Transactions with owners in their capacity as owners</b>					
Adjustments to share issue costs	104,319	-	-	-	104,319
<b>Total transactions with owners</b>	<b>104,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104,319</b>
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(1,077,433)	(1,077,433)
Foreign exchange translation loss	-	(19,730)	-	-	(19,730)
Gain on revaluation of Available-For-Sale Financial Assets	-	2,257,935	-	-	2,257,935
<b>Total comprehensive income</b>	<b>-</b>	<b>2,238,205</b>	<b>-</b>	<b>(1,077,433)</b>	<b>1,160,772</b>
<b>Balance at 31 August 2009</b>	<b>20,511,496</b>	<b>2,304,507</b>	<b>1,571,630</b>	<b>(9,040,588)</b>	<b>15,347,045</b>
<b>Balance at 1 September 2009</b>	20,511,496	2,304,507	1,571,630	(9,040,588)	15,347,045
<b>Transactions with owners in their capacity as owners</b>					
Share-based payment expense	-	140,522	-	-	140,522
<b>Total transactions with owners</b>	<b>-</b>	<b>140,522</b>	<b>-</b>	<b>-</b>	<b>140,522</b>
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(2,930,928)	(2,930,928)
Foreign exchange translation loss for the year	-	(763)	-	-	(763)
Loss on revaluation of Available-For-Sale Financial Assets	-	(1,068,544)	-	-	(1,068,544)
<b>Total comprehensive income</b>	<b>-</b>	<b>(1,069,307)</b>	<b>-</b>	<b>(2,930,928)</b>	<b>(4,000,235)</b>
<b>Balance at 31 August 2010</b>	<b>20,511,496</b>	<b>1,375,722</b>	<b>1,571,630</b>	<b>(11,971,516)</b>	<b>11,487,332</b>

## Statement of Cash Flows for the Year Ended 31 August 2010

	Note	2010 \$	2009 \$
<b>Cash Flows from Operating Activities:</b>			
Cash receipts in the course of operations		194,610	311,471
Interest received		340,835	723,118
Cash payments in the course of operations		(2,497,230)	(2,955,039)
Income tax benefit received		588,475	-
Finance costs paid		(432,150)	(273,295)
<b>Net Cash Used In Operating Activities</b>	15	<b>(1,805,460)</b>	<b>(2,193,745)</b>
<b>Cash Flows from Investing Activities:</b>			
Payments for property plant and equipment		(15,685)	(9,046)
Payments for deferred development expenditure		(37,222)	(668,733)
Payments for investments		(1,104,562)	(2,064,265)
<b>Net Cash Used In Investing Activities</b>		<b>(1,157,469)</b>	<b>(2,742,044)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from the issue of shares		-	104,320
Proceeds / (repayments) of loans		78,473	(4,367)
Principal repayment - finance leases		(5,313)	(5,313)
<b>Net Cash Provided By Financing Activities</b>		<b>73,160</b>	<b>94,640</b>
Net decrease in cash and cash equivalents		(2,889,769)	(4,841,149)
Cash and cash equivalents at beginning of financial year		8,225,139	13,066,288
<b>Cash and Cash Equivalents at End of Financial Year</b>	4	<b>5,335,370</b>	8,225,139

## Notes to the Financial Statements for the Year Ended 31 August 2010

**1. ACCOUNTING POLICIES, ESTIMATION METHODS AND MEASUREMENT**

Accounting policies, estimation methods and measurement bases used in this preliminary financial report and Appendix 4E are the same as those used in the last annual report and last half-year report.

**2. INCOME TAX****(a) Income Tax Expense**

Current tax:

Current tax year movement

47,987

540,488

Deferred tax expense from temporary differences:

Current tax year movement

-

-

**Income Tax Benefit**

**47,987**

**540,488**

**(b) Reconciliation of Income Tax Expense to Loss Before Income Tax**

Loss before income tax expense

**(2,978,915)****(1,617,921)**

Tax at the Australian tax rate of 30%

893,675

485,376

Other adjustments and the effect of different foreign exchange rates

(244,754)

(266,936)

Tax losses not recognised

(648,921)

(218,440)

R&D tax concession

47,987

540,488

**Income Tax Benefit**

**47,987**

**540,488**

**3. EARNINGS PER SHARE****(a) Basic and Diluted Earnings per Share**

Basic and diluted loss per share

4.01 cents

1.47 cents

**(b) Weighted Average Number of Shares used as the Denominator**

Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share

73,109,576

73,109,576

Number of options excluded from the diluted earnings per share calculation because they are anti-dilutive

