

MATRIX METALS LIMITED

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

ACN 082 593 235

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

**For a General Meeting to be held
On 25 November 2011 at 3.30 pm
at The Celtic Club
48 Ord Street
West Perth
Western Australia**

***This is an important document. Please read it carefully.
If you are unable to attend the Annual General Meeting, please complete the form of
proxy enclosed and return it in accordance with the instructions set out on that form.***

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LETTER TO SHAREHOLDERS

Dear Shareholder

On 11 November 2008, the Directors of Matrix Metals Limited (**Matrix Metals** or the **Company**) who were in office at that time appointed Vincent Smith and Justin Walsh of Ernst & Young as Joint and Several Administrators (**Administrator**) 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 (**ASX**).

At a meeting of creditors held on 1 November 2010, creditors voted in favour of the Company entering into a Deed of Company Arrangement (**DOCA**) with Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti), BR Corporation Pty Ltd (an entity controlled by Jason Bontempo), and Marcello Cardaci as trustee of the MD Cardaci Family Trust (the **Proponents**) in order for the Proponents to recapitalise the Company (**Recapitalisation Proposal**). On 9 November 2010, the DOCA was executed by the relevant parties, a summary of which is set out in this Memorandum and nominees of the Proponents being Antony Sage, Giuseppe (Joe) Ariti and Jason Bontempo were appointed Directors of the Company on 22 December 2010.

The DOCA, subject to conditions being met, requires that an amount of \$800,000 in cash, the issue of 20,000,000 shares at a deemed issue price of 1 cent and certain assets and rights of the Company be made available for the satisfaction of the claims of creditors and to meet the costs of the Administrator and Deed Administrator. The Proponents have provided the funding to meet the costs associated with this Notice of Annual General Meeting and will arrange \$800,000 in loan funds, via a conditional loan agreement, to enable the Company to meet the terms of the DOCA.

The proposal from the Proponents requires members attending the Annual General Meeting to vote on and pass the following Resolutions

- (a) the consolidation of the capital of the Company on the basis that every 50 Shares be consolidated into 1 Share;
- (b) the issue and allotment of 40,000,000 Shares at an issue price of 0.25 cents per Share, following the consolidation of capital, to raise \$100,000 for working capital. The determination of the allottees is at the sole discretion of the Proponents;
- (c) the issue and allotment of 50,000,000 Shares at an issue price of 0.50 cents per Share, following the consolidation of capital, to raise \$250,000 for working capital. The determination of the allottees is at the sole discretion of the Proponents;
- (d) the issue and allotment of 160,000,000 Shares at an issue price of 1 cent per Share, following the consolidation of capital to raise \$1,600,000 for working capital. The determination of the allottees is at the sole discretion of the Proponents;
- (e) the issue and allotment of 20,000,000 Shares at a deemed issue price of 1 cent per Share for the Trustee for Creditors;
- (f) the issue of 40,000,000 Options for \$1,000 following the consolidation of capital. The determination of the allottees is at the sole discretion of the Proponents;

- (g) the Section 195 Approval; and
- (h) the approval for the disposal of assets.

The Resolutions proposed, which are included in the attached Notice of Annual General Meeting enable the Company to satisfy the terms of the DOCA.

If the above Resolutions are passed and the proposed restructuring and recapitalisation is completed, the Company will seek the reinstatement of quotation of its securities on ASX. The Proponents have advised the Deed Administrator that they intend the Company to continue its mineral exploration activities. The Company will retain its mineral interests, and intends to review new investment opportunities.

If Shareholders reject the Recapitalisation Proposal, settlement of the DOCA will not occur and Matrix Metals will be placed into liquidation, most likely resulting in Shareholders receiving no return for their shareholding.

The Deed Administrators and the partners and staff of Ernst & Young are not responsible for the contents of this Notice of Meeting or the Explanatory Memorandum, nor the report by Stantons International Securities Pty Ltd attached to and forming part of the Explanatory Memorandum. The Deed Administrators and the partners and staff of Ernst & Young do not accept any responsibility for any disclosure in or failure to include any disclosure in these documents.

Yours faithfully



Joe Ariti
Director

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of the Shareholders of Matrix Metals Limited (subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers appointed) will be held at:

The Celtic Club, 48 Ord Street, West Perth, Western Australia commencing at 3.30pm on 25 November 2011.

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 3.30pm.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number (08) 9322 2631 (International: + 61 8 9322 2631); or
- deliver to Level 1, 2 Ord Street, West Perth WA 6005 or PO Box 764, West Perth WA 6872;

so that it is received not later than 3.30pm on 23 November 2011.

Your proxy form is enclosed.

MATRIX METALS LIMITED

(Subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers appointed)
ACN 082 593 235

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of Shareholders of Matrix Metals Limited (subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers appointed) (**Matrix Metals or the Company**) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 3.30pm on 25 November 2011.

AGENDA

The Explanatory Memorandum that accompanies and forms part of this Notice of Meeting describes the matters to be considered as special business.

ORDINARY BUSINESS

Financial Report

To receive the financial report for the year ended 30 June 2011 and the Directors' and Auditors' Reports thereon.

Resolution 1 – Adoption of the Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the Remuneration Report as disclosed in the 2011 financial statements be adopted.”

Note: The vote on this resolution is advisory only and does not bind the Directors of the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a Restricted Voter.

Further, the Company will not disregard a vote cast by the Chair of the meeting as a proxy, if the appointment of the Chair expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

Resolution 2 – Re-election of director – Antony Sage

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purpose of clause 1.3 of the Constitution and for all other purposes, Mr Antony Sage, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

SPECIAL BUSINESS

Resolution 3 – Consolidation of Capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional on the passing of Resolutions 4, 5 and 6, in accordance with Section 254H of the Corporations Act, Listing Rule 7.20 and 7.22.1 of the Listing Rules of ASX Limited and the Company's Constitution and for all other purposes the issued capital of the Company be consolidated on the basis that every fifty (50) fully paid ordinary shares in the capital of the Company be consolidated into one (1) fully paid ordinary share in the capital of the Company, and where this consolidation results in a fraction of a fully paid ordinary share being held by a member of the Company, the Directors of the Company be authorised to round that fraction up to the nearest whole number."

Short Explanation: Under the Corporations Act, a company may convert all or any of its Shares into a smaller amount by resolution passed at a general meeting.

Resolution 4 – Allotment and Issue of Shares and Options

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional on the passing of Resolution 3 and Resolutions 5 and 6, for the purposes of Listing Rules 7.1 and 10.11 of the Listing Rules of the ASX Limited, Sections 208 and item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given for:

- (a) the Company to allot and issue up to 40,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 0.25 cents per ordinary share (on a post consolidation basis) to raise \$100,000; and*
- (b) the Company to allot and issue up to 50,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 0.50 cents per ordinary share (on a post consolidation basis) to raise \$250,000; and*
- (c) the Company to allot and issue up to 160,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 1 cent per ordinary share (on a post consolidation basis) to raise \$1,600,000; and*
- (d) the Company to allot and issue 20,000,000 fully paid ordinary shares in the capital of the Company at a deemed issue price of 1 cent per ordinary share (on a post consolidation basis) to the Trustee for Creditors; and*
- (e) the Company to grant up to 40,000,000 options each to acquire one fully paid ordinary share in the capital of the Company at an exercise price of 0.5 cents each (on a post consolidation basis) on or before 31 December 2016 to raise \$1,000; and*
- (f) those parties set out in the Explanatory Memorandum to acquire a relevant interest in issued voting shares in the Company on the issue of fully paid ordinary shares in accordance with paragraphs (a) to (c) above and the issue of fully paid ordinary shares pursuant to the exercise of the Options referred to in paragraph (e) above in accordance with this Resolution,*

and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

Short Explanation: As part of the recapitalisation of the Company, Shares and Options will be issued to parties comprising the Proponents (who include Directors of the Company (or entities controlled by them)) and to nominated third parties. For this reason, approval is sought under ASX Listing Rules 7.1 and 10.11 and Section 208 of the Corporations Act. Approval is also sought to allow those parties (who could be deemed to be acting in concert) to acquire a relevant interest in more than 20% of the Company. Please refer to the Explanatory

Memorandum for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by the parties proposing to make the acquisition and their associates.

Resolution 5 – Section 195 Approval

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of Section 195(4) of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to complete the transactions as contemplated in this Notice.”

Short Explanation: Approval of Resolution 4 may result in the Directors having a “material personal interest” in the Recapitalisation Proposal, completion of the Deed of Company Arrangement and other matters referred to in this notice. In the absence of this Resolution 5, the Directors may not be able to form a quorum at any meetings necessary to carry out the transactions contemplated by this Notice which may mean that the Deed of Company Arrangement cannot be completed and as a consequence the Company being placed into liquidation.

Resolution 6 – Disposal of Assets

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional on the passing of Resolutions 3, 4 and 5 and for the purpose of Listing Rule 11.2 of the Listing Rules of the ASX Limited and for all other purposes, approval is given for the Company to dispose of certain assets of the Company following the appointment of the Administrators, in accordance with the Deed of Company Arrangement, and as set out in the Explanatory Memorandum accompanying this Notice.”

Short Explanation: The Listing Rules require the Company to seek shareholder approval where it proposes to dispose of its main undertaking. The Company will retain its interest in the Wee MacGregor tenements but as a result of the Administrators being appointed, has disposed of certain assets. Please refer to the Explanatory Memorandum for details.

Vote Exclusion: The Company will disregard any votes cast in this resolution by a person who might obtain a benefit solely in the capacity of security holder if the resolution is passed, or any associate of those persons.

Resolution 7 – Change of Company Name

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, subject to the passing of Resolution 3 and Resolution 4, pursuant to Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to “Panarea Limited”.

DATED 6 OCTOBER 2011

BY ORDER OF THE BOARD

**JOE ARITI
DIRECTOR**

NOTES:

1. A Shareholder of the Company who is entitled to attend and vote at a general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 3.30 pm (WST) on 23 November 2011.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum and all attachments are important documents. They should be read carefully.

1. GENERAL INFORMATION

This Explanatory Memorandum has been prepared for the Shareholders of Matrix Metals Ltd (subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers appointed) (**Matrix Metals** or **the Company**) in connection with the Annual General Meeting of the Company (**Meeting**).

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that the Administrators prepared a report to creditors of the Company in accordance with Section 439A of the Corporations Act. The report (dated 9 June 2009) set out in detail the financial position of the Company at 11 November 2008, the actions and investigations taken by the Administrators, the reasons for failure of the Company and the Administrators' recommendation for the future of the Company. The Administrators prepared a further report dated 11 October 2010 in accordance with Section 439A of the Corporations Act. Copies of those reports can be provided on request, but Shareholders should note that they were prepared for the benefit of the Company's creditors and any opinions expressed by the Administrators in these reports relate to the creditors' interests, which may not be aligned with Shareholders' interests. As such, Shareholders should not place reliance on these reports.

If the Resolutions are passed and the proposed re-structuring set out in the Recapitalisation Proposal is completed, the Company will be in a position to seek the reinstatement of its securities to official quotation on ASX. This reinstatement is, of course, subject to the discretion of ASX.

If Shareholders reject the Recapitalisation Proposal, settlement of the Deed of Company Arrangement will not occur and Matrix Metals will be placed into liquidation, most likely resulting in Shareholders receiving no return for their shareholding.

1.1 Overview

1.1.1 Background

The Company was incorporated on 15 May 1998 as First Equity Ventures Limited. Since incorporation the Company has had a number of name changes, the most recent of which is Matrix Metals Limited. In its current format, the Company traded as Matrix Metals Limited, a mining and exploration company.

The principal activities of Matrix Metals were the mining and production of copper cathode and mineral exploration in the Mt Isa region of Queensland. The Company operated in two regions, the Leichhardt tenement area north of Mt Isa and the Cloncurry tenement area to the south of Cloncurry. During conduct of its copper mining operations, the Company suffered declining profitability as a result of several factors including declining copper prices.

The Company has retained control over the Wee MacGregor tenements through the external administration process and will continue assessment and exploration of these tenements. A description of the proposed activities of the Company is set out in more detail in Section 1.1.3 and 1.1.4 below.

1.1.2 Suspension of Trading of Company's Shares and Appointment of Administrator

Quotation of the Company's securities on ASX was suspended on 12 November 2008 at the request of the Company, following the appointment of voluntary administrators, and remain in suspension.

On 11 November 2008, the Directors of Matrix Metals who were in office at that time appointed Vincent Smith and Justin Walsh of Ernst & Young as Joint and Several Administrators (**Administrator**) of the Company under Section 436A of the Corporations Act. On 14 November 2008, Gary Doran and John Greig of Deloitte Touche Tohmatsu were appointed Receivers and Managers over the assets held by Matrix Metals and secured by a charge held by Glencore International AG. The Receivers and Managers are expected to retire by 31 October 2011.

At a meeting of creditors held on 1 November 2010, the Administrator proposed to the creditors of the Company that it was in the best interests of creditors to enter into a Deed of Company Arrangement (**DOCA**). At this meeting, creditors voted in favour of the Company entering into a DOCA with Genmin Capital Pty Ltd, BR Corporation Pty Ltd, Antony William Paul Sage as trustee of the EGAS Super Fund and Marcello Cardaci as trustee of the MD Cardaci Family Trust (the **Proponents**) so that the Proponents may recapitalise the Company. On 9 November 2010, the DOCA was executed by the relevant parties. Nominees of the Proponents, being Antony Sage, Giuseppe (Joe) Ariti and Jason Bontempo were appointed directors of the Company on 22 December 2010.

The DOCA requires that an amount of \$800,000 in cash, issue of 20,000,000 shares at a deemed issue price of 1 cent and certain assets of the Company be made available for satisfaction of the claims of creditors and to meet the costs of the Administrator. It also provides that the administration of the Company terminates following the passing of the resolutions at the Meeting, payment of \$800,000, and the transfer of certain assets to the Trustee for Creditors, all of which is more fully described at Section 1.2.2 below.

1.1.3 Future of the Company

It is the present proposal of the Proponents to continue the business of the Company and the purpose of this Meeting is to give effect to the DOCA and matters associated with the DOCA to allow the Company to continue the development of the Company's business.

The Company proposes to raise sufficient working capital to carry out its activities and as part of the working capital budget, the Company intends to pursue new investments within Australia and overseas by way of acquisition, development and/or exploitation. This development will be within the mining and energy sectors.

It is the intention of the Company to initially focus on the assessment and exploration of the Wee MacGregor tenements in Queensland, whilst actively pursuing new opportunities in the mining and energy sectors.

Details of the Proponents, including those Proponents who have been appointed as directors of the Company, are set out in Section 1.1.5.

1.1.4 Wee MacGregor Tenements

The Wee MacGregor Project comprises 1 granted exploration licence and 4 exploration licence applications grouped around the Wee MacGregor mining leases, ML2504, 90098, 2771 and 2773 (recently purchased by Cape Lambert Leichardt Pty Ltd).

The Wee MacGregor Project is located in the Mount Isa region of north-western

Queensland some 50km east-south-east of Mt Isa and 70km west-south-west of Cloncurry. The Barkly Highway runs east-west some 5km north of the project.

The Wee MacGregor Project area has the potential to contain breccia hosted copper oxide mineralisation.

Pursuant to the terms of the DOCA, the Company was to retain EPM 14138, EPM 17449 and the following tenements which are under application: EPM 17902, EPM 17904, EPM 17907 and EPM 17910.

Whilst the Company has remained under the control of the Deed Administrator, EPM 14138 was inadvertently allowed to expire in August 2011. The Deed Administrator is currently investigating the cause of this administrative oversight to determine an appropriate course of action to be taken to enable the exploration licence to be delivered to the Company.

Notwithstanding the above, the Company intends to reapply for EPM 14138 once it becomes available.

Further information on the granted exploration licence and the tenements under application is set out in Table 1.

Table 1-Tenure Schedule

Tenure ID	Name	Holder	Date Granted/Application Date	Date Expires	Area Sub Blocks
EPM17449	Rosebud	Matrix Metals Limited	15 th April 2010	14 th April 2014	7
EPM17902	Pindora North	Matrix Metals Limited	3 rd November 2008	Pending	1
EPM17904	Split Rock West	Matrix Metals Limited	3 rd November 2008	Pending	38
EPM17907	Rosebud West	Matrix Metals Limited	3 rd November 2008	Pending	9
EPM17910	Rocky Creek	Matrix Metals Limited	3 rd November 2008	Pending	13

Geology

The Wee Macgregor Project is located within the Kalkadoon-Ewen Province of the Mt Isa Orogen which is the oldest of the major structural elements of the Orogen and composed primarily of Leichardt Volcanics, Kalkadoon and Wonga Granite (Cover Sequence 1). Members of the Cover Sequence 2 lithologies are present within the project area comprising of the Magna Lynn Metabasalt, Argylla Formation, Marraba Volcanics, Ballara Quartzite and Corella Formation.

The area contains a number of small copper occurrences and workings all hosted within shears, hydrothermal veining and brecciation all with various degrees of silicification primarily associated with Leichardt Volcanics. Hematisation and chloritic alteration are common. All copper mineralisation is secondary (malachite, azurite and chrysocolla) with the exception of Big Boot, Melba and Inkerman where sulphides have been recorded.

Historical Exploration

Historical exploration was conducted during the period 1957-1995 in the vicinity of the Wee MacGregor Project Area in and around the historic workings of Inkerman, Joan, Camel Back Ridge and Pindora by a number of companies (e.g. Mary Kathleen Uranium Ltd, Valiant Exploration NL, Aquitane Minerals Pty Ltd, Uranex Australia Pty Ltd and Primex Pty Ltd). This work defined extensions to copper mineralisation which were not extensively tested.

EPM17449 was granted in April of 2010 and therefore no exploration has yet been carried out within this tenement.

