Metals Finance Limited

(ABN 83 127 131 604)

and its Controlled Entities

Appendix 4E

For the twelve months ended

31 August 2011

Appendix 4E

Preliminary Final Report - 31 August 2011

Name of Entity:	**Metals Finance Limited** ABN 83 127 131 604

1. Details of the reporting period

Current Period:	1 September 2010 - 31 August 2011
Previous corresponding period:	1 September 2009 - 31 August 2010

2. Results for announcement to the market

				31 Aug 2011 $
2.1 Revenues from ordinary activities (Aug 2010 - $ 161,531)	**up**	4.3%	to	**168,424**
2.2 Profit / (Loss) from ordinary activities after tax attributable to members (Aug 2010 - $ (3,865,211))	**down**	11.6%	to	**(3,415,313)**
2.3 Net Profit / (Loss) attributable to members (Aug 2010 - $ (2,930,928))	**down**	5.5%	to	**(2,766,999)**

2.4 Dividends	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
2.5 Record date for determining entitlements to dividends		N/A

3. Other significant information

At 31 August 2011 the Consolidated Entity held 26,413,445 shares in ASX listed entity Bass Metals Ltd. On 11 July 2011 Bass Metals Ltd entered into a trading halt pending completion of a financing transaction. Refer Note 8 of the attached preliminary financial statements for further information.

4. Net tangible assets per security

	31 August 2011	31 August 2010
Net tangible assets per share (cents)	13.1	15.7

5. Control gained or lost over entities during the period

Control gained:

Metals Finance Chile Limitada - 100% indirectly held by Metals Finance Limited and incorporated in Chile on 28 October 2010
Metals Finance Zambia Limited – 75% indirectly held by Metals Finance Limited and incorporated in Zambia on 3 September 2010

6. 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	

7. Details of dividend reinvestment plan

N/A

8. Details of associates and joint venture entities

Metals Finance Limited has the following associates and joint venture (incorporated and unincorporated) entities included in its accounts:

Lucky Break joint venture (50%)
Chambishi Metals (PLC) joint venture (50%)
Barnes Hill joint venture (50%)

9. Accounting standards used by foreign entities

AIFRS has been used for annual reporting purposes

10. Qualification of audit / review

N/A

11. Subsequent events

1. The conditional sale of Metals Finance Africa and Metals Finance Zambia Limited has been extended to 19 February 2012 through a deed of variation signed on 13 October 2011.

2. At 31 August 2011 Metals Finance Limited's shareholding in Bass Metals Limited was 26,413,445 shares plus an investment of $500,000 in convertible notes which were converted into 3,333,333 shares on 30 September 2011 giving Metals Finance Limited a shareholding of 13.5%.

12. Compliance Statement

1 This report has been prepared under AIFRS accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to the ASX

Identify other standards used: N/A

2 This report and the accounts upon which the report is based (if separate), use the same accounting policies

3 This report does give a true and fair view of the matters disclosed

4 This report is based on accounts to which one of the following applies:

- [ ] The accounts have been audited
- [√] The accounts are in the process of being audited
- [ ] The accounts have been subject to review
- [ ] The accounts have not yet been audited or reviewed

5 If the audit report or review by the auditor is not attached, details of any any qualifications will follow immediately when they become available

6 The entity has a formally constituted audit committee

Signed:

P.A. Treasure

Patrick Anthony Treasure
Managing Director
31 October 2011

Metals Finance Limited

(ABN 83 127 131 604)

