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MATRIX METALS LIMITED

(Subject to Deed of Company Arrangement)
(In Liquidation) (Receivers and Managers Appointed)

ABN 42 082 592 235

Half-Year Financial Report

31 December 2008

MATRIX METALS LIMITED (Subject to Deed of Company Arrangement)
(In Liquidation) (Receivers and Managers Appointed)

CORPORATE DIRECTORY

Directors Antony Sage Joe Ariti Jason Bontempo David Humann **Company Secretary** Fiona Taylor	**Registered Office** c/- Ernst & Young The Ernst & Young Building 11 Mounts Bay Road Perth Western Australia 6000 Telephone: (08) 9429 2222 Facsimile: (08) 9429 2192
Deed Administrator Ernst & Young The Ernst & Young Building 11 Mounts Bay Road Perth Western Australia 6000	**Receiver and Manager** Deloitte Touch Tohmatsu Woodside Plaza Level 14, 240 St Georges Terrace Perth Western Australia 6000
Solicitors Blake Dawson Waldron Level 2, Exchange Plaza 2 The Esplanade Perth Western Australia 6000	**Auditors** Stantons International Level 1, 1 Havelock street West Perth Western Australia 6005
Share registry Advanced Share Registry Services 150 Stirling Highway Nedlands Western Australia 6009 Telephone: (08) 9221 7288 Facsimile: (08) 9221 7869	**Stock Exchange Listing** The Company's shares are on the official list of the Australian Stock Exchange (currently suspended from trading) ASX Code – MRX **Website** www.matrixmetals.com.au

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MATRIX METALS LIMITED (Subject to Deed of Company Arrangement)
(In Liquidation) (Receivers and Managers Appointed)

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MATRIX METALS LIMITED (Subject to Deed of Company Arrangement)
(In Liquidation) (Receivers and Managers Appointed)

DIRECTORS' REPORT

The directors present their report together with the financial report of Matrix Metals Limited ("Matrix" or the "Company") and its controlled entity Maxiforde Pty Ltd (collectively referred to as the "Consolidated Entity"), for the half-year ended 31 December 2008 and the auditor's review report thereon.

DIRECTORS

The names of directors who held office during or since the end of the half-year are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Antony Sage (Appointed on 22 December 2010)
Mr Joe Ariti (Appointed on 22 December 2010)
Mr Jason Bontempo (Appointed on 22 December 2010)
Mr David Humann
Mr Shane McBride (Resigned 10 January 2011)
Mr Geoff Jones (Resigned 17 January 2011)
Mr Clive Donner **(**Resigned 28 October 2008)
Mr Ronald Hing (Resigned 30 October 2008)
Mr Richard Procter (Resigned 17 November 2008)

RESULT

The net loss for the half-year was $91,283,442 (2007 profit: $1,127,763).

REVIEW OF OPERATIONS

In September 2008, the copper price fell 15% and then went into freefall, falling a further 37% during October 2008. These severe falls affected all industry participants and were caused by macroeconomic factors well beyond the control of the Company, particularly the global economic slowdown which directly impacted on demand for copper and other metals.

The Company had an offtake and sales arrangement with Glencore International AG ("Glencore") which involves Glencore making provisional US dollar denominated invoice payments to the Company on delivery of copper cathode to Glencore in Townsville. The provisional invoice amounts were later adjusted for changes in the average US dollar copper price during the month of shipment.

It became apparent in early November 2008 that the Company would be required to pay a significant adjustment amount to Glencore under these arrangements given the decline in the copper price and the weakening of the Australian dollar

The Board held discussions with representative of Glencore in Perth in the week ended 7 November 2008 with a view to possibly restructuring the arrangements with Glencore which would enable the Company to continue to trade. However, it became clear that a resolution would not be reached within a reasonable time. Having considered all matters, the Board concluded that it had no option but to appoint administrators to the Company.

Accordingly, on 11 November 2008, Vincent Smith and Justin Walsh of Ernst & Young were appointed as Joint and Several Administrators of the Company under Section 436A of the Corporations Act.

On 12 November 2008, the Company's securities were suspended from trading on the Australian Securities Exchange.