Proposed Exploration

EPM17449

The initial work within this tenement will comprise of:

- Compilation of historic exploration via analysis of "Open File Data" and acquisition of available geological data sets including magnetics;
- Regional Mapping to define structural controls of the oxide copper mineralisation;
- Rock Chip Sampling;
- Soil Geochemistry;
- RC Drill testing of any soil anomalies defined by surface geochemical sampling.

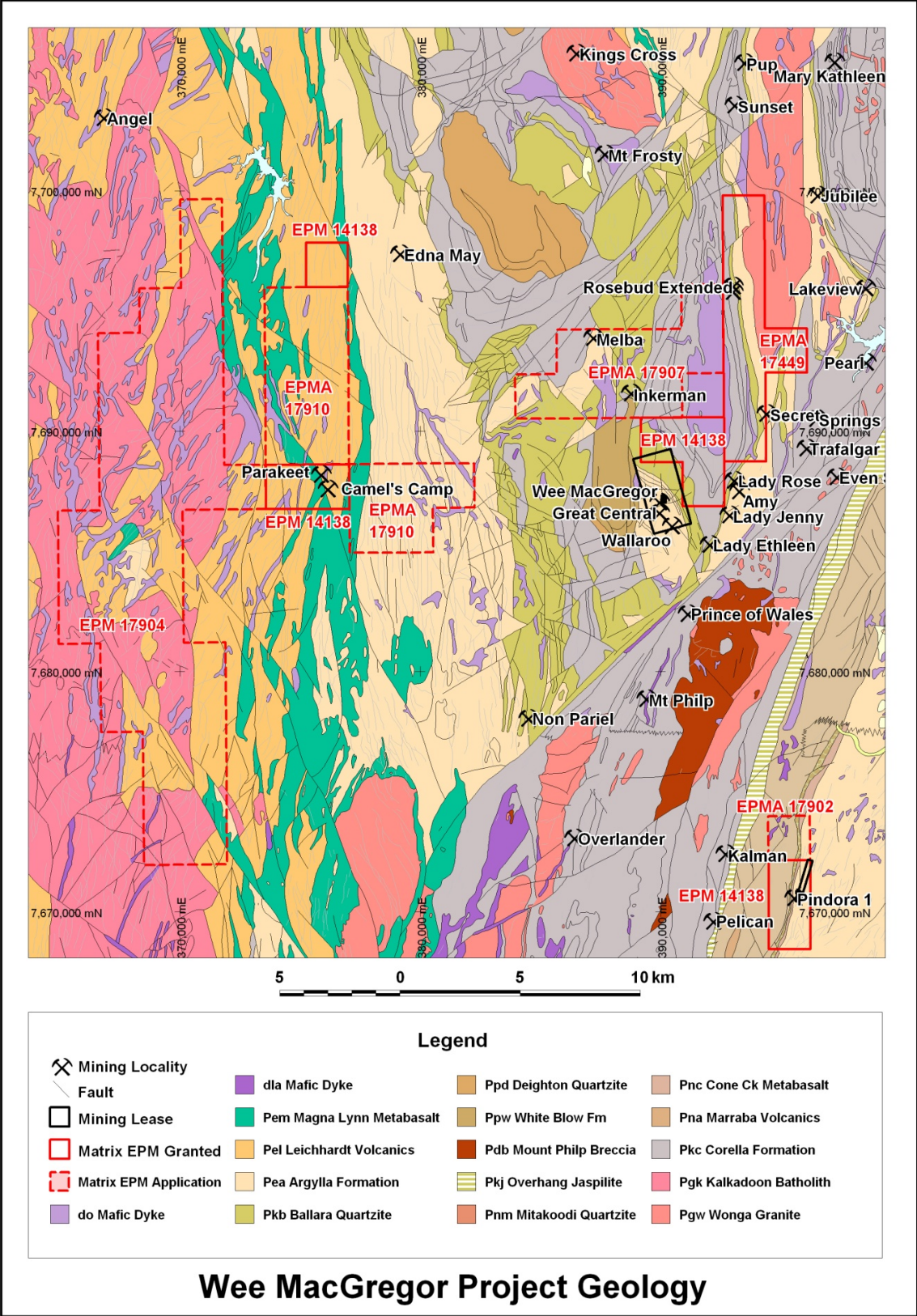
Exploration Licence Applications

The exploration to be carried out on the applications as they are progressively granted will follow that defined in EPM17449 above. *The applications are not expected to be approved until early 2012 when historical data acquisition, mapping and geochemistry sampling will commence with budgets expected to be similar to those for EPM 17449 (excluding RC drilling).*

Budget

EPM17449- for 2011 and 2012

Compilation of Historical Data	\$20,000
Acquisition of Geological Data Sets	\$10,000
Mapping	\$30,000
Rock Chip Sampling	\$5,000
Soil Geochemistry	\$25,000
RC Drilling	\$50,000
Total	\$140,000



1.1.5 Purpose of Capital Raisings

The purpose of the Offers is to:

- (a) fund the Company’s exploration of the Wee MacGregor group of tenements;

- (b) provide funds for the acquisition and development of additional onshore and offshore opportunities in the mining and energy sectors as identified by the Company;
- (c) provide funds for further acquisition and development of other investments, as identified by the Company;
- (d) meet the administration costs of the Company and the expenses of the recapitalisation of the Company including the repayment of loan funds arranged by the Proponents; and
- (e) issue 20,000,000 Shares to the Trustee for Creditors.

In particular, it is proposed that the funds raised will be applied as follows:

Use of Funds

Total funds to be raised under the Offers	1,951,000
Utilised as follows:	
Exploration – Wee MacGregor group of tenements – 2 years ¹	505,000
Review and evaluation of new projects	375,000
Working capital	201,000
Repayment of loan funds arranged by the Proponents for payment to the Deed Administrator to satisfy obligations under the DOCA	800,000
Expenses associated with the Recapitalisation Proposal, to be repaid to the Proponents ²	75,000
Total funds utilised	1,951,000

Note 1 – The actual funds expended may be more or less than those budgeted depending upon results obtained and the timing of the grant of the exploration licence applications.

Note 2 - The expenses of the recapitalisation are estimated at \$75,000 (refer to the proforma statement of financial position Section 2.1.9).

The Proponents' Background

The Proponents are a consortium of investors and promoters comprising Mr Tony Sage, Mr Joe Ariti, Mr Marcello Cardaci and Mr Jason Bontempo. A short description of each party is set out below:

Mr Tony Sage

Tony Sage has more than 27 years experience in the fields of corporate advisory services, funds management, capital raising and management of several mining/exploration companies.

Mr Sage is based in Western Australia and was formerly a successful funds manager with Growth Equities Mutual for a period of 13 years. During the last 14 years he has been involved in the management and financing of several listed exploration and mining companies, including, ASX listed companies Cape Lambert Resources Ltd (ASX: CFE), Cauldron Energy Ltd (ASX: CXU), Fe Ltd (formerly Buka Gold Ltd) (ASX: FEL), African Iron Limited (formerly Stirling Minerals Ltd) (ASX: AKI), Chameleon Mining NL (ASX: CHM) and International Goldfields Ltd (formerly Corvette Resources Ltd) (ASX: IGS). Mr Sage is also a director of NSX listed oil and gas exploration companies, International Petroleum Ltd (NSX: IOP) and African Petroleum Corporation Ltd (NSX: AOQ).

Mr Joe Ariti

Joe Ariti is a mining industry executive with 25 years experience in technical, management and executive roles in assessing, developing, financing and managing mining projects and companies in Australia and overseas. He has been involved in the development and management of both open cut and underground mining projects in Australia, Africa, Indonesia and Papua New Guinea.

He is also a non-executive director of Swick Mining Services Limited (ASX: SWK) and African Iron Limited (formerly Stirling Minerals Ltd) (ASX: AKI).

Mr Marcello Cardaci

Marcello Cardaci is a partner of leading Western Australian boutique law firm, Gilbert & Tobin. (This proposal is made separately from Gilbert & Tobin). He has been involved as a director and/or shareholder in a number of recapitalised companies with his role in some cases including the sourcing of management teams and the original deals which were vended into those companies.

He is also a director of Forge Group Ltd, Manhattan Corporation Ltd and Lemur Resources Ltd.

Mr Jason Bontempo

Jason Bontempo has worked in investment banking and corporate advisory after qualifying as a chartered accountant with Ernst & Young in 1997. Mr Bontempo is an executive director of ASX listed International Goldfields Ltd (formerly Corvette Resources Ltd) (ASX: IGS), Glory Resources Ltd (ASX: GLY) and Orca Energy Ltd (ASX: OGY) and is a non-executive director of Chameleon Mining NL (ASX: CHM). Mr Bontempo was a director of ASX listed African Iron Ltd (formerly Stirling Minerals Ltd) (ASX: AKI).

1.2 Summary of the terms of the Recapitalisation Proposal and DOCA

Set out below is a detailed summary of the Recapitalisation Proposal and DOCA.

1.2.1 Details of Recapitalisation Proposal

At a meeting of creditors on 1 November 2010, the Recapitalisation Proposal was accepted by the creditors. On 9 November 2010, the DOCA was executed, details of which are contained in Section 1.2.2 below and on 22 December 2010, Tony Sage, Joe Ariti and Jason Bontempo were appointed Directors of the Company.

Terms of the Recapitalisation Proposal

The essential terms of the Recapitalisation Proposal are as follows:

- (a) the consolidation of the capital of the Company on the basis that every 50 Shares be

consolidated into 1 Share;

- (b) the issue and allotment of 40,000,000 Shares at an issue price of 0.25 cents per Share, following the consolidation of capital, to raise \$100,000 for working capital. The determination of the allottees is at the sole discretion of the Proponents;
- (c) the issue and allotment of 50,000,000 Shares at an issue price of 0.50 cents per Share, following the consolidation of capital, to raise \$250,000 for working capital. The determination of the allottees is at the sole discretion of the Proponents;
- (d) the issue and allotment of up to 160,000,000 Shares at an issue price of 1 cent per Share, following the consolidation of capital to raise up to \$1,600,000 for working capital. The determination of the allottees is at the sole discretion of the Proponents;
- (e) the issue and allotment of 20,000,000 Shares at a deemed issue price of 1 cent per Share, following the consolidation of capital to the Trustee for Creditors;
- (f) the issue of 40,000,000 0.5 cents Options, following the consolidation of capital, in consideration for \$1,000. The determination of the allottees is at the sole discretion of the Proponents;
- (g) the appointment of the nominees of the Proponents as Directors of the Company; and
- (h) any other approvals required to give effect to the objects of the DOCA or as required by the ASX or ASIC.

The funds raised pursuant to the capital raisings set out above are proposed to be applied as detailed in Section 1.1.5 of this Explanatory Memorandum.

The Recapitalisation Proposal is conditional upon ASX giving its approval to lift the suspension on the trading of the Company's securities following completion of the proposal.

1.2.2 Details of the DOCA

The DOCA has been entered into by the Company, the Administrators and the Proponents. The DOCA was executed on 9 November 2010 following the approval of creditors of the Recapitalisation Proposal on 1 November 2010. The DOCA incorporates the terms of the Recapitalisation Proposal.

Settlement and effectuation of the DOCA shall occur on the satisfaction or waiver of the conditions precedent (or such later date as agreed in writing), which time the following shall occur:

- (a) the Proponents shall arrange a loan to the Company of \$800,000 and the Company shall pay those funds to the Creditors Trust;
- (b) the Company shall transfer those assets, which are capable of transfer or assignment, not referred to in the Recapitalisation Proposal to the Creditors Trust, which in summary includes all remaining assets but for the Wee MacGregor tenements;
- (c) the Deed Administrator shall terminate all employment contracts;
- (d) creditors of the Company must accept their entitlements under the DOCA in full satisfaction and complete discharge of their debts and claims, which they have or

claim against the Company; and

- (e) the Deed Administrator shall provide the Company with a certificate of effectuation and release the Company from Administration.

The Trustee for Creditors will consider the claims of creditors, which arose on or before the date of the administration and will pay a dividend to creditors in accordance with the order of priority set out in the Corporations Act.

If the Recapitalisation Proposal is 'unsuccessful' or if Settlement does not occur due to a failure of the above matters to be completed then, pursuant to the terms of the DOCA, the Company will be placed into liquidation and creditors will be required to prove their debts in liquidation.

1.2.3 Conclusion

The Resolutions set out in the Notice are important and affect the future of Matrix Metals. Shareholders are therefore urged to give careful consideration to the Notice and the contents of this Explanatory Memorandum.

2. THE RESOLUTIONS

Resolution 1 – Adoption of Remuneration Report

In accordance with section 250R(2) of the Corporations Act the Company is required to present to its shareholders the Remuneration Report as disclosed in the Company's 2011 Annual Report.

The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's Annual Report.

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2011 AGM, and then again at the 2012 AGM, the Company will be required to put a resolution to the 2012 AGM, to approve calling an extraordinary general meeting (**spill resolution**). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene an extraordinary general meeting (**spill meeting**) within 90 days of the 2012 AGM. All of the directors who were in office when the 2012 Directors' Report was approved, other than the managing director, will (if desired) need to stand for re-election at the spill meeting.

The Remuneration Report explains the board's policies in relation to the nature and level of remuneration paid to directors, sets out remuneration details for each director and any service agreements and sets out the details of any share based compensation.

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

Resolution 2 – Re-Election of Antony Sage as a Director

Pursuant to Clause 1.3 of the Company's Constitution, Antony Sage, being a Director, retires by way of rotation and, being eligible, offers himself for re-election as a Director. Tony Sage has more than 27 years experience in the fields of corporate advisory services, funds management, capital raising and management of several mining/exploration companies.

Mr Sage is based in Western Australia and was formerly a successful funds manager with Growth Equities Mutual for a period of 13 years. During the last 14 years he has been involved in the management and financing of several listed exploration and mining companies, including, ASX listed companies Cape Lambert Resources Ltd (ASX: CFE), Cauldron Energy Ltd (ASX: CXU), Fe Ltd (formerly Buka Gold Ltd) (ASX: FEL), African Iron Limited (formerly Stirling Minerals Ltd) (ASX: AKI), Chameleon Mining NL (ASX: CHM) and International Goldfields Ltd (formerly Corvette Resources Ltd) (ASX: IGS). Mr Sage is also a director of NSX listed oil and gas exploration companies, International Petroleum Ltd (NSX :IOP) and African Petroleum Corporation Ltd (NSX: AOQ).

Resolution 3 – Consolidation of Capital

The Company is seeking Shareholder approval to consolidate the number of Shares on issue on a 50 for 1 basis.

Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares. The ASX Listing Rules also require that the number of options on issue be consolidated in the same ratio as the ordinary capital and the exercise price be amended in inverse proportion to that ratio.

If Resolution 3 is passed, the number of Shares on issue will be reduced from 807,534,380 to approximately 16,150,688. The terms and conditions of the Shares will not be affected.

As from the effective date of the resolution (being the day on which Resolution 3 is passed), all holding statements for Shares will cease to have any effect, except as evidence of the entitlement to a certain number of post consolidation Shares.

After the consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders and Optionholders. It is the responsibility of each Shareholder to check the number of Shares held prior to a disposal.

For the purposes of the ASX Listing Rules, the Company is required to follow the following timetable for the consolidation:

Event	Date
Date of dispatch of Notice of Meeting	25 October 2011
Company releases ASX announcement informing ASX that Shareholders have approved the consolidation and notes the last day for trading in pre-reorganised securities	25 November 2011
Trading in the reorganised securities would commence on a deferred settlement basis, if the securities were trading (the securities are currently suspended)	28 November 2011
Last day for entity to register transfers on a pre-reorganisation basis	5 December 2011
Last day for securities to be entered on the holders security holding and deferred trading would end, if the securities were trading(the securities are currently suspended)	9 December 2011

For the reference of Shareholders, the Company provides the following additional information:

The current capital structure of the Company is as follows:

Description of securities	Number on issue
Ordinary shares (Shares)	807,534,380

Following completion of the consolidation and the capital raisings as set out in this Notice, the capital structure of the Company will be as follows:

Description of securities	Number on issue
Shares on issue post consolidation (subject to rounding)	16,150,688
Issue of Shares at a deemed price of 1 cent each to the Trustee for Creditors	20,000,000
Issue of Shares at 0.25 cents each	40,000,000
Issue of Shares at 0.50 cents each	50,000,000
Issue of Shares at 1 cent each	160,000,000
Total Shares on issue after consolidation and capital raising	286,150,688
Unlisted 0.5 cent Options exercisable on or before 31 December 2016	40,000,000
Total Options on Issue	40,000,000

Not all security holders will hold a number of Shares that can be evenly divided by 50. If a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole number.

It is considered that there are no taxation consequences that exist for Shareholders arising from a consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the consolidation as neither the Company, the Administrator, the Deed Administrator nor the Directors (or the Company's advisers) accept responsibility for the individual taxation consequences arising from the consolidation.

2.1 Resolution 4 – Allotment and Issue of Shares

2.1.1 Background

The Shares and Options to be issued under Resolution 4 are being issued in accordance with the Recapitalisation Proposal and the DOCA. The Shares and Options to be issued under Resolution 4 will be to the Proponents and other third parties nominated by the Proponents.

The issue of 40,000,000 Shares (post consolidation) at 0.25 cents each and the issue of 50,000,000 Shares (post consolidation) at 0.50 cents each will be to the Proponents and other third parties nominated by the Proponents who have proposed, negotiated and presented the Recapitalisation Proposal, as approved by creditors, and as contained in this Notice of Meeting. A total of 40,000,000 Options exercisable at 0.5 cents each are proposed to be issued to the Proponents and third parties nominated by the Proponents.

Up to 160,000,000 Shares (post consolidation) at 1 cent each will also be issued to the Proponents and other third parties nominated by the Proponents, which may include the public and Shareholders of the Company, and will be made as a general offer in accordance with the terms of the Recapitalisation Proposal.