and its Controlled Entities

2011 Preliminary Financial Report

Statement of Comprehensive Income for the Year Ended 31 August 2011

	Note	2011 $	2010 $
Consulting revenue		168,424	161,531
Employee expenses		(1,331,988)	(1,236,237)
Project costs		(117,950)	(182,925)
Depreciation and amortisation expense		(27,386)	(48,388)
Foreign exchange loss		(483,325)	(61,593)
Finance costs		(202,972)	(1,155,289)
General administration and operating expenses		(1,298,985)	(1,221,179)
Impairment of property, plant and equipment		(121,131)	(121,131)
Results from operating activities		**(3,415,313)**	**(3,865,211)**
Other Income			
Interest received		180,546	866,714
Loss on sale of investments		-	(55)
Changes in the fair value of financial assets at fair value through profit or loss		410,558	-
Gain on sale of property, plant and equipment		3,465	-
Rental income		7,041	19,637
		601,610	886,296
Loss before income tax benefit		**(2,813,703)**	**(2,978,915)**
Income tax benefit	2	46,704	47,987
Loss after income tax		**(2,766,999)**	**(2,930,928)**
Other comprehensive income			
Foreign currency translation differences for foreign operations		206,182	(763)
Changes in the fair value of available-for-sale financial assets		633,923	(1,068,544)
Income tax on other comprehensive income		-	-
Total other comprehensive income		840,105	(1,069,307)
Total comprehensive income		**(1,926,894)**	**(4,000,235)**
Loss after income tax attributable to:			
Owners of the Parent Entity		(2,247,219)	(2,930,928)
Non-Controlling Interest		(519,780)	-
		(2,766,999)	**(2,930,928)**
Total comprehensive income attributable to:			
Owners of the Parent Entity		(1,510,205)	(4,000,235)
Non-Controlling Interest		(416,689)	-
		(1,926,894)	**(4,000,235)**
Earnings per Share:			
Basic and diluted loss per share (cents per share)	3(a)	3.78	4.01

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

Balance Sheet as at 31 August 2011

	Note	2011 $	2010 $
Current Assets:			
Cash and cash equivalents	4	3,426,060	5,335,370
Trade and other receivables	5	671,263	63,445
Financial assets at fair value through profit or loss	8 (a)	410,558	-
Other	6	467	1,964
Total Current Assets		**4,508,348**	**5,400,779**
Non-Current Assets:			
Trade and other receivables	5	134,737	5,701,256
Property, plant and equipment	7	307,970	425,378
Available-for-sale financial assets	8 (b)	4,992,141	4,358,218
Total Non-Current Assets		**5,434,848**	**10,484,852**
Total Assets		**9,943,196**	**15,885,631**
Current Liabilities:			
Trade and other payables	9	89,388	327,216
Provisions	10	46,361	38,095
Interest bearing loans and borrowings	11	216,394	4,020,592
Total Current Liabilities		**352,143**	**4,385,903**
Non-Current Liabilities:			
Interest bearing loans and borrowings	11	30,615	12,396
Total Non-Current Liabilities		**30,615**	**12,396**
Total Liabilities		**382,758**	**4,398,299**
Net Assets		**9,560,438**	**11,487,332**
Equity:			
Contributed equity	12	22,083,126	20,511,496
Reserves	13	2,112,736	1,375,722
Equity component of convertible notes		-	1,571,630
Accumulated losses		(14,218,735)	(11,971,516)
Total equity attributable to the equity holders of the Company		**9,977,127**	**11,487,332**
Non-Controlling Interest		(416,689)	**-**
Total Equity		**9,560,438**	**11,487,332**

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements

Statement of Changes in Equity as at 31 August 2011

	Share Capital $	Reserves $	Convertible Notes $	Accumulated Losses $	Total $	Non-Controlling Interest $	Total $
Balance at 1 September 2009	20,511,496	2,304,507	1,571,630	(9,040,588)	15,347,045	-	15,347,045
Transactions with owners in their capacity as owners							
Share-based payment expense	-	140,522	-	-	140,522	-	140,522
Comprehensive income							
Loss for the year	-	-	-	(2,930,928)	(2,930,928)	-	(2,930,928)
Foreign exchange translation loss for the year	-	(763)	-	-	(763)	-	(763)
Loss on revaluation of available-for-sale financial assets	-	(1,068,544)	-	-	(1,068,544)	-	(1,068,544)
Balance at 31 August 2010	**20,511,496**	**1,375,722**	**1,571,630**	**(11,971,516)**	**11,487,332**	**-**	**11,487,332**
Balance at 1 September 2010	**20,511,496**	**1,375,722**	**1,571,630**	**(11,971,516)**	**11,487,332**	**-**	**11,487,332**
Transactions with owners in their capacity as owners							
Transfer from Convertible Note reserve	1,571,630	-	(1,571,630)	-	-	-	-
Comprehensive income							
Loss for the year	-	-	-	(2,247,219)	(2,247,219)	(519,780)	(2,766,999)
Foreign exchange translation gain for the year	-	103,091	-	-	103,091	103,091	206,182
Gain on revaluation of available-for-sale financial assets	-	633,923	-	-	633,923	-	633,923
Balance at 31 August 2011	**22,083,126**	**2,112,736**	**-**	**(14,218,735)**	**9,977,127**	**(416,689)**	**9,560,438**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

