



**Metals Finance Corp and its Controlled Entities  
ARBN 127 131 604**

**APPENDIX 4D  
for the six months ended 28 February 2009**

# Appendix 4D

## Half Year Report (in Australian Dollar)

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

Current Period:	1 September 2008 - 28 February 2009
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Previous corresponding period	1 September 2007 - 29 February 2008
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### 2. Results for announcement to the market

					28 Feb 2009 (6 Months) A\$
2.1 Revenues from ordinary activities (Feb 2008 (6 Months) - A\$ 162,051)	up	218.5%	to		516,156
2.2 Net Profit / (Loss) attributable to members (Feb 2008 (6 Months) - A\$ (129,102))	down	212.2%	to		(403,032)
2.3 Dividends				<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend				Nil	Nil
Final dividend				Nil	Nil
2.4 Record date for determining entitlements to dividends					N/A

### 3. Net tangible assets per security

	29 February 2008	31 August 2008	28 February 2009
Net tangible assets per share	0.252	0.193	0.189

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

N/A

### 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

	Amount per security	Franked amount per security at 30%tax	Amount per security of foreign source dividend	Date of payment
5.3 Final dividend				
Current year	N/A	N/A	N/A	
Previous year	N/A	N/A	N/A	
5.4 Interim dividend				
Current year	N/A	N/A	N/A	
Previous year	N/A	N/A	N/A	

**6. Details of dividend reinvestment plan**

N/A

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

Metals Finance has the following joint ventures and associates included in its accounts:

Met-Solve Laboratories Inc.

*(This is to be read in conjunction with the half year report)*

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

AIFRS has been used for the half year reporting purposes

**9. Qualification of audit / review**

N/A



**Metals Finance Corp and its Controlled Entities**  
**ARBN 127 131 604**

**Activities Report and Consolidated Interim Financial Report**  
**for the Half-year Ended 28 February 2009**

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## CORPORATE INFORMATION

### Registered Office

Metals Finance Corp c/o Hillhouse Burrough and 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)

### Principal Office

Unit 32, 28 Burnside Road  
Yatala, Qld, 4207

### Directors

Geoff Hill (Chairman)  
Tony Treasure (Executive Director)  
Warren Eades (Non-Executive Director)

### Company Secretary

Arno de Vos (Chief Financial Officer)

### Solicitors

Ian Hillhouse  
Hillhouse Burrough and McKeown  
Level 7, Grant Thornton House  
102 Adelaide Street, Brisbane, QLD, 4000  
Telephone: +61 7 3220 1144  
Facsimile: +61 7 3220 3434

### Auditor

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

### Bankers

Bank of Queensland – Australia  
National Australia Bank – Australia  
Commonwealth Bank – Australia  
Standard Bank – South Africa  
Scotia Bank – Canada

### 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)

### Investor enquires

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**REVIEW OF ACTIVITIES FOR SIX MONTH PERIOD ENDING 28 FEBRUARY 2009**

**SUMMARY**

**Strategy**

The Board of Metals Finance Corp. (the Company) has developed a short to medium term strategy which is targeted specifically at continued development of the Company's business plan in a potentially prolonged downturn in the world economy. This strategy is firmly based around the following principles:

1. Continue investigation of projects under agreement
2. Target low capital cost opportunities
3. Develop strategic or supporting relationships with other resource companies
4. Remain flexible to corporate opportunities which may enhance shareholder value

The Company is in a sound financial position and has the internal resources required to implement its ongoing initiatives. With completion of the Palabora project and the onset of revenue for the facility, it is expected that ongoing cash flow will meet the Company's overhead and general project investigation costs, and thus conserve its cash for investment in growth of the Company.

**Palabora Project**

- Completion of installation of nickel sulphate recovery plant
- Sales of high grade nickel sulphate commenced November 2008
- Production ramp up through first quarter 2009
- Revenue from sales has covered operating and commissioning costs
- Five year cash flow projected for Metals Finance Group – A\$14+ million

**Potential Development projects**

- Lucky Break nickel – second feasibility study complete
- Chambishi copper/cobalt project – scoping study complete
- Barnes Hill nickel project – under continuing investigation
- Iron pigment project – pre-feasibility study under preparation
- Havasu gold project – bulk sampling programme recently completed



## 1.0 PRODUCTION

### PALABORA PROJECT, SOUTH AFRICA

The Palabora project comprises a joint venture between the Rio Tinto controlled South African copper miner Palabora Mining Company (PMC) and the Company's 50% owned Metals Finance Africa Pty.Ltd. (MFA).

The Palabora facility has been established to recover nickel as a high purity nickel sulphate from bleed solution from the PMC copper refinery tank house. A continuous bleed from the tank house is required to maintain low nickel impurity levels in the copper cathode produced by PMC.

The joint venture agreement between MFA and PMC generally provides as follows:

- Funding of study and establishment of the project by MFA
- Priority recovery of capital and study costs, including interest, by MFA
- After capital recovery, distribution of surplus 60% to MFA and 40% to PMC
- A defined life of 5 years from achievement of 80% of plant capacity
- PMC is the operator of the plant and has responsibility for product sales

Construction of the plant was completed in July of 2008 and commissioning commenced in August 2008. Ramp up to design production was significantly delayed through the last quarter of 2008, with breakdowns and maintenance requirements in the primary copper smelter and refinery severely limiting the supply of target solution to the plant. Full ramp up and optimisation of the processes in the facility therefore only commenced at the beginning of 2009.