A total of 20,000,000 Shares (post consolidation) at a deemed issue price of 1 cent each

will be issued to the Trustee for Creditors to satisfy an obligation under the DOCA.

Part of the funds raised from the allotment of the Shares pursuant to Resolution 4, being \$800,000, will be used to repay the loan funds of \$800,000 arranged by the Proponents, which will be used for the purpose of satisfying the claims of creditors and making payment to the Administrator for their fees, costs and expenses. The balance of the funds raised, being \$1,150,000, shall be used by the Company to meet the costs of the Recapitalisation Proposal and to meet the costs of the Company's ongoing operations.

2.1.2 ASX Listing Rules

Resolution 4 requires approval in accordance with ASX Listing Rules 7.1 and 10.11.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a company to obtain Shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company.

All of the 250,000,000 Shares to be issued pursuant to paragraphs (a) to (c) of Resolution 4 may be issued to parties comprising the Proponents and other parties nominated by the Proponents (or entities controlled by them) and will include the issue and allotment to entities controlled by the Proponents, which includes the directors, Antony Sage, Giuseppe Ariti and Jason Bontempo.

Directors are related parties of the Company. For this reason, approval for the issue of the Shares to these parties is required pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti) and BR Corporation Pty Ltd (an entity controlled by Jason Bontempo) (or related parties of, or entities associated with, them) as approval is being obtained under ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters, which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 4:

- (a) the allottees of the Shares and Options for the purposes of ASX Listing Rule 10.11 are Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti) and BR Corporation Pty Ltd (an entity controlled by Jason Bontempo) (or related parties of, or entities associated with, them) and the maximum number of securities to be issued by the Company is as set out in Table 2 below (post consolidation). The grantees referred to below shall be entitled to specify any nominee as determined by them subject to paragraph (b) below:

Table 2

	Column 1: No. of Shares currently held both directly & indirectly (post consolidation)	Column 2: Maximum No. of Shares to be issued at 0.25 cents Resolution 4	Column 3: Maximum No. of Shares to be issued at 0.50 cents Resolution 4	Column 4: Maximum No. of Shares to be issued at 1 cent Resolution 4	Column 5: Maximum No. of 0.5 Cents Options to be issued pursuant to Resolution 4
A Sage	-	10,000,000	12,500,000	40,000,000	10,000,000
G Ariti	-	10,000,000	12,500,000	40,000,000	10,000,000
J Bontempo	-	10,000,000	12,500,000	40,000,000	10,000,000
Total	-	30,000,000	37,500,000	120,000,000	30,000,000

- (b) in the event the allottee does not take up the maximum allocation, that allottee is entitled to nominate a third party or parties to subscribe for the Shares and/or Options. That third party must be approved by the Directors in their discretion and provided that no **nominee will acquire voting power that is greater than 20%** of the Company;
- (c) the Shares and Options to be issued to Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti) and BR Corporation Pty Ltd (an entity controlled by Jason Bontempo) (or to related parties of, or entities controlled by, them), will be issued on one date and not later than one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) as noted above, the directors (or entities controlled by them) are related parties of the Company;
- (e) the Shares will be issued to Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti) and BR Corporation Pty Ltd (an entity controlled by Jason Bontempo) (or to related parties of, or entities controlled by, them), at the various issue prices set out in Table 2;
- (f) the Options will be issued to Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti) and BR Corporation Pty Ltd (an entity controlled by Jason Bontempo) (or to related parties of, or entities controlled by, them), at a subscription price of 0.0025 cents each;
- (g) the Shares will rank equally with the existing Shares on issue (post consolidation);
- (h) the Options will be granted on the terms and conditions set out in Section 2.1.6 of this Explanatory Memorandum (post consolidation);
- (i) the funds raised from the issue of the Shares pursuant to Resolution 4 will be used in accordance with Section 1.1.5 of the Explanatory Memorandum. Shareholders are referred to Sections 1.1 and 1.2 of this Explanatory Memorandum.

ASX Listing Rule 7.1

The remaining Shares to be issued pursuant to Resolution 4 may be issued to non related parties. Accordingly, approval is required pursuant to ASX Listing Rule 7.1 for the issue of these Shares.

The reason for an approval under ASX Listing Rule 7.1 is because the number of Shares proposed to be issued pursuant to Resolution 4 will exceed 15% of the capital of the Company on issue during the past 12 months.

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to ASX Listing Rules 7.1 and 10.11 for Resolution 4:

- (a) the maximum number of Shares to be issued by the Company pursuant to Resolution 4 is 270,000,000 at a total issue price of \$2,150,000, being cash of \$1,950,000 and issue of Shares to the Trustee for Creditors at a deemed value of \$200,000;
- (b) the Shares and Options proposed to be issued to the Directors (as detailed above), and other parties nominated by the Directors (none of whom are, or will be at the time of the issue of the Shares and Options, related parties of the Company), are set out in the maximum amounts in Table 3 and notes below;
- (c) the Shares and Options proposed to be issued to Marcello Cardaci as trustee of the MD Cardaci Family Trust, and other parties nominated by Mr Cardaci (none of whom are, or will be at the time of the issue of the Shares and Options, related parties of the Company), are set out in the maximum amounts in Table 3 and notes below;

Table 3

	Column 1: No. of Shares currently held both directly & indirectly (post consolidation)	Column 2: Maximum No. of Shares to be issued pursuant to Resolution 4	Column 3: Maximum No. of 0.5 Cents Options to be issued pursuant to Resolution 4	Total of existing shareholdings and maximum no. of Shares to be issued	Total No. of 0.5 Cents Options to be issued
A Sage ¹	-	62,500,000	10,000,000	62,500,000	10,000,000
G Ariti ²	-	62,500,000	10,000,000	62,500,000	10,000,000
J Bontempo ³	-	62,500,000	10,000,000	62,500,000	10,000,000
M Cardaci ⁴	-	62,500,000	10,000,000	62,500,000	10,000,000
Trustee for Creditors	-	20,000,000	-	20,000,000	-
Total	-	270,000,000	40,000,000	270,000,000	40,000,000

- (d) the third party must be approved by the Directors in their discretion and provided that **no nominee will acquire voting power that is greater than 20%** of the Company;
- (e) the Shares and Options issued to the third parties will be issued pursuant to a

¹ The Shares and Options will be issued to Antony Paul Sage as trustee of the EGAS Super Fund or Mr Sage's nominees.

² The Shares and Options will be issued to Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti) or to Mr Ariti's nominees.

³ The Shares and Options will be issued to , BR Corporation Pty Ltd (an entity controlled by Jason Bontempo) or to Mr Bontempo's nominees.

⁴ The Shares and Options will be issued to Marcello Cardaci as trustee of the MD Cardaci Family Trust or to Mr Cardaci's nominees.

Prospectus and will be issued to non related parties of the Company. It is anticipated that these Shares and Options will be allotted on one date and will be issued not later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);

- (f) the Shares will be issued to the third parties at the various issue prices set out in Resolution 4;
- (g) the Options will be issued for a total consideration of \$1,000;
- (h) the Shares issued will rank equally with the existing Shares on issue (post consolidation);
- (i) the Options will be granted on the terms and conditions set out in Section 2.1.6 of this Explanatory Memorandum (post consolidation); and
- (j) the funds raised from the issue of the Shares pursuant to Resolution 4 will be used in accordance with Section 1.1.5 of the Explanatory Memorandum. Shareholders are referred to Sections 1.1 and 1.2 of this Explanatory Memorandum.

2.1.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing securities.

For the purpose of this meeting, a "related party" includes:

- (a) a Director;
- (b) an entity over which a Director has control; and
- (c) an entity which believes, or has reasonable grounds to believe, that it is likely to become a related party in the future.

For the purposes of Chapter 2E of the Corporations Act, Antony Sage, Giuseppe Ariti and Jason Bontempo (or entities controlled by them), are each a related party of the Company by virtue of the fact that they are, or will be, Directors.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in Sections 217 to 227; and
- (b) give the benefit within 15 months after the approval.

For the avoidance of doubt, the Company is seeking Shareholder approval for the purposes of Chapter 2E of the Corporations Act in respect of the Shares proposed to be issued pursuant to Resolution 4 to Antony Sage, Giuseppe Ariti and Jason Bontempo (or entities controlled by them), or their nominees.

The following information is provided to satisfy the requirements of Section 219 of the Corporations Act:

- (a) the proposed financial benefit to be given to the related party (or nominee) is the maximum number of Shares and Options set out in Table 2 in Section 2.1.2 and proposed to be allotted to that proposed entity or nominee;
- (b) the Shares proposed to be issued pursuant to Resolution 4 are being issued to the related parties with the various issue prices at set out in Table 2 of Section 2.1.2. The Options are being issued to the related parties in consideration for \$1,000. These values are as proposed by the Proponents in its Recapitalisation Proposal and as incorporated in the DOCA;
- (c) as the Company has been placed in administration and a DOCA has now been signed, the existing Directors have no authority to act on behalf of the Company, except with prior approval of the Deed Administrator. Accordingly, the Directors make no recommendation to Shareholders in respect of Resolution 4;
- (d) if Shareholders approve the allotment and issue of the Shares and the grant of the Options to Antony Sage, Giuseppe Ariti and Jason Bontempo (or entities controlled by them), and all or any of the Options are exercised, the effect will be to dilute the shareholding of existing Shareholders. The market price for Shares during the term of the Options would normally determine whether or not those parties exercise the Options. If at the time any of the Options are exercised, the Shares are trading on ASX at a price which is higher than the exercise price of the Options, there may be a perceived cost to the Company. Subject to any adjustments arising from further issues of securities by the Company, 30,000,000 Shares (post consolidation) will be allotted and issued upon exercise of the Options issued to these related parties with the effect that the shareholding of existing Shareholders will be diluted by approximately 9.5 % (based on 286,150,688 Shares on issue and assuming no other Options are exercised and assuming all Resolutions contained in this Notice are implemented and the consolidation pursuant to Resolution 3 is effected);
- (e) a valuation of the Options proposed to be issued is set out in section 2.1.4; and
- (f) additional information in relation to Resolution 4 is set out throughout this Explanatory Memorandum. In particular, an Independent Expert's Report, attached to this Explanatory Memorandum, has been provided in relation to Resolution 4 which sets out a valuation of the Company and concludes that the proposed transaction is fair and reasonable to non-associated Shareholders. Shareholders should therefore read this Explanatory Memorandum in its entirety before making a decision as to how to vote in relation to Resolution 4.

For the purposes of the related party provisions, the following additional information is disclosed:

- (a) The remuneration paid to the related parties over the last 12 months from the date of issue of this Notice is as follows:

Antony Sage	\$Nil
Giuseppe Ariti	\$Nil
Jason Bontempo	\$Nil

There is currently no remuneration being paid to the related parties of the Company.

- (b) The Company's Shares have been suspended from trading on ASX since 12 November 2008, accordingly, no information can be provided as to recent price history.

- (c) The Directors interest in Shares and Options in the Company is as disclosed in Table 2 of Section 2.1.2.

2.1.4 Valuation of Options

The Options issued pursuant to Resolution 4 have been valued by the Company using the Black & Scholes pricing model. The assumptions that have been used to value the Options are as follows:

- (a) the last expiry date of the Options is 31 December 2016;
- (b) all of the Options are exercisable at 0.5 cents (post consolidation);
- (c) the market price of a Share is 1 cent (post consolidation);
- (d) a common volatility factor of 25% and 50%;
- (e) an interest rate of 3.59%;
- (f) the valuation ascribed to the Options may not necessarily represent the market price of the Options at the date of the valuation; and
- (g) the valuation date for the Options is 4 October 2011.

The above parameters result in a range of values for an option expiring on 31 December 2016 of:

	Total No. of 1 Cent Options to be issued	25% volatility	50% volatility	Total valuation 25% volatility	Total valuation 50% volatility
A Sage	10,000,000	0.592 cents	0.666 cents	\$59,200	\$66,600
G Ariti	10,000,000	0.592 cents	0.666 cents	\$59,200	\$66,600
J Bontempo	10,000,000	0.592 cents	0.666 cents	\$59,200	\$66,600
Total	30,000,000			\$177,600	\$199,800

The above values assume that the market price of a Share will be 1 cent (being the issue price of the Shares to investors). The actual market value will not be known until the Shares are quoted on the ASX.

2.1.5 Section 611 of the Corporations Act

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

If the person is a body corporate, the “associate” reference includes a reference to a Director or secretary, a related body corporate or a Director or secretary of a related body corporate.

The "associate" reference includes a reference to a person in concert with whom a primary person is acting or proposes to act.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Pursuant to Resolution 4, in accordance with the Recapitalisation Proposal, it is proposed that the Company approve the issue and allotment up to 250,000,000 Shares and up to 40,000,000 Options to Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti), BR Corporation Pty Ltd (an entity controlled by Jason Bontempo), and Marcello Cardaci as trustee of the MD Cardaci Family Trust (or related parties of, or entities controlled by, them)). The maximum number of Shares and Options to be subscribed for or acquired by each of these parties is set out in Table 3 of Section 2.1.2.

Shareholders are also referred to the Independent Expert’s Report prepared by Stantons Securities Pty Ltd and attached to this Memorandum.

The voting power of each of Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti), BR Corporation Pty Ltd (an entity controlled by Jason Bontempo), and Marcello Cardaci as trustee of the MD Cardaci Family Trust (or related parties of, or entities controlled by, them) comprises the votes attached to the Shares in which they will each have a direct relevant interest.

The Proponents may also be nominating third parties who will subscribe for Shares pursuant to Resolution 4. These parties are likely to be persons that are personally known the Proponents however none of the Proponents will have any power to control or control the manner in which these persons will vote or dispose of those Shares when issued.

Reasons for Approval

Shareholder approval under item 7 of Section 611 of the Corporations Act is required because after settlement under the DOCA and the Recapitalisation Proposal, Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci and their associates (including Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti), BR Corporation Pty Ltd (an entity controlled by Jason Bontempo), and Marcello Cardaci as trustee of the MD Cardaci Family Trust (or related parties of, or entities controlled by, them)) will each have a voting power that will exceed 20% of the issued capital of the Company. Those persons may also hold Options which, if exercised, will increase their voting power in the Company.

Information is required to be provided to Shareholders under ASIC Regulatory Guide 74

and the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Stantons International Pty Ltd trading as Stantons International Securities and attached to this Explanatory Memorandum.

For the purposes of the Corporations Act and the approval under Item 7 of Section 611 for Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci (including Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti), BR Corporation Pty Ltd (an entity controlled by Jason Bontempo), and Marcello Cardaci as trustee of the MD Cardaci Family Trust (or related parties of, or entities controlled by, them)), the following information is disclosed:

Identity of persons who will hold a relevant interest in the Shares to be allotted and issued.

The persons who will hold a relevant interest in issued Shares and who may be issued Shares under the capital raisings pursuant to Resolution 4 are Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci (including Antony Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti), BR Corporation Pty Ltd (an entity controlled by Jason Bontempo), and Marcello Cardaci as trustee of the MD Cardaci Family Trust (or related parties of, or entities controlled by, them)).

Profiles of Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci are set out in Section 1.1.5 of this Explanatory Memorandum. That Section sets out detailed information in respect of each of those persons.

Genmin Capital Pty Ltd is an investment company controlled by Giuseppe Ariti and BR Corporation Pty Ltd is an investment company controlled by Jason Bontempo.

Shares to which the allottee will have voting power immediately before and after the allotment.

As at the date of this Notice, each of Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci or their associates do not own any Shares in the Company as shown in Column 1 of Table 4 below.

The maximum number of Shares (post consolidation) that each of Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci will have a relevant interest in (assuming none of their Options are exercised) is 250,000,000 and assuming all of their Options are exercised is 290,000,000 is set out in Table 5 below.

Table 4

	Column 1: No. of Shares currently held both directly & indirectly (post consolidation)	Column 2: Maximum No. of Shares to be issued pursuant to Resolution 4	Total of existing shareholdings and maximum no. of Shares to be issued	Maximum No. of 0.5 Cents Options to be issued
A Sage	-	62,500,000	62,500,000	10,000,000
G Ariti	-	62,500,000	62,500,000	10,000,000
J Bontempo	-	62,500,000	62,500,000	10,000,000
M Cardaci	-	62,500,000	62,500,000	10,000,000
Total		250,000,000	250,000,000	40,000,00

The maximum number of Shares and Options that may be held by each of Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci (including Antony William Paul Sage as trustee of the EGAS Super Fund, Genmin Capital Pty Ltd (an entity controlled by Giuseppe Ariti), BR Corporation Pty Ltd (an entity controlled by Jason Bontempo), and

Marcello Cardaci as trustee of the MD Cardaci Family Trust (or related parties of, or entities controlled by, them) and third parties is set out in Table 5 below.

Table 5

	Shares (Undiluted)	Options	Fully Diluted Total
A Sage	62,500,000	10,000,000	72,500,000
G Ariti	62,500,000	10,000,000	72,500,000
J Bontempo	62,500,000	10,000,000	72,500,000
M Cardaci	62,500,000	10,000,000	72,500,000
Total	250,000,000	40,000,000	290,000,000
Third Parties		-	
Trustee for Creditors	20,000,000	-	20,000,000
Existing Shareholders	16,150,688	-	16,150,688
Existing Optionholders		-	
Total	286,150,688	40,000,000	326,150,688

Also set out above are the matters required to be disclosed in accordance with Item 7 of Section 611 of the Corporations Act. This information is disclosed on the assumption that:

- (a) settlement under the DOCA has occurred;
- (b) all Resolutions set out in the Notice are duly passed; and
- (c) the capital raisings pursuant to Resolution 4 are fully subscribed.

