Dear Shareholder

Annual Reports for the years ended 30 June 2009 and 30 June 2010

Please find attached the annual reports of Matrix Metals Limited ("Matrix Metals" or the "Company") for the financial years ended 30 June 2009 and 30 June 2010, which will be considered at the Company's Annual General Meeting to be held on 31 March 2011.

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 ("Administrator") of the Company under Section 436A of the Corporations Act. The Company's securities were suspended from trading on the Australian Securities Exchange ("ASX") on 12 November 2008 and have remained in suspension.

On 14 November 2008, the Company's secured creditor, Glencore International AG, appointed Gary Doran and John Greig of Deloitte Touch Tohmatsu as Receivers and Managers ("Receivers and Managers").

The management and affairs of the Company have not been under the control of either the former or the new directors (Messrs Sage, Ariti and Bontempo) since it entered voluntary administration on 11 November 2008. Moreover, the attached annual reports have been prepared by the new directors who were not in office at the time the Company entered voluntary administration or during the periods presented in the annual reports. The new directors who prepared the annual reports were appointed on 22 December 2010.

To prepare the annual reports, the new directors have reconstructed the financial records of the Company using data that was extracted from the Company's accounting system at the time it went into administration together with information that has been made available by the Administrator and the Receivers and Managers.

It has not been possible for the new directors to obtain all the books and records of the Company that existed prior to the appointment of the Administrator and Receivers and Managers. Similarly, it has not been possible for the new directors to obtain all the books and records maintained by the Administrator and the Receivers and Managers since their appointments.

Consequently, although the new directors have prepared the annual reports 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 reports have 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.

Proposed future direction of the Company

In August 2010, Vincent Smith and Justin Walsh of Ernst & Young entered into a deed to recapitalise the Company ("Recapitalisation Proposal").

The Recapitalisation Proposal is subject to creditor, shareholder and regulatory approval. In November 2010, creditors voted in favour of the Company entering into a Deed of Company Arrangement ("DOCA") with the proponents of the Recapitalisation Proposal ("Proponents").

The Proponents comprise 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.

On 22 December 2010, nominees of the Proponents being Antony Sage, Giuseppe (Joe) Ariti and Jason Bontempo were appointed Directors of the Company.

Shareholder approval for the Recapitalisation Proposal will be sought at a General Meeting of shareholders to be held in the coming months.

If shareholders reject the Recapitalisation Proposal, settlement of the DOCA will not occur and it is likely that the Company will be placed into liquidation and shareholders will receive no value for their shares, which have been locked up since November 2008.

On behalf of the board, I thank you in advance for your support.

Yours faithfully

Joe Ariti
Director

MATRIX METALS LIMITED

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

ABN 42 082 592 235

ANNUAL REPORT

30 JUNE 2009

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

CORPORATE DIRECTORY

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

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the financial report of Matrix Metals Limited ("Matrix" or the "Company") and its controlled entity Maxiforde Pty Ltd (collectively referred to as the "Consolidated Entity"), for the financial year ended 30 June 2009 and the auditor's report thereon.

DIRECTORS

The names, qualification 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) and Fe Ltd (since August 2009).

Non-Executive Chairman of:
International Goldfields Ltd (since February 2009)
International Petroleum Ltd (NSX listed) (since January 2006)

Non-Executive Director of:
African Iron Limited (since January 2011) 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 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. Since 2006, he has worked with Cape Lambert Resources Limited on the acquisition and monetisation of mineral assets.

Other Current Listed Directorships

Non-Executive Director of:
Territory Resources Limited (since August 2008), 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 Ltd[1] (from August 2009 to present), Azumah Resources Ltd (from September 2007 to October 2009) and ABM Resources NL (July 2008 to December 2008)

[1] delisted from ASX in September 2010

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 Emporer Resources NL (since February 2011) and Glory Resources Limited (since June 2010)

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

Mr Humann is a Chartered Accountant with many years international experience predominantly with the accountancy firm, Pricewaterhouse Coopers ("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.

Mr Humann served as the Non-Executive Chairman of the Company until it entered voluntary administration on 11 November 2008, at which point his role changed to Non-Executive Director.