The Palabora plant is now running on a continuous and consistent basis and is approaching full production. The facility is currently recovering in excess of 90% of the nickel in the feed solution and the major operating circuits in the plant are performing in accordance with, or in excess of, design criteria.

Sales of high grade nickel sulphate from the plant commenced in November 2008. Sales are being achieved through an international chemicals marketing company at a premium to the contained nickel metal value. Revenue received in the period from November 2008 has covered operating costs through the commissioning and ramp up period, and distribution of ongoing surplus from the operation is expected to commence shortly.

It will remain difficult to project total cash flow from the project until global growth resumes and clearer projections of world nickel value can be made. However, based on current prices combined with discounted ABARE forecasts for the next four years, and current US dollar and South African Rand exchange rates, the Company is projecting the following pre tax proceeds over the five year life of the operation:

FY	08/09	09/10	10/11	11/12	12/13	13/14	Totals
Abare Ni forecast (US\$/lb)	5.00	6.13	11.36	10.05	8.29	8.08	
Ni this model (US\$/lb)	5.00	6.20	9.00	9.00	8.20	8.00	
Capex repayment (ZAR 000's)	3,000	16,000	17,000	0	0	0	36,000
Share of surplus (ZAR 000's)	0	0	5,000	19,000	19,000	15,000	58,000
Total '000'ZAR to MFA	3,000	16,000	22,000	19,000	19,000	15,000	94,000
<b>Total A\$000's to MFA*</b>	<b>455</b>	<b>2,424</b>	<b>3,333</b>	<b>2,879</b>	<b>2,879</b>	<b>2,273</b>	<b>14,242</b>

\* at exchange rate 6.6 ZAR to A\$

It should be noted that these projections are made in accordance with a number of assumptions and therefore may vary significantly over time. The key assumptions in the projections relate to factors such as:

- Global nickel metal price
- Operating costs being in accordance with budget
- Continuous operation of the plant through its life
- Maintenance of supply of nickel from the PMC operation

The Palabora project is the first production facility implemented by the Metals Finance Group. It is a multi step, well engineered hydrometallurgical facility and, although delayed in implementation and onset of cash flow, the project provides significant verification of the Company's ability to implement on its business plan.

## **2.0 POTENTIAL DEVELOPMENT PROJECTS**

### **2.1 LUCKY BREAK NICKEL PROJECT, QUEENSLAND**

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 (MLM). 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	

The Company completed a comprehensive pilot programme on Lucky Break ore in May 2007, in light of which Metals Finance and Metallica Minerals decided, in June 2007 to progress towards implementation of the project.

The development of the project was delayed during the first half of 2008, due to a dispute with the project's planned acid supplier. A comprehensive review of the project has been subsequently completed, taking also into account fluctuation in acid price, changes in labour costs, fuel costs, steel costs, US/Aus \$ exchange rates and nickel markets. The Company has now completed a revised feasibility study for the Lucky Break project, based on:

1. Development of a smaller tonnage of significantly higher grade ore (approximately 1.4% nickel as opposed to the originally modelled 0.8% ).
2. Downscaling of the project (approximately 1,000 tpa of nickel as opposed to 1,700).
3. Simplification of the proposed flow sheet and production of a higher value nickel metal rather than the nickel carbonate/hydroxide product originally intended.

The results of the current study show that the project is potentially more robust under the above conditions with updated projections illustrating:

- Significant reduction in acid consumption per pound of nickel produced
- Significantly lower capital cost (one third of that originally proposed)
- Higher potential revenue through the higher grade product

The current financial model for the project suggests a positive Net Present Value and Internal Rate of Return, at global nickel value and acid price close to current levels (US\$5/lb Ni and A\$80/tonne acid).

The Company has recommenced discussions with potential acid suppliers and product offtake parties for the project, and intends to progress further studies over the coming months in relation to:

- Updating of permitting for the project
- Revised equipment quotes
- Further refinement of flow sheet and related test work
- Revised operating cost quotes
- Securing of acid supply agreement
- Securing of product off take agreement

Subject to the results of these studies the Company will then assess the potential for establishing a revised development timeline for Lucky Break.

## 2.2 CHAMBISHI COPPER COBALT PROJECT, ZAMBIA

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. A further resource of 4 million tonnes of slag containing elevated copper and cobalt values has recently been added to the agreement.

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 containing copper and cobalt, a further 20,000 tonnes of similar quality material being produced per month by the plant when operating and 4 million tonnes of copper and cobalt bearing slag..

The general terms of the project agreement with Chambishi Metals PLC (Chambishi) require MFA to complete a feasibility study on the project by mid November 2009 and, if warranted, fund and manage its implementation. MFA will recover its costs as a priority against surplus from the operation, after which returns will be shared equally between the parties.

The reported tonnage and grade of the target materials are as follows:

1. Waste materials produced by the plant (240,000 tpa at 1.2% Cu, 0.25% Co)
2. Tailings dump (2 million tonnes at 1.2% Cu, 0.25% Co)
3. Slag dump (4 million tonnes 1.1% Cu, 0.76% Co)

The available volume and mineralisation are based on plant records and previous surveys carried out by Chambishi Metals. These data will be subjected to detailed review during the next stage of the project with a view to classification of the potential resources under the JORC code.