Statement of Cash Flows for the Year Ended 31 August 2011

	Note	2011 $	2010 $
Cash Flows from Operating Activities:			
Cash receipts in the course of operations		5,741,320	194,610
Interest received		180,546	340,835
Cash payments in the course of operations		(3,456,847)	(2,497,230)
Income tax benefit received		46,704	588,475
Finance costs paid		(96,238)	(432,150)
Net Cash Provided By/(Used In) Operating Activities	14	**2,415,485**	**(1,805,460)**
Cash Flows from Investing Activities:			
Payments for property plant and equipment		-	(15,685)
Payments for deferred development expenditure		-	(37,222)
Payments for investments		-	(1,104,562)
Net Cash Used In Investing Activities		**-**	**(1,157,469)**
Cash Flows from Financing Activities:			
Payments for Bass Metals Limited convertible notes		(500,000)	-
Repayment of Metals Finance Limited convertible notes		(3,500,000)	-
(Repayments)/Proceeds of loans		(417,945)	78,473
Principal repayment - finance leases		(5,879)	(5,313)
Net Cash Provided By Financing Activities		**(4,423,824)**	**73,160**
Net decrease in cash and cash equivalents		(2,008,339)	(2,889,769)
Net foreign exchange differences		99,029	-
Cash and cash equivalents at beginning of financial year		5,335,370	8,225,139
Cash and Cash Equivalents at End of Financial Year	4	**3,426,060**	**5,335,370**

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements

1. ACCOUNTING POLICES, ESTIMATION METHODS AND MEASUREMENT

Accounting policies, estimation methods and measurement bases used in this preliminary financial report and Appendix 4E are the same as those used in the last annual report and last half-year report.

2. INCOME TAX

(a) Income Tax Expense

	2011 $	2010 $
Current tax:		
Current tax year movement	46,704	47,987
Deferred tax expense from temporary difference:		
Current tax year movement	-	-
Income Tax Benefit	**46,704**	**47,987**

(b) Reconciliation of Income Tax Benefit to Loss Before Income Tax

	2011 $	2010 $
Loss before income tax expense	**(2,813,703)**	**(2,978,915)**
Tax at the Australian tax rate of 30%	(844,111)	(893,675)
Other adjustments and the effect of different foreign exchange rates	280,776	244,754
Tax losses not recognised	563,335	648,921
R&D tax concession	46,704	47,987
Income Tax Benefit	**46,704**	**47,987**

(c) Unrecognised Deferred Tax Assets

	2011 $	2010 $
The Balance Comprises Temporary Differences Attributable to:		
Tax losses not brought to account	3,619,465	3,056,130

At 31 August 2011 (amounts are all stated in Australian Dollars) the Consolidated Entity had South African losses of $1,290,138 (2010: $706,442) and Australian losses of $10,539,449 (2010: $10,187,100) which may be carried forward and used to reduce certain taxable income in future years. The Australian and South African losses carry forward indefinitely.

No tax benefit has been recognised at reporting date as the Directors of the Company believe it is too uncertain to determine whether sufficient taxable income will be generated in future periods to utilise these tax losses.

3. EARNINGS PER SHARE

(a) Basic and Diluted Earnings per Share

	2011	2010
Basic and diluted loss per share	3.78 cents	4.01 cents

(b) Weighted Average Number of Shares used as the Denominator

	Number of Shares 2011	Number of Shares 2010
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	73,109,576	73,109,576

	Number of Securities 2011	Number of Securities 2010
Number of options excluded from the diluted earnings per share calculation because they are anti-dilutive	4,000,000	4,000,000
Number of convertible notes excluded from diluted earnings per share calculation because they are anti-dilutive	-	7,000,000

4. CASH AND CASH EQUIVALENTS

	2011 $	2010 $
Cash at bank	3,462,060	5,335,370
Total Cash and Cash Equivalents	**3,426,060**	**5,335,370**

	2011 $	2010 $

5. TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Current:		
Trade receivables	-	21,936
Other receivables	171,263	41,509
Convertible notes – Bass Metals Ltd	500,000	-
Total Current Receivables	**671,263**	**63,445**
Non-Current:		
Receivable from Palabora Mining Company	-	5,521,505
Due from related parties	134,737	179,751
Total Non-Current Receivables	**134,737**	**5,701,256**

