METALS FINANCE CORP
SPECIALISTS IN METAL RECOVERY

ACTIVITIES REPORT SEPTEMBER 2008

Overview

The Directors are pleased to provide the following review of Metals Finance's current activities and plans for the next 12 months.

The Company has now successfully installed and commissioned its Palabora nickel facility in South Africa. The resulting revenue from this operation will allow the Company's 50% owned South African company (Metals Finance Africa Pty.Ltd.) to commence repayments of funds advanced for development of the Palabora project.

As previously announced the Company's development of the Lucky Break nickel project in North Queensland has been delayed as a result of a dispute with its proposed acid supplier for the project. The board is currently reviewing its options in relation to this matter but, in addition, is reviewing the format and scale of the project with a view to enhancing its economics through treating higher grade nickel laterite ore within the Lucky Break tenements.

The Company is in a sound financial position, with positive cash flow expected from its first operation at Palabora, and no significant financial commitments outside of normal operation. As at the end of August, the Company had in excess of A$13 million in cash reserves and, based on current internal projections, expects positive cash flow in excess of A$2.0 million over the next twelve months, accounting for revenue resulting from the Palabora operation and payment of overheads and current project expenditures.

In addition to its ongoing studies on the Lucky Break project, the Company is actively pursuing potential development of the following projects:

- The Ergo tailings project in South Africa
- The Chambishi copper-cobalt project in Zambia
- The Barnes Hill nickel laterite project in Tasmania

All four of the projects currently under investigation are based on well defined metal bearing materials which, on initial study, indicate potential for establishment of viable production facilities.

The Company's current focus is on selection of the next project to be brought into production from these opportunities. Scoping and/or pre-feasibility studies on the Chambishi and Ergo projects in Southern Africa, in addition to the review of the Lucky Break project, are all targeted for completion over the next three months. The Company therefore expects to be in a position prior to the end of the year to make a selection of the most appropriate project to progress to development, and to firmly establish its development schedule over the next two years.

As announced to the market on 19 August 2008, the Company has decided to close its centre of operations in Canada. This move will generate significant overhead savings for the Company and, as importantly, will increase efficiency through concentrating management and general operating functions at a single location in Australia.

The Company intends to maintain its 50% share in a laboratory services company based in Vancouver (Met-Solve Inc.). The laboratory has established management and staff in place and will continue to provide analytical and process development services to Metals Finance. The Company has decided not to pursue continued involvement in the MaSer computer recycling project in Canada, summarised in our half yearly report issued in February 2008.

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In addition to pursuing its core business plan it is the intent of the Company to investigate corporate investment opportunities in the resources sector which may emerge over the next twelve to eighteen months. This will provide additional flexibility in the business plan and has potential, as long as strict investment criteria are applied, to accelerate growth of Metals Finance over the next few years.

The Palabora Project

The Company's nickel extraction plant at Palabora in South Africa has been fully installed and commissioned and is now producing high grade nickel sulphate for sale in South Africa and overseas.

The successful implementation of the Palabora project is a key milestone for Metals Finance, in that it:

1. **Demonstrates the Company's ability to implement against its business plan**
2. **Establishes recurrent revenue to Metals Finance**

The project is situated at a copper mine owned by Palabora Mining Company (PMC) in the north east of South Africa. It is South Africa's leading copper producer, and its majority shareholders are Rio Tinto plc and Anglo-American. PMC is South Africa's only producer of refined copper, with an output capacity of 100,000 tonnes per annum of high quality copper cathode. The purpose of Metals Finances' facility at the site is the recovery of nickel from waste streams from the copper refinery, as a high grade directly saleable product.

The project has been developed through the Company's 50% owned company in South Africa, Metals Finance Africa Pty.Ltd. (MFA). MFA will receive all surplus cash flow from operations until capital expenditure, including interest at an agreed level, has been repaid. Thereafter the operating surplus will be divided 60% to MFA and 40% to PMC respectively. The agreed life of the operation is 5 years from the date that the plant reaches 80% of design capacity.