Preliminary metallurgical test work has been completed by MFA on the slag and tailings, indicating copper and cobalt recoveries in excess of 75%. A scoping study has been recently completed, which examines potential staged implementation of the project as follows:

- Stage 1 – 240 000 tpa of calcine tailings
- Stage 2 – increase to 480 000 tpa (tailings and/or effluent from the operating plant)
- Stage 3 - introduce slag treatment and increase production to 1000 000 tpa

The results of the scoping study have been positive and indicate significant potential value to MFA and, consequently, MFC at current metal prices. The Company is reviewing the programme that will be required to confirm that potential, including the following:

- Completion of bulk leach trials
- Confirmation and refinement of proposed process flow sheet
- Confirmation of capital and operating costs
- Detailed project planning
- Completion of definitive feasibility study

## 2.3 BARNES HILL NICKEL PROJECT, TASMANIA

Metals Finance has a joint venture agreement in place with the Australian listed company, Proto Resources and Investments Limited (Proto), which holds an exploration licence and applications for Mining Leases over the Barnes Hill nickel laterite deposit in Tasmania.

The Company completed a broad based desk top study on the Barnes Hill project in June 2008 based on a reported total indicated resource at Barnes Hill (12.1 million tonnes 0.83% nickel and 0.07% cobalt) in three separate deposits. It was further reported by Proto Resources that one of the resources exhibits a generally higher grade than the others, with internal analysis suggesting a potential average grade for the Barnes Hill zone of 1.1% to 1.2% nickel (and 0.07% cobalt) and potential tonnage of approximately 8.5 million tonnes.

On the basis of the results of the scoping level study, Proto Resources and MFC moved to the second stage of the Barnes Hill joint venture in June 2008. Under the joint venture agreement between the companies, in the second stage of the project MFC is responsible for the completion of pilot leach studies and completion of a detailed feasibility study on the proposed project, and any other work the Company considers may be required to determine

its viability. Proto's responsibilities include obtaining the required permitting for a potential future project and the completion of resource drilling to a measured category.

Since the completion of the June 2008 study, market factors have deteriorated significantly, particularly world nickel price. As a result, completion of some of the tasks in the second stage of the joint venture has been hampered.

Proto have recently completed approximately 10% of the required drilling to further define the Barnes Hill Resources. The results of this programme have been examined in detail by Metals Finance, with the Company's conclusion being that the drilling has provided reasonable definition of continuous mineralised nickel and cobalt bearing laterite of approximately 850,000 tonnes (at a bulk in situ density of 1.8) at an equivalent Ni weighted average grade of approximately 1.1% nickel and 0.06% cobalt - using a cut off grade of 0.8% for Ni.

The drilling results indicate that the nickel bearing laterite is open to the South and West of the drilled area.

In the opinion of MFC and Proto, some further work would be required in order to upgrade the mineralisation to a higher than the previously reported Indicated JORC resource, including

1. Limited infill drilling at 25 metre centres to confirm continuity of mineralisation
2. Confirmation of horizon widths through 'twinned' core holes
3. Confirmation of material SG through a number of core holes

Proto plans to complete this work in the next drilling programme, and to extend the detailed grid drilling to other areas in the Barnes Hill tenements.

Proto and MFC intend to continue studies on the Barnes Hill project over the coming year, focussing initially on the factors that are most critical to the viability of the project taking into account current economic circumstances. The ongoing programme will include:

- Pilot scale leach testing of samples from the recent drilling
- Further detailed drilling of the resource
- Continued liaison relating to permitting of the site
- Discussions with potential acid suppliers for the project
- Refinement of the potential process flow sheet
- Assessment of alternate technologies
- Continued assessment of potential capital and operating costs

Although a timeline for the project will depend on the results of the ongoing work, it is currently envisaged that significant progress will be made between now and the middle of 2010 including Proto's further drilling campaign, bulk testing to commence in early 2010 subject to the results of drilling and preliminary bulk leaching.

Proto is also assessing the iron ore potential of Barnes Hill in the short to near term for potential short term production to feed the BHP owned Temco smelter as part of a pre strip for the nickel project.

## **2.4 IRON PIGMENT PROJECT, SOUTH AFRICA**

As previously reported by the Company (Annual Report 2008) a broad based scoping study was completed on the Ergo tailings project in October 2008, under an agreement between Metals Finance Africa Pty.Ltd and the owners of the project. On the basis of the study completed the project has a potentially high capital cost (A\$20-30 million) but retains a positive indicated Net Present Value (NPV) and an indicated period for repayment of capital between 2.2 and 4.4 years under the conditions modelled. The study also concluded that the project was highly sensitive to a number of factors.

In the light of the high potential capital cost of the project and its sensitivity to a construction industry which has been significantly impacted by the world economic turn down, the Ergo project has been placed on indefinite hold by MFC and the owners of the dump notified accordingly.

One of the drivers for the Ergo project for MFC has been the capability, in the designed flow sheet, for the production of a high quality iron pigment for the construction and paint industries. As part of the project's investigation, an offtake agreement was entered into between MFA and a large South African based manufacturer and supplier for up to 50,000 tonnes per annum of pigment.

MFA is now examining the potential for establishment of a smaller pigment facility (up to 10,000 tonnes per annum) using an alternate feedstock. The purchaser of the pigment has established facilities in the outskirts of

Johannesburg, with already established infrastructure and other facilities, which can be used by MFA to establish an initial operation.

A detailed study on this project is currently under preparation, targeted for completion by mid 2009. A suitable feedstock of raw material has been identified and an appropriate flow sheet established. Capital and operating costs are being prepared by consultants and suppliers in South Africa. Metallurgical tests on material supplied to the off take company have been successful.

## **2.5 HAVASU GOLD PROJECT, US**

Metals Finance Corp. entered into a joint venture agreement with the owners of an alluvial gold project in Arizona in the US, in February of 2005. The project showed high potential based on formal bulk sampling carried out in 1988, with reports indicating a resource of approximately 1.6 million tons of material at an average grade of 4.8 g/ton gold.

