LOAN AND CONVERTIBLE NOTE

THIS DEED is dated on day of 2007

BY: **THE PARTY DESCRIBED IN ITEM 1 OF THE SCHEDULE** (“**Company**”)

TO: **THE PARTY DESCRIBED IN ITEM 2 OF THE SCHEDULE** (“**Noteholder**”)

INTRODUCTION

The Noteholder has agreed to advance the Loan to the Company and the parties have agreed that the following terms and conditions will apply to the Loan and, if the Option is granted and exercised, the conversion of the Loan into Shares and Share Options.

IT IS AGREED

1. ADVANCE

1.1 The Noteholder has agreed to advance the Loan to the Company.

1.2 Within 5 Business Days of and including the date on which the Company gives the Noteholder written notice of its desire to receive the Loan, the Noteholder must advance the Loan to the Company in immediately available funds.

2. INTEREST AND SECURITY

2.1 The Company shall pay the Noteholder interest on the daily outstanding balance of the Loan at the Interest Rate in respect of each Interest Period.

2.2 The interest payments referred to in clause 2.1 are payable by the Company to the Noteholder within 10 Business Days of the last day of each Interest Period.

2.3 Following the advance of the Loan in accordance with clause 1.2, the Loan will be secured by a subordinated fixed and floating charge of the assets and undertakings of the Chargor (“**Charge**”).

2.4 In the event that the ASX determines that ASX Listing Rule 10.1 applies in relation to the provision of the Charge, the amount of the money that is secured by the Charge (“**Secured Money**”) is limited to an amount (together with any other existing security given by the Company in favour of the Noteholder) that is equal to 4.99% of the value of the Company's "equity interests" as that term is defined and applied for the purposes of the ASX Listing Rule 10.1. In this case, the amount of the Secured Money that is secured by the Charge will be revised upon the next publication of the Company's accounts under the ASX Listing Rules so as to secure the whole of the Secured Money.

2.5 In the event the Company does not pay an interest payment when due, the Company must pay interest on any of the Secured Money due and payable, but unpaid and any interest payable but unpaid under this clause 2 at rate of 15% per annum for the whole of the previous interest period as well as the period until the interest payment is paid.

3. REPAYMENT AND REDEMPTION

3.1 Subject to clause 3.2 and clause 10, the Company must repay the Loan in full on the Maturity Date.

3.2 At any time prior to the first anniversary of the date of this Deed, the Company is permitted to redeem all or part of the indebtedness evidenced by the Convertible Note by serving on the Noteholder:

(1) 7 days written notice of the Company's intention to redeem a stated amount of the abovementioned indebtedness ("**Redemption Amount**"), that must not be less than $500,000 of the Loan amount (and in any event by multiples of not less than $500,000.00) that is stated in item 2 of the Schedule; and

(2) a bank cheque or other evidence of the payment, in immediately available funds, of the Redemption Amount stated in the abovementioned notice.

3.3 The Company acknowledges and agrees that, subject to the provisions of clause 3.4, the Establishment Fee will form part of the indebtedness evidenced by the Convertible Note and will be payable upon or prior to the Maturity Date or otherwise in a manner contemplated by this Deed for the repayment or reduction of any such indebtedness.

4. NO DEDUCTIONS

4.1 All money payable by the Company must be paid in full without any deduction on account of any income or other taxes or charges present or future. If the Company is compelled by law to deduct any taxes or charges the Company must pay to the Noteholder such further sum as will result in the receipt by the Noteholder of the full amount payable.

5. RIGHTS OF CONVERSION

5.1 Grant of Option

(1) Subject to the terms of this Deed, the Company grants to the Noteholder an option to apply for and have issued to it Shares (**Option**).

(2) The Company will, if required to do so under the ASX Listing Rules, seek shareholder approval in general meeting for the ratification of the grant of the Option and the Share Options pursuant to Deed in order to refresh its ability to issue shares in the future.

(3) The maximum number of Shares which may be applied for and issued to the Noteholder under the Convertible Note, upon exercise of the Option, is specified in item 2 of the Schedule.

5.2 **When Option may be Exercised**

Subject to clause 5.1, the Option is exercisable in relation to the Loan at any time:

(a) after the expiry of 180 days after and not including the date of this Deed; and

(b) prior to the Maturity Date (in part or in full of that amount).

5.3 **Option Price**

Subject to the provisions of clause 5.4, The Noteholder will pay the Conversion Price for each Share purchased upon exercise of the Option.

5.4 **Payment of the Option Price**

The Conversion Price may be paid by the Noteholder only by reducing the outstanding balance of the Loan by an amount equal to the Conversion Price multiplied by the number of Shares in respect of which the Option is exercised in accordance with the provisions of this Deed.