4,000,000

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**

Cash at bank

5,335,370

8,225,139

**Total Cash and Cash Equivalents**

**5,335,370**

**8,225,139**

## Notes to the Financial Statements for the Year Ended 31 August 2010

	2010 \$	2009 \$
<b>5. TRADE AND OTHER RECEIVABLES</b>		
<b>Current:</b>		
Trade receivables	21,936	39,749
Other receivables	41,509	596,515
<b>Total Current Receivables</b>	<b>63,445</b>	<b>636,264</b>
<b>Non-Current:</b>		
Receivable from Palabora Mining Company	5,521,505	4,958,404
Due from related parties	179,751	160,916
<b>Total Non-Current Receivables</b>	<b>5,701,256</b>	<b>5,119,320</b>
<b>6. OTHER ASSETS</b>		
<b>Current:</b>		
Prepaid assets	1,964	3,163
<b>Total Other Assets</b>	<b>1,964</b>	<b>3,163</b>
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>		
Leasehold improvements		
At cost	42,905	42,905
Accumulated amortisation	(42,905)	(28,036)
<b>Total Leasehold Improvements</b>	<b>-</b>	<b>14,869</b>
Plant and equipment		
At cost	748,052	733,467
Accumulated depreciation	(80,412)	(46,762)
Allowance for impairment	(242,262)	(121,131)
<b>Total Land and Buildings</b>	<b>425,378</b>	<b>565,574</b>
<b>Total Property, Plant and Equipment</b>	<b>425,378</b>	<b>580,443</b>
<b>8. OTHER FINANCIAL ASSETS</b>		
Other investments – available for sale	4,358,218	4,322,200
<b>Total Other Financial Assets</b>	<b>4,358,218</b>	<b>4,322,200</b>
Other financial asset consists of an equity investment in Bass Metals Limited. At 31 August 2010 the consolidated entity held 26,413,445 shares equating to a 15.5% holding.		
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Current:</b>		
Trade payables	44,619	68,034
Other creditors and accruals	282,597	234,759
<b>Total Current Trade and Other Payables</b>	<b>327,216</b>	<b>302,793</b>
Trade payables are usually due within 30 days. No interest is charged on the balances paid outside normal terms.		
<b>10. Provisions</b>		
<b>Current:</b>		
Employee benefits	38,095	-

## Notes to the Financial Statements for the Year Ended 31 August 2010

	2010 \$	2009 \$		
<b>11. INTEREST BEARING LOANS AND BORROWINGS</b>				
<b>Current:</b>				
Loan from related party - unsecured	627,328	548,855		
Convertible notes	3,393,264	-		
	<b>4,020,592</b>	<b>548,855</b>		
<b>Non-Current:</b>				
Convertible notes	-	2,670,127		
Finance lease liabilities - secured	12,396	17,709		
	<b>12,396</b>	<b>2,687,836</b>		
<b>12. CONTRIBUTED EQUITY</b>				
Issued Capital - Number of shares	73,109,576	73,109,576		
Value of Issued Capital	\$ 20,511,496	\$ 20,511,496		
<b>Movement in contributed equity during the year:</b>				
<b>Share Capital Movements</b>	<b>2010 Shares</b>	<b>2010 \$</b>	<b>2009 Shares</b>	<b>2009 \$</b>
Fully paid ordinary shares at 1 September	73,109,576	20,511,496	73,109,576	20,407,177
Share issue costs	-	-	-	104,319
Total fully paid ordinary shares at 31 August	<b>73,109,576</b>	<b>20,511,496</b>	<b>73,109,576</b>	<b>20,511,496</b>
<b>(a) Terms and Conditions</b>				
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 consolidated entity, ordinary share holders rank after all creditors and are fully entitled to any proceeds of liquidation				
<b>(b) Capital Management</b>				
Management controls the capital of the consolidated entity in order to provide capital growth to shareholders and ensure the consolidated entity can fund its operations and continue as a going concern. The consolidated entity'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 consolidated entity's capital by assessing the consolidated entity'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 consolidated entity since the prior year.				
<b>13. RESERVES</b>				
	2010 \$	2009 \$		
Foreign exchange translation reserve	(28,930)	(28,167)		
Share based payments reserve	215,261	74,739		
Investment revaluation reserve	1,189,391	2,257,935		
<b>Total Reserves</b>	<b>1,375,722</b>	<b>2,304,507</b>		
Balance at beginning of year	2,304,507	66,302		
Share-based payments	140,522	-		
Foreign currency translation	(763)	(19,730)		
Investment valuation gain/ (loss) recognised	(1,068,544)	2,257,935		
	<b>1,375,722</b>	<b>2,304,507</b>		