MFC carried out some initial work on the project during 2006/07 and concluded that further resource definition work would be required prior to completion of a detailed feasibility study being warranted. The Company therefore introduced an Australian private syndicate to the venture in August 2008, to carry out and fund the additional bulk sampling required.

The planned testing programme was recently completed and preliminary results have been provided to the Company which indicate that the recent work has confirmed the findings of the 1988 study. Metals Finance now has an opportunity to re-enter the agreement through managing and funding:

1. Completion of any pilot testing required
2. Completion of a detailed feasibility study
3. Development of the project if warranted

If the project proceeds to development, the Company will recover its study and capital costs through a priority share of project surplus (approximately 90% of surplus). After recovery of capital MFC will retain a 34% share of surplus from the operation.

Further work will be required, comprising an evaluation of the results of the recent bulk sampling programme, before the Company will be in a position to make a decision as to whether to participate in the further development of this project. It is anticipated that this work will be complete by the middle of May 2009.

**Information within this report which pertains to mineralisation or resources is based on information compiled by Mr Tony Treasure who is a full time employee of the Company 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**

### **3.0 FINANCIAL AND ADMINISTRATION**

#### **Strategy**

The Board of Metals Finance Corp. has developed a short to medium term strategy which is aimed at continued development of the Company's business plan in the current economic climate. This strategy is firmly based around the following principles:

- Continue to pursue the project opportunities currently on hand
- Target low capital cost opportunities.
- Conserve cash through maintaining low overheads
- Develop strategic relationships, particularly with companies that have significant cash resources and currently profitable operations.
- Remain flexible to corporate opportunities and investments which may enhance shareholder value.

During the half year under review, Metals Finance has adhered to this strategy, in completing development of the Palabora project in South Africa and achieving significant development of the other projects which the Company has under investigation.

Studies on a number of the opportunities under review by the Company have now reached relatively detailed stage, where possible development decisions can be made before the end of 2009.

The Company has commenced its planned development of strategic relationships with other resource companies, through the investment made in Bass Metals Limited (Bass) in November of 2008. As announced at the time to the ASX, MFC purchased a 19.9% holding in Bass at a consideration of 9 cents per share.

The purpose in this investment for Metals Finance Corp. was to broaden access to resource project opportunities both with respect to location and commodity type. MFC believes that the combination of Bass's significant exploration and mining success with the unique Metals Finance Corp. business plan has the potential to bring significant benefits to both companies over the coming years.

#### **Administration**

As announced to the ASX in September of 2008, the Company decided to close down its Canadian operations in order to reduce costs and focus activities at a single location. Several employees in Canada were retained until the end of November 2008 to ensure smooth administrative, accounting and audit transitions.

The process of closure of the Canadian operation has now been concluded and recent analysis has illustrated an overhead saving in this move for the Company in the region of A\$1 million per annum.

The shareholders of the Company resolved at the Annual General Meeting to proceed with moving Metals Finance's country of incorporation from Canada to Australia, subject to further investigations on mechanics and accounting issues by the directors. These investigations are now complete, and approvals have been obtained from ASIC and ASX for all prerequisites to the move. The board intends to proceed with the implementation of the change in accordance with the following schedule:

<b>Event</b>	<b>Date</b>
Lodgement application with ASIC and notify ASX	24 April 2009
Last Day for trading in pre-reorganisation securities	1 May 2009
Deferred settlement basis starts	4 May 2009
Record Date – Last day for entity to register transfers on a pre-reorganisation basis	8 May 2009
Allotment Date - Last date for allotment of Shares	11 May 2009
Holding Statement Despatch Date - Last date for holding statements to be Despatched for Shares	15 May 2009
Deferred settlement market ends.	15 May 2009

Following this reorganisation the Company's securities will trade on the ASX as Fully Paid Ordinary Shares as opposed to CDI's. No action is required by shareholders to put this change into effect, as this will be managed and administered by the share register, Registries Limited, and the ASX. New holder statements will be issued in accordance with the proposed timetable above.

In the process of this change, in accordance with a special resolution of shareholders at the Company's Annual General Meeting in December 2008, the name of the Company will change, from Metals Finance Corp. to Metals Finance Limited.

**Financial**

The functional and presentation currency of Metals Finance Corp. has changed from Canadian Dollars to Australian Dollars from 1 September 2008. For reporting purposes the comparative figures in this consolidated half year review have been restated to Australian Dollars in conjunction with a change in accounting standards from Canadian GAAP to AIFRS.

In accordance with a resolution of shareholders at the Company's Annual General Meeting in December 2008, the Company has appointed PKF Chartered Accountants as auditors for the reporting period starting 1 September 2008.

The net consolidated loss of the Company after income tax for the half-year ended 28 February 2009 was \$403,032 (29 February 2008: \$129,102).

The net tangible assets per share reduced marginally from 19,3 cents to 18,9 cents during the past six months due to continued operation expenses.

This activities report should be read in conjunction with the half yearly accounts and notes to the accounts attached herewith. The Company has obtained an Independent Review Report from our auditors PKF as provided below.

This report is made in accordance with a resolution of directors.