5.5 **How Option may be Exercised**

The Option may be exercised by the Noteholder delivering to the Company:

(1) a notice substantially in the form of Annexure "A"; and

(2) a copy of this Deed,

each duly executed by the Noteholder.

5.6 **Company's Obligations on Exercise of Option**

The Company must within 10 Business Days of the Noteholder complying with clause 5.5:

(1) issue to the Noteholder certificates for the number of Shares for which the Option has been exercised, together with 1 Share Option for every 1 Share issued to the Noteholder; and

(2) record the Share and the Share Option issue in its Register of Members and Register of Optionholders respectively; and

(3) return this Convertible Note, endorsed to reflect the extent of the Noteholder's exercise of the Option,

and upon the Company complying with these requirements, the Loan will be reduced in an amount equal to the number of Shares issued multiplied by the Conversion Price.

For the purpose of the exercise referred to in this clause 5.6(1), the Noteholder acknowledges and agrees that the minimum value of the note to be converted to Shares in accordance with this clause in respect of which it may exercise the Option, must be no less than $50,000 and thereafter in multiples of $50,000.

5.7 **Share Options**

(1) For every Share issued to the Noteholder upon exercise of the Option:

(a) the Company agrees to allot and issue 1 Share Option to the Noteholder; and

(b) the Noteholder acknowledges and agrees that:

(i) the minimum number of Share Options that it may exercise must be no less than $50,000 worth and thereafter in multiples of $50,000; and

(ii) the Company will be under no obligation to apply to the ASX for the official quotation of any of the Share Options.

(2) The Company will issue and allot to the Noteholder 1 Share Option for every A$0.50 of indebtedness evidenced by the Convertible Note that it redeems in accordance with the provisions of clause 3.2 and such issue and allotment will, subject to the prior compliance with the requirements if any of the ASX Listing Rules, occur within 10 days after the date on which that redemption occurs.

5.8 **Participation in Dividends, Bonus Shares, Etc.**

The Noteholder will be entitled to participate fully:

(1) in any dividend declared or paid on the Shares; and

(2) any bonus shares issued in respect of the Shares; and

(3) any offers or invitations by the Company for the holders of Shares to subscribe for further Shares in the Company,

after the issue of the Shares under the Option.

5.9 **Reconstructions**

If and whenever after the date of this Deed and on or before the Maturity Date there is any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the entitlement of the Noteholder to convert the indebtedness, or any part thereof, evidenced by the Convertible Note, shall be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the Noteholder which is not conferred on shareholders or vice versa (subject to the same provisions with respect to rounding of entitlement as sanctioned by the meeting of shareholders of the Company approving the reconstruction of capital) but in all other respects the terms for conversion shall remain unchanged.

6. GENERAL COVENANTS

6.1 Company to Provide Information

The Company must give to the Noteholder:

(1) all financial and other information which the Noteholder requires from time to time; and

(2) notice of all meetings of the members of the Company, including details of all resolutions to be considered at such meetings.

6.2 Company to Reimburse the Noteholder

The Company must pay to the Noteholder on demand any money which the Noteholder reasonably incurs in relation to any default by the Company of the terms of this Deed.

7. APPLICATION OF MONEY

The Company must apply the Loan towards general working capital purposes.

8. WARRANTIES

8.1 The Company warrants that:

(1) all Shares and Share Options issued by it in accordance with the Option will be free and clear of all mortgages, charges, liens and encumbrances;

(2) it has the power and authority to enter into and perform its obligations under this Deed and, all necessary steps have been taken to enable it to do so; and

(3) no event has occurred and is continuing which constitutes an Event of Default or which would, with the lapse of time or giving of notice, become such an Event of Default.

8.2 The Noteholder warrants that it is a sophisticated or professional investor within the meaning of Section 708(8) or Section 708(11) of the Corporations Act and has the power and authority to enter into and perform its obligations under this Deed.

8.3 Each of the warranties in clause 8.1 are repeated on each day during which the Secured Moneys are outstanding.

9. RANKING

9.1 The parties acknowledge and agree that the rights and entitlements of the Noteholder in respect of any indebtedness created or evidenced by any of the Transaction Documents, in all respects:

(a) are subordinated and rank behind any right or entitlement and all rights or entitlements of any Senior Creditor to be paid or repaid any of the Senior Debt; and

(b) rank equally with any right or entitlement and all rights or entitlements of any other person who has entered into a deed to which the Company is a party and the terms and conditions of which are in all material respects identical with the terms and conditions of this Deed.

10. DEFAULT

10.1 Noteholder's Rights on Default

If an Event of Default occurs or is deemed to have occurred, then at the Noteholder's option, all of the Secured Money immediately becomes payable upon the expiry of 14 days of the date upon which the Company receives a written demand from the Noteholder.