6. OTHER ASSETS

	2011 $	2010 $
Current:		
Prepaid assets	467	1,964
Total Other Assets	**467**	**1,964**

7. PROPERTY, PLANT AND EQUIPMENT

	2011 $	2010 $
Leasehold improvements		
At cost	-	42,905
Accumulated amortisation	-	(42,905)
Total Leasehold Improvements	**-**	**-**
Plant and equipment		
At cost	747,042	748,052
Accumulated depreciation	(75,679)	(80,412)
Allowance for impairment	(363,393)	(242,262)
Total Land and Buildings	**307,970**	**425,378**
Total Property, Plant and Equipment	**307,970**	**425,378**

8. OTHER FINANCIAL ASSETS

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are held for trading and include the following:

	2011 $	2010 $
Current:		
Derivative instruments – Conversion option on Bass Metals Ltd Convertible Notes	395,173	-
Derivative instruments – Bass Metals Ltd Options	15,385	-
Total Derivative Instruments	**410,558**	**-**

Valuation of financial assets at fair value through profit or loss

The fair value at financial year end is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at year end and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

Conversion option: The assessed fair value at 31 August 2011 was 12 cents per option.

Bass Metals Ltd options: The assessed fair value at 31 August 2011 was 6 cents per option.

(b) Available-for-sale financial assets

Available-for sale financial assets include the following classes of financial assets:

	2011 $	2010 $
Non-current:		
Listed shares – Bass Metals Ltd	4,992,141	4,358,218

Valuation of available-for-sale financial assets

At 31 August 2011 the Consolidated Entity held 26,413,445 shares in ASX listed entity Bass Metals Ltd. On 11 July 2011 Bass Metals Ltd entered into a trading halt pending completion of a financing transaction. At the time of this report the trading halt had not been lifted as the financing transaction was yet to be completed. The closing price of Bass Metals Ltd 's shares preceding the trading halt on 11 July 2011 was 22 cents.

The Consolidated Entity follows the guidance of AASB139 *Financial Instruments: Recognition and Measurement* to determine the fair value of an available-for-sale investment and identify indicators of impairment.

8. OTHER FINANCIAL ASSETS (continued)

The determination of the fair value of an available-for-sale investment requires significant judgment. In determining the value of the share price of Bass Metals Ltd at financial year end, the Consolidated Entity evaluated, among other factors, the level of funding raised to date in the on-going financing transaction, the dilution effect of the current share issues on Bass Metals Ltd 's market capital position and the forecasted net asset position of Bass Metals Ltd subsequent to completion of capital raising as presented in the prospectus issued by Bass Metals Ltd on 15 September 2011. Based on these factors the Consolidated Entity has determined the share price of Bass Metals Ltd as at 31 August 2011 to be at a reduced value of 18.9 cents compared to the last trading value of 22 cents as at 11 July 2011.

	2011 $	2010 $

9. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Current:		
Trade payables	16,347	44,619
Other creditors and accruals	73,041	282,597
Total Current Trade and Other Payables	**89,388**	**327,216**

Trade payables are usually due within 30 days. No interest is charged on the balances paid outside normal terms.

10. PROVISIONS

	2011 $	2010 $
Current:		
Employee benefits	**46,361**	**38,095**

11. INTEREST BEARING LOANS AND BORROWINGS

	2011 $	2010 $
Current:		
Loan from related party - unsecured	209,383	627,328
Finance lease liabilities - secured	7,011	-
Convertible notes	-	3,393,264
	216,394	**4,020,592**
Non-Current:		
Finance lease liabilities - secured	30,615	12,396
	30,615	**12,396**
Convertible notes		
Face value	-	3,500,000
Amount classified as equity	-	(1,571,630)
Accreted interest	-	1,464,894
Carrying amount of the liability at 31 August	**-**	**3,393,264**

12. CONTRIBUTED EQUITY

	2011	2010
Issued Capital - Number of shares	73,109,576	73,109,576
Value of Issued Capital	$ 22,083,126	$ 20,511,496

Movement in contributed equity during the year:

Share Capital Movements	**2011 Shares**	**2011 $**	**2010 Shares**	**2010 $**
Fully paid ordinary shares at 1 September	73,109,576	20,511,496	73,109,576	20,511,496
Transfer from Convertible Note reserve	-	1,571,630	-	-
Total fully paid ordinary shares at 31 August	**73,109,576**	**22,083,126**	**73,109,576**	**20,511,496**

(a) Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Share Holders' Meetings. In the event of winding up of the Company, ordinary share holders rank after all creditors and are fully entitled to any proceeds of liquidation.