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

## DIRECTORS' REPORT FOR THE HALF YEAR ENDED 28 FEBRUARY 2009

The Directors of Metals Finance Corp. ("MFC" or "the Company") submit herewith the consolidated interim financial report for the half-year ended 28 February 2009. In order to comply with the provisions of the Corporations Act 2001, 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	Period of directorship
Geoff Hill (Chairman)	Since 18/10/2007
Tony Treasure (Executive Director)	Since 20/08/2003
Warren Eades (Non-Executive Director)	Since 22/09/2008
Bayne Boyes ( Non-Executive Director)	Resigned 16/12/2008
Andrew Neale (Executive Director)	Resigned 31/08/2008

### Background

Metals Finance Corp. 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 Corp (ASX Code: MFC) was listed on the ASX on 20 December 2007. The company is also an investor in projects that has similar characteristics as mentioned above.

### Review and Results of Operations

The net loss of the Company after income tax for the half-year ended 28 February 2009 was \$403,032 (29 February 2008: \$129,102).

### State of Affairs

As announced at the Company's Annual General Meeting that was held on 16 December 2008 the Company is proceeding with its plan to move the domicile of the Company to Australia, through lodgement of the appropriate application with the Australian Securities and Investments Commission (ASIC). Furthermore PKF Chartered Accountants were the newly appointed auditors for the reporting period starting 1 September 2008.

From 1 September 2008 the Company re-located its office and operations of Metals Finance Corp. from Vancouver, Canada to its current location at Yatala, Queensland. This re-location took place with the intention for all future transactions to be made in Australian Dollars as all operational and managerial decision making processes of the Company were carried out in Australia.

Consequently the functional and presentation currency of Metals Finance Corp. has changed from Canadian Dollars to Australian Dollars from 1 September 2008. For reporting purposes the comparative figures in this consolidated interim financial report have been restated to Australian Dollars.

Expenses relating to the closure of the Canadian office are reflected in the income statement for the six month period ending 28 February 2009.

### Auditor's Independence Declaration

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, for the half-year ended 28 February 2009 has been received and included on page 2 of the interim financial report.

Signed in accordance with a resolution of Directors of Metals Finance Corp.

On behalf of the Directors



**Tony Treasure**  
**Chief Executive Officer**

Dated in Brisbane this 30th day of April 2009



Chartered Accountants  
& Business Advisers

### Auditor's Independence Declaration

As lead auditor for the review of Metals Finance Corp. for the half year ended 28 February 2009, 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 Corp. and the entities it controlled during the half year.

PKF

Albert Loots  
Partner

Dated at Sydney this 30<sup>th</sup> day of April 2009

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**Consolidated Interim Income Statement  
for the Half-Year Ended 28 February 2009**

	<b>Consolidated Entity Half-year ended</b>	
	<b>28 Feb 2009</b>	<b>29 Feb 2008 Restated*</b>
	<b>\$</b>	<b>\$</b>
Revenue – consulting	516,156	162,051
Employee expenses**	(693,818)	(528,603)
Project costs	(32,200)	(192,595)
Depreciation and amortisation expense	(69,160)	(65,222)
Foreign exchange gain / (loss)	(49,850)	1,029,484
Borrowing costs	(336,625)	(281,980)
General administration and operating expenses**	(713,154)	(667,294)
<b>Results from operating activities</b>	<b>(1,378,651)</b>	<b>(544,159)</b>
Other income		
Interest received	999,918	383,209
Gain/(loss) on investment	(24,299)	5,470
Rental income	-	26,378
	<u>975,619</u>	<u>415,057</u>
<b>Loss before income tax (expense)/benefit</b>	<b>(403,032)</b>	<b>(129,102)</b>
Income tax (expense)/benefit	-	-
<b>Loss after income tax</b>	<b>(403,032)</b>	<b>(129,102)</b>
<b>Loss per share:</b>		
Basic and diluted (loss) per share (cents)	(0.55)	(0.18)

\*See Change in Functional Currency- Note 1(a)

\*\*Closure of Canadian office expenses included

The accompanying notes form part of the consolidated interim financial statements

**Consolidated Interim Balance Sheet  
as at 28 February 2009**

	28 Feb 2009	31 Aug 2008
	\$	Restated* \$
<b>Current Assets</b>		
Cash and cash equivalents	9,539,740	13,066,288
Other receivables	79,208	439,114
Other assets	2,575	14,014
<b>Total Current Assets</b>	<b>9,621,523</b>	<b>13,519,416</b>
<b>Non-Current Assets</b>		
Property, plant & equipment	738,790	750,343
Deferred development costs	4,703,014	3,318,718
Loan receivables	168,915	148,068
Other financial assets	2,019,932	24,354
<b>Total Non-Current Assets</b>	<b>7,630,651</b>	<b>4,241,483</b>
<b>Total Assets</b>	<b>17,252,174</b>	<b>17,760,899</b>
<b>Current Liabilities</b>		
Trade and other payables	480,860	885,984
Interest bearing liabilities	560,585	540,375
<b>Total Current Liabilities</b>	<b>1,041,445</b>	<b>1,426,359</b>
<b>Non-Current Liabilities</b>		
Convertible notes	2,387,457	2,229,565
Lease liabilities	20,365	23,021
<b>Total Non-Current Liabilities</b>	<b>2,407,822</b>	<b>2,252,586</b>
<b>Total Liabilities</b>	<b>3,449,267</b>	<b>3,678,945</b>
<b>NET ASSETS</b>	<b>13,802,907</b>	<b>14,081,954</b>
<b>Equity</b>		
Issued capital	20,407,177	20,407,177
Share based payments reserve	74,739	74,739
Equity component of convertible notes	1,571,630	1,571,630
Other reserves	115,548	(8,437)
Accumulated losses	(8,366,187)	(7,963,155)
<b>TOTAL EQUITY</b>	<b>13,802,907</b>	<b>14,081,954</b>

\*See Change in Functional Currency- Note 1(a)