10.2 Events of Default

The following are Events of Default:

(1) the Company fails to pay any of the Secured Money when due (taking into consideration any deferral of such payment permitted under the terms of this Deed or agreed by the Noteholder in writing);

(2) there is a breach of a term or warranty of this Deed by anyone other than the Noteholder and that breach has not been remedied within 14 days of receiving notice of the breach from the Noteholder requiring that breach to be remedied;

(3) this Deed becomes wholly or partly void, voidable or unenforceable; or

(4) in respect of the Company:

(a) it becomes insolvent, or unable, or admits in writing its inability, to pay debts generally as they become due, or makes an assignment for the benefit of creditors;

(b) an order for payment is made or a judgement is entered against it and is not satisfied within 21 days;

(c) a voluntary administrator or receiver is appointed; or

(d) a person holding a security interest in its assets enters into possession of or takes control of any assets of the Company or takes any steps to enter into possession of or take control of any of those assets.

10.3 **Notification of Breach**

The Company must notify the Noteholder as soon as practicable after it becomes aware of any Event of Default or other breach of this Deed by the Company.

11. MISCELLANEOUS PROVISIONS

11.1 **Certificates**

A certificate purporting to be signed by the Noteholder or an officer of or agent for the Noteholder stating:

(1) the amount owing or contingently owing by the Company at a certain date under this Deed;

(2) the rate or rates of interest which are applicable to the Secured Money or any part of it;

(3) that a particular Event of Default has occurred; or

(4) any other act matter or thing arising under this Deed,

is for all purposes prima facie evidence of the facts stated in the certificate.

11.2 **Assignment**

The Noteholder may not assign or otherwise deal with the Convertible Note or its rights under this Deed except with the prior written consent of the Company.

11.3 **Time of the Essence**

Time is of the essence of the Company's obligations under this Deed unless otherwise agreed in writing by the Noteholder.

11.4 **Further Assurance**

The Company must promptly at the Company's own cost do all things (including executing all documents) necessary or desirable to give full effect to this Deed.

11.5 **Severability**

If anything in this Deed is unenforceable, illegal or void then it is severed and the rest of this Deed remains in force.

11.6 Entire Agreement

This Deed represents the entire agreement between the parties and all prior or contemporaneous representations, statements and agreements (if any) made by the Noteholder or the Noteholder's representatives are merged in this document.

11.7 Variation

An amendment or variation to this Deed is not effective unless it is in writing and signed by the parties.

11.8 Waiver Excluded

(1) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.

(2) The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right.

(3) A waiver is not effective unless it is in writing.

(4) Waiver of a power or right is effective only in respect of the specific instance to which it relates and for the specific purpose for which it is given.

11.9 Costs and Expenses

The Company must pay the costs and outlays in connection with the negotiation, preparation, execution, stamping and completion of each Transaction Document and of any forms required by any statute or regulation to be lodged with any registry.

11.10 Notices

(1) A notice or other communication connected with this Deed ("**Notice**") has no legal effect unless it is in writing and:

   (a) delivered; or

   (b) sent by post, postage prepaid;

   to the address of the addressee set out in items 1 and 2 of the Schedule or subsequently notified from time to time.

(2) A Notice must be treated as given and received:

   (a) if delivered, upon delivery; or

   (b) if mailed, on the expiration of 2 Business Days (at the address to which it is mailed) after mailing.

(3) A Notice by the Noteholder may be given by any officer or agent of the Noteholder.

11.11 Permitted Rights

For the period expiring on the earlier to occur of:

(a) second anniversary of the date of this Deed; and

(b) the date on which all indebtedness evidenced by the Convertible Note has been paid or repaid,

the Company will permit:

(c) an associate of the Noteholder, trading under the name of "Belgravia Insurance" to provide the Company with a quotation for any insurance policy that the Company may consider entering into during that period.

(d) the Noteholder, or any associate of the Noteholder, together with Cygnet Capital Pty Limited and Pitt Capital Partners Limited, a joint right of first refusal to participate in any capital raising proposed by the Company on terms that are offered by the Company; and

(e) the Noteholder, or any associate of the Noteholder, to provide to the Company, any debt facility that the Company may seek on terms that are either proposed by the Company or mutually agreed between the parties.

12. GOVERNING LAW AND JURISDICTION

12.1 This Deed is governed by the laws of Victoria without regard to its conflicts of law principles.

12.2 The parties submit to the non-exclusive jurisdiction of the courts of Victoria and the Federal Court of Australia.

13. DEFINITIONS AND INTERPRETATION

13.1 In this Deed:

(1) "**ASX**" means the Australian Stock Exchange Limited;

(2) "**ASX Listing Rules**" means the Listing Rules of ASX.