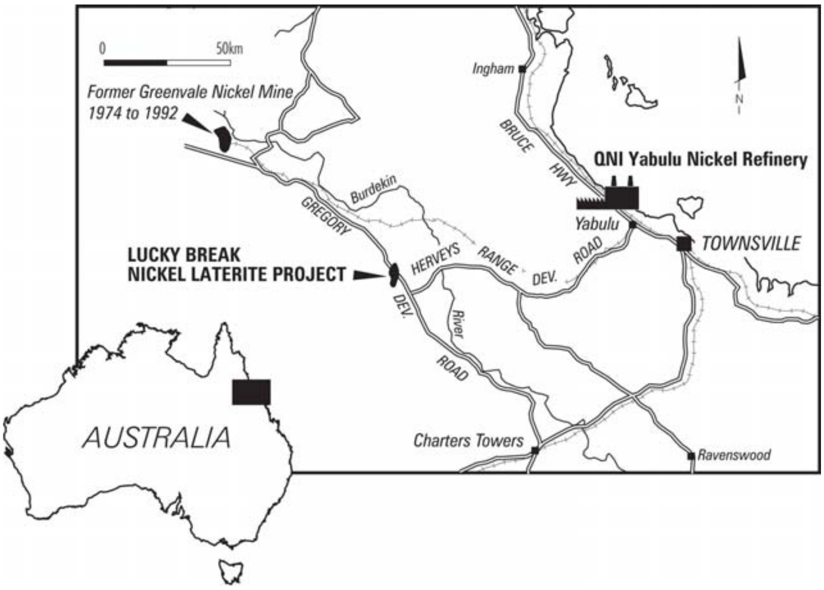
The cash flow from the project will be used by MFA to commence repayment of loan accounts provided for operating and project development purposes by Metals Finance Corp. (approximately A$4 million) and to provide additional working capital for the development of the Metals Finance global business plan. On the basis of a long term nickel price of US$9/lb and the operating costs projected in the project feasibility study, cash flow to MFA during the first year of operations is expected to be A$3.0 million, of which in excess of A$2 million is expected to flow through to Metals Finance Corp. Further financial information will be provided by the Company once longer term operation of the plant has been established.

The Lucky Break Project

The Lucky Break nickel laterite project, located 140 kilometres west of Townsville, is a joint venture between Metals Finance Corp and ASX listed Metallica Minerals Limited. The deposit has an independently verified JORC resource of approximately 1.4 million tonnes as categorised in the Table below:

	Tonnes	**Ni(%)**
Measured	544,178	0.87
Indicated	894,859	0.73
Total	1,439,037	

Metals Finance completed a comprehensive pilot programme on Lucky Break ore in May 2007. An independent feasibility study demonstrated that the project was technically and financially viable under the conditions prevailing at the time of the study and, as a consequence, Metals Finance and Metallica Minerals decided, in June 2007 to progress towards implementation of the project.



As announced by Metals Finance on 24 April 2008 the development of the project has been delayed pending resolution of a dispute with the project's planned acid supplier. In August 2007 Metals Finance entered into an arrangement to secure a four year supply of sulphuric acid for the project at a favourable price. Since then local acid prices have increased significantly and the supplier has declined to honour the arrangement reached in 2007.

The Company has been considering its options with respect to legal action for some months and will continue to maintain its rights in the matter, whilst obtaining further advice from its solicitors. The directors, however, are cognisant of the potential for high costs and significant delays in resolving the matter through the courts, and the effect this may have on the continued pursuit of the Metals Finance business plan.

The Company has, in the meantime, commenced a detailed review of the Lucky Break project. The study is examining potential for significant lowering in capital cost, through reduction in nickel output, and lowering of operating costs through treating higher grade nickel laterite ore. The target result is a project with lower capital risk and which is more robust with respect to higher acid costs and lower world nickel price.

Prior to delaying the project the Company made substantial progress towards its development, through:

- Approval of environmental and operating plans for the project
- Establishment of an off take agreement with BHP Billiton
- Completion of detailed engineering and costing of leach and ore handling circuits
- Establishment of a long term water source and storage dam
- Costing and procurement of equipment
- Planning of site works

The Ergo Project

Metals Finance Africa Pty.Ltd. (MFA) has an agreement with the holders of rights to treat a large gold, base metals and iron containing tailings near Johannesburg dump in South Africa.

The general terms of the agreement reached between MFA and the project owners entails completion of studies and funding of the project through to implementation, if warranted. If developed, the project will be operated through a local special purpose company in which MFA will have an equity of 47.5%.

If the project proceeds to development, there will be a requirement under South African Black Economic Empowerment (BEE) policies to introduce a local organisation as a shareholder in the operating company. Agreement has been reached with an appropriate investment company, with a view to their initial purchase of 15% of the operating company for a price based on the results of the final feasibility study on the project. They will also be granted an option to purchase a further 11% of the operating company in 2013, the price to be based on independent valuation of the Company at that time.

Under the agreement between the shareholders of MFA, it is Metals Finance Corp.'s responsibility to provide, if required, the capital needed for development of projects in Southern Africa. The agreement further requires that any funds provided are repaid to Metals Finance Corp. prior to any distribution of dividends. Therefore in the event that the Ergo project is developed Metals Finance Corp will recover its funds as a priority, firstly from the project through Metals Finance Africa Pty.Ltd and, secondly, through repayment of loans by MFA. Following recoupment of all capital and interest, MFA will have an 'effective' equity in ongoing surplus from the operation of approximately 35%. Upon implementation 80% of any surplus from operations will be applied to repayment of capital, following which surplus will be distributed in accordance with equity held in the operating company. At the production rate currently contemplated in the ongoing studies, target life of the operation would be in excess of 20 years.