Other Current Listed Directorships
Non-Executive Chairman of:
Mincor Resources NL (since November 2000), Braemore Resources Plc (since July 2005), Advanced Braking Technologies Ltd (since August 2006), and Logicamms Ltd (since 2007).

Previous Listed Directorships in the last three years
Monarch Gold Mining Company Ltd (2007-July 2008), India Resources 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.

Mr McBride served as the Chief Executive Officer and Managing Director of the Company until it entered voluntary administration on 11 November 2008, at which point his role changed to Non-Executive Director.

Other Current Listed Directorships
None

Previous Listed Directorships in the last three years
None

DIRECTORS' REPORT

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 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.

Other Current Listed Directorships
Managing Director of Brumby Resources Limited since February 2006. Non-Executive Director of Energy Metals Ltd since September 2008.

Previous Listed Directorships in the last three years
Non-Executive Director of Adamus Resources Limited (2006-April 2008).

Mr Clive Donner (Resigned 28 October 2008)

Mr Donner served as a Non-Executive Director of the Company from 17 October 2006 until 28 October 2008.

Mr Ronald Hing (Resigned 30 October 2008)

Mr Hing served as a Non-Executive Director of the Company from 18 December 2006 until 30 October 2008.

Mr Richard Procter (Resigned 17 November 2008)

Mr Procter served as a Non-Executive Director of the Company from 28 February 2007 until 17 November 2008.

COMPANY SECRETARY

On 5 December 2008, Mr McBride was appointed Company Secretary. Mr Ian Goldberg served as Company Secretary from 19 June 2007 until his resignation on 5 December 2008.

Mr McBride resigned as Company Secretary on 11 January 2011 and on 17 March 2011, Fiona Taylor was appointed as Company Secretary.

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 during the 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 2009; 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 2009.

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

DIRECTORS' REPORT

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 number of directors' meetings and number of meetings attended by each of the directors of the Company during the period from 1 July 2008 until the Company entered voluntary administration are:

	Board meetings		Remuneration Committee meetings		Audit Committee meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Sage[1]	-	-	-	-	-	-
Mr Ariti[1]	-	-	-	-	-	-
Mr Bontempo[1]	-	-	-	-	-	-
Mr Humann	9	9	-	-	-	-
Mr McBride	9	9	-	-	-	-
Mr Jones	9	9	-	-	2	2
Mr Donner[2]	5	3	-	-	2	2
Mr Hing[3]	5	3	-	-	2	1
Mr Procter[4]	9	9	-	-	-	-

[1] Appointed on 22 December 2010
[2] Resigned on 28 October 2008
[3] Resigned on 30 October 2008
[4] Resigned on 17 November 2008

PRINCIPAL ACTIVITIES

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 Touch Tohmatsu as Receivers and Managers.

Prior to entering voluntary administration, the principal activity of the Company had been the production of LME Grade A copper cathode from the Leichhardt copper cathode processing plant in North West Queensland. The Company had also carried out exploration activities at the Leichhardt and Cloncurry tenements located within the Mt Isa Inlier base metal province of North West Queensland.

Result

The consolidated loss after income tax for the financial year was $94,663,549 (2008: profit of $3,576,425).

DIRECTORS' REPORT

REVIEW OF OPERATIONS

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

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

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

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

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

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

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

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

In May 2009, the Receivers and Managers entered into a sale agreement with Deep Yellow Limited (ASX: DYL) to sell EPM's 14916 and 14281 and EPM application 17000 for $1.4 million. The tenements had previously been part of a joint venture between the Company and Deep Yellow Limited.

On 9 June 2009, a first meeting of creditors was held and on 18 June 2009, at the second meeting of creditors, creditors resolved for the Company to be wound up. Accordingly, the Administrators became the Liquidators with immediate effect.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year and the date of this report, the following transactions have taken place:

- On 25 August 2009, the sale of EPM 14916, EPM 14281 and EPM 17000 (under application) to Deep Yellow Limited for $1.4 million facilitated by the Receivers and Managers was completed.
- On 16 November 2009, the Receivers and Managers of the Company entered into an agreement to sell the Leichhardt Copper Project to Cape Lambert Resources Limited. A deposit of $1 million was paid at that time. On 18 August 2010, the sale completed and the balance of the purchase price of $6.7 million was paid.
- On 23 December 2009, the Liquidators of the Company entered into an agreement to sell the White Range Project to Queensland Mining Corporation Limited for a consideration of $5 million. On 20 July 2010, the sale was completed.
- In August 2010, the Liquidators of the Company entered into a deed to recapitalise the Company. The process is subject to creditor, shareholder and regulatory approval.
- To facilitate the recapitalisation of the Company, it was necessary for the Company to be placed into voluntary administration. In September 2010, the Federal Court of Australia ordered that the liquidation of the Company be stayed and that the Liquidators be appointed Voluntary Administrators of the Company.