(3) "**Business Day**" means a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in Perth, Australia;

(4) "**Chargor**" means Metals Finance Corp. of Canada;

(5) "**Conversion Price**" means the exercise price per Share specified in item 2 of the Schedule;

(6) "**Convertible Note**" means the Loan made and repayable in accordance with the provisions of this Deed;

(7) "**Establishment Fee**" means A$45,000.00;

(8) "**Event of Default**" means any event or occurrence mentioned in clause 10.2;

(9) "**Interest Period**" means the period 3 months from the date of the Loan is first advanced to the Company and thereafter in 3 monthly intervals until the date the Loan is repaid to the Noteholder;

(10) **"Interest Rate**" means twelve (12%) percent per annum;

(11) "**Loan**" means the amount specified in item 2 of the Schedule;

(12) "**Maturity Date**" means the date specified in item 2 of the Schedule;

(13) "**Option**" means the option granted by the Company in clause 5;

(14) "**Secured Money**" includes the Loan and all other money which the Company agrees to pay under any provision of this Deed including interest;

(15) "**Senior Creditor**" means any person who is owed or entitled to be paid or repaid any Senior Debt.

(16) "**Senior Debt**" means the aggregate of current or future indebtedness, of the Company, being or being evidenced by:

(a) any and all indebtedness of the Company in existence at the date of this Deed;

(b) a working capital funding facility of up to A$500,000.00;

(c) any and all indebtedness owed by the Company in respect of plant or equipment owned or acquired by the Company prior to the Maturity Date; and

(d) any and all interest, fees, duties and costs that are or are likely to become payable in connection with any of the foregoing indebtedness.

(17) "**Share**" means a share in the capital of the Company, credited as fully paid up, of the class described in item 2 of the Schedule;

(18) "**Share Option**" means an option to acquire a Share with an exercise price for each Share Option specified in item 2 of the Schedule and with an expiry date of the second anniversary of the date of issue of that Share Option;

(19) "**Transaction Document**" means any one of:

(a) this Deed;

(b) the Charge referred to in clause 2.3;

(c) each document or agreement entered into or given under either of the above; and

(d) each other document which the Company agrees is a Transaction Document.

13.2 Interpretation

(1) Reference to:

(a) one gender includes each other gender;

(b) the singular includes the plural and the plural includes the singular;

(c) a person includes a body corporate;

(d) a party includes the party's executors, administrators, successors and permitted assigns;

(e) a statute, regulation or provision of a statute or regulation ("**Statutory Provision**") includes:

(i) that Statutory Provision as amended or re-enacted from time to time; and

(ii) a statute, regulation or provision enacted in replacement of that Statutory Provision;

(f) any document or agreement (including the Convertible Note) includes the document or agreement as amended, novated, supplemented or replaced from time to time; and

(g) "month" means a calendar month.

(2) A "corporation", a "subsidiary" or a "related body corporate" has the meaning given to it in the *Corporations Act*.

(3) "Including" and similar expressions are not words of limitation.

(4) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.

(5) Headings are for convenience only and do not form part of this Deed or affect its interpretation.

(6) All monetary amounts are in Australian dollars, unless otherwise stated.

(7) So far as is possible, this Deed must be read together with any Related Agreement and, in the event of inconsistency, the provision most favourable to or which confers the greatest benefit on the Noteholder prevails.

(8) If an act must be done on a specified day which is not a Business Day, the act must be done instead on the next Business Day.

(9) No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this Deed.

SCHEDULE

ITEM 1: THE COMPANY	
Name	Metals Finance Corp
Street Address	23 Riversdale Road, Oxenford, Queensland
Fax No.	61 7 5573 6097

ITEM 2: THE NOTEHOLDER	
Name of Noteholder	
Address	
Loan amount	
Maximum Number of Shares on exercise of Option	
Conversion Price	A$0.50 per Share
Option Price	A$0.50 per Option Share
Maturity Date	third anniversary of the date of this Deed

EXECUTED by)
METALS FINANCE CORP)
in the presence of:)
)

Director

Director / Secretary

EXECUTED by)
)
in accordance with the Corporations Act:)
)

Director

Director / Secretary

ANNEXURE "A"

Notice of Exercise of Option

and

Application for Shares

To: The Directors
#name and address of the Company#

#name of Noteholder# as holder of the Convertible Note granted by you on *#date of Convertible Note#* hereby gives notice that it exercises the Option contained in that Convertible Note in respect of *#number and class of Shares#* and accordingly applies for those shares (together with 1 free share option for every 1 share applied for).

The shares are to be credited as fully paid.

In consideration of the issue of the Shares, the Loan under the Convertible Note will be reduced by an amount of #amount#.

The shares are to be recorded as being beneficially held: yes/no.

DATED:

SIGNED by an authorised officer *[attorney]* of the Noteholder in the presence of:	))	....

....
Signature of Witness

....
Name of Witness (BLOCK LETTERS)

....
Address of Witness