The accompanying notes form part of the consolidated interim financial statements

**Consolidated Interim Statement of Changes in Equity  
for the Half-Year Ended 28 February 2009**

	Share Capital \$	Reserves \$	Convertible Notes \$	Accumulated Losses \$	Total \$
<b>Balance at 1 September 2007</b>	3,816,894	74,739	-	(4,121,340)	(229,707)
Issue of share capital	18,856,258	-	-	-	18,856,258
Share issue costs	(2,107,695)	-	-	-	(2,107,695)
Equity component of Con Notes	-	-	1,571,630	-	1,571,630
Profit/(loss) for the period	-	-	-	(129,102)	(129,102)
<b>Balance at 29 February 2008</b>	<b>20,565,457</b>	<b>74,739</b>	<b>1,571,630</b>	<b>(4,250,442)</b>	<b>17,961,384</b>
<b>Balance at 1 September 2008</b>	20,407,177	66,302	1,571,630	(7,963,155)	14,081,954
Issue of share capital	-	-	-	-	-
Movement during the period	-	123,985	-	-	123,985
Equity component of Con Notes	-	-	-	-	-
Profit/(loss) for the period	-	-	-	(403,032)	(403,032)
<b>Balance at 28 February 2009</b>	<b>20,407,177</b>	<b>190,287</b>	<b>1,571,630</b>	<b>(8,366,187)</b>	<b>13,802,907</b>

The accompanying notes form part of the consolidated interim financial statements

**Consolidated Interim Cash Flow Statement  
for the Half-Year Ended 28 February 2009**

	Half-year ended	
	28 Feb 2009	29 Feb 2008
	\$	Restated* \$
<b>Cash flow from operating activities</b>		
Cash Receipts from customers	95,702	188,429
Interest received	427,772	318,402
Payments paid to suppliers and employees	(1,962,555)	(382,637)
Interest paid	(216,086)	(108,338)
<b>Net cash provided by/ (used in) operating activities</b>	<u>(1,655,167)</u>	<u>15,856</u>
<b>Cash flow from investing activities</b>		
Payments for deferred development expenditure	(345,219)	(3,292,440)
Payments for plant and equipment	(9,613)	(16,470)
Payments for investments	(1,864,265)	-
<b>Net cash used in investing activities</b>	<u>(2,219,097)</u>	<u>(3,403,592)</u>
<b>Cash flow from financing activities</b>		
Proceeds from issue of shares	-	18,856,257
Share issue expenses	-	(1,879,204)
Proceeds from issue of convertible notes	-	3,346,760
Loan establishment fees	-	(100,403)
Repayment of shareholder loan	-	(549,550)
Principal repayment - finance leases	(2,656)	-
Proceeds/ (repayments) of loans	350,372	(94,682)
<b>Net cash provided by/ (used in) financing activities</b>	<u>347,716</u>	<u>19,673,860</u>
Net increase/ (decrease) in cash held	(3,526,548)	16,286,124
Cash and cash equivalents at the beginning of the period	13,066,288	640,142
<b>Cash and cash equivalents at the end of the period</b>	<u><u>9,539,740</u></u>	<u><u>16,926,266</u></u>

\*See Change in Functional Currency- Note 1(a)

The accompanying notes form part of the consolidated interim financial statements

**Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009**

**1. Summary of Significant Accounting Policies**

Metals Finance Corp. (the "Company") is a publicly traded company on the Australian Stock Exchange (symbol: MFC, traded as 'Chess Depository Interests') with principal operations in metals recovery and production. The Company was incorporated on September 2, 2003 under the Business Corporations Act (British Columbia, Canada). The company is also registered as a Foreign Company with the Australian Securities and Investments Commission (ARBN 127 131 604). As announced at the Company's Annual General Meeting that was held on 16 December 2008 the Company is proceeding with its plan to move the domicile of the Company to Australia, through lodgement of the appropriate application with the Australian Securities and Investments Commission (ASIC). This application is to put into effect a change in the country of incorporation of Metals Finance Corp. from Canada to Australia, in accordance with notices that were provided to Shareholders in November 2008 and a resolution passed at the Company's Annual General Meeting that was held on 16 December 2008.

**(a) Basis of Preparation**

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

The half-year report does not include full disclosures of the type normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the MFC Annual Report 2008 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.

The 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.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

**Application of AASB 1: 'First-time adoption of Australian Equivalents to International Financial Reporting Standards' ('AIFRS').**

This interim financial report is the first Metals Finance Corp. interim financial report to be prepared in accordance with AIFRS's. AASB1: 'First-time adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements.

Financial statements of Metals Finance Corp. up until 31 August 2008 had been prepared in accordance with Canadian Generally Accepted Accounting Principles ('CGAAP'). CGAAP differs in certain respects from AIFRS. When preparing the Metals Finance Corp. interim financial report for the half year ended 28 February 2009 management has amended required accounting and valuation methods applied in previous CGAAP financial statements to comply with AIFRS. The comparative figures were restated to comply with AIFRS.

Reconciliations and descriptions of the effect of transition from previous CGAAP to AIFRS on the consolidated entity's equity and its net income are provided in Note 8.

**Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009 (cont'd)**

**1. Statement of Accounting Policies (cont'd)**

**(a) Basis of Preparation (cont'd)**

**Change in functional and presentation currency**

All amounts are presented in Australian dollars and rounded to the nearest dollar, unless otherwise noted.

From 1 September 2008 the Company re-located its registered office and operations of Metals Finance Corp. from Vancouver, Canada to its current location at Yatala, Queensland. This re-location took place with the intention for future transactions to be made in Australian Dollars as all operational and managerial decision making processes of the Company are now carried out in Australia.