## Notes to the Financial Statements for the Year Ended 31 August 2010

	2010 \$	2009 \$
<b>14. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>Reconciliation of Net Cash Provided By / (Used In) Operating Activities to Operating Profit after Income Tax</b>		
Operating profit after income tax	(2,930,928)	(1,077,434)
<i>Add / (less) non-cash items:</i>		
Depreciation / amortisation	48,388	123,440
Share-based payments	140,522	-
Impairment of property, plant and equipment	121,131	121,131
Loss on investments	-	24,299
Movement in interest payable	723,138	532,437
Movement in interest receivable	(525,879)	(834,021)
Loss on sale of property, plant and equipment	1,230	-
Movement in foreign currency reserve	(763)	(19,730)
<i>Change in assets and liabilities</i>		
Decrease / (Increase) in trade receivables	5,960	(334,082)
Decrease in other receivables	7,535	-
Decrease in other assets	1,199	10,851
Decrease in accounts payable	(23,415)	(4,511)
Increase / (decrease) in other payables and accruals	47,839	(736,125)
Increase in provisions	38,095	-
Decrease in tax balances	540,488	-
<b>Net Cash Used In Operating Activities</b>	<b>(1,805,460)</b>	<b>(2,193,745)</b>



## Notes to the Financial Statements for the Year Ended 31 August 2010

**16. SEGMENT INFORMATION**

The consolidated entity operates primarily in two operating locations, Australia and South Africa. The closure of the Canadian office had an effect on the prior period's revenue and expenses which has been included for disclosure purposes.

Geographical information is as follows:

	<b>Australia 2010 \$</b>	<b>South Africa 2010 \$</b>	<b>Consolidated 2010 \$</b>
<b>Revenue:</b>			
Revenue from outside the Consolidated Entity	404,284	643,598	1,047,882
Other unallocated revenue			-
<b>Revenue from Ordinary Activities</b>			<b>1,047,882</b>
<b>Result:</b>			
Segment result	(2,863,391)	(115,524)	(2,978,915)
Loss from ordinary activities before income tax			(2,978,915)
Income tax benefit			47,987
<b>Net Loss</b>			<b>(2,930,928)</b>
Depreciation and amortisation	41,528	6,860	48,388
<b>Assets:</b>			
Segment assets	10,304,943	5,580,688	15,885,631
Unallocated corporate assets			-
<b>Consolidated Total Assets</b>			<b>15,885,631</b>
<b>Liabilities:</b>			
Segment liabilities	3,756,773	641,526	4,398,299
Unallocated corporate liabilities			-
<b>Consolidated Total Liabilities</b>			<b>4,398,299</b>
Acquisition of property, plant and equipment	15,285	400	15,685

  

	<b>Canada 2009 \$</b>	<b>Australia 2009 \$</b>	<b>South Africa 2009 \$</b>	<b>Consolidated 2009 \$</b>
<b>Revenue:</b>				
Revenue from outside the Consolidated Entity	-	791,542	1,411,150	2,202,692
Other unallocated revenue				-
<b>Revenue from Ordinary Activities</b>				<b>2,202,692</b>
<b>Result:</b>				
Segment result	-	(2,337,353)	719,432	(1,617,921)
Loss from ordinary activities before income tax				(1,617,921)
Income tax benefit				540,488
<b>Net Loss</b>	-			<b>(1,077,433)</b>
Depreciation and amortisation	-	117,177	6,263	123,440
<b>Assets:</b>				
Segment assets	-	13,858,168	5,028,361	18,886,529
Unallocated corporate assets				-
<b>Consolidated Total Assets</b>				<b>18,886,529</b>
<b>Liabilities:</b>				
Segment liabilities	-	2,983,357	556,127	3,539,484
Unallocated corporate liabilities				-
<b>Consolidated Total Liabilities</b>				<b>3,537,484</b>
Acquisition of property, plant and equipment	7,502	-	1,543	9,045