The Manager
Company Announcements Office
Australian Securities Exchange
By e-lodgement (ASX code: MFC)

4 June 2010

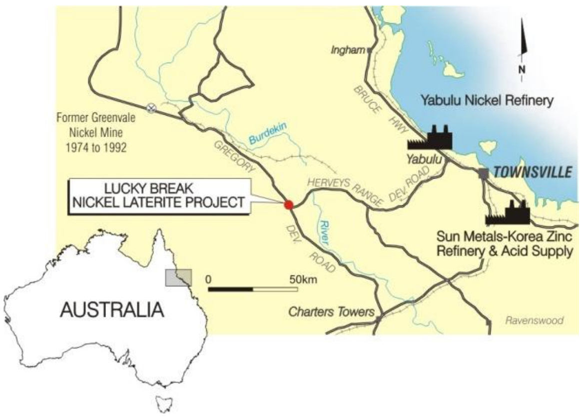
Dear Sir/Madam,

**RE : LUCKY BREAK JV AGREEMENT AND FEASIBILITY STUDY**

Metals Finance Limited is pleased to announce that it has executed an amended agreement with its project partner Metallica Minerals Limited (ASX:MLM) on the Lucky Break nickel project in Northern Queensland, and has completed a revised Definitive Feasibility Study (DFS) on the project.

**JOINT VENTURE AGREEMENT**

The Lucky Break project is being developed under a joint venture agreement between a subsidiary of the tenement owners, Metallica Minerals Limited, and the Company. Under the joint venture agreement, Metals Finance is responsible for funding, developing and managing the project, if it proceeds. A limited recourse loan will be created from Metals Finance to the Metallica subsidiary for 50% of the project costs.




Upon implementation, 100% of cash flow surplus will be directed to repayment of the loan from Metals Finance until this loan is repaid After this, the cash flow surplus will be shared 50:50. Under the original joint venture agreement, surplus after capital repayment was to be distributed 40% to Metals Finance and 60% to Metallica.

This redistribution will have significant impact on the total projected revenue that Metals Finance may achieve from the project. This effect is a 25% increase in the sharing of total net revenue from the operation after capital repayment. In addition, the revised agreement removes an option previously held by Metallica to acquire Metals Finance interest in the project, one year after commissioning of a plant, for a price relative to the total capital expenditure on the project. The removal of this option again has the potential to significantly impact the potential return from the project for Metals Finance.

**DEFINITIVE FEASIBILITY STUDY (DFS)**

The Company has completed a revised comprehensive feasibility study on the Lucky Break nickel project in Northern Queensland. The new study has examined the potential for development of a smaller project than previously envisaged, targeting the treatment of a lower volume of higher grade ore than previously planned, coupled with production of a higher value nickel metal product. The results of the study and the basis of the projections made are summarised below.

**The resource**

Details of the resource defined within the Lucky Break mining leases have been previously provided to the market by both Metals Finance Limited and Metallica Minerals Limited. The Lucky Break project consists of two distinct nickel ore bodies (Dingo Dam and Circular Laterite). Both are surface outcroppings, with depth of the ore varying between 29m and 35m and being ideally suited to open pit mining methods.

The overall resource for the Lucky Break Project, at a 0.3% nickel cut-off, has been previously reported as 1,133,400 tonnes at average grade 0.75% nickel and 0.05% cobalt. The following table summarises the resource classification in accordance with the JORC code, derived from an independent resource evaluation of the Lucky Break project conducted by Computer Aided Geoscience Pty Ltd in 2006.

| Classification | Total Ore ‘000 t | Nickel t | Cobalt T |
|---|---|---|---|
| Measured | 592 | 4866 | 333 |
| Indicated | 48 | 395 | 27 |
| Inferred | 492 | 3277 | 188 |
| Total | 1133 | 8538 | 548 |

A recent mine planning study based on the original drill data has indicated that at 1.0% nickel cut-off the combined resource for the project will be 357,000 tonnes at 1.30% nickel and 0.09% cobalt. The following table provides a summary of the results of the recent study on the higher grade material.

| Item | Dingo Dam | Circular Laterite | Total |
|---|---|---|---|
| Pit mass (kt) | 865 | 574 | 1439 |
| Waste (kt) | 625 | 456 | 1081 |
| Ore (kt) | 240 | 117 | 357 |
| Strip ratio (t:t) | 2.60:1 | 3.89:1 | 3.02:1 |
| Ni metal (t) | 3308 | 1337 | 4645 |
| Ni grade (%) | 1.38 | 1.14 | 1.3 |
| Co metal (t) | 238 | 95 | 333 |
| Co grade (%) | 0.099 | 0.08 | 0.093 |

**Study Outcome**

The revised Lucky Break Study has been based around the following key production parameters and financial factors:

| Factor | Value | Unit |
|---|---|---|
| Ore throughput | 60000 | Tpa |
| Life of operation | 5.8 | Yrs |
| Projected capital cost | 12.4 | A$million |
| Nickel recovery | 85 | % |
| Nickel grade | 1.3 | % |
| Acid consumption | 420 | Kg/t ore |
| Acid price | 88 | $/t |
| Exchange rate | 0.91 | US$ per A$ |
| Nickel price | 9.25 | US$/lb |
| Nickel price | 10.16 | A$/lb |

The modelled project results in the production of approximately 3,850 tonnes of nickel during the 5-6 year life of the operation, at an average operating cost equivalent to US$5.07/lb nickel ($A5.58/lb at the exchange rate provided above). It is noted that, as at the date of this release, the Australian dollar value of nickel was $11.56/lb (US$9.86/lb at an exchange rate of 0.85).

As outlined above, under the joint venture agreement with Metallica Minerals Limited, the Company will receive all project surplus until capital plus interest is fully repaid, with ongoing surplus after that time being shared equally between the parties.

On the basis of the analysis carried out the project remains financially positive under more adverse conditions, including:

- An increase in capital costs of approximately $2M.
- Revenue reduced due to a fall in nickel price by up to 10%.
- An increase in operating costs by 10%.

The directors note that the indicated result provided above is subject to firm pricing of equipment and consumables through establishment of formal contracts, in particular relating to acid supply for the ongoing operation. It will also be subject to potential variations in market and operating conditions through the potential life of the operation, including periodic and potentially adverse movements in the ruling value of nickel, exchange rates and possible newly imposed government taxes.

The feasibility study provides for a 12 month implementation schedule, including time required for establishment of supply contracts and arrangement of an appropriate funding structure.

The next stage of the Company's programme on Lucky Break will focus on the following key areas:

- Analysis of the potential impact of a new resources tax regime in Australia
- Procurement of the long term contract for acid supply
- Negotiation of product sales arrangements
- Confirmation and amendment if necessary of existing permits
- Establishment of an appropriate funding mechanism for the project
- Detailed engineering of the site and flow sheet
- Establishment of fixed quotes for plant and machinery

Successful outcomes in these areas will be required in order for the Company to proceed with the development of the project.

The completed agreement with Metallica and the Definitive Feasibility Study place Metals Finance in a strong position to progress the development of the Lucky Break nickel project.

P.A. Treasure

**P.A.Treasure**
Chief Executive Officer

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