The maximum extent of the increase in the relevant allottees' voting power in the Company that would result from the Shares to be issued and the voting power that the relevant allottees would have as a result of the Shares to be issued:

Each of Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci will increase their voting power as set out in Table 6 below:

Table 6

Scenario	Maximum extent of the increase in Voting Power and Total Voting Power
None of the 0.5 cents Options are exercised	From 0% to 21.84%
Each of Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci exercise the 0.5 cents Options to be granted pursuant to Resolution 2	From 0% to 22.23%
All 0.5 cents Options are exercised	From 0% to 22.21%

Collectively the Proponents would hold voting power of 87.36% (if no 0.5 cents Options are exercised) or 88.92% (if all the 0.5 cents Options are exercised).

The maximum extent of the increase in the voting power of each of the allottees' associates that would result from the Shares to be issued:

Each of Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci are associates of each other for the purposes of the transaction contemplated by the Notice of Meeting. Therefore the maximum extent of the increase in the voting power of each of the allottees' associates is as set out in Table 7 below.

Table 7

Party	Ignoring Options %	Including Options Exercised %
Antony Sage or nominee	21.84	22.23

Giuseppe Ariti or nominee	21.84	22.23
Jason Bontempo or nominee	21.84	22.23
Marcello Cardaci or nominee	21.84	22.23
Total	87.36	88.92

Following the transaction, the parties have advised they (and the entities they control) will not be associates of each other and their voting power should not be aggregated.

The voting power that each of the allottees' associates would have as a result of the Shares to be issued:

The voting power of each of the allottees' associates is as set out in Table 7 above. Further details in relation to the voting power of Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci and their associates are set out in Section 1.8 of the Independent Expert's Report.

Other Required Information

The following further information is disclosed:

- (a) it is the intention of the Company to initially focus on the Wee MacGregor tenements. Further information regarding the future intentions of the Company is set out in Section 1.1.3;
- (b) the Company will be required to raise sufficient capital to fund existing and future operations. To this end, the Company is seeking Shareholder approval to proceed with a placement. Shareholders should refer to Resolution 4 for further details regarding this capital raising;
- (c) there are currently no employees of the Company nor are there any proposals whereby any property will be transferred between the Company and the allottees, vendor or purchaser or any person associated with any of them and, other than the proposed disposal of some of the Company's existing assets as required under the DOCA, there is no current intention to redeploy any other fixed assets of the Company;
- (d) there is no intention to change the Company's existing policies in relation to financial matters or dividends. At present, the Company does not pay a dividend. The dividend policy of the Company will be assessed in accordance with the future profitability of the Company's business; and
- (e) Shareholders must also note that collectively, Antony Sage, Giuseppe Ariti, Jason Bontempo and Marcello Cardaci, may be granted up to 40,000,000 0.5 cents Options. If all these 0.5 cents Options were exercised, the voting power of each of these parties would be increased based on the number of 0.5 cents Options exercised. Shareholders are therefore also approving the increase in the voting power of each of these parties arising as a result of the exercise of those 0.5 cents Options.

2.1.6 Terms and conditions of 0.5 cents Options

The material terms and conditions of the Options are as follows:

- (a) each option entitles the holder, when exercised, to one (1) Share;
- (b) the options are exercisable at any time on or before 31 December 2016;
- (c) the exercise price of the options is 0.5 cents each (on a post-consolidation basis);

- (d) subject to the Corporations Act, the Constitution and the ASX Listing Rules, the options are fully transferable;
- (e) the options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the option holder to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the options held does not affect the holder's right to exercise the balance of any options remaining;
- (f) all shares issued upon exercise of the options will rank pari pasu in all respects with the Company's then issued shares. The options will be unlisted however the Company reserves the right to apply for quotation at a later date;
- (g) there are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of options to Shareholders during the currency of the options. However, the Company will ensure that, for the purpose of determining entitlements to any issue, option holders will be notified of the proposed issue at least seven (7) business days before the record date of any proposed issue. This will give option holders the opportunity to exercise the options prior to the date for determining entitlements to participate in any such issue;
- (h) in the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the options, all rights of the option holder will be varied in accordance with the ASX Listing Rules; and
- (i) in the event the Company makes a pro rata issue of securities, the exercise price of the options will change in accordance with the formula set out in ASX Listing Rule 6.22.2.

2.1.7 Directors Recommendations

As the Company is under external administration, the existing Directors of the Company do not make any recommendation in respect of the Recapitalisation Proposal. Shareholders should read this Memorandum in full, including the Letter to Shareholders and the Independent Expert's Report referred to below to form an opinion on the merits of the proposal.

2.1.8 Independent Expert's Report

The Independent Expert's Report, attached to this Memorandum and prepared by Stantons International Pty Ltd trading as Stantons International Securities sets out a detailed examination of the issue of Shares and Options to the Proponents and its associates pursuant to Resolution 4 to enable Shareholders to assess the merits and decide whether to approve Resolution 4.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to this proposed transaction and concludes that Resolution 4 is fair and reasonable to the non associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

2.1.9 Pro-forma Statement of Financial Position

Set out below is a statement of financial position of the Company as at 30 June 2011, together with the pro-forma statement of financial position on the basis of the assumptions set out below.

MATRIX METALS LIMITED

(SUBJECT TO DEED OF COMPANY ARRANGEMENT) (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED)

Pro-forma Statement of Financial Position as at 30 June 2011

	Audited	Pro-forma
	30 Jun 2011	30 Jun 2011
	\$	\$
Current assets		
Cash balances under the control of the Administrator and the Receiver and Manager	5,089,143	1,076,000
Trade and other receivables	26,713	-
	<u>5,115,856</u>	<u>1,076,000</u>
Assets held for sale		
Tenement bonds and security deposits	728,267	-
Total current assets	<u>5,844,123</u>	<u>1,076,000</u>
Non-current assets		
Exploration and evaluation	284,000	284,000
Total non-current assets	<u>284,000</u>	<u>284,000</u>
Total assets	6,128,123	1,360,000
Current liabilities		
Trade and other payables	61,925,784	-
Loans and borrowings	1,600,000	-
Employee benefits	64,096	-
Provisions	117,847	-
Total current liabilities	<u>63,707,727</u>	<u>-</u>
Non-current liabilities		
Provisions	27,000	27,000
Total non-current liabilities	<u>27,000</u>	<u>27,000</u>
Total liabilities	63,734,727	27,000
Net liabilities	<u>(57,606,604)</u>	<u>1,333,000</u>
Equity		
Issued capital	67,701,455	69,851,455
Option reserve	-	1,000
Accumulated losses	(125,308,059)	(68,519,455)
Total shareholder equity/ (deficiency)	<u>(57,606,604)</u>	<u>1,333,000</u>

Assumptions

1. Subsequent to 30 June 2011, all assets held for sale are realised for the values disclosed in the financial report for the year ended 30 June 2011.
2. On termination of the DOCA, all amounts owing to secured and unsecured creditors are transferred to the creditors trust together with all cash balances.
3. \$1,951,000 is raised through the issue of 250,000,000 shares and 40,000,000 options at various issue prices (refer to Resolution 2(a) to (e)).

4. \$75,000 is paid in respect of recapitalisation expenses.
5. \$800,000 is repaid to the Proponents.

2.3 Resolution 5 – Section 195 Approval

Section 195 of the Corporations Act essentially provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a “material personal interest” are being considered.

Approval of Resolution 4 may result in the Directors having a “material personal interest” in the Recapitalisation Proposal, completion of the DOCA and other matters referred to in this notice. In the absence of this Resolution 5, the Directors may not be able to form a quorum at any meetings necessary to carry out the transactions contemplated by this Notice which may mean that the DOCA cannot be completed and as a consequence the Company being placed into liquidation.

The Directors have accordingly exercised their right under Section 195(4) of the Corporations Act to put the issue to Shareholders to resolve upon.

2.4 Resolution 6 – Disposal of Assets

The DOCA allows for certain assets of the Company to be disposed of by the Deed Administrator for the benefit of creditors as described in Section 1.2.2 of this Memorandum.

This arrangement will allow for the Company to move out of administration and be returned to the control of the Directors and Shareholders.

ASX Listing Rule 11.2 requires that a disposal of the main undertaking of a company be approved by shareholders and this relates to the retrospective approval to the sale of the majority of the assets of the company. This resolution seeks that approval.

2.5 Resolution 7 – Change of Company Name

Subject to the passing of Resolutions 3 and 5, Resolution 7 seeks a change of name of the Company to Panarea Limited.

3. ENQUIRIES

Shareholders are invited to contact Joe Ariti, on (08) 9211 0600 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

Accounting Standards has the meaning given to that term in the Corporations Act.

Act means the Corporations Act 2001 (Cth).

Administrator means Vincent Smith and Justin Walsh of Ernst & Young.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Board means the board of Directors of the Company.

Closely Related Party has the meaning given to that term in the Corporations Act.

Company and **Matrix Metals** means Matrix Metals Limited (subject to deed of company arrangement) (In Liquidation) (Receivers and Managers appointed) (ACN 082 593 235).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Deed Administrator means Vincent Smith and Justin Walsh of Ernst & Young.

Deed of Company Arrangement and **DOCA** means the Deed of Company Arrangement entered into by the Company, the Administrator and the Proponents and executed on 9 November 2010 following the approval of creditors of the Recapitalisation Proposal on 1 November 2010.

Directors means the Directors of the Company.

Explanatory Memorandum means the explanatory memorandum to the Notice.

Independent Expert's Report means the independent expert's report prepared by Stantons Securities Pty Ltd which is annexed to this Notice.

Key Management Personnel has the meaning given to that term in the Accounting Standards.

Meeting means the meeting of Shareholders convened by this Notice.

Notice means this notice of meeting accompanying this Explanatory Memorandum.

Option or 0.5 cents Option means an unlisted option to acquire one Share in the capital of the Company at an exercise price of 0.5 cents each on or before 31 December 2016.

Optionholder(s) means a holder of Options.

Proponents means Genmin Capital Pty Ltd ACN 145 474 111 (an entity controlled by Giuseppe Ariti), BR Corporation Pty Ltd ACN 100 133 533 (an entity controlled by Jason Bontempo), Antony Paul Sage as trustee of the EGAS Super Fund and Marcello Cardaci as trustee of the MD Cardaci Family Trust.

Recapitalisation Proposal means the Recapitalisation Proposal, proposed by The Proponents and approved by creditors on 1 November 2010 which is summarised at Section 1.2 of this Explanatory Memorandum.

Restricted Voter means Key Management Personnel and their Closely Related Parties.

Shares means fully paid ordinary Shares in the capital of the Company.

Shareholder(s) means a holder of Shares.

Trustee for Creditors means Vincent Smith and Justin Walsh of Ernst & Young.

**PROXY FORM
 APPOINTMENT OF PROXY
 MATRIX METALS LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) (IN LIQUIDATION)
 (RECEIVERS AND MANAGERS APPOINTED)
 ACN 082 593 235**

ANNUAL GENERAL MEETING

I/We

of

being a member of Matrix Metals Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at 3.30pm (WST), on 25 November 2011 at the Celtic Club, 48 Ord Street, West Perth, WA 6005, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

OR

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Director – Antony Sage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Consolidation of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Allotment and issue of shares and options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Section 195 approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Disposal of assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Change of company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

Signature of Member(s): _____

Date: _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____

Contact Ph (daytime): _____

MATRIX METALS LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) (IN LIQUIDATION)
(RECEIVERS AND MANAGERS APPOINTED)
ACN 082 593 235

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - a) in person to Level 1, 2 Ord Street, West Perth, Western Australia 6005; or
 - b) by post to PO Box 764, West Perth Western Australia 6872; or
 - c) by facsimile to the Company on facsimile number on 08 9322 2631 (inside Australia) or +61 8 9322 2631 (outside Australia),

so that it is received not later than 3.30pm (WST) on 23 November 2011.

Proxy forms received later than this time will be invalid.

6 October 2011

Matrix Metals Limited
(Subject to Deed of Company Arrangement) (In Liquidation)
(Receivers and Managers Appointed)
C/- Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
PERTH WA 6000

Dear Sirs

RE: MATRIX METALS LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) (ACN 082 593 235) (“MATRIX” OR “THE COMPANY”) MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT (“TCA”) AND LISTING RULE 10.11 RELATING TO THE PROPOSAL TO ISSUE UP TO 270,000,000 POST CONSOLIDATED ORDINARY SHARES TO VARIOUS PARTIES AND THE ISSUE OF 40,000,000 POST CONSOLIDATED OPTIONS TO VARIOUS PARTIES MORE FULLY DESCRIBED BELOW

1. Introduction

1.1 We have been requested by the new directors as noted below of Matrix to prepare an independent expert’s report to determine the fairness and reasonableness of the transactions referred to in Resolution 4 as detailed in the Notice of Meeting (“the Notice”) to Matrix shareholders. Messrs Antony Sage (“Sage”), Giuseppe Ariti (“Ariti”) and Jason Bontempo (“Bontempo”) who in December 2010 were appointed directors of Matrix along with Marcello Cardaci (“Cardaci”) came together to put a reconstruction proposal to the Administrators of Matrix so Matrix could be recapitalised and seek to be re-instated to trading on the Official List of the Australian Securities Exchange (“ASX”). Messrs Sage, Ariti and Bontempo (along with their controlled entities) are, for the purposes of this report known as the Director Parties and along with Cardaci (and his controlled entity) are known for the purposes of this report as the Proponents (see paragraph 1.2 below and section 1.1.2 of the Explanatory Memorandum attached to the Notice).

Resolution 4(a) relates to the proposal for the Company to allot and issue up to 40,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 0.25 cents per ordinary share (on a post consolidated basis) to raise up to \$100,000.

Resolution 4(b) relates to the proposal for the Company to allot and issue of up to 50,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 0.5 cents per ordinary share (on a post consolidated basis) to raise up to \$250,000.

Resolution 4(c) relates to the proposal for the Company to allot and issue up to 160,000,000 fully paid ordinary shares in the Company at an issue price of 1.0 cent per ordinary share (on a post consolidated basis) to raise up to \$1,600,000.

Resolution 4(d) relates to the proposal for the Company to allot and issue 20,000,000 fully paid ordinary shares in the Company at an issue price of 1.0 cent per ordinary share (on a post consolidated basis) to the Deed Administrators (Trustees of the Creditors Trust Fund) ("Trustees") of Matrix and such shares to be held for the benefit of the pre Administration creditors (the shares will be issued for no cash consideration).

Resolution 4(e) relates to the proposal for the Company to grant 40,000,000 share options (on a post consolidated basis) for a total consideration of \$1,000. The share options are exercisable at 0.5 cents each (on a post consolidation basis), on or before 31 December 2016.

Resolution 4(f) allows the Proponents and their nominees (including the Trustees) to acquire a relevant interest in the above shares and shares issued on exercise of the above mentioned share options.

Further details are noted below and in the Explanatory Memorandum to Shareholders of Matrix.

1.2 As a result of cash flow difficulties arising from declining copper prices and other negative factors (Matrix had been mining a Leichardt tenement north of Mt Isa in Queensland and a Cloncurry tenement area south of Cloncurry), on 11 November 2008 the directors of Matrix (who were in office at that time) appointed Messrs Vincent Smith and Justin Walsh of Ernst & Young as Joint and Several Administrators ("Administrators") of the Company pursuant to Section 436A of TCA. On 12 November 2008, following appointment of the Administrators, the securities in Matrix were suspended from quotation on the Official List of ASX. On 14 November 2008, Gary Doran and John Greig of Deloitte Touche Tohmatsu were appointed Receivers and Managers over the assets held by Matrix and secured by a charge held by Glencore International AG ("Glencore"). On 18 June 2009, the Company was placed into Liquidation (Messrs Vincent Smith and Justin Walsh of Ernst & Young were appointed as joint and several Liquidators) and the Company remained in Liquidation up to 16 September 2010 at which point the Liquidation process was stayed and the Liquidators were appointed Voluntary Administrators of the Company. At a second meeting of creditors held on 1 November 2010, the Administrators recommended to the creditors of the Company that it was in the best interests of creditors to enter into a Deed of Company Arrangement ("DOCA"). The DOCA was entered into with the Proponents being Genmin Capital Pty Ltd (associated with Ariti), BR Corporation Pty Ltd (associated with Bontempo), Sage (as trustee for the EGAS Super Fund), and Cardaci (as trustee of the MD Cardaci Family Trust). The DOCA was executed on 9 November 2010 and the Administrators became the Deed Administrators. The DOCA requires that an amount of \$800,000 in cash, the issue of 20,000,000 shares at a deemed issue price of 1 cent and certain assets of the Company be made available for satisfaction of the claims of unsecured creditors and to meet the costs of the Administrators and Deed Administrators. It also provides that the administration of the Company terminates following the passing of the resolutions at the Meeting, payment of \$800,000, and the transfer of certain assets to the Deed Administrators as Trustees for the Creditors Trust Fund, all of which is more fully described at Section 1.2.2 of the Explanatory Memorandum.

1.3 The Proponents have provided the funding to meet the costs associated with the Notice and funding to meet certain on-going costs of Matrix. Nominees of the Proponents, Messrs Sage, Ariti and Bontempo were appointed as directors of the Company on 22 December 2010.