On 14 November 2008, Glencore, being a secured creditor, appointed Gary Doran and John Greig of Deloitte Touche Tohmatsu as Receivers and Managers.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the half-year and the date of this report, the following has occurred:

- On 13 February 2009, the Receivers and Managers released an ASX announcement advising that exceptional rainfall in the Mt Isa region had necessitated a move to full care and maintenance.

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DIRECTORS' REPORT

- In May 2009, the Receivers and Managers entered into a sale agreement with Deep Yellow Limited (ASX: DYL) to sell EPM's 14916 and 14281 and EPM application 17000 for $1.4 million. The tenements had previously been part of a joint venture between the Company and Deep Yellow Limited.
- On 9 June 2009, a first meeting of creditors was held and on 18 June 2009, at the second meeting of creditors, creditors resolved for the Company to be wound up. Accordingly, the Administrators became the Liquidators with immediate effect.
- On 25 August 2009, the sale of EPM 14916, EPM 14281 and EPM 17000 (under application) to Deep Yellow Limited for $1.4 million facilitated by the Receivers and Managers was completed.
- On 16 November 2009, the Receivers and Managers of the Company entered into an agreement to sell the Leichhardt Copper Project to Cape Lambert Resources Limited. A deposit of $1 million was paid at that time. On 18 August 2010, the sale completed and the balance of the purchase price of $6.7 million was paid.
- On 23 December 2009, the Liquidators of the Company entered into an agreement to sell the White Range Project to Queensland Mining Corporation Limited for a consideration of $5 million. On 20 July 2010, the sale was completed.
- In August 2010, the Liquidators of the Company entered into a deed to recapitalise the Company. The process is subject to creditor, shareholder and regulatory approval.
- To facilitate the recapitalisation of the Company, it was necessary for the Company to be placed into voluntary administration. In September 2010, the Federal Court of Australia ordered that the liquidation of the Company be stayed and that the Liquidators be appointed Voluntary Administrators of the Company.
- On 1 November 2010, creditors resolved for the Company to execute a Deed of Company Arrangement ("DOCA"). The DOCA was executed on 9 November 2010, and the Administrators became Deed Administrators with immediate effect.

Other than the above, no event has arisen since 31 December 2008 that would be likely to materially affect the operations of the Consolidated Entity, or its state of affairs which have not otherwise been disclosed in this financial report.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 4 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

Jason Bontempo
Non-Executive Director
Dated at Perth this 30th day of March 2011.

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(ABN 84 144 581 519) trading as

Stantons International

Chartered Accountants and Consultants

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30 March 2011

Board of Directors
Matrix Metals Limited
c/-Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth, WA 6000

Dear Directors

RE: MATRIX METALS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Matrix Metals Limited.

As Audit Director for the review of the financial statements of Matrix Metals Limited for the six months ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik
Director

Liability limited by a scheme approved under Professional Standards Legislation

Member of Russell Bedford International

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MATRIX METALS LIMITED (Subject to Deed of Company Arrangement)
(In Liquidation) (Receivers and Managers Appointed)

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	December 2008	December 2007
Revenue	**6,812,705**	16,319,112
Cost of Sales		
Depreciation and amortisation	**(1,630,204)**	(2,123,577)
Other cost of sales	**(14,431,464)**	(11,258,345)
Gross (Loss) / Profit	**(9,248,963)**	2,937,190
Other income	**13,756**	4,545
Mark to market movement on provisionally priced sales contracts	**-**	(1,018,050)
Corporate administration expenses	**(1,360,930)**	(899,204)
Employee option expense	**-**	(146,776)
Impairment of assets	**(41,025,062)**	-
Recognition of additional creditor claims	**(38,292,668)**	-
Depreciation and amortisation	**(8,125)**	(10,004)
Results from operating activities	**(89,921,992)**	867,701
Financial expenses	**(1,454,676)**	(447,786)
Financial income	**93,226**	707,848
Profit/(Loss) before tax	**(91,283,442)**	1,127,763
Income tax expense	**-**	-
Profit/(Loss) for the year	**(91,283,442)**	1,127,763
Attributable to:		
Equity holders of the parent	**(91,283,442)**	1,127,763
Earnings per share attributable to the ordinary equity holders of the company:		
Basic (loss)/earnings per share (cents)	**(11)**	0.16
Diluted (loss)/earnings per share (cents)	**(11)**	0.16

The accompanying notes form part of this financial report.