Test work completed on the material has indicated that high recoveries of the iron, base metals and precious metals can be achieved through a high temperature chloride leach. A concept flow sheet has been established which, based on the initial metallurgical work, has potential to result in recovery of both the metals and the iron in saleable from.

The production and sale of a high quality iron pigment will be a key driver in development of the Ergo project. Negotiations are currently being held with one of South Africa's largest importers and manufacturers of iron pigment, with a view to their entering into an off take agreement to purchase up to 50,000 tonnes of pigment per annum at a price based on world value. The value of iron pigment will depend on achievement of required specifications, the material targeted in this project currently selling internationally at a price in excess of US$700 per tonne. This arrangement will be accompanied by a technical co-operation agreement, which will provide for the buyer to provide technical services in testing and engineering of the required production facility.

More comprehensive test work has commenced, targeted at firming up performance of individual elements of the proposed flow sheet, with a view to progressing to detailed feasibility. The dump has yet to be formally categorised under JORC guidelines, but its size has been surveyed, and potential mineralisation determined through grid based drilling through the profile of the dump. A preliminary process and financial analysis of the project, based on the results of the current test programme, is targeted for completion during the next quarter. In conjunction with this study, it is intended that the work required to classify the stockpile under JORC guidelines be completed.

The Chambishi Project

Metals Finance Africa Pty.Ltd. (MFA) has entered into an agreement to examine the feasibility of establishing a treatment facility to recover cobalt and copper from a substantial stockpile of refinery waste at the Chambishi copper-cobalt mine in Zambia.

The Chambishi Metals copper and cobalt refinery is located in the well known copper belt in Zambia. It is a primary producer of cathode copper and high grade cobalt cathode. The target material under this agreement is a substantial stockpile, of approximately 2.0 million tonnes, of refinery residue which reportedly contains 1% copper and 0.15% cobalt. In addition, a further 20,000 tonnes of similar quality material is produced per month by the plant, which may be suitable for processing by the Company's treatment facility.

The potential volume and grade of the target material has been estimated on the basis of plant records from the Chambishi refinery operation. They remain to be confirmed through drilling of the tailings dump and specific sampling from current plant throughput and, therefore, have yet to be categorised under JORC guidelines.

The general terms of the agreement between MFA and Chambishi Metals PLC (Chambishi), are as follows:

1. MFA will complete a feasibility study on the project within 9 months.
2. Subject to the results of feasibility study, MFA has the option to fund the installation of an appropriate recovery plant.
3. Once the plant is in operation, MFA will receive 90% of any operating surplus until all capital is repaid.
4. After repayment of capital MFA will receive 50% of any operating surplus for the remaining life of the operation.

The Company has commenced investigation of this project, the first stage being confirmatory metallurgical testing and preparation of a broad based flow sheet and financial review. This exercise is targeted for completion within the next quarter and, subject to the results thereof, will progress into a detailed feasibility study. The initial study is targeted for completion within the next three months and will include further definition of the stockpile under JORC guidelines.

As the concept flow sheet for the Chambishi tailings is relatively simple and the project is located at a large established mine, where infrastructure and services are already established, development of this project could be rapidly progressed.

Barnes Hill Project

Metals Finance has an agreement with the Australian listed company, Proto Resources and Investments Limited (Proto), to participate in the development of the Barnes Hill nickel laterite deposit in Tasmania.

In accordance with reports issued to the Australian Stock Exchange by Proto and as disclosed in Metals Finance Prospectus dated 26 October 2007, the Barnes Hill project comprises a 12.1 million tonne Australasian Joint Ore Reserves Committee ("JORC") compliant, indicated resource at 0.83% nickel and 0.07% cobalt, in three interconnected zones.

The Barnes Hill Joint Venture Agreement between Metals Finance and Proto provides generally as follows:

1. Proto will complete the detailed drilling required in order to convert the indicated resource into a measured resource category.

2. Proto will obtain the mining tenements and environmental permits required for establishment of a commercial operation.

3. Subject to successful completion of 1 and 2 above, Metals Finance has the option to complete a bulk leach pilot programme and detailed feasibility study on the project.

4. Subject to the results of the detailed feasibility study, Metals Finance has the option to manage the project and arrange the financing required for its commercial development.

5. In the event that the project proceeds to commercial development, 95% of any surplus derived from operations will be applied to repayment of capital expended by Metals Finance in the development of the project. After capital has been repaid any surplus from operations will be divided equally between Metals Finance and Proto.

6. Metals Finance retains the right to withdraw from the joint venture at any time with no ongoing financial liability. In the event that Metals Finance withdraws from the joint venture prior to its development, the Company will retain no equity in the project.