DIRECTORS' REPORT

- On 1 November 2010, creditors resolved for the Company to execute a Deed of Company Arrangement ("DOCA"). The DOCA was executed on 9 November 2010, and the Administrators became Deed Administrators with immediate effect.

Other than the above, no event has arisen since 30 June 2009 that would be likely to materially affect the operations of the Consolidated Entity, or its state of affairs which have not otherwise been disclosed in this financial report.

DIVIDENDS

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

CHANGES IN STATE OF AFFAIRS

As set out in the Review of Operations above, on 11 November 2008, Vincent Smith and Justin Walsh of Ernst & Young were appointed as Joint and Several Administrators of the Company under Section 436A of the Corporations Act.

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

On 14 November 2008, the Company's secured creditor, Glencore, appointed Gary Doran and John Greig of Deloitte Touch Tohmatsu as Receivers and Managers.

Since 30 June 2009, the Company has not actively traded. As noted earlier in this report, the Administrators became the Deed Administrators on 9 November 2010.

REMUNERATION REPORT - audited

Principles of Compensation - audited

Prior to the Company entering voluntary administration, the following key management personnel had authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity:

Directors
Mr D Humann
Mr C Donner (resigned 28 October 2008)
Mr G Jones (resigned on 17 January 2011)
Mr R Hing (resigned 30 October 2008)
Mr R Procter (resigned 17 November 2008)
Mr S McBride (resigned on 10 January 2011)

Senior Executives and Personnel
Mr I Goldberg – Company Secretary and Chief Financial Officer (resigned 5 December 2008)
Mr B Dennis – General Manager
Mr P Monaghan – Operations Manager
Mr R Jurak – Mine Superintendent

On entering voluntary administration on 11 November 2008, no directors or other company employees had responsibility for planning, directing or controlling the activities of the Company. Consequently, the individuals listed above ceased being regarded as key management personnel with effect from 11 November 2008.

Prior to the Company entering voluntary administration, the Remuneration Committee determined remuneration policies and practices generally, and approved remuneration packages and other terms of employment for key management personnel.

Remuneration and other terms of employment for key management personnel were reviewed annually by the Remuneration Committee, having regard to performance, relevant comparative industry information and independent expert advice. As well as a base salary, remuneration packages included superannuation, retirement and termination entitlements, performance related bonuses and fringe benefits. Key management personnel were also eligible to participate in the Employee Share Option Scheme ("ESOP").

DIRECTORS' REPORT

The payment of equity-based remuneration through the ESOP was limited to a cumulative total of five percent of the ordinary issued shares of the Company. No element of this remuneration was dependent on performance criteria.

Remuneration packages were set at levels that are intended to attract and retain Executives capable of managing the Consolidated Entity's operations and achieving the Company's strategic objectives.

Executive directors' remuneration

Remuneration and other terms of employment for the Chairman and Chief Executive Officer were formalised by contracts.

Remuneration of non-executive directors was determined by the Board of Directors within the maximum amount approved by shareholders from time to time, currently $350,000 per year. The Chairman was entitled to "Retirement Benefits" in accordance with his contract with the Company. Non-executive directors were able to participate in the ESOP, but each participation was required to be approved by shareholders in general meeting.

The Audit Committee's terms of reference included responsibility for reviewing any transactions between the Company and the Directors, or any entity associated with the Directors, to ensure the structure and the terms of the transaction complied with the Corporations Act and were appropriately disclosed.

The Company aimed to reward Executives with a level of remuneration commensurate with their position and responsibilities within the Company, so as to:

- Reward Executives for Company and individual performance;
- Align the interests of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration was competitive by market standards.

Remuneration consisted of the following key elements:

- Fixed remuneration; and
- Variable remuneration.