As part of the DOCA and Recapitalisation Proposal put forward by the Proponents, along with other statutory proposals, the shareholders are being asked to approve the following:

- (a) the consolidation of the capital of the Company on the basis that every 50 shares be consolidated into 1 share (Resolution 3). The existing number of shares on issue is 807,534,380 shares and this will reduce to approximately 16,150,688 shares;

- (b) the allotment and issue and allotment of up to 40,000,000 post consolidated shares at an issue price of 0.25 cents per share following the consolidation of capital, to raise up to \$100,000 (Resolution 4(a)) and the issue of up to 50,000,000 post consolidated shares at 0.05 cents each to raise a gross up to \$250,000 for working capital (Resolution 4(b));
- (c) the allotment and issue of up to 160,000,000 post consolidated shares at an issue price of 1 cent per share to raise up to \$1,600,000 (Resolution 4(c));
- (d) the allotment and issue of 20,000,000 post consolidated shares at a deemed issue price of 1 cent each to the Trustees of the Creditors Trust Fund (no cash is received by the Company from the issue of such shares) (Resolution 4(d));
- (e) the allotment and issue of 40,000,000 share options for a consideration of \$1,000 to the Proponents or their nominees. The share options are exercisable at 0.5 cents each, on or before 31 December 2016 (Resolution 4(e));
- (f) allowing those parties (Proponents or their nominees) to acquire a relevant interest in the post consolidated shares issued to them under Resolutions 4(a) to (d) and in the shares issued to them on exercise of the share options issued pursuant to Resolution 4(e) (Resolution 4(f));
- (g) the transfer to the Trustee of such assets of the Company as are capable of being assigned pursuant to Listing Rule 11.2 of the ASX and the terms of the DOCA and the disposal of certain assets of the Company following the appointment of the Administrators (as more fully described in the Explanatory Memorandum) (Resolution 5);
- (h) authorising the directors to complete the proposed transactions in accordance with Section 195 of the Corporations Act (Resolution 6);
- (i) change the name of the Company to Panarea Limited (Resolution 7);
- (j) adoption of the 2011 Remuneration Report (Resolution 1); and
- (k) re-elect Antony Sage as a director of the Company (Resolution 2).

The Proponents who will lend \$800,000 to the Company in part satisfaction of the DOCA will be repaid out of the capital raisings noted in Resolution 4. The Deed Administrators/Trustees of the DOCA are responsible for the acquittal of \$800,000. As a condition of the Recapitalisation Proposal by the Proponents, the Proponents require that the Company's interest in the Wee MacGregor tenements in Queensland ("Tenements") remain as unencumbered assets of Matrix. Details on the Tenements are outlined in sections 1.1.4 of the Explanatory Memorandum to Shareholders. All other assets in existence at the time of the appointment of the Administrators in November 2008 have been sold and realised by the Administrators, Liquidators and/or the Receivers and Managers. The \$800,000 will be distributed by the Deed Administrators/Trustees of the Creditors Trust Fund and the Deed Administrators will be paid their fees and costs and fees and costs outstanding as Administrators and Deed Administrators. The balance, along with the benefit of any proceeds from the sale of the 20,000,000 post consolidated shares to be issued to the Deed Administrators/Trustees of the Creditors Trust Fund will be used for the benefit of the unsecured creditors (as a full and final settlement). On completion of the recapitalisation proposals, there will be no residual creditors of the Company or potential for claims from former creditors against the Company.

- 1.4 For the purposes of Chapter 2E of the TCA, Sage, Ariti and Bontempo, are each a related party of the Company by virtue of the fact that they are directors of Matrix (from 22 December 2010). Further details on the directors are set out in Section 1.1.5 of the Explanatory Memorandum to Shareholders.
- 1.5 Upon successful completion of the DOCA, the unsecured creditors and any secured creditors' claims will be extinguished and the Company will:
 - be released from the DOCA;
 - apply to be quoted on ASX;

- have approximately \$1,076,000 cash funds after recapitalisation costs but before spending funds on acquiring new tenements and evaluating the Tenements; and
- have a 100% interest in the Tenements.

1.6 There are six other resolutions (Resolutions 1, 2, 3, 5, 6 and 7) being put to the shareholders of Matrix. We are not reporting on the fairness and reasonableness of such proposals. This report specifically addresses Resolution 4 only. However, we note Resolutions 3, 5 and 6 are also part of the recapitalisation process of Matrix.

1.7 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

1.8 Following the consummation of the Resolutions relating to the capital structure of the Company, the following table depicts the new capital structure of the Company. In addition Section 2 refers to the shareholding details if all Resolutions are passed and consummated.

	Existing shareholders after the 1 for 50 consolidation of capital (Resolution 3)	Maximum No. of Shares to be issued pursuant to Resolution 4(a)	Maximum No. of Shares to be issued pursuant to Resolution 4(b)	Maximum No. of Shares to be issued pursuant to Resolution 4(c) (refer comments below)	Maximum No. of Shares to be issued pursuant to Resolution 4(d)
Antony Sage or nominee	-	10,000,000	12,500,000	40,000,000	-
Giuseppe Ariti or nominee	-	10,000,000	12,500,000	40,000,000	-
Jason Bontempo or nominee	-	10,000,000	12,500,000	40,000,000	-
Marcello Cardaci or nominee	-	10,000,000	12,500,000	40,000,000	-
Proponent Group	-	40,000,000	50,000,000	160,000,000	-
Third Parties to be nominated by the Proponents	-	-	-	-	-
The Trustees (for the Creditors Trust Fund)	-	-	-	-	20,000,000
Existing shareholders	16,150,688	-	-	-	-
Total if 270,000,000 shares issued pursuant to Resolution 4	16,150,688	40,000,000	50,000,000	160,000,000	20,000,000

	Maximum No of Options to be issued pursuant to Resolution 4(d)
Antony Sage or nominee	10,000,000
Giuseppe Ariti or nominee	10,000,000
Jason Bontempo or nominee	10,000,000
Marcello Cardaci or nominee	10,000,000
Proponent Group	40,000,000
Third Parties to be nominated by Proponents	-
Total if 40,000,000 share options are issued pursuant to Resolution 4(e)	40,000,000

Under Resolution 4(d), technically the maximum number of shares that could be issued to the proponents is 160,000,000 (40,000,000 each to Sage, Ariti, Bontempo and Cardaci or their nominees). The fully paid ordinary shareholding interests of the Proponents and others if it is assumed that 270,000,000 shares will be issued pursuant to Resolution 4 would be as follows:

	Ignoring Options %	Including Options Exercised %
Antony Sage or nominee	21.84	22.23
Giuseppe Ariti or nominee	21.84	22.23
Jason Bontempo or nominee	21.84	22.23
Marcello Cardaci or nominee	21.84	22.23
Proponent Group	87.36	88.92
Third Parties to be nominated by the Proponents	unknown	unknown
The Administrators (for the Creditors Trust)	6.99	6.13
	94.35	95.05

If 160,000,000 shares were issued to the Proponents, the Proponents shareholding interest collectively would be approximately 87.36% (approximately 21.84% to each of the Proponents) (and approximately 88.92% (approximately 22.23% to each of the Proponents) if all 40,000,000 share options to be issued pursuant to Resolution 4(e) were exercised into ordinary shares in Matrix. The percentages would be less if some or all of the 160,000,000 shares noted above were allotted to other parties (described as nominees of the Proponents but such persons/entities would hold shares in their own right).

The total number of fully paid ordinary shares on issue (post-consolidation) would be 286,150,688 (before exercise of the 40,000,000 share options) and 326,150,688 (after exercise of the 40,000,000 share options). We have ignored the effect that the non ordinary shares will have on shareholders interests as noted above and below.

The combined interests of the Proponents in the share capital of the Company could initially be approximately 87.36% (approximately 65.52% excluding the interests of Cardaci) and approximately 88.92% (approximately 66.69% excluding the interests of Cardaci) if only the 40,000,000 share options to be granted to the Proponents were exercised and the 160,000,000 shares were issued to the Proponents. If the 160,000,000 shares were issued to the Proponents nominees or other parties, the Proponents excluding the nominees/other parties would own approximately 31.44% of the expanded issued capital of the Company (approximately 23.58% excluding Cardaci) and approximately 30.84% if all 40,000,000 share options were exercised (approximately 29.88% excluding Cardaci). Further potential shareholding interests of the combined interests of Messrs Sage, Ariti, Bontempo and Cardaci are set out in sections 2.1.5 (Tables 3 to 6) to the Explanatory Memorandum to Shareholders accompanying the Notice.

An independent expert's report pursuant to the Section 611 (Item 7) of TCA is required to report on the fairness and reasonableness of the transactions pursuant to Resolution 4. Also, as Messrs Sage, Ariti and Bontempo are deemed by ASX Listing Rules to be related parties, shareholder approval under Listing Rule 10.11 is required. The Proponents have requested Stantons International Securities to prepare an independent expert's report to assist the shareholders of Matrix in determining as to whether they vote for or against Resolution 4 as outlined in the Notice.

1.9 Apart from this introduction, the report considers the following:

- Summary of opinion
- Implications of the proposals
- Future directions of Matrix
- Basis of technical valuation of Matrix
- Premium for control
- Fairness and reasonableness of the proposals
- Conclusion as to fairness and reasonableness
- Sources of information
- Appendix A and Financial Service Guide

2. Summary of Opinion

2.1 In determining the fairness and reasonableness of the transactions pursuant to Resolution 4 we have had regard to the guidelines set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guideline 111 "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees.

Accordingly, our report relating to Resolution 4 is concerned firstly with the fairness and reasonableness of the proposals with respect to the existing non associated shareholders of Matrix and secondly whether the price payable for potential control includes a premium for control.

2.2 In our opinion:

The proposals as outlined in Resolution 4 that would allow the Proponents or their nominees to acquire up to 250,000,000 post consolidated shares and 40,000,000 share options in Matrix (and allow such share options to be exercised) are, in the absence of a superior offer, on balance, fair and reasonable to the non associated shareholders of Matrix.

The opinions expressed above are to be read in conjunction with the more detailed analysis and comments made in this report.

3. Implications of the Proposals

- 3.1 Prior to the appointment of the Deed Administrators, the total number of ordinary fully paid shares on issue in Matrix was 807,534,380. If all the Resolutions are consummated the Proponents or their nominees could own approximately 87.36% of the post consolidated ordinary fully paid share capital of the Company (as depicted in paragraph 1.8) prior to the exercise of the 40,000,000 share options. The actual holding of the post-consolidated ordinary share capital of the Company by the Proponents is approximately 87.36% (but could be as low as approximately 31.44% as noted above). If the 40,000,000 share options proposed to be issued pursuant to Resolution 4(e) are exercised, then the Proponents or their nominees will own approximately 88.92% of the post-consolidated ordinary share capital of the Company (but could be as low as approximately 39.84% as noted above).

It is estimated that the cost of the reconstruction process (legal fee, corporate fees, and expert's report) will be around \$75,000 (excluding capital raising costs). The Administrators and Deed Administrators remuneration and expenses are payable out of the \$800,000 to be lent to the Company by the Proponents pursuant to the terms of the DOCA.

- 3.2 Following the satisfaction of all terms and conditions of the various Deeds and assuming all Resolutions are passed Matrix's unaudited pro-forma statement of financial position is expected to disclose:

	Notes	Unaudited Statement of Financial Position as at 30 June (Auditors disclaimed the figures) \$	Pro-forma after capital raisings and completion of DOCA and Resolutions 3 to 6 \$
Current and Assets held for Sale			
Cash assets	1	5,089,143	1,076,000
Receivables		26,713	-
Tenement and other bonds (assets held for sale)		728,267	-
Total Current Assets and Assets held for Sale		5,844,123	1,360,000
Non Current assets			
Exploration and Evaluation		284,000	284,000
Total Non current assets		284,000	284,000
Total Assets		6,128,123	
Current Liabilities			
Trade and other creditors		61,925,784	-
Loans and borrowings		1,600,000	-
Employee benefits		64,096	-
Provisions		117,847	-
Liabilities associated with Assets held for Sale		-	-
Total current liabilities and liabilities associated with Assets held for Sale		63,707,727	-
Non Current Liabilities			
Provisions		27,000	27,000
Total Non Current Liabilities		27,000	27,000
Total Liabilities		63,734,727	27,000
Net Assets (Liabilities)		(57,606,604)	1,333,000

	Notes	Unaudited Statement of Financial Position as at 30 June (Auditors disclaimed the figures) \$	Pro-forma after capital raisings and completion of DOCA and Resolutions 3 to 6 \$
Equity (not disclosed in Administrators Report)			
Issued capital	2	67,701,455	69,851,455
Option reserve		-	1,000
Accumulated losses		(125,308,059)	(68,519,455)
Total Equity (Deficiency)		<u>(57,606,604)</u>	<u>1,333,000</u>

Subsequent to 9 June 2009 (the date that they has prepared a Report to Creditors disclosing an estimated deficiency of approximately \$9,556,000), the Administrators prepared a further report dated 11 October 2010 that indicated on a liquidation basis or under the DOCA basis the deficiency may be around \$59,000,000. The deficiency was an estimate after taking into account the realisation of assets by the Receivers and Administrators since November 2008 and payment of funds to secured creditors. The final estimated deficiency is now approximately \$57,600,000. In view of the above, it is reasonable to assume that the value of a Matrix share prior to the recapitalisation proposal put forward by the Proponents is nil. The Deed Administrators consider that in the event that a recapitalisation by the Company was not possible, the shares of Matrix would be worthless and a declaration to shareholders noting this fact would be issued at that time.

1. The movement in the cash assets is reconciled as follows:

Cash assets:	\$
Opening balance	5,089,143
Transferred to Administrators/Liquidators	(5,089,143)
Placement of shares at 0.25 cents	100,000
Placement of shares at 0.5 cent	250,000
Placement of shares at 1 cent	1,600,000
Issue of share options	1,000
Payment to satisfy obligations under DOCA	(800,000)
Costs of DOCA and holding shareholders meeting	(75,000)
Closing balance	<u>1,076,000</u>

2. The movement in the issued capital is reconciled as follows:

	\$
Opening balance fully paid shares	67,701,455
Issue of shares at 0.25 cents each	100,000
Issue of shares at 0.5 cents each	250,000
Issue of shares at 1 cent each	1,600,000
Issue of shares at 1 cent each (to the Deed Administrators)	200,000
Closing balance	<u>69,851,455</u>

The Option Reserve increased as a result of the issue of 40,000,000 share options for a total of \$1,000 as envisaged under Resolution 4(e).

The interests in the Tenements to be retained (\$284,000) have not been independently valued for the purposes of the pro-forma balance sheet. The assets would be subject to an impairment test under the Australian equivalents of International Financial Reporting Standards ("A-IFRS") and Matrix considers that the current value to be minimal for the purposes of accounting under A-IFRS although no formal valuation has been made by the directors of Matrix or the Deed Administrators. The directors have committed new working capital to

spend on assessing the viability of the Tenements. For the purposes of this report, we have ascribed the carrying cost of \$284,000 in the absence of an independent valuation but note that the Tenements may have some additional value in the future but not enough to conclude that the current value of a share in Matrix has any value. The interests in the exploration assets remaining post the termination of the DOCA are set out in Section 1.1.4 of the Explanatory Memorandum. All other mineral and exploration assets have been sold or will be sold by the Deed Administrators or Receivers and Managers to the benefit of the pre administration secured and unsecured creditors.

- 3.3 The share options under Resolution 2(e) will be 40,000,000 options exercisable at 0.5 cent each, on or before 31 December 2016.
- 3.4 It is proposed that the existing directors, Messrs Sage, Ariti and Bontempo remain on the Matrix Board.

4. Future direction of Matrix

- 4.1 We have been advised by a current director of the Company who is also representative of Proponent that:
- The short term intention is to complete the DOCA including the recapitalisation process;
 - At the time of preparation of this report they are not aware of any proposals currently contemplated whereby Matrix will acquire any property or assets from the Proponents or their nominees or where Matrix is to transfer any of its property or assets to the Proponents or their nominees;
 - The Board of Directors of Matrix will not change in the near future although new directors may be appointed in the event of any significant new acquisition;
 - No dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
 - As part of the recapitalisation process, the Company proposes to seek re-quotations of the Company's shares on ASX; and
 - The proposal by the Proponents is to have Matrix explore the Tenements and as outlined in section 1.1.4 of the Explanatory Memorandum to Shareholders Matrix will seek new projects in the mining and energy sectors by way of acquisition or investment.

5. Basis of Technical Valuation of Matrix

5.1 Allotment of Shares

- 5.1.1 In considering the proposals as outlined in Resolution 4 we have sought to determine if the potential considerations payable by the Proponents or their nominees is fair and reasonable to the existing non-associated shareholders of Matrix.
- 5.1.2 The proposals pursuant to Resolution 4 would be fair to the existing non-associated shareholders if the value of the considerations being offered by the Proponents or their nominees are greater than the current implicit value of the shares and options of Matrix immediately prior to the transactions. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Matrix shares and options for the purposes of this report.
- 5.1.3 The valuation methodologies we have considered in determining the current technical value of a Matrix share are:

- Capitalised maintainable earnings/discounted cash flow
- Takeover bid - the price which an alternative acquirer might be willing to offer
- Adjusted net asset backing and windup value
- The market value of Matrix shares

5.2 Capitalised maintainable earnings/discounted cash flows

5.2.1 As noted above, Matrix is under a DOCA and under the control of Deed Administrators. Due to Matrix's current state of affairs, the lack of a profit history arising from business undertakings and the immediate lack of a reliable future cash flow from a business activity, we have considered these methods of valuation not to be relevant for the purposes of this report (also refer 3.2 above).

5.3 Takeover bid

We have been advised by the current directors of Matrix that they do not believe that there would be any existing shareholder or proposed shareholder that has an interest in taking over the Company by way of a formal takeover bid. In the absence of any evidence to the contrary we concur with this assertion. However, we note that under the DOCA and recapitalisation process, the Proponents or their nominees could own up to approximately 94.34% of the post-consolidated ordinary share capital of the Company (or the Proponents could own approximately up to 31.44%) before the exercise of any share options. The shareholding of the Proponents could be higher if they take up all of the 160,000,000 shares to be issued under Resolution 4(c).

5.4 Net asset backing and windup value

5.4.1 As noted in the Administrator's reports, prior to the DOCA Matrix was insolvent and the Administrators of Matrix considered that on a windup basis, there would be a deficiency in funds resulting in the unsecured creditors receiving no return. Glencore, the main secured creditor has been paid in full from the proceeds of sale of the secured assets.

5.4.2 Based purely on the book values of a reconstructed Matrix, the cash assets would be approximately \$1,076,000 which would be equivalent to approximately 0.37 cents per share (on a post consolidated basis), assuming 286,150,688 ordinary fully paid shares would be on issue after the recapitalisation process. This compares with the current value of a Matrix share of nil cents.