Consequently the functional and presentation currency of Metals Finance Corp. has changed from Canadian Dollars to Australian Dollars effective 1 September 2008. For reporting purposes the comparative figures in this consolidated interim financial report have been restated to Australian Dollars.

**(b) Principles of consolidation**

**Subsidiaries**

A controlled entity is any entity Metals Finance Corp. has the power to control the financial and operating policies so as to obtain benefits from its activities.

**Associated and jointly controlled entities (equity accounted investees)**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associated and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

**Jointly controlled operations and assets**

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

**(c) Foreign Currencies**

Items included in the financial statements of each of the Company entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**(d) Revenue Recognition**

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest revenue is recognised on a time proportional basis taking into account the interest rates applicable to the financial assets.

**Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009 (cont'd)**

**1. Statement of Accounting Policies (cont'd)**

**(e) Taxes**

*Income taxes*

The income tax expense or benefit for the period is the tax payable on the current periods taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(f) Goods and Services Tax (GST)**

Revenues, expenses, and assets are recognised net of the amount of GST, except where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable, and except for receivables and payables which are stated inclusive of GST.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority are classified as operating cash flows.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

**(g) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

*Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

*Finance leases*

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Company are capitalised at the present value of the minimum lease payments. A lease liability of equal value is also recognised. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

**(h) Cash and cash equivalents**

For purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

**Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009 (cont'd)**

**1. Statement of Accounting Policies (cont'd)**

**(i) Receivables**

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision of doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

The carrying amounts of the loans are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the loan is impaired to its recoverable amount. The recoverable amount of the receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate

**(j) Investments and other financial assets**

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends upon the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

*(i) Financial Assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Such assets are carried at amortised cost using the effective rate interest method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investment are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

**Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009 (cont'd)**

**1. Statement of Accounting Policies (cont'd)**

**(j) Investments and other financial assets (cont'd)**

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes, in the carrying amount of the security. The translation differences are recognised in profit and loss and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company established fair value by using valuation techniques. These include the use of recent arms' length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

**(k) Property, Plant and Equipment**

*Plant and Equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

*Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful life to the Company commencing from the time the asset is held ready for use. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Property and equipment	5 – 10 years
Computer equipment	3 years
Laboratory equipment	7 years
Motor vehicles	5 years
Pilot plant	2 years

**Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009 (cont'd)**

**1. Statement of Accounting Policies (cont'd)**

**(k) Property, Plant and Equipment (cont'd)**

**Maintenance and repairs**

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and amortised as noted above. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

The cost of plant and equipment constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of directly attributable variable and fixed overheads.

**(l) Deferred Development Expenditure**

Development costs incurred subsequent to the determination of the feasibility of mining operations are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs are amortised over the estimated useful life of the property following commencement of commercial production according to the units of production used.

**(m) Trade & Other Payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis. Trade account payables are usually settled on a 30 day basis.

**(n) Borrowings**

All loans and convertible notes are measured at the principal amount net of transaction costs incurred. Costs in relation to the convertible notes issued are amortised on a straight line basis over the period from issue of the notes until the redemption date of the notes. Interest is charged as an expense as it accrues.

**(o) Contributed Equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009 (cont'd)**

**1. Statement of Accounting Policies (cont'd)**

**(p) Employee Benefits**

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and any vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*iii) Share-based payments*

The Company has issued options to executives and employees as part of their remuneration. The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

*(iv) Employee benefit on-costs*

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

**(q) Earnings/Loss per Share**

*Basic earnings per share*

Basic earnings per share is determined by dividing net profit after income tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of the ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009 (cont'd)**

**1. Statement of Accounting Policies (cont'd)**

**(r) Capital Management**

Management controls the capital of the Company in order to provide capital growth to shareholders and ensure the Company can fund its operations and continue as a going concern. The Company'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 Company's capital by assessing the Company'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 group since the prior year.

**(s) Comparatives**

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**2. Segment Reporting**

As at 28 February 2009, the Company was operating primarily in three geographic locations, Australia and South Africa, although the closure of the Canadian office had an effect on the recording period revenue and expenses which has been included for disclosure purposes. Geographical information is as follows:

	Australia		South Africa		Canada	
	28 Feb 2009	29 Feb 2008	28 Feb 2009	29 Feb 2008	28 Feb 2009	29 Feb 2008
	\$	\$	\$	\$	\$	\$
Segment revenue	-	-	412,336	-	44,548	162,051
Segment expenses	(652,291)	(295,078)	(290,137)	(165,048)	(567,655)	(246,082)
Segment result	(652,291)	(295,078)	122,199	(165,048)	(523,107)	(84,031)

The Company operates predominantly in one business segment being in the resource industry, specifically metals recovery and production.

**3. Dividends**

During the half year, no dividends were paid or provided for.

Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009 (cont'd)

	28 Feb 2009	31 Aug 2008
	\$	\$
<b>4. Issued capital</b>		
Chess Depository Interests (73,109,576 shares)	23,080,850	23,080,850
Less: capital raising costs	<u>(2,673,673)</u>	<u>(2,673,673)</u>
	<u>20,407,177</u>	<u>20,407,177</u>

**5. Contingent Liabilities and Contingent Assets**

There have been no changes to contingent liabilities and contingent assets since 31 August 2008.