If the project does proceed to development Metals Finance will seek the required financing through a combination of equity, offtake and project financing on the basis of a definitive feasibility study.

Metals Finance completed a broad based preliminary analysis of potential economics of the Barnes Hill project in June 2008. The results of the study were announced to the ASX by Proto Resources on June 12 2008, along with their decision to proceed to carry out the required infill drilling of the resource and applications for mining permits.

The study completed examined potential project economics over a range of factors, with the base case assuming:

- Metal recovery of 75%
- Long term acid price of $150/t
- A conceptual volume of 8.5 MT at 1.1% nickel with no credit for contained cobalt
- Initial nickel production rate of approximately 4,000 tonnes per annum
- Preliminary capital estimate between $60 and $90 million
- Long term nickel price of US$9-10/lb

The aim of the study was to provide an initial appraisal of the project on the basis of, and in comparison with, the work that has been completed by Metals Finance on the Lucky Break project in Northern Queensland. The study was not intended to provide a detailed or definitive financial analysis of the project for investment purposes, the results being subject to significant work that has yet to be completed.

The assumptions made in the study are considered reasonable for the level of early analysis required, and the results of the modelling supported continuation of development of the project. The study identified a number of critical factors that require further early investigation, including, but not limited to:

1. Further definition of the resource
2. Ongoing leach tests with respect to nickel recovery and acid consumption
3. Further clarification on acid supply and cost
4. More detailed review of future nickel market

For Metals Finance the key milestones for the programme in the short term comprise:

A. Confirmation by Proto Resources of the conceptual resource target used in the preliminary study through the detailed drilling programme currently being undertaken.

B. The achievement of appropriate mining tenements and environmental permits for the potential future operation.

C. Confirmation of leach characteristics of the ore through pilot testing of a representative sample of the resource.

Metals Finance personnel are currently assisting Proto Resources with their applications for a mining lease and potential site layouts and infrastructure. The Company has also commenced discussions with potential acid suppliers and purchasers of product from Barnes Hill.

Proto has recently made application to the Tasmanian Mines Department for Mining Leases covering the target laterite deposits, and plans shortly to commence a 700 hole drilling programme aimed at providing the resource definition required to support completion of a detailed feasibility study on the project. Proto's drilling programme is currently planned for completion by the end of 2008.

Subject to timing and success in the current drilling programme, it is contemplated that bulk ore leach testing could commence shortly after completion of the drilling.

Met-Solve Laboratories Inc.

Met-Solve Laboratories Inc. is a joint venture company 50% owned by Metals Finance Corp. and Falcon Concentrators Inc. (Falcon), a manufacturer and supplier of specialty mineral recovery equipment based in Vancouver, Canada. Met-Solve leases a fully equipped Gravity Recovery, Mineral Processing and Hydrometallurgical laboratory. The purpose of the joint venture for Metals Finance Corp. is to provide the Company with cost effective and timely services in testing and development of its mineral resource projects. As well as providing services directly to Metals Finance and Falcon, Met-Solve provides external services on a commercial basis to the mining industry.

The past six months has seen the establishment and growth of Met-Solve as a provider of specialist services to the resource industry. The business has now surpassed break even and is expected to yield an annual surplus for fiscal year 08/09.

In addition to providing a growing contribution to Metals Finance's overheads, activities in the laboratory on behalf of external clients are bringing projects to the attention of Metals Finance which may have potential for future development by the Company.

Corporate

As announced to the ASX on 19 August 2008, as a result of a strategic review of the Company's operations, a decision was made by the directors to close the Company's Vancouver office and centralise its administrative and management functions in Australia. The result of this will be a significant reduction in annual overheads and, as importantly, an increase in focus as the result of key personnel working from a single location.

As noted above, the Company intends to maintain its 50% shareholding in the Canadian based laboratory services company, Met-Solve. As a result of the closure of the Metals Finance office in Canada, the Company will no longer be providing technical services to the computer recycling company MaSer Corp. as reported in the Company's half yearly review in February.

Also as a result of the focus of activities in Australia, Andrew Neale has stepped down from the Metals Finance board. The directors are very pleased to report the appointment of Mr Warren Eades to fill the vacancy left. 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 arena in which the Company operates.

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 the Pacific Strategic Investments. He currently acts as a portfolio manager to a private investment group.

P. A. Treasure.

P.A.Treasure
Chief Executive Officer

Technical information regarding mineral resources contained in this report has been compiled by Mr P.A.Treasure in his position as Chief Executive Officer of Metals Finance Corp. Mr Treasure is a Member of the Australasian Institute of Mining and Metallurgy and has relevant experience in the matters reported upon to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr P.A.Treasure consents to the inclusion of this information in the form and context in which it appears.

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