5.5 Market price of Matrix shares

5.5.1 The Company is currently suspended from trading on the ASX and we do not believe it is thus appropriate to value a Matrix share based on prior quoted prices of Matrix shares on ASX.

5.6 After taking into account the matters referred to in the preceding paragraphs, we are of the view that the current theoretical value of a Matrix share (prior to the recapitalisation process) is nil cents.

5.7 If the DOCA and the recapitalisation process are finalised, the cash value of a Matrix share immediately post construction and recapitalisation could approximate 0.37 cents per share (refer paragraph 5.4.2 above).

6. Premium for Control

- 6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.
- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, the Proponents or their nominees could hold approximately 87.36% of the expanded post-consolidated ordinary fully paid issued capital of Matrix (or the Proponents or their nominees could own approximately 88.92% assuming the 40,000,000 share options are exercised).
- 6.3 The Matrix shares that are proposed to be issued to the Proponents or their nominees are deemed to be theoretically worth nil cents. Of the amount raised, \$800,000 will be repaid to the Proponents. The Proponents will lend the Company \$800,000 in part satisfaction of the DOCA and such funds are to be acquitted by the Trustees of the Creditors Trust Fund. The \$800,000 will be used to pay the Administrator, Deed Administrator and Trustees remuneration and expenses and the unsecured creditors the balance along with any process received from the sale of the 20,000,000 post consolidated shares to be issued to the Trustees of the Creditors Trust Fund as full and final settlement of debts. After certain transaction costs, a cash balance of approximately \$1,076,000 will remain in the Company (after estimated reconstruction costs of \$75,000) plus the Company will own the Tenements with a carrying value of \$284,000. In our opinion, it is possible that the Proponents or their nominees are paying a premium for control, however, the non associated shareholders of Matrix are benefiting in that the theoretical value of a Matrix share rises from nil cents (with significant liabilities) to a company with a theoretical cash backed value of approximately 0.37 cents per ordinary fully paid share, all liabilities extinguished and the post consolidated ordinary fully paid shares re-quoted on the ASX (the re-quotations cannot be assured as it will need ASX approval after meeting all relevant ASX Listing requirements).

7. Fairness and Reasonableness of the Proposals

We have set out below some of the advantages, disadvantages and other factors pertaining to the proposals, pursuant to Resolution 4 and the recapitalisation proposals generally.

Advantages

- 7.1 The passing and consummation of Resolution 4 in conjunction with the completion of the DOCA and recapitalisation process would result in a net cash injection of approximately \$1,076,000 (after recapitalisation costs) into the Company and having a company with no liabilities, compared with the current position whereby the Company is subject to a DOCA and is in a net liability position.
- 7.2 If the proposals per Resolution 4 are consummated along with the completion of the DOCA, the book value and cash asset backing of a Matrix post consolidated ordinary fully paid share rises from nil cents to approximately 0.37 cents.
- 7.3 If Resolution 4 is passed together with the completion of the DOCA and recapitalisation process, the Company's chances of being to seek re-quoted on ASX are enhanced. By securing re-quotations of the Company's shares, the existing shareholders are offered some liquidity to sell their shares (reduced on a 1 for 50 basis) on ASX although as a disadvantage many shareholders may be left with an unmarketable parcel of shares under the ASX listing rules.

- 7.4 The Proponents bring expertise to the Company in that Messrs Sage, Ariti and Bontempo have had experience as directors or managers of public listed companies. They will also seek new business opportunities in the mining and energy sectors. Further details on the new directors are outlined in the Explanatory Memorandum to Shareholders in Section 1.1.5.

Disadvantages

- 7.5 A significant shareholding in the Company is being obtained by the Proponents or their nominees. However, we note that Matrix will be recapitalised with approximately \$1,076,000 in cash will have no debt (other than for \$27,000) and will have the opportunity to consider the acquisition of other assets in the mining and energy sectors.
- 7.6 Matrix would only have approximately \$1,076,000 of cash (after recapitalisation costs) after completion of the DOCA and the recapitalisation process. Further fundraisings may be required in the near future. If further shares are issued, the percentage share holding of the existing shareholders of Matrix may be diluted even further. However as noted above, the shares in Matrix prior to the recapitalisation process are considered to be of nil value.
- 7.7 The ultimate value of the Tenements is unknown. The Tenements may not be commercially exploited and further losses may be incurred.

Other

- 7.8 The 40,000,000 share options if exercised would result in an inflow of funds to Matrix of \$200,000. The exercise price of the 40,000,000 share options is 0.5 cents each. The trading price of an Matrix share (after re-quotations of the Company's shares on the ASX which is dependent upon completion of the recapitalisation process) at the date of exercise of the share options would probably be in excess of 0.5 cents before option holders exercised their share options.
- 7.9 The 40,000,000 share options which are to be issued for a total of \$1,000 have been valued using the Black Scholes option valuation methodology as noted in Section 2.1.4 of the Explanatory Memorandum to Shareholders attached to the Notice. It is noted that at a 100% volatility factor, the technical value of one of the 40,000,000 share options would equate to approximately 0.839 cents (25% volatility, 0.592 cents, 50% volatility 0.666 cents and 75% volatility 0.759 cents) assuming the share options were issued on or around 25 November 2011 (to calculate the technical valuation of the share options). The above values assume a market value of a Matrix share to be 1 cent (post termination of the DOCA) being the issue price of the shares to investors. The actual market value will not be known until the shares are re-quoted on the ASX.

8. Conclusion as to Fairness and Reasonableness

- 8.1 **After taking into account the matters referred to in 7 above and elsewhere in this report, we are of the opinion that, in the absence of a superior offer, on balance, the proposals as outlined in Resolution 4 are, on balance fair and reasonable to the non-associated shareholders of Matrix.**

9. Sources of Information

- 9.1 In making our assessment as to whether the proposals pursuant to Resolution 4 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of Matrix which is relevant in the current circumstances. In addition, we have held discussions with a representative of the Proponents about the present state of affairs of Matrix. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the Proponents.

9.2 Information we have received includes, but is not limited to:

- draft of Notice of Annual General Meeting of Shareholders of Matrix (and drafts of the Explanatory Memorandum to Shareholders attached) prepared in October 2011;
- discussions with a representative of the Proponents;
- shareholding details of Matrix;
- the Administrator's Reports and Circular to Creditors pursuant to Section 439A of TCA for Matrix dated 9 June 2009 and 11 October 2010;
- the DOCA executed on 9 November 2010;
- the Matrix annual report for the years ended 30 June 2008 30 June 2009, 30 June 2010 and 30 June 2011;
- ASX announcements on Matrix from 1 January 2008 to 5 October 2011;
- Audit reviewed financial statements of Matrix for the six months ended 31 December 2010;
- ASX information on Matrix;
- the Creditors Trust Deed of November 2010;
- general information on Matrix; and
- the 2010 Recapitalisation Deed regarding a proposal to recapitalise Matrix between Matrix, the Proponents and the Liquidators of Matrix.

9.3 Our report includes Appendix A and Financial Services Guide, attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES



J P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 6 October 2011, relating to Resolution 4 (only) outlined in the Notice of Meeting of Shareholders of Matrix.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with Matrix other than acting as an independent expert for the purposes of this report. Stantons International Audit and Consulting Pty Ltd trading as Stantons International were appointed as auditors of Matrix in December 2010 to fill a casual vacancy on the resignation of KPMG. Stantons International Securities is affiliated with Stantons International. There are no other existing relationships between Stantons International Securities and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$12,000 (excluding GST). The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John P Van Dieren have received nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report. Stantons International Securities or any directors of Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd do not hold any securities in Matrix. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Investment Advisers Licence (No 319600) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and its affiliated company Stantons International Audit and Consulting Pty Ltd. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuations and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of the Proponents in order to assist the shareholders of Matrix to assess the merits of the proposals (Resolution 4 only) to which this report relates. This report has been prepared for the benefit of the Matrix shareholders and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act and ASX Listing Rule 10.11 and does not provide a general expression of Stantons International Securities

opinion as to the longer term value of Matrix or the Tenements. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Matrix or any of its subsidiaries. The affiliated entity, Stantons International Audit and Consulting Pty Ltd (“SIAC”) has audited the financial statements for the years ended 30 June 2009, 2010 and 2011. SIAC has issued a qualified audit report for all of such financial years and has disclaimed the financial statements due to a lack of records available on Matrix and its subsidiaries as Matrix from November 2008 was in some form of Administration or Liquidation. SIAC also prepared an Audit Review Report on the financial statements of Matrix for the six months ended 31 December 2010 and also disclaimed the financial statements. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities which, by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities, Stantons International Pty Ltd, SIAC, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by the Proponents and the current directors of Matrix (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), the Proponents has agreed:

- a) to make no claim by it or its officers against Stantons International Securities to recover any loss or damage which Matrix may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by the Proponents; and
- (b) to indemnify Stantons International Securities against any claim arising (wholly or in part) from the Proponents or any of its officers providing Stantons International Securities any false or misleading information or in the failure of the Proponents in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to the Proponents for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter. Whilst the Deed Administrators have viewed a draft of this report, neither the Deed Administrators, their professional advisers and Ernst & Young or its employees are responsible for comments in this report. The Deed Administrators do not accept any responsibility for any disclosures in or failure to include any disclosures in this report. The information contained in this report has not been verified independently by the Deed Administrators, their professional advisers and Ernst & Young or its employees who expressly disclaim responsibility for the accuracy or completeness of the information in the report.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 6 October 2011**

1. Stantons International Securities ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and Stantons International Audi and Consulting Pty Ltd.

From time to time, SIS, Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.



MATRIX METALS
LIMITED

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

ABN 42 082 592 235

ANNUAL REPORT

30 JUNE 2011

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

CORPORATE DIRECTORY

<p>Directors Antony Sage Joe Ariti Jason Bontempo</p> <p>Company Secretary Fiona Taylor</p>	<p>Registered Office c/- Ernst & Young The Ernst & Young Building 11 Mounts Bay Road Perth Western Australia 6000</p> <p>Telephone: (08) 9429 2222 Facsimile: (08) 9429 2436</p>
<p>Deed Administrator Ernst & Young The Ernst & Young Building 11 Mounts Bay Road Perth Western Australia 6000</p>	<p>Receiver and Manager Deloitte Touche Tohmatsu Woodside Plaza Level 14, 240 St Georges Terrace Perth Western Australia 6000</p>
<p>Solicitors Blake Dawson Level 32, Exchange Plaza 2 The Esplanade Perth Western Australia 6000</p>	<p>Auditors Stantons International Level 1, 1 Havelock street West Perth Western Australia 6005</p>
<p>Share registry Advanced Share Registry Services 150 Stirling Highway Nedlands Western Australia 6009 Telephone: (08) 9389 8033 Facsimile: (08) 93897871</p>	<p>Stock Exchange Listing The Company's shares are on the official list of the Australian Securities Exchange (currently suspended from trading) ASX Code – MRX</p> <p>Website www.matrixmetals.com.au</p>

**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") for the financial year ended 30 June 2011 and the auditor's report thereon.

DIRECTORS

The names, qualifications and independence status of the directors of the Company holding office at any time during or since the end of the financial year are:

Mr Antony Sage B.Com, FCPA, CA, FTIA
Non-Executive Director (Appointed on 22 December 2010)

Mr Sage has more than 27 years experience in the fields of corporate advisory services, funds management, capital raising and management of several mining/exploration companies.

Mr Sage is based in Western Australia and was formerly a successful funds manager with Growth Equities Mutual for a period of 13 years. During the last 14 years he has been involved in the management and financing of several listed exploration and mining companies.

Other Current Listed Directorships

Executive Chairman of:

Cape Lambert Resources Ltd (since December 2000), Cauldron Energy Ltd (since June 2009).

Non-Executive Chairman of:

International Goldfields Ltd (since February 2009), Fe Ltd (since August 2009) and International Petroleum Ltd (NSX listed) (since January 2006).

Non-Executive Director of:

African Iron Limited (since January 2011), Chameleon Mining NL (since September 2010) and NSX listed African Petroleum Corporation Ltd (since October 2007).

Previous Listed Directorships in the last three years

None

Mr Joe Ariti B.Sc, Dip Min. Sci. (Murdoch), MBA (Edinburgh), MAusIMM, MAICD

Non-Executive Director (Appointed on 22 December 2010)

Mr Ariti is a mining industry executive with 25 years experience in technical, management and executive roles in assessing, developing, financing and managing mining projects and companies in Australia and overseas. He has been involved in the development and management of both open cut and underground mining projects in Australia, Africa, Indonesia and Papua New Guinea.

Other Current Listed Directorships

Non-Executive Director of:

Swick Mining Services Limited (since February 2008) and African Iron Limited (since January 2011).

Previous Listed Directorships in the last three years

Non-Executive Director of:

DMC Mining Ltd¹ (from August 2009 to present), Azumah Resources Ltd (from September 2007 to October 2009), Territory Resources Limited (from August 2008 to July 2011) and ABM Resources NL (July 2008 to December 2008).

¹ delisted from ASX in September 2010

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

DIRECTORS' REPORT

Mr Jason Bontempo B. Business, ACA
Non-Executive Director (Appointed on 22 December 2010)

Mr Bontempo has worked in investment banking and corporate advisory after qualifying as a chartered accountant with Ernst & Young in 1997.

Other Current Listed Directorships

Executive Director of International Goldfields Ltd (since April 2008)

Non-Executive Director of Red Emperor Resources NL (since February 2011), Glory Resources Limited (since June 2010), Chameleon Mining NL (since August 2010) and Orca Energy Limited (since July 2011)

Previous Listed Directorships in the last three years

Non-Executive Director of African Iron Ltd (from May 2007 to January 2011).

Mr David Humann FCA, FCPA, FAICD
Non-Executive Director (Resigned on 24 May 2011)

Mr Humann is a Chartered Accountant with many years international experience predominantly with the accountancy firm, PricewaterhouseCoopers ("PwC"). He was a member of PwC World Board of Directors and its World Executive Management Committee based in London and New York. He also held the positions of Chairman and Senior Partner of PwC - Hong Kong and China, Managing Partner Asia Pacific and was a member of the Policy Committee of the Australasian firm.

Other Current Listed Directorships

As at the date of his resignation, Mr Humann was Non-Executive Chairman of:

Mincor Resources NL (since November 2000), Braemore Resources Plc (since July 2005), Advanced Braking Technologies Ltd (since August 2006), Logicamms Ltd (since 2007) and India Resources Ltd (since July 2010).

Previous Listed Directorships in the last three years

Monarch Gold Mining Company Ltd (2007-July 2008) and Territory Resources Ltd (April 2008 – July 2008).

Mr Shane McBride BBus., FCPA, FCIS, MAICD
Non-Executive Director and Company Secretary (Resigned on 10 January 2011)

Mr McBride is a Certified Practising Accountant and Chartered Secretary with 25 years experience in the accounting profession, including 20 years experience in the resource industry. His experience has been gained in several listed Australian Public Companies in the areas of management and financial accounting, mine site administration, corporate management, corporate finance, and company secretarial functions. Mr McBride has a BBus. (Acct) degree, is a Fellow of CPA Australia, Fellow of Chartered Secretaries Australia and the Institute Chartered Secretaries and Administrators, and is a Member of the Australian Institute of Company Directors.

Other Current Listed Directorships

None

Previous Listed Directorships in the last three years

None

Mr Geoff M. Jones. BE (Civil), FIEAust, CPEng
Non-Executive Director (Resigned on 17 January 2011)

Mr Jones is a Fellow of the Institution of Engineers, with a Bachelor of Engineering (Civil) degree. He has over 23 years experience in construction, engineering, mineral processing and project development, including over 6 years with Resolute Resources Limited, where he was responsible for the development of its projects both in Australia and Africa. Mr Jones also managed the study works for Gallery Gold Limited Botswana gold project in his capacity as Executive Director Operations. Since 2001, Mr Jones has operated his own project management and engineering consultancy, JMG Projects Pty Ltd, servicing the mining industry.

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

DIRECTORS' REPORT

Other Current Listed Directorships

As at the date of his resignation, Mr Jones was Managing Director of Brumby Resources Limited (since February 2006), Non-Executive Director of both Energy Metals Ltd (since September 2008) and Azumah Resources Limited (since October 2009).

Previous Listed Directorships in the last three years

Non-Executive Director of Adamus Resources Limited (2006-April 2008).

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.

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

To prepare the 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 30 June 2011; 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 30 June 2011.

Creditors have submitted claims to the Administrator 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 are 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.

DIRECTORS' MEETINGS

The directors who held office during the financial year ended 30 June 2011 and the sub-committees of the board did not meet during the year as a consequence of the Company entering into voluntary administration on 11 November 2008.

PRINCIPAL ACTIVITIES

The Company did not actively trade in the current year as a consequence of entering voluntary administration on 11 November 2008.

RESULT

The loss after income tax for the financial year was \$2,889,100 (2010: loss of \$6,153,978).

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

DIRECTORS' REPORT

REVIEW OF OPERATIONS

As set out in the Company's June 2010 annual report:

- on 11 November 2008, the Directors of the Company who were in office at that time appointed Vincent Smith and Justin Walsh of Ernst & Young 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, the Company's secured creditor, Glencore International AG, appointed Gary Doran and John Greig of Deloitte Touche Tohmatsu as Receivers and Managers;
- 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; and
- 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.

During the current year, the following steps were taken in respect of realising the Company's remaining assets held for sale:

- On 18 August 2010, the sale of the Leichhardt Copper Project to Cape Lambert Resources Limited completed and the balance of the purchase price of \$6.7 million was paid to the Receiver and Manager;
- On 20 July 2010, the sale of the White Range Project to Queensland Mining Corporation Limited was completed. The sale of the White Range Project included the sale of the Company's 100% interest in Maxiforde Pty Ltd;
- 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; and
- During the current year, a number of the environmental bonds which related to tenements that have been disposed of were returned to the Receiver and Manager.