MATRIX METALS LIMITED (Subject to Deed of Company Arrangement)
(In Liquidation) (Receivers and Managers Appointed)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	December 2008 $	June 2008 $
Current Assets			
Cash and cash equivalents		**1,328**	7,377,104
Cash balances under the control of the Administrator and the Receiver and Manager		**3,222,076**	-
Trade and other receivables		**2,386,507**	1,446,843
Inventories		**2,191,370**	9,487,502
Other		**19,942**	149,528
		7,821,223	18,460,977
Assets held for sale			
Property, plant and equipment	3	**1,750,754**	-
Exploration and evaluation	4	**12,350,355**	-
Tenement bonds and security deposits		**2,202,233**	-
Total Current Assets		**24,124,565**	18,460,977
Non Current Assets			
Property, plant and equipment	3	**-**	28,094,111
Exploration and evaluation	4	**284,000**	12,918,040
Tenement bonds and security deposits		**-**	2,200,310
Total Non Current Assets		**284,000**	43,212,461
Total Assets		**24,408,565**	61,673,438
Current Liabilities			
Trade and other payables		**64,354,809**	8,777,000
Loans and borrowings		**3,600,000**	4,800,000
Employee benefits		**367,081**	383,453
Provisions		**117,847**	112,845
		68,439,737	14,073,298
Liabilities associated with assets held for sale			
Employee benefits		**104,434**	-
Provisions		**1,020,813**	-
Total Current Liabilities		**69,564,984**	14,073,298
Non Current Liabilities			
Loans and borrowings		**-**	400,000
Employee benefits		**-**	51,157
Provisions		**27,000**	1,048,960
Total Non Current Liabilities		**27,000**	1,500,117
Total Liabilities		**69,591,984**	15,573,415
Net (Liabilities) / Assets		**(45,183,419)**	46,100,023
Equity			
Issued capital	5	**67,701,455**	67,701,455
Accumulated losses		**(112,884,874)**	(21,601,432)
		(45,183,419)	46,100,023

The accompanying notes form part of this financial report.

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MATRIX METALS LIMITED (Subject to Deed of Company Arrangement)
(In Liquidation) (Receivers and Managers Appointed)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2008	Issued Capital $	Accumulated losses $	Total $
Balance at 1 July 2008	67,701,455	(21,601,432)	46,100,023
Net loss for the year	-	(91,283,442)	(91,283,442)
Transactions with owners in their capacity as owners	-	-	-
Balance at 31 December 2008	67,701,455	(112,884,874)	(45,183,419)
For the half-year ended 31 December 2007			
Balance at 1 July 2007	57,408,263	(25,518,189)	31,890,074
Net profit for the year	-	1,127,763	1,127,763
Transactions with owners in their capacity as owners			
Employee options exercised	21,000	-	21,000
Shares issued pursuant to placements	10,309,671	-	10,309,671
Equity settled share based payments	-	146,776	146,776
Total transactions with owners in their capacity as owners	10,330,671	146,776	10,477,447
Balance at 31 December 2007	67,738,934	(24,243,650)	43,495,284

The accompanying notes form part of this financial report.

