



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:	Metals Finance Limited 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)	down	74.9%	to	161,531
2.2 Profit / (Loss) from ordinary activities after tax attributable to members (Aug 2009 - \$ (3,152,432))	up	22.6%	to	(3,865,211)
2.3 Net Profit / (Loss) attributable to members (Aug 2009 - \$ (1,077,433))	up	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

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3. Net tangible assets per security

	31 August 2009	31 August 2010
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

	Franked amount per security at 30%tax	Amount per security of foreign source dividend	Date of payment
Amount per security			
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.

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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:



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
Email: 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

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

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)
Results from operating activities		(3,865,211)	(3,152,432)
<i>Other Income</i>			
Interest received		866,714	1,557,139
Loss on investment		(55)	(24,299)
Rental income		19,637	1,671
		<u>886,296</u>	<u>1,534,511</u>
Loss before income tax benefit		(2,978,915)	(1,617,921)
Income tax benefit	2	47,987	540,488
Loss after income tax		(2,930,928)	(1,077,433)
Other comprehensive (loss) / income			
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		-	-
Total other comprehensive income		(1,069,307)	2,238,205
Total comprehensive (loss) / income attributable to the owners of Metals Finance Limited		(4,000,235)	1,160,772
Earnings per Share:			
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 \$
Current Assets:			
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
Total Current Assets		5,400,779	8,864,566
Non-Current Assets:			
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
Total Non-Current Assets		10,484,852	10,021,963
Total Assets		15,885,631	18,886,529
Current Liabilities:			
Trade and other payables	9	327,216	302,793
Provisions	10	38,095	-
Interest bearing loans and borrowings	11	4,020,592	548,855
Total Current Liabilities		4,385,903	851,648
Non-Current Liabilities:			
Interest bearing loans and borrowings	11	12,396	2,687,836
Total Non-Current Liabilities		12,396	2,687,836
Total Liabilities		4,398,299	3,539,484
Net Assets		11,487,332	15,347,045
Equity:			
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)
Total Equity		11,487,332	15,347,045

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

	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
Transactions with owners in their capacity as owners					
Adjustments to share issue costs	104,319	-	-	-	104,319
Total transactions with owners	104,319	-	-	-	104,319
Comprehensive income					
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
Total comprehensive income	-	2,238,205	-	(1,077,433)	1,160,772
Balance at 31 August 2009	20,511,496	2,304,507	1,571,630	(9,040,588)	15,347,045
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	-	140,522	-	-	140,522
Total transactions with owners	-	140,522	-	-	140,522
Comprehensive income					
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)
Total comprehensive income	-	(1,069,307)	-	(2,930,928)	(4,000,235)
Balance at 31 August 2010	20,511,496	1,375,722	1,571,630	(11,971,516)	11,487,332

Statement of Cash Flows for the Year Ended 31 August 2010

	Note	2010 \$	2009 \$
Cash Flows from Operating Activities:			
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)
Net Cash Used In Operating Activities	15	(1,805,460)	(2,193,745)
Cash Flows from Investing Activities:			
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)
Net Cash Used In Investing Activities		(1,157,469)	(2,742,044)
Cash Flows from Financing Activities:			
Proceeds from the issue of shares		-	104,320
Proceeds / (repayments) of loans		78,473	(4,367)
Principal repayment - finance leases		(5,313)	(5,313)
Net Cash Provided By Financing Activities		73,160	94,640
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
Cash and Cash Equivalents at End of Financial Year	4	5,335,370	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 \$
5. TRADE AND OTHER RECEIVABLES		
Current:		
Trade receivables	21,936	39,749
Other receivables	41,509	596,515
Total Current Receivables	63,445	636,264
Non-Current:		
Receivable from Palabora Mining Company	5,521,505	4,958,404
Due from related parties	179,751	160,916
Total Non-Current Receivables	5,701,256	5,119,320
6. OTHER ASSETS		
Current:		
Prepaid assets	1,964	3,163
Total Other Assets	1,964	3,163
7. PROPERTY, PLANT AND EQUIPMENT		
Leasehold improvements		
At cost	42,905	42,905
Accumulated amortisation	(42,905)	(28,036)
Total Leasehold Improvements	-	14,869
Plant and equipment		
At cost	748,052	733,467
Accumulated depreciation	(80,412)	(46,762)
Allowance for impairment	(242,262)	(121,131)
Total Land and Buildings	425,378	565,574
Total Property, Plant and Equipment	425,378	580,443
8. OTHER FINANCIAL ASSETS		
Other investments – available for sale	4,358,218	4,322,200
Total Other Financial Assets	4,358,218	4,322,200
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.		
9. TRADE AND OTHER PAYABLES		
Current:		
Trade payables	44,619	68,034
Other creditors and accruals	282,597	234,759
Total Current Trade and Other Payables	327,216	302,793
Trade payables are usually due within 30 days. No interest is charged on the balances paid outside normal terms.		
10. Provisions		
Current:		
Employee benefits	38,095	-

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

	2010 \$	2009 \$		
11. INTEREST BEARING LOANS AND BORROWINGS				
Current:				
Loan from related party - unsecured	627,328	548,855		
Convertible notes	3,393,264	-		
	4,020,592	548,855		
Non-Current:				
Convertible notes	-	2,670,127		
Finance lease liabilities - secured	12,396	17,709		
	12,396	2,687,836		
12. CONTRIBUTED EQUITY				
Issued Capital - Number of shares	73,109,576	73,109,576		
Value of Issued Capital	\$ 20,511,496	\$ 20,511,496		
Movement in contributed equity during the year:				
Share Capital Movements	2010 Shares	2010 \$	2009 Shares	2009 \$
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	73,109,576	20,511,496	73,109,576	20,511,496
(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 consolidated entity, 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 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.				
13. RESERVES				
	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		
Total Reserves	1,375,722	2,304,507		
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		
	1,375,722	2,304,507		

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

	2010 \$	2009 \$
14. NOTES TO THE STATEMENT OF CASH FLOWS		
Reconciliation of Net Cash Provided By / (Used In) Operating Activities to Operating Profit after Income Tax		
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	-
Net Cash Used In Operating Activities	(1,805,460)	(2,193,745)

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:

	Australia 2010 \$	South Africa 2010 \$	Consolidated 2010 \$
Revenue:			
Revenue from outside the Consolidated Entity	404,284	643,598	1,047,882
Other unallocated revenue			-
Revenue from Ordinary Activities			1,047,882
Result:			
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
Net Loss			(2,930,928)
Depreciation and amortisation	41,528	6,860	48,388
Assets:			
Segment assets	10,304,943	5,580,688	15,885,631
Unallocated corporate assets			-
Consolidated Total Assets			15,885,631
Liabilities:			
Segment liabilities	3,756,773	641,526	4,398,299
Unallocated corporate liabilities			-
Consolidated Total Liabilities			4,398,299
Acquisition of property, plant and equipment	15,285	400	15,685

	Canada 2009 \$	Australia 2009 \$	South Africa 2009 \$	Consolidated 2009 \$
Revenue:				
Revenue from outside the Consolidated Entity	-	791,542	1,411,150	2,202,692
Other unallocated revenue				-
Revenue from Ordinary Activities				2,202,692
Result:				
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
Net Loss	-			(1,077,433)
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	-	2,983,357	556,127	3,539,484
Unallocated corporate liabilities				-
Consolidated Total Liabilities				3,537,484
Acquisition of property, plant and equipment	7,502	-	1,543	9,045