The proportion of fixed remuneration and variable remuneration (long term incentives) was established for each Executive Director by the Board. Long term incentives for Directors were required to be approved by shareholders in general meeting.

Fixed Remuneration

The level of fixed remuneration was set so as to provide a base level of remuneration which was both appropriate to the position and was competitive in the market.

Fixed remuneration consisted of base remuneration (which was calculated on a total cost basis and included FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Fixed remuneration was reviewed annually by the Remuneration Committee and the process consisted of a review of Company and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice.

Executive Directors were given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash, fringe benefits and expense payment plans. It was intended that the manner of payment chosen would be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration – Long Term Incentive Plan ("LTIP")

The objective of the LTIP was to reward personnel and Executive Directors in a manner which aligns this element of remuneration with the creation of shareholder wealth.

There was no short term incentive scheme in place. Any bonuses were paid on an ad hoc basis as determined by the Board.

REMUNERATION REPORT – Audited (continued)
Directors, Executives and Senior Personnel Remuneration (Company and Consolidated)

	Short-term			**Post Employment**			**Share-based Payments**	**Total**	**Proportion of remuneration performance related %**
	Salary/Fees	Bonus	Other	Super	Retirement	Non-Monetary	Options[2]		
Directors									
Mr D Humann[7]									
2009	**25,000**	**-**	**-**	**2,250**		**5,002**	**-**	**32,252**	**N/A**
2008	70,000	-	-	6,300	-	41,618	-	117,918	-
Mr C Donner[3]									
2009	**18,333**	**-**	**-**	**1,650**	**-**	**-**	**-**	**19,983**	**N/A**
2008	46,667	-	-	4,200	-	-	-	50,867	-
Mr G Jones									
2009	**18,333**	**-**	**-**	**1,650**	**-**	**-**	**-**	**19,983**	**N/A**
2008	46,667	-	-	4,200	-	-	-	50,867	-
Mr R Hing[4]									
2009	**18,333**	**-**	**-**	**1,650**	**-**	**-**	**-**	**19,983**	**N/A**
2008	32,083	-	-	2,888	-	-	-	34,971	-
Mr R Procter[5, 7]									
2009	**18,333**	**-**	**-**	**1,650**	**-**	**-**	**-**	**19,983**	**N/A**
2008	46,667	-	-	4,200	-	-	-	50,867	-
Mr S B McBride									
2009	**83,333**	**-**	**9,694**	**6,000**	**-**	**-**	**-**	**99,027**	**N/A**
2008	235,000	50,000	29,081	13,129	-	-	-	327,210	15.3%
Senior Executives									
Mr I Goldberg - Chief Financial Officer and Company Secretary[6]									
2009	**62,995**	**-**	**-**	**5,670**	**-**	**-**	**-**	**68,665**	**N/A**
2008	176,871	-	1,171	13,129	-	-	23,201	214,372	-
(2008: Value of options as a proportion of remuneration: 11%)									
Senior Personnel									
Mr B Dennis - General Manager Operations									
2009	**68,099**	**-**	**-**	**6,129**	**-**	**-**	**-**	**74,228**	**N/A**
2008	200,000	-	-	13,129	-	-	77,337	290,466	-
(2008: Value of options as a proportion of remuneration: 27%)									
Mr R Jurak - Mine Superintendent									
2009	**57,712**	**-**	**-**	**5,194**	**-**	**-**	**-**	**62,906**	**N/A**
2008	180,000	-	-	13,129	-	-	19,334	212,463	-
(2008: Value of options as a proportion of remuneration: 9%)									
Mr P Monaghan - Operations Manager									
2009	**67,191**	**-**	**-**	**6,047**	**-**	**-**	**-**	**73,238**	**N/A**
2008	95,167	-	-	6,536	-	-	15,560	117,263	-
(2008: Value of options as a proportion of remuneration: 13%)									
Total									
2009	**437,662**	**-**	**9,694**	**37,890**	**-**	**5,002**	**-**	**490,248**	**N/A**
Total									3,41%
2008	1,129,122	50,000	30,252	80,841	-	41,618	135,432	1,467,265	

Notes

1 Directors and employees were paid up until 31 October 2008. The Company entered voluntary administration before the November 2008 salaries, wages and fees payments were made.