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MATRIX METALS LIMITED (Subject to Deed of Company Arrangement)
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CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	December 2008 $	December 2007 $
Cash flows from operating activities			
Cash receipts from customers		**7,539,950**	14,134,857
Cash payments to suppliers and employees		**(2,464,445)**	(17,812,666)
Other revenue received		**13,756**	-
Interest received		**137,129**	321,384
Financial expenses paid		**(215,588)**	(756,290)
Net cash from / (used in) operating activities		**5,010,802**	(4,112,715)
Cash flows from investing activities			
Proceeds on disposal of plant and equipment		**-**	4,545
Payments for:			
Property, plant and equipment		**(6,153,831)**	(3,599,228)
Security deposits		**(5,000)**	(743,928)
Exploration and evaluation expenditure		**(1,405,671)**	(1,674,217)
Net cash used in investing activities		**(7,564,502)**	(6,012,828)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	11,037,972
Share issue expenses		**-**	(800)
Loans repaid to other entities		**(1,600,000)**	(2,400,000)
Net cash (used in) / from financing activities		**(1,600,000)**	8,637,172
Decrease in cash and cash equivalents		**(4,153,700)**	(1,488,371)
Cash and cash equivalents at 1 July		**7,377,104**	14,201,138
Cash and cash equivalents at 31 December	6	**3,223,404**	12,712,767

The accompanying notes form part of this financial report.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. SUMMARY OF ACCOUNTING POLICIES

Matrix Metals Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company for the half-year ended 31 December 2008 comprises the Company and its subsidiary Maxiforde Pty Ltd (together referred to as the "Consolidated Entity").

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008.

The consolidated interim financial report was authorised for issue by the directors' on 30 March 2011.

(a) Incomplete Records

The management and affairs of the Company have not been under the control of the directors of the Company since it entered voluntary administration on 11 November 2008.

This financial report was prepared by directors who were not in office at the time the Company entered voluntary administration or during the periods presented in this report. The directors who prepared this financial report were appointed on 22 December 2010.

To prepare this financial report, the directors have reconstructed the financial records of the Company using:

- data extracted from the Company's accounting system for the period 1 July 2008 to the point the Company entered administration;
- the record of receipts and payments made available by the Administrator for the period from their appointment on 11 November 2008 to 31 December 2008; and
- the record of receipts and payments made available by the Receivers and Managers for the period from their appointment on 14 November 2008 to 31 December 2008.

Creditors have submitted claims to the Administrators which exceed the amount recorded as owing to suppliers in the books of the Company at the time it went into administration by $38,292,668. The directors have recognised the excess creditor claims in this financial report. The Administrator has not yet finalised the adjudication of creditor claims. Consequently, there is no certainty that amounts recorded in this financial report as owing to trade and other creditors is complete.

It has not been possible for the directors to obtain all the books and records:

- of the Company for the period prior to the appointment of the Administrator and Receivers and Managers;
- maintained by the Administrator since their appointment on 11 November 2008; and
- maintained by the Receivers and Managers since their appointment on 14 November 2008.

Consequently, although the directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

(b) Going Concern

The directors have prepared this financial report on the basis that the Consolidated Entity is not a going concern. The directors are of the opinion that the Consolidated Entity will only return to operating as a going concern if the proposal to recapitalise the Company is successful. The recapitalisation process is subject to creditor, shareholder and regulatory approval.

On 1 November 2010, creditors resolved for the Company to execute a Deed of Company Arrangement, which was subsequently executed on 9 November 2010.

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1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(b) Going Concern *(continued)*

Shareholder approval for the recapitalisation process will be sought at a general meeting of shareholders. The Administrators and the promoters of the recapitalisation are working together to obtain the necessary regulatory approvals.

In the event that the relevant shareholder and regulatory approvals are not obtained, it is probable that the Consolidated Entity may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and amounts realised or extinguished may differ from those reflected in the financial statements.

(c) Basis of preparation

The financial report is presented in Australian dollars which is the entity's functional currency. The financial report is prepared on the historical cost basis. Current and non-current assets are stated at the lower of carrying amount and recoverable amount.

The accounting policies have been applied consistently by all entities in the Consolidated Entity.

(d) Significant accounting policies

The accounting policies applied by the Consolidated Entity in this consolidated interim financial report are consistent with those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2008.

2. SEGMENT INFORMATION

The Company operates in one business segment and one geographical segment, being mining and exploration within Australia.

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3. PROPERTY, PLANT AND EQUIPMENT

As a consequence of the Company entering into voluntary administration on 11 November 2008, the Company's plant and equipment and mine properties and development have been written down to their net realisable value. It was impracticable to assess the realisable values for plant and equipment separately from the realisable values for mine development and properties. Accordingly, the movement analysis below is for plant and equipment and mine development and properties as a package.