12. CONTRIBUTED EQUITY (continued)

(b) 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.

13. RESERVES

	2011 $	2010 $
Foreign exchange translation reserve	74,161	(28,930)
Share based payments reserve	215,261	215,261
Investment revaluation reserve	1,823,314	1,189,391
Total Reserves	**2,112,736**	**1,375,722**
Balance at beginning of year	1,375,722	2,304,507
Share-based payments	-	140,522
Foreign currency translation	103,091	(763)
Investment valuation gain/ (loss) recognised	633,923	(1,068,544)
	2,112,736	**1,375,722**

14. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of Net Cash Provided By / (Used In) Operating Activities to Operating Profit after Income Tax

	2011 $	2010 $
Operating profit after income tax	(2,766,999)	(2,930,928)
Add / (less) non-cash items:		
Depreciation / amortisation	27,386	48,388
Share-based payments	-	140,522
Impairment of property, plant and equipment	121,131	121,131
Movement in the fair value of financial assets	(410,558)	-
Movement in interest payable	106,734	723,138
Movement in interest receivable	-	(525,879)
(Gain)/Loss on sale of property, plant and equipment	(3,465)	1,230
Movement in foreign currency reserve	-	(763)
Change in assets and liabilities		
Decrease / (Increase) in trade receivables	21,936	5,960
Decrease in other receivables	5,543,919	7,535
Decrease in other assets	1,498	1,199
Decrease in accounts payable	(28,273)	(23,415)
Increase / (decrease) in other payables and accruals	(206,090)	47,839
Increase in provisions	8,266	38,095
Decrease in tax balances	-	540,488
Net Cash Used In Operating Activities	**2,415,485**	**(1,805,460)**

Non-cash Investing Activities

The Consolidated Entity acquired motor vehicles totaling $49,713, less trade-ins of $18,604, by way of finance lease during the year.

15. SEGMENT INFORMATION

The Consolidated Entity operates primarily in two operating locations, Australia and South Africa. The closure of the Canadian office had an effect on the prior period's revenue and expenses which has been included for disclosure purposes.

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and assess its performance.

Geographical information is as follows:

	Australia 2011 $	South Africa 2011 $	Consolidated 2011 $
Revenue:			
Revenue from outside the Consolidated Entity	321,648	34,362	**356,010**
Other unallocated revenue			**-**
Revenue from Ordinary Activities			**356,010**
Result:			
Segment result	(1,774,143)	(1,039,560)	**(2,813,703)**
Loss from ordinary activities before income tax			**(2,813,703)**
Income tax benefit			**46,704**
Net Loss			**(2,766,999)**
Depreciation and amortisation	21,348	6,038	**27,386**
Assets:			
Segment assets	9,932,826	10,370	**9,943,196**
Unallocated corporate assets			**-**
Consolidated Total Assets			**9,943,196**
Liabilities:			
Segment liabilities	166,215	216,508	**382,723**
Unallocated corporate liabilities			**-**
Consolidated Total Liabilities			**382,723**
Acquisition of property, plant and equipment	49,713	-	**49,713**

	Australia 2010 $	South Africa 2010 $	Consolidated 2010 $
Revenue:			
Revenue from outside the Consolidated Entity	404,287	643,598	**1,047,885**
Other unallocated revenue			**-**
Revenue from Ordinary Activities			**1,047,885**
Result:			
Segment result	(2,863,391)	(115,524)	**(2,978,915)**
Loss from ordinary activities before income tax			**(2,978,915)**
Income tax benefit			**47,987**
Net Loss			**(2,930,928)**
Depreciation and amortisation	41,528	6,860	**48,388**
Assets:			
Segment assets	10,304,943	5,580,688	**15,885,631**
Unallocated corporate assets			**-**
Consolidated Total Assets			**15,885,631**
Liabilities:			
Segment liabilities	3,756,773	641,526	**4,398,299**
Unallocated corporate liabilities			**-**
Consolidated Total Liabilities			**4,398,299**
Acquisition of property, plant and equipment	15,285	400	**15,685**