2 No amounts have been recognised for options that may have vested during the period up to entering voluntary administration as all options lapsed when the Company entered voluntary administration on 11 November 2008.

3 Mr Donner resigned on 28 October 2008.

4 Mr Hing resigned on 30 October 2008.

5 Mr Procter resigned 17 November 2008.

6 Mr Goldberg resigned on 5 December 2008.

7 A portion of amounts disclosed above payable to Messrs Humann and Proctor were still outstanding when the company went into administration, those amounts are treated as unsecured creditors for the purpose final payment of those outstanding amounts.

Options granted as part of remuneration

The fair value of options granted in the 2008 financial year were calculated at the date of grant using a binomial option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in the 2008 financial year. As a consequence of the Company entering voluntary administration on 11 November 2008, the options issued to key management personnel and employees lapsed. Accordingly, no amounts have been recognised in the current financial year for options that vested in the current period.

Market conditions were taken into account within the valuation model applied in the 2008 financial year. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Option life	Fair value	Exercise price	Price of shares	Expected volatility	Risk free rate
10 Aug 07	4.8 years	$0.06	$0.10	$0.145	51%	6.2%
28 Apr 08	4.2 years	$0.04	$0.10	$0.09	60%	6.2%

Additional Disclosures

Service Contracts

The Company has contracts in place with Mr Humann and Mr McBride. The major terms and conditions of those contracts are as follows:

Mr D 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 S 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.

Payment of Bonuses

During the current year, no bonuses were paid (2008: bonus of $50,000 was paid to Mr McBride).

Options and rights over equity instruments granted as remuneration - audited

No options over ordinary shares in the Company were granted as remuneration to key management personnel during the current year (2008: 4,100,000 options were granted to key management personnel).

Analysis of movement in options - audited

On entering into voluntary administration on 11 November 2008, the only options on issue were those issued in prior periods under the Employee Share Option Scheme. All of these options lapsed as a result of the Company entering into voluntary administration. Consequently, no amounts have been recognised in the Income Statement in the current year.

DIRECTORS' REPORT

UNISSUED SHARES UNDER OPTION

At the date of this report there were no unissued ordinary shares of the Company under option (2008: 13,000,000 unissued ordinary shares under option).

During the current year, no options were exercised (2008: 300,000 options exercised) and no options were issued (2008: 12,900,000 options were issued to employees under the terms of the Employee Share Option Scheme). During the financial year all options on issue lapsed (2008: 1,050,000 employee options were cancelled and 9,999,999 director options expired).

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock 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	-	-
Mr Humann	3,997,619	-

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

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	$	$	$	$
Taxation services	-	24,010	-	24,010
Other services	-	-	-	-
	-	24,010	-	24,010

The Company's auditors, Stantons International, did not perform any non audit services during the current year.

In the 2008 financial year, KPMG, the Company's previous auditors, performed taxation services in addition to their statutory duties. The Company's board has considered these non-audit services and was satisfied that the provision of those non-audit services was compatible with, and did not compromise, the auditor independence provisions of the Corporations Act 2001.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 13 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
Dated at Perth this 21st day of March 2011.

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Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as
Stantons International
Chartered Accountants and Consultants

21 March 2011

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

Dear Directors

RE: MATRIX METALS LIMITED

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

As Audit Director for the audit of the financial statements of Matrix Metals Limited for the year ended 30 June 2009, 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 sincerely