	Plant and equipment and mine properties and development $
Half-year ended 31 December 2008	
Opening carrying value	**28,094,111**
Additions	**6,153,831**
Amortisation and depreciation	**(1,638,329)**
Impairment	**(30,858,859)**
Closing carrying value being the net realisable value	**1,750,754**

As at 31 December 2008, all of the Consolidated Entity's plant and equipment and mine properties and development is classified as held for sale. Subsequent to 31 December 2008, the plant and equipment was sold at its net realisable value of $1,750,754.

4. EXPLORATION AND EVALUATION EXPENDITURE

	December 2008 $	**June 2008 $**
Carrying value at the beginning of the year	**12,918,040**	9,801,089
Additions	**1,405,671**	3,157,641
Impairment charge[1]	**(1,689,356)**	(12,968)
Transferred out to mine properties & development	**-**	(27,722)
Carrying value at the end of the year	**12,634,355**	12,918,040
Current		
Carrying value of exploration assets held for sale	**12,350,355**	-
Non current		
Carrying value of exploration assets held as long term interest	**284,000**	12,918,040
	12,634,355	12,918,040

[1] As a consequence of the Company entering into voluntary administration on 11 November 2008, the Company's exploration assets have been written down to their net realisable value.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

5. ISSUED CAPITAL

	December 2008 $	June 2008 $
Issued and paid up capital		
807,534,380 (30 June 2008: 807,534,380) ordinary fully paid shares	**67,701,455**	67,701,455
Movements in ordinary share capital		
Opening balance	**67,701,455**	57,408,263
Employee options exercised (a)	-	21,000
Share issue (b)	-	6,712,125
Share issue (c)	-	745,500
Share issue (d)	-	102,375
Share issue (e)	-	2,564,604
Share issue (f)	-	873,117
Share issue expenses	-	(725,529)
Closing balance	**67,701,455**	67,701,455
	No of shares	***No of shares***
Movements in number of ordinary shares		
Balance at 1 July	**807,534,380**	702,494,239
Employee options exercised (a)	-	300,000
Share issue (b)	-	63,925,000
Share issue (c)	-	7,100,000
Share issue (d)	-	975,000
Share issue (e)	-	24,424,796
Share issue (f)	-	8,315,345
Balance at 30 June	**807,534,380**	807,534,380

(a) On 15 December 2007 300,000 employee options were exercised at a price of 7 cents per share.
(b) On 19 December 2007 63,925,000 ordinary shares were issued to shareholders at 10.5 cents per share, as part of a placement.
(c) On 21 December 2007 7,100,000 ordinary shares were issued to shareholders at 10.5 cents per share, as part of a placement.
(d) On 24 December 2007 975,000 ordinary shares were issued to shareholders at 10.5 cents per share, as part of a placement.
(e) On 31 December 2007 24,424,796 ordinary shares were issued to shareholders as part of the share purchase plan at 10.5 cents per share.
(f) On 3 January 2008 8,315,345 ordinary shares were issued to shareholders as part of the share purchase plan at 10.5 cents per share.

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 shareholders' meetings.

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Options on issue over ordinary shares as at 31 December 2008: Nil (2008: 13,000,000).

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6. CASH FLOW INFORMATION

Reconciliation of cash and cash equivalents for purposes of the cash flow statements

	December 2008 $	December 2007 $
Cash on hand in bank	**1,328**	12,712,767
Cash balances under the control of the Administrator and the Receiver and Manager	**3,222,076**	-
	3,223,404	12,712,767

7. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the half-year and the date of this report, the following has occurred:

- On 13 February 2009, the Receivers and Managers released an ASX announcement advising that exceptional rainfall in the Mt Isa region had necessitated a move to full care and maintenance.
- In May 2009, the Receivers and Managers entered into a sale agreement with Deep Yellow Limited (ASX: DYL) to sell EPM's 14916 and 14281 and EPM application 17000 for $1.4 million. The tenements had previously been part of a joint venture between the Company and Deep Yellow Limited.
- On 9 June 2009, a first meeting of creditors was held and on 18 June 2009, at the second meeting of creditors, creditors resolved for the Company to be wound up. Accordingly, the Administrators became the Liquidators with immediate effect.
- On 25 August 2009, the sale of EPM 14916, EPM 14281 and EPM 17000 (under application) to Deep Yellow Limited for $1.4 million facilitated by the Receivers and Managers was completed.
- On 16 November 2009, the Receivers and Managers of the Company entered into an agreement to sell the Leichhardt Copper Project to Cape Lambert Resources Limited. A deposit of $1 million was paid at that time. On 18 August 2010, the sale completed and the balance of the purchase price of $6.7 million was paid.
- On 23 December 2009, the Liquidators of the Company entered into an agreement to sell the White Range Project to Queensland Mining Corporation Limited for a consideration of $5 million. On 20 July 2010, the sale was completed.
- In August 2010, the Liquidators of the Company entered into a deed to recapitalise the Company. The process is subject to creditor, shareholder and regulatory approval.
- To facilitate the recapitalisation of the Company, it was necessary for the Company to be placed into voluntary administration. In September 2010, the Federal Court of Australia ordered that the liquidation of the Company be stayed and that the Liquidators be appointed Voluntary Administrators of the Company.
- On 1 November 2010, creditors resolved for the Company to execute a Deed of Company Arrangement ("DOCA"). The DOCA was executed on 9 November 2010, and the Administrators became Deed Administrators with immediate effect.

Other than the above, no event has arisen since 31 December 2008 that would be likely to materially affect the operations of the Consolidated Entity, or its state of affairs which have not otherwise been disclosed in this financial report.

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MATRIX METALS LIMITED (Subject to Deed of Company Arrangement)
(In Liquidation) (Receivers and Managers Appointed)

DIRECTORS' DECLARATION

1. In the opinion of the directors of Matrix Metals Limited:

   (a) as set out in note 1(a), although the directors have prepared the interim financial statements and notes thereto to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the interim financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. As set out in note 1 (b), the directors have prepared the financial statements and notes thereto on the basis that the Consolidated Entity is not a going concern.

Signed in accordance with a resolution of the directors.

Dated at Perth this 30th day of March 2011.

Jason Bontempo
Non-Executive Director

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Chartered Accountants and Consultants

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QUALIFIED INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MATRIX METALS LIMITED
(Subject to Deed of Company Arrangement) (In Liquidation)
(Receivers and Managers Appointed)

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Matrix Metals Limited (Subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers Appointed), which comprises the consolidated condensed balance sheet as at 31 December 2008, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of condensed accounting policies, other selected explanatory notes and the directors' declaration.

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 designing, implementing and maintaining internal controls 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 Interim And Other Financial Reports 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 consolidated entity'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 Matrix Metals Limited, 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*. We confirm that the independence declaration required by the *Corporations Act 2001,* has been provided to the directors of Matrix Metals Limited on 30 March 2011.

Basis for Disclaimer of Auditor's Review Opinion

The company and consolidated entity were placed into administration on 11 November 2008. Consequently, the financial information relating to the period under review, was not subject to the same accounting and internal controls processes, which includes the implementation and maintenance of internal controls, that are relevant to the preparation and fair presentation of the financial report. Whilst the books and records of the company and consolidated entity have been reconstructed to the maximum extent possible, we were unable to satisfy ourselves as to the completeness of the general ledger and financial records as well as the relevant disclosures in the financial report.

In particular, we draw attention to the accuracy of the $38,292,668 creditor claims submitted to the administrators, and highlight that these claims are subject to the Administrator's adjudication.

As stated in Note 1(a), the Directors are unable to state that the financial report is in accordance with all the requirements of the *Corporations Act 2001* and the Australian Accounting Standards.

Conclusion

Based on our review, which is not an audit, and because of the existence of the limitation on the scope of our work, as described in the Basis for Disclaimer of Auditor's Review Opinion paragraph noted above, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to, and do not express, an opinion as to whether the financial report of Matrix Metals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company

Stantons International Audit and Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
30 March 2011

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