**6. Subsidiaries**

All companies have a 31 August balance date.	Principal Activity	Percentage of equity interest		Parent Investment	
		2009	2008	2009	2008
		%	%	\$	\$
Metals Finance Australia	Resource	100%	100%	1	1
Metals Finance Africa	Resource	50%	50%	194	194
				<u>195</u>	<u>195</u>

**7. Subsequent Events**

Subsequent to year end the share price of Bass Metals Limited (ASX code: BSM) increased from 9.8cents a share at 28 February 2009 to approximately 17cents a share at the date these accounts are approved. This would result in an increase in value of the Company's investment by approx \$1,500,000. The investment is classified as an 'available-for-sale' financial instrument and movements in the value of the investment are taken directly to equity.

Also subsequent to year end Metals Finance Africa and their Joint Venture partner in the "Palabora Project" Palabora Mining Company (PMC) are in the process of finalising the final value of the plant for sale to PMC according to the joint venture agreement as the minimum required production capacity milestone has been reached.

There have been no other events since 28 February 2009 that impact upon the financial report as at 28 February 2009.

**8. Impact of Adopting Australian Equivalents to International Financial Reporting Standards ('AIFRS')**

*AASB 128: Investments in Associates*

The Met-Solve Laboratories Inc ("Met-Solve") was previously treated as a joint venture and accounted for using the proportionate consolidation method whereby the Company's proportionate share of the assets and liabilities and the related revenues and expenses are included in the consolidated financial statements. The investment in Met-Solve will not be treated as a joint venture under AIFRS as there is no "joint control" as defined by 'AASB 131 Interest in Joint Ventures'. Under AIFRS the Met-Solve investment will be treated as an Associate and accounted for using the Equity Method as prescribed by AASB 128. Under the Equity Method the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. The effect of this change on equity, retained earnings and profits is immaterial.

**Notes to the Consolidated Interim Financial Report  
for the Half-Year Ended 28 February 2009 (cont'd)**

**8. Impact of Adopting Australian Equivalents to International Financial Reporting Standards ('AIFRS') (cont'd)**

*AASB 127 Consolidated and Separate Financial Statements*

Under CGAAP Metals Finance Africa (Pty) Ltd ("MFA") had been determined to be a 'variable interest entity' and was therefore fully consolidated. While the 'variable interest entity' concept is not present under AIFRS it has been determined that Metals Finance Corp. has the power to govern the financial and operating policies of MFA so as to obtain benefits from its activities and therefore has 'control' over MFA as defined by AASB 127. As a result MFA has been fully consolidated in these financial statements and there is no material change to equity retained earnings or profits.

*AASB 132 Financial Instruments – Presentation and AASB 139 Financial Instruments - Recognition and Measurement*

Effective 1 September 2007, the Company adopted CICA Handbook Section 3955, *Financial Instruments – Recognition and Measurement* and Section 3861 *Financial Instruments – Disclosure and Presentation*. As a result the recognition and measurement of the Company's investment in stock options (classified as held-for-trading) and the recognition and measurement of the Company's convertible notes (considered a compound financial instrument with the carrying amount allocated to its equity and liability components) were treated in accordance with AIFRS.

*(a) Reconciliation of total equity, retained earnings, profit after tax and cash flow statement presented under CGAAP to that under AIFRSs*

There were no material impacts of adopting AIFRSs on the total equity, retained earnings, profit after tax or the cash flow statement as reported under Canadian Generally Accepted Accounting Principles.

**9. Deferred development costs**

*(a) Palabora Project*

The Company entered into a joint venture agreement dated September 5, 2006 ("Joint Venture Agreement") with Palabora Mining Company Limited ("PMC") to assess and if warranted, install a new nickel recovery circuit at the Palabora Mining Company copper refinery in the Republic of South Africa. The Joint Venture Agreement was originally with Muva Metals (PTY) Limited and was subsequently assigned to the Company on June 23 2007.

Under the terms of the Joint Venture Agreement:

- (i) At the date of the Joint Venture Agreement, the Company had a 60% interest and PMC held a 40% interest. The Company was responsible for funding the Final Evaluation Period and the participants made a decision to proceed to the Development and Operational Phase in April 2007. The Company is responsible for implementation and funding of the commercial treatment facility.
- (ii) PMC is responsible for ensuring supply of Electrolyte Bleed Stream to the operating plant and is also responsible for certain supplies.
- (iii) The Company is also responsible for funding any operational deficits. The Company is entitled to recover its funding of the project (Capex Account balance) from operating cash flows. The Company retains ownership of capital property until 100% of capital costs are recovered at which point the capital property is transferred to PMC.
- (iv) Liabilities of the participants to each other and third parties are several in proportion to their respective joint venture interests and is neither joint nor joint and several.

**10. Correction of Error**

An error in the valuation of the options attached to the convertible notes on issue resulted in the equity portion of the notes being overstated by \$568,540 and the liability portion being understated by the same amount.

This error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

**Directors' Declaration for the half year ended 28 February 2009**

The directors of Metals Finance Corp. declare that:

- (a) in the directors' opinion the financial statements and notes set out on pages x to xx, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of Metals Finance Corp. and its controlled entities financial position as at 28 February 2009 and of their 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 consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a resolution of the directors.

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

**Director**

Dated in Brisbane this 30<sup>th</sup> day of April 2009



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metals Finance Corp.

We have reviewed the accompanying half-year financial report of Metals Finance Corp., which comprises the balance sheet as at 28 February 2009, and the income statement, statement of changes in equity and 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 the company and the entities it controlled at 28 February 2009 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 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 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 Corp., 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.

### *Independence*

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

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*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 Corp. is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Metals Finance Corp.'s financial position as at 28 February 2009 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 Sydney this 30<sup>th</sup> day of April 2009.