EVENTS SUBSEQUENT TO BALANCE DATE

No event has arisen since 30 June 2011 that would be likely to materially affect the operations of the Company, or its state of affairs which have not otherwise been disclosed in this financial report.

DIVIDENDS

No dividend has been declared or paid since the end of the previous financial year.

CHANGES IN STATE OF AFFAIRS

There has been no change in state of affairs of the Company from the previous financial year.

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

DIRECTORS' REPORT

REMUNERATION REPORT - audited

Principles of Remuneration - audited

The Company entered voluntary administration November 2008. As a consequence, no directors or other company employees are regarded as key management personnel with authority and responsibility for planning, directing and controlling the activities of the Company.

During the current year and prior year, no remuneration was paid to any of the directors of the Company.

Service Contracts

The Company has contracts in place with Mr Humann and Mr McBride. Mr Humann and Mr McBride are entitled to submit claims to the Company's Administrator for amounts owed to them under their respective contracts. Any claims made form part of the unsecured creditors claims. The major terms and conditions of the contracts with Mr Humann and Mr McBride are as follows:

Mr Humann:

Term of Contract: 1 July 2004 until departure from the Company

Base remuneration, including superannuation: \$81,750 per annum.

There is no specific bonus plan, with bonuses being at the sole discretion of the Board.

A retirement allowance of two months directors fees, for every year of service.

Mr McBride:

Term of Contract: 23 September 2005 to 31 December 2008.

Base remuneration including superannuation - \$263,129 per annum.

Provision of other items - Motor vehicle, car parking and telephone.

Notice period after 1 January 2008: within three days of issuing a termination notice, the Company is required to pay the cash equivalent of six months of the executive's package. Such notice cannot be given if it relates to redundancy, as redundancy triggers liquidated damages. Liquidated damages require the payment of twelve months of the executive's package and transfer of the executive's Company motor vehicle to the executive.

Options and rights over equity instruments granted as remuneration - audited

No options over ordinary shares in the Company were granted as remuneration to the Company's directors or any of its employees during the current year (2010: Nil).

UNISSUED SHARES UNDER OPTION

At the date of this report there were no unissued ordinary shares of the Company under option (2010: Nil).

Since the end of the financial year, no options have been exercised or granted. There are no amounts unpaid on shares issued.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Securities Exchange in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Number of options over shares
Mr Sage	-	-
Mr Ariti	-	-
Mr Bontempo	-	-

ENVIRONMENTAL REGULATIONS

The Company is subject to significant environmental regulation in respect to its operations. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the financial year under review.

NON-AUDIT SERVICES

No non audit services have been performed by the Company's auditors during the current year.

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 8 of the financial report.

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

On behalf of the Directors



Jason Bontempo
Non-Executive Director
29 September 2011

29 September 2011

Board of Directors
Matrix Metals Limited
(Subject to Deed of Company Arrangement) (In Liquidation)
(Receivers and Managers Appointed)
c/-Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth, WA 6000

Dear Directors

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

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

As Audit Director for the audit of the financial statements of Matrix Metals Limited (Subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers Appointed) for the year ended 30 June 2011, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

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



**Martin Michalik
Director**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Cost of sales and operational expenditure	2	(965,407)	(3,440,620)
Other income	3	29,676	200,934
Corporate administration expenses		(2,050,046)	(2,821,502)
Results from operating activities		(2,985,777)	(6,061,188)
Financial expenses	19(a)	(62,592)	(129,669)
Financial income	19(a)	159,269	36,879
Loss before tax		(2,889,100)	(6,153,978)
Income tax expense	5	-	-
Loss for the year	17	(2,889,100)	(6,153,978)
Other comprehensive losses net of tax		-	-
Total comprehensive loss for the year		(2,889,100)	(6,153,978)
Loss of the year attributable to:			
Equity holders of the parent		(2,889,100)	(6,153,978)
Total comprehensive loss of the year attributable to:			
Equity holders of the parent		(2,889,100)	(6,153,978)
Earnings per share attributable to the ordinary equity holders of the company:			
Basic loss per share (cents)	18	(0.36)	(1)
Diluted loss per share (cents)	18	(0.36)	(1)

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 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
Current assets			
Cash balances under the control of the Administrator and the Receiver and Manager		5,089,143	1,741,119
Trade and other receivables	7	26,713	94,846
Inventories	8	-	95,000
		<u>5,115,856</u>	<u>1,930,965</u>
Assets held for sale			
Property, plant and equipment	9	-	1,704,645
Exploration and evaluation	10	-	10,950,355
Tenement bonds and security deposits	11	728,267	2,181,640
Total current assets		<u>5,844,123</u>	<u>16,767,605</u>
Non-current assets			
Exploration and evaluation	10	284,000	284,000
Total non-current assets		<u>284,000</u>	<u>284,000</u>
Total assets		<u>6,128,123</u>	<u>17,051,605</u>
Current liabilities			
Trade and other payables	12	61,925,784	64,616,475
Loans and borrowings	13	1,600,000	5,857,816
Employee benefits	14	64,096	156,800
Provisions	15	117,847	117,847
		<u>63,707,727</u>	<u>70,748,938</u>
Liabilities associated with assets held for sale			
Employee benefits	14	-	104,434
Provisions	15	-	888,737
Total current liabilities		<u>-</u>	<u>71,742,109</u>
Non-current liabilities			
Provisions	15	27,000	27,000
Total non-current liabilities		<u>27,000</u>	<u>27,000</u>
Total liabilities		<u>63,734,727</u>	<u>71,769,109</u>
Net liabilities		<u>(57,606,604)</u>	<u>(54,717,504)</u>
Equity			
Issued capital	16	67,701,455	67,701,455
Accumulated losses	17	(125,308,059)	(122,418,959)
Total equity		<u>(57,606,604)</u>	<u>(54,717,504)</u>

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 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital \$	Accumulated losses \$	Total \$
Balance at 1 July 2010	67,701,455	(122,418,959)	(54,717,504)
Net loss for the year	-	(2,889,100)	(2,889,100)
Other comprehensive income / (expenditure)	-	-	-
Total comprehensive loss	-	(2,889,100)	(2,889,100)
Transactions with owners in their capacity as owners	-	-	-
Balance at 30 June 2011	67,701,455	(125,308,059)	(57,606,604)

	Issued Capital \$	Accumulated losses \$	Total \$
Balance at 1 July 2009	67,701,455	(116,264,981)	(48,563,526)
Net loss for the year	-	(6,153,978)	(6,153,978)
Other comprehensive income / (expenditure)	-	-	-
Total comprehensive loss	-	(6,153,978)	(6,153,978)
Transactions with owners in their capacity as owners	-	-	-
Balance at 30 June 2010	67,701,455	(122,418,959)	(54,717,504)

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 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from operations		-	-
Payments to suppliers and employees		(6,645,328)	(4,435,997)
Other income		4,526	200,934
Interest received		159,269	36,879
Interest paid		(46,150)	(21,547)
Net cash provided by/(used in) operating activities	21 (a)	(6,527,683)	(4,219,731)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,704,645	-
Proceeds from sale of exploration assets		8,350,355	1,400,000
Proceeds from sale of equity securities		2,525,150	-
Deposit received		-	100,000
Tenement bonds refunded		1,453,373	-
Payments for Tenement security deposits		-	(2,500)
Net cash from / (used in) investing activities		14,033,523	1,497,500
Cash flows from financing activities			
Repayment of borrowings		(4,257,816)	-
Proceeds from borrowings		-	2,150,000
Deposit received from proponents		100,000	-
Net cash from / (used by) financing activities		(4,157,816)	2,150,000
Decrease in cash and cash equivalents		3,348,024	(572,231)
Cash and cash equivalents at 1 July		1,741,119	2,313,350
Cash and cash equivalents at 30 June	21 (b)	5,089,143	1,741,119

The accompanying notes form part of this financial report.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF ACCOUNTING POLICIES

Matrix Metals Limited (the “Company”) is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2011 comprises the Company and its subsidiary for the period 1 July 2011 to 20 July 2011, the date on which it was sold.

The financial report was authorised for issue by the directors’ on 29 September 2011.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(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 30 June 2011; 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 30 June 2011.

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 \$37,645,234 (2010: \$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 Company is not a going concern. The directors are of the opinion that the Company 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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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 Company 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) Adoption of new and revised accounting standards

Changes in accounting policy and other disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows: The following standards and interpretations have been applied by the Company during the current year:

Reference	Title	Application date of standard	Application date for the Consolidated Entity
AASB 2009-5	<i>Further amendments arising from the second annual improvements project</i>	1 January 2010	1 July 2010
AASB 2010-3	<i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 July 2010	1 July 2010

The standards and amendments that are mandatory for the first time for the financial year beginning 1 July 2010 did not have any impact on the current period or any prior period and is not likely to affect future periods.

Accounting Standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2011 are set out below. Unless otherwise stated, it is expected that there will be no impact on the Company on applying the new standards and interpretations once they are effective.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013]

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect accounting for available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Company has not yet decided when to adopt AASB 9.

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AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures* which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

AASB 1054 Australian Additional Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements (effective 1 July 2011)

The AASB and NZ FRSB have issued accounting standards that eliminate most of the existing differences between their local standards and IFRS. Where additional disclosures were considered necessary, they were moved to the new standard AASB 1054.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Company will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to its investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Company will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept.

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The Company does not expect to adopt the new standards before their operative date.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Company does not intend to adopt the new standard before its operative date.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(d) 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. Non-current assets are stated at the lower of carrying amount and recoverable amount.

The accounting policies have been applied consistently.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(e) Revenue Recognition

Interest Income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

(f) Expenses

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest method and lease finance charges. Financing costs are expensed as incurred. Interest cost incurred during preproduction have been capitalised to property plant and equipment.

(g) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office ("ATO") is included as a current asset or liability in the statement of financial position.

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Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entity (whilst still owned by the Company) did not form a tax-consolidated group.

(i) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available.

The Consolidated Entity operates in one business segment and one geographical being exploration within Australia.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. With effect from 11 November 2008, all of the Company's cash balances are under the control of the Administrator and the Receiver and Manager.

(k) Property, plant and equipment

Property, plant and equipment is stated at cost less provision for depreciation and any impairment in value.

(l) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(m) Inventories

Stores

Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value.

(n) Exploration and evaluation expenditure

In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, exploration costs are accumulated in respect of each separate area of interest. Exploration costs are carried forward at cost where the rights of tenure are current and:

- (i) Such costs are expected to be recouped through successful development and exploration of the area of interest, or alternatively by its sale; or
- (ii) Exploration activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources.

Exploration and evaluation assets are assessed annually for impairment in accordance with AASB 6, and where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units. An impairment loss is recognised in the Statement of Comprehensive Income where the carrying values of exploration and evaluation assets exceed their recoverable amounts.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(o) Impairment

The carrying amounts of the Consolidated Entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are not discounted to their present value. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables with a short duration are not discounted.

(p) Trade and other payables

Trade and other payables are stated at their amortised cost and are non-interest bearing.

(q) Employee benefits

Long-term service benefits

The Consolidated Entity's net obligation in respect of long-term service benefits, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the consolidated entity's obligations.

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Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date, including related on-costs.

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Comprehensive Income as incurred.

(u) Provisions

A provision is recognised in the Statement of Financial Performance when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Mine rehabilitation

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, topsoiling and revegetation, applying legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset included in property, plant and equipment.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates and timing or amount of costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the Statement of Comprehensive Income as it occurs. If the change in liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the Statement of Comprehensive Income.

If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in the Statement of Comprehensive Income in the period in which it occurs. The amount of the provision relating to rehabilitation of environmental disturbance caused by ongoing production and extraction activities is recognised in the Statement of Comprehensive Income as incurred. Changes in the liability are charged to the Statement of Comprehensive Income as rehabilitation expense, other than the unwinding of the discount which is recognised as a finance cost.

(v) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, significant areas of estimation, uncertainty and critical judgements have been applied in determining carrying values for capitalised exploration and evaluation costs, property, plant and equipment and provisions.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
2. COST OF SALES AND OPERATIONAL COSTS		
Depreciation and amortisation	-	-
Camp costs	21,827	41,467
Consultants	1,017,719	1,804,509
Consumables	33,199	368,650
Freight and cartage	-	-
Hire and maintenance costs	16,746	159,715
Staff costs	197,153	875,535
Reduction in rehabilitation provision	(888,737)	(132,075)
Other	567,500	322,819
	965,407	3,440,620
3. OTHER INCOME		
Exclusivity fees received	-	200,000
Profit on sale of shares	25,150	-
Other	4,526	934
	29,676	200,934
4. AUDITOR'S REMUNERATION		
Fees paid or payable to Stantons International Audit and review of financial reports	10,000	15,000
	10,000	15,000
5. INCOME TAX BENEFIT		
Reconciliation between tax expense and pre-tax profit		
Accounting loss before tax	(2,889,100)	(6,153,978)
At the statutory income tax rate of 30% (2010: 30%)	(866,730)	(1,846,193)
Adjusted for:		
Non-deductible expenses	-	-
Temporary differences not recognised	866,730	1,846,193
Income tax benefit attributable to pre-tax operating loss	-	-

Deferred tax assets have not been recognised because it is not probable that future taxable profits will be generated against which the Company can utilise the deferred tax asset.

6. SEGMENT INFORMATION

The Company did not actively trade during the current year. Prior to entering voluntary administration on 11 November 2008, the Company operated in one business segment and one geographical segment, being mineral exploration within Australia.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
7. TRADE AND OTHER RECEIVABLES		
Other receivables	26,713	94,846

8. INVENTORIES

Consumable supplies at cost	-	95,000
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9. 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 values. 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	
	2011	2010
	\$	\$
Opening carrying value	1,704,645	1,704,645
Disposals	(1,704,645)	-
Closing carrying value (net realisable value)	-	1,704,645

As at 30 June 2010, all of the Consolidated Entity's plant and equipment and mine properties and development was classified as held for sale. In August 2010, the plant and equipment was sold at its net realisable value of \$1,704,645.

	2011	2010
	\$	\$
10. EXPLORATION AND EVALUATION EXPENDITURE		
Carrying value at the beginning of the year	11,234,355	12,634,355
Disposals ¹	(10,950,355)	(1,400,000)
Carrying value at the end of the year	284,000	11,234,355
Current		
Carrying value of exploration assets held for sale	-	10,950,355
Non current		
Carrying value of exploration assets held as long term interest	284,000	284,000
	284,000	11,234,355

¹ On 20 July 2010, the sale of the White Range Project to Queensland Mining Corporation Limited ("QMC") for \$5,000,000 completed. The proceeds on sale included non cash proceeds of \$2,500,000 being shares in QMC.

On 18 August 2010, the sale of the Leichhardt Copper Project to Cape Lambert Leichhardt Pty Ltd for \$5,950,355 completed.

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	2011	2010
	\$	\$
11. TENEMENT BONDS AND SECURITY DEPOSITS		
Security deposits	<u>728,267</u>	<u>2,181,640</u>
12. TRADE AND OTHER PAYABLES		
Trade payables and accrued expenses	24,180,550	25,980,978
Accrual for additional creditor claims received ¹	37,645,234	38,292,668
Employee entitlements	-	242,829
Deposits received	100,000	100,000
	<u>61,925,784</u>	<u>64,616,475</u>

¹ This accrual represents those claims received from suppliers and other creditors which were not recorded as liabilities in the accounts of the Company at the time it went into voluntary administration. These claims are still in the process of being adjudicated by the Administrator.

	2011	2010
	\$	\$
13. LOANS AND BORROWINGS		
Secured Loan ¹	1,600,000	3,600,000
Loan funds provided to Receiver and Manager by secured creditor ²	-	2,257,816
	<u>1,600,000</u>	<u>5,857,816</u>

¹The loan is secured by a fixed charge over the assets that comprise the Leichhardt Copper Project and associated tenements, owed to Glencore International AG. The loan bears interest at the rate of the 3 month AUD LIBOR plus a margin of 2.5%. No repayments have been made since the Company entered voluntary administration.

² Loan amounts of \$850,000 and \$1,300,000 were drawn down on 19 January 2010 and 1 April respectively. The loan attracted interest at the rate of the 3 month AUD BBSW plus a margin of 11%. The loan and accumulated interest was repaid in full on 20 August 2010.

14. EMPLOYEE BENEFITS

	2011	2010
	\$	\$
Current		
Liability for annual leave	64,096	136,375
Liability for long service leave	-	20,425
	<u>64,096</u>	<u>156,800</u>
Liability for annual and long service leave classified as liabilities associated with assets held for sale	-	104,434
Total liability for annual leave	<u>64,096</u>	<u>261,234</u>

Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds on behalf of its employees. The amount recognised as expense was \$49,052 for the financial year ended 30 June 2011 (2010: \$91,700).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15. PROVISIONS

	Rehabilitation		Retirement Benefit	
	2011	2010	2011	2010
	\$	\$	\$	\$
Balance at beginning of year	915,737	1,047,813	117,847	117,847
Provisions made / (released) during the year	(888,737)	(132,076)	-	-
Balance at end of year	27,000	915,737	117,847	117,847
Current				
Retirement benefit	-	-	117,847	117,847
Rehabilitation provision associated with exploration assets held for sale	-	888,737	-	-
	-	888,737	117,847	117,847
Non-current				
Rehabilitation provision associated with exploration assets held for long term interest	27,000	27,000	-	-

Rehabilitation

A provision for rehabilitation has been recognised in relation to the Company's operations. The basis of accounting is set out in Note (u) of the significant accounting policies.

Retirement Benefit

The Company has service contracts in place with Mr D Humann and Mr S McBride, the terms of Mr Humann's contract allows for a retirement benefit. Refer to the Remuneration Report section of the Directors' Report for further detail.

16. ISSUED CAPITAL

	2011		2010	
	\$	No. of shares	\$	No. of shares
Issued and paid up capital	67,701,455	807,534,380	67,701,455	807,534,380
Balance at beginning of period	67,701,455	807,534,380	67,701,455	807,534,380
Movements during the period	-	-	-	-
Balance at end of period	67,701,455	807,534,380	67,701,455	807,534,380

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 30 June 2011: Nil (2010: Nil).

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	2011	2010
	\$	\$
17. ACCUMULATED LOSSES		
Balance at beginning of period	(122,418,959)	(116,264,981)
Equity settled share based payments		
Total recognised income and expense	(2,889,100)	(6,153,978)
Balance at end of period	<u>(125,308,059)</u>	<u>(122,418,959)</u>

18. LOSS PER SHARE

	2011	2010
Basic loss per share (cents)	(0.36)	(0.76)
Diluted loss per share (cents)	(0.36)	(0.76)

The calculation of basic and diluted loss per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of \$2,889,100 (2010: loss of \$6,153,978) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 807,534,380 (2010: 807,534,380).

19. FINANCIAL INSTRUMENTS

(a) Interest rate risk

Interest rate risk exposures

The Consolidated Entity's exposure to interest rate risk and the classes of financial assets and financial liabilities is set out below.

2011	Note	Floating Interest Rate \$	Non-interest bearing \$	Total \$
<i>Financial assets</i>				
Cash balances under the control of the Administrator and the Receiver and Manager		5,089,143		5,089,143
Receivables	7	-	26,713	26,713
Tenement bonds and security deposits	11	700,000	28,267	728,267
		<u>5,789,143</u>	<u>54,980</u>	<u>5,844,123</u>
<i>Financial liabilities</i>				
Payables	12	-	61,925,784	61,925,784
Secured Loan	13	1,600,000	-	1,600,000
		<u>1,600,000</u>	<u>61,925,784</u>	<u>63,525,784</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19. FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk

2010	Note	Floating Interest Rate \$	Non-interest bearing \$	Total \$
Financial assets				
Cash balances under the control of the Administrator and the Receiver and Manager		1,741,119	-	1,741,119
Receivables	7	-	94,846	94,846
Tenement bonds and security deposits	11	700,000	1,481,640	2,181,640
		<u>2,441,119</u>	<u>1,576,486</u>	<u>4,017,605</u>
Financial liabilities				
Payables	12	-	64,616,475	64,616,475
Secured Loan	13	5,857,816	-	5,857,816
		<u>5,857,816</u>	<u>64,616,475</u>	<u>70,474,291</u>

Finance income and expenses

	2011 \$	2010 \$
Interest income on bank deposits	<u>159,269</u>	36,879
Finance income	<u>159,269</u>	36,879
Interest expense on financial liabilities	47,195	129,363
Withholding tax and other	<u>15,397</u>	306
Finance expense	<u>62,592</u>	129,669

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, which have been recognised in the Statement of Financial Position, is the carrying amount, net of any allowance for doubtful debts. Credit risk in respect of cash, deposits and receivables is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

(c) Net fair values of financial assets and liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by the Company on the following basis:

Recognised Financial Instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of expected future cash flows. The carrying amounts of bank term deposits, accounts receivable and accounts payable are deemed to reflect fair value.

(d) Interest rate risk management

The Company is exposed to interest rate risk as it holds cash and term deposits and borrows funds at floating interest rates.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20. COMMITMENTS

Operating lease Commitments

The Company had no operating lease commitments as at 30 June 2011 (30 June 2010: Nil).

Key management personnel

There are no commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date that have not been recognised as liabilities payable as at 30 June 2011 (30 June 2010: Nil).

Exploration Commitments

In the intervening period from entering into administration and the subsequent sale of the Company's exploration tenements, the Administrator and the Receiver and Manager have facilitated the payment of tenement rents in order to maintain current rights of tenure to exploration tenements.

21. CASH FLOW INFORMATION

(a) Reconciliation of cash flows from operating activities

	2011 \$	2010 \$
Cash flows from operating activities		
Loss for the period	(2,889,100)	(6,153,978)
Adjustments for:		
Interest capitalised to loan account (not paid)	-	107,815
Profit on sale of shares	(25,150)	-
Operating loss before changes in working capital and provisions:	(2,914,250)	(6,046,163)
Movement in inventories	95,000	48,900
Movement in trade and other receivables	68,133	1,067,531
Movement in trade and other payables	(2,690,691)	1,052,356
Movement in employee benefits	(197,138)	(210,280)
Movement in provisions	(888,737)	(132,075)
Net cash used in operating activities	(6,527,683)	(4,219,731)

(b) Reconciliation of cash and cash equivalents for purposes of the cash flow statements

	2011 \$	2010 \$
Cash on hand in bank		-
Cash balances under the control of the Administrator and the Receiver and Manager	5,089,143	1,741,119
	5,089,143	1,741,119

(c) Non Cash financing and investing activities

There were no non cash financing and investing activities undertaken by the Company during the year.

22. RELATED PARTIES

The Company entered voluntary administration in the previous financial year. As a consequence, no directors or other company employees are regarded as key management personnel with authority and responsibility for planning, directing and controlling the activities of the Company.

During the current year, no remuneration has been paid to any of the directors or executives of the Company (2010: Nil)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Information regarding individual directors' and executives' remuneration and some equity instrument disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report.

During the current year, Mr Sage, Mr Ariti and Mr Bontempo each advanced the Company \$25,000 in accordance with the terms of the Deed of Company Arrangement.

Apart from the details disclosed in this note and the Remuneration Report within the Directors' report, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Equity Instruments

Option Holdings

As a consequence of the Company entering voluntary administration on 11 November 2008, all options on issue under the Employee Share Option Plan lapsed. There were nil options on issue at 30 June 2011 (30 June 2010: Nil).

Movement in shares

The movement during the current year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each director, including their related parties, is as follows:

	Balance as at 1 July 2010	Purchases	Granted as Remuneration	Received on Option Exercise	Sales	Balance as at 30 June 2011
A Sage	-	-	-	-	-	-
J Ariti	-	-	-	-	-	-
J Bontempo	-	-	-	-	-	-

Mr McBride held 1,254,445 shares in the Company on the date he resigned as director (10 January 2011)

Mr Jones held no shares in the Company on the date he resigned as director (10 January 2011)

Mr Humann held 3,997,619 shares in the Company on the date he resigned as director (24 May 2011)

The movement during the prior year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by directors and executives, including their related parties, is as follows:

	Balance as at 1 July 2009	Purchases	Granted as Remuneration	Received on Option Exercise	Sales	Balance as at 30 June 2010
D Humann	3,997,619	-	-	-	-	3,997,619
S McBride	1,254,445	-	-	-	-	1,254,445
G Jones	-	-	-	-	-	-

23. EVENTS SUBSEQUENT TO BALANCE DATE

No event has arisen since 30 June 2011 that would be likely to materially affect the operations of the Company or its state of affairs which have not otherwise been disclosed in this financial report.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24. PARENT ENTITY INFORMATION

a) Summary financial information

	2011	2010
	\$	\$
Statement of financial position		
Current assets	5,844,123	16,767,605
Non current assets	284,000	284,000
Total assets	6,128,123	17,051,605
Current liabilities	63,707,727	71,742,109
Non current liabilities	27,000	27,000
Total liabilities	63,734,727	71,769,109
Shareholder's equity		
Issued capital	67,701,455	67,701,455
Accumulated losses	(125,308,059)	(122,418,959)
Net loss for the year	(2,889,100)	(6,153,978)
Total comprehensive loss	(2,889,100)	(6,153,978)

b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities - -

The parent entity does not provide any financial guarantees in respect of bank overdrafts and loans of subsidiaries during the current year (2010: Nil).

**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 ("the Company"):
 - (a) as set out in note 1(a), although the directors have prepared the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' 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 the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the financial 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 Company is not a going concern.

Signed in accordance with a resolution of the directors.

Dated at Perth on 29 September 2011.



Jason Bontempo
Non-Executive Director

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

Report on the Financial Report

We have audited the accompanying financial report of Matrix Metals Limited (Subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers Appointed), which comprises the statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the 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 control relevant to the preparation and fair presentation of the 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Because of the matter discussed in the basis of Disclaimer of Auditor's Opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Basis for Disclaimer of Auditor's Opinion

The company and consolidated entity were placed into administration on 11 November 2008. Consequently, the financial information relating to the year under audit, 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.

Disclaimer of Auditor's Opinion

In our opinion:

- (a) because of the existence of the limitation on the scope of our work, as described in the Basis for Disclaimer of Auditor's 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 (Subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers Appointed) is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (iii) complying with all the requirements of the International Financial Reporting Standards.

Report on the Remuneration Report

We have audited the remuneration report included on page 6 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Disclaimer of opinion

Because of the existence of the limitation on scope of our work, as described in the Basis of Disclaimer of Auditor's Opinion, 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 on the remuneration report of Matrix Metals Limited (Subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers Appointed) for the year ended 30 June 2011 and whether it complies with Section 300A of the Corporations Act 2001.

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
29 September 2011

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

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement below reflects the corporate governance policies that were adopted by the directors of the Company who were in office on 18 September 2007. These policies applied until the Company entered voluntary administration on 11 November 2008. On entering voluntary administration, the Administrators were responsible for the corporate governance of the Company.

The directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these corporate governance policies.

If the recapitalisation proposal is successful, the directors who are in office at the date of this report will adopt a new corporate governance policy.

ASX CORPORATE GOVERNANCE COUNCIL BEST PRACTICE PRINCIPLES AND RECOMMENDATIONS

For ease of comparison to the recommendations, the Corporate Governance statement addresses each of the 10 principles in turn. Where the Company has not followed a recommendation this is identified with the reasons for not following the recommendation. This disclosure is in accordance with ASX listing rule 4.10.3.

All references to “directors”, “board of directors” and “board” in the content below means only those directors who were in office during the periods presented in this financial report (Current period: 1 July 2010 to 30 June 2011; Prior Period: 1 July 2009 to 30 June 2010).

Principle 1

Lay solid foundations for management and oversight by the board

The board operates in accordance with broad principles set out in its charter which is available from the corporate governance section of the company’s website. The directors formally adopted the board charter on 18 September 2007. Broadly the key responsibilities of the board are;

1. Providing input into, and approval of the Company’s strategic direction and budgets as developed by management;
2. Approving and monitoring the company’s risk management framework;
3. Appointing, monitoring, managing the performance of, and if necessary terminating the employment of the Chief Executive Officer;
4. Evaluating, approving and monitoring capital management and major capital expenditure, acquisitions and divestments and all major corporate transactions;
5. Approving the annual operating budget, annual shareholders report and annual financial accounts;
6. Ensuring ethical behaviour and compliance with the Company’s own governing documents, including the code of conduct, and compliance with corporate governance standards.

Principle 2

Structure the board to add value

The structure of the board complies with ASX recommendation 2.

Nomination committee

The company does not comply with ASX recommendation 2.4 in that there is no separate nomination committee. Given the board comprises three directors it has been decided that there are no efficiencies to be gained from forming a separate nomination committee. The current board members carry out the roles that would otherwise be undertaken by a nomination committee and each director excludes himself from matters in which he has a personal interest.

Independent advice

A director of the Company is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Company’s expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out in the board’s charter.

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

CORPORATE GOVERNANCE STATEMENT

Principle 3

Promote ethical and responsible decision making

The board has adopted a code of conduct contained in the Board Charter, adopted on 18 September 2007. This Code expresses certain basic principles that the Company and employees should follow in all dealings related to the Company. They should show the highest business integrity in their dealings with others, including preserving the confidentiality of other peoples' information and should conduct the Company's business in accordance with law and principles of good business practice.

Securities trading policy

A formal Securities Trading Policy has not been established, however there is strict guidance contained in the Board Charter adopted by the Board on 18 September 2007. Prior to this date there was an understanding among executives of when it was appropriate to trade in the Company's securities. Trading in shares by any Director or employee of the Company within the period between the close of each financial quarter and the release of quarterly results by the Company requires the approval of the Chief Executive Officer or Chairman before any trading is conducted or the entry into share trading agreements, whether "on market" or "off market".

Principle 4

Safeguard integrity in financial reporting

ASX Principle 4 has not been complied with during the current period.

Principle 5

Make timely and balanced disclosure

The board provides shareholders with information in compliance with the ASX continuous disclosure Listing Rules. In summary, the continuous disclosure system operates as follows:

- the chief executive officer and chief financial officer (who is also the company secretary) are responsible for monitoring all areas of the group's internal and external environment, interpreting policy and where necessary informing the board. The company secretary is responsible for all communications with the ASX;
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investment Commission ("ASIC") and the Australian Stock Exchange ("ASX"), and sent to any shareholder who requests it;
- all announcements made to the market and related information of a market sensitive nature, are placed on the Company's website after they are released to the ASX; and
- the external auditor is requested to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

Principle 6

Respect the rights of shareholders

All information released to the ASX company announcements platform is posted on the company's website after confirmation has been received from the ASX that it has released the information to the market. When analysts are briefed on aspects of the group's operations, the material used in the presentation is released to the ASX and posted on the company's website.

Principle 7

Recognise and manage risk

The Company recognises risk management is, prima facie, an issue for management. However, as a small company the board works closely with management to identify and manage operational, financial and compliance risks which would prevent the Company from achieving its objectives.

The Company does not have a single specific risk management policy, but rather, financial and operating risks are addressed through individual approved policies and procedures covering financial, contract management, safety and environmental activities of the company. The Company engages an insurance brokering firm as part of the Company's annual assessment of the coverage for insurable assets and risks.

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

CORPORATE GOVERNANCE STATEMENT

**Principle 8
Encourage enhanced performance**

The Board has now established a formal Remuneration Committee which will report to the board of directors and provide recommendations in terms of remuneration and incentive plan arrangements for directors and senior executives, having regard to market conditions and the performance of individuals and the consolidated entity.

Due to the size of the Company, previous performance of individual directors was conducted by the Chairman.

**Principle 9
Remunerate fairly and responsibly**

The Company has an established remuneration committee, which comprises Mr D Humann, Mr C Donner, Mr G Jones, Mr R Hing and Mr Richard Procter. The remuneration committee did not meet during the year. The board adopted a formal remuneration committee charter on 18 September 2007.

Remuneration policies

The Company's remuneration policies are detailed in the Remuneration Report within this Director's Report.

Non-executive director remuneration

Non-executive directors are remunerated by way of directors' fees. Apart from compulsory superannuation entitlements, non executive directors are eligible, on a case by case basis, to receive retirement benefits.

**Principle 10
Recognise the legitimate interests of stakeholders**

The Company requires that at all times, all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of both the law and Company policies.

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The company has a specific code of conduct for Directors, which was adopted by the board on 18 September 2007.

The code of conduct sets out the standards that the Company will adhere to whilst conducting its business and includes, compliance with the law, office security, inside information and share trading, proprietary information, computer security, privacy, conflicts of interest, improper payments, gifts and gratuities and accounts and records.

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

ASX ADDITIONAL INFORMATION

Matrix Metals Limited (Subject to Deed of Company Arrangement) (In Liquidation) (Receivers and Managers Appointed) is a listed public company, incorporated in Australia.

The Company's securities have been suspended from official quotation since 12 November 2008.

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 19 January 2011¹ was as follows:

Category (size of holding)	Fully Paid Ordinary Shares	Number of holders
1- 1,000	19,161	72
1,001- 5,000	1,007,226	243
5,001- 10,000	5,520,189	637
10,001- 100,000	127,591,200	2,837
100,001 – 999,999,999	673,396,604	1,168
1,000,000,000 and over	-	-
Total	807,534,380	4,957

¹ Most recent share registry information available

Equity Securities

There are 4,957 shareholders, holding 807,534,380 fully paid ordinary shares.

All issued ordinary shares carry one vote per share and are entitled to dividends.

Options

The Company currently has no listed or unlisted options on issue.

Voting Rights

In accordance with the Company's constitution, on show of hands every member present in person or by proxy or attorney or duly authorised representative had one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Options do not carry a right to vote.

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

ASX ADDITIONAL INFORMATION

Twenty Largest Shareholders

The names of the twenty largest fully paid ordinary shareholders as at 19 January 2011 are as follows:

	Name	Number of Fully Paid Ordinary Shares Held	% held of Issued Capital
1	COLBERN FIDUCIARY NOMINEES PTY	108,000,000	13.37
2	GLENCORE INTERNATIONAL AG	41,666,667	5.16
3	RBC DEXIA INVESTOR SERVICES	40,506,717	5.02
4	HSBC CUSTODY NOMINEES	21,411,001	2.65
5	INDEPENDENCE GROUP NL	20,897,154	2.59
6	BRADLEYS POLARIS PTY LTD	19,234,049	2.38
7	NEFCO NOMINEES PTY LTD	6,771,739	0.84
8	CLODENE PTY LTD	5,189,343	0.64
9	MR PETER JAMES GALLAGHER	4,764,394	0.59
10	NATIONAL NOMINEES LIMITED	4,369,175	0.54
11	MR DAVID BANOVICH & MRS BEVERLY BANOVICH	4,000,000	0.50
12	MR DAVID HUMANN & MRS ANNE HUMANN	3,997,619	0.50
13	GLENCORE INTERNATIONAL AG	3,810,000	0.47
14	ANZ NOMINEES LIMITED	3,650,000	0.45
15	MESUTA PTY LTD	3,227,150	0.40
16	MRS FRANCINE LOUISE WADDELL	2,850,000	0.35
17	MR ARJUN RAGHAVENDRA	2,700,000	0.33
18	MR DAMIEN EDWIN MCGEE	2,600,000	0.32
19	MR MING GONG & MS NANCY CHEN	2,500,000	0.31
20	MR CON ROBERT SORBELLO	2,400,000	0.30
		304,545,008	37.71