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

Martin Michalik

Martin Michalik
Director

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	THE COMPANY 2009 $	THE COMPANY 2008 $
Revenue	2	**8,860,175**	39,366,240	**8,860,175**	39,366,240
Cost of Sales					
Depreciation and amortisation		**(1,630,204)**	(3,945,054)	**(1,630,204)**	(3,945,054)
Other cost of sales		**(18,502,580)**	(28,656,485)	**(18,502,580)**	(28,656,485)
Gross (Loss) / Profit		**(11,272,609)**	6,764,701	**(11,272,609)**	6,764,701
Other income	3	**205,682**	6,886	**205,682**	6,886
Corporate administration expenses		**(2,960,818)**	(1,964,484)	**(2,960,818)**	(1,964,484)
Employee option expense		**-**	(340,332)	**-**	(340,332)
Impairment of assets		**(40,993,282)**	(12,968)	**(40,993,282)**	(12,968)
Recognition of additional creditor Claims		**(38,292,668)**	-	**(38,292,668)**	-
Depreciation and amortisation		**(8,125)**	(20,271)	**(8,125)**	(20,271)
Results from operating activities		**(93,321,820)**	4,433,532	**(93,321,820)**	4,433,532
Financial expenses	22(a)	**(1,457,020)**	(1,551,442)	**(1,457,020)**	(1,551,442)
Financial income	22(a)	**115,291**	694,335	**115,291**	694,335
Profit/(Loss) before tax		**(94,663,549)**	3,576,425	**(94,663,549)**	3,576,425
Income tax expense	5	**-**	-	**-**	-
Profit/(Loss) for the year	20	**(94,663,549)**	3,576,425	**(94,663,549)**	3,576,425
Attributable to:					
Equity holders of the parent		**(94,663,549)**	3,576,425	**(94,663,549)**	3,576,425
Earnings per share attributable to the ordinary equity holders of the company:					
Basic (loss)/earnings per share (cents)	21	**(12)**	0.47		
Diluted (loss)/earnings per share (cents)	21	**(12)**	0.47		

The Income Statements are to be read in conjunction with the accompanying notes to the financial statements.

BALANCE SHEETS AS AT 30 JUNE 2009

		CONSOLIDATED		THE COMPANY	
		2009	**2008**	**2009**	**2008**
	Note	**$**	**$**	**$**	**$**
Current assets					
Cash and cash equivalents	7	**197**	7,377,104	**197**	7,377,104
Cash balances under the control of the Administrator and the Receiver and Manager		**2,313,153**	-	**2,313,153**	-
Trade and other receivables	8	**1,162,378**	1,446,843	**1,162,378**	1,446,843
Inventories	9	**143,900**	9,487,502	**143,900**	9,487,502
Other	10	**-**	149,528	**-**	149,528
		3,619,628	18,460,977	**3,619,628**	18,460,977
Assets held for sale					
Other financial assets	11	**-**	-	**100,000**	-
Property, plant and equipment	12	**1,704,645**	-	**1,704,645**	-
Exploration and evaluation	13	**12,350,355**	-	**12,250,355**	-
Tenement bonds and security deposits	14	**2,179,140**	-	**2,179,140**	-
Total current assets		**19,853,768**	18,460,977	**19,853,768**	18,460,977
Non-current assets					
Other financial assets	11	**-**	-	**-**	100,000
Property, plant and equipment	12	**-**	28,094,111	**-**	28,094,111
Exploration and evaluation	13	**284,000**	12,918,040	**284,000**	12,818,040
Tenement bonds and security deposits	14	**-**	2,200,310	**-**	2,200,310
Total non-current assets		**284,000**	43,212,461	**284,000**	43,212,461
Total assets		**20,137,768**	61,673,438	**20,137,768**	61,673,438
Current liabilities					
Trade and other payables	15	**63,464,119**	8,777,000	**63,464,119**	8,777,000
Loans and borrowings	16	**3,600,000**	4,800,000	**3,600,000**	4,800,000
Employee benefits	17	**367,081**	383,453	**367,081**	383,453
Provisions	18	**117,847**	112,845	**117,847**	112,845
		67, 549,047	14,073,298	**67, 549,047**	14,073,298
Liabilities associated with assets held for sale					
Employee benefits	17	**104,434**	-	**104,434**	-
Provisions	18	**1,020,813**	-	**1,020,813**	-
Total current liabilities		**68,674,294**	14,073,298	**68,674,294**	14,073,298
Non-current liabilities					
Loans and borrowings	16	**-**	400,000	**-**	400,000
Employee benefits	17	**-**	51,157	**-**	51,157
Provisions	18	**27,000**	1,048,960	**27,000**	1,048,960
Total non-current liabilities		**27,000**	1,500,117	**27,000**	1,500,117
Total liabilities		**68,701,294**	15,573,415	**68,701,294**	15,573,415
Net (liabilities) / assets		**(48,563,526)**	46,100,023	**(48,563,526)**	46,100,023
Equity					
Issued capital	19	**67,701,455**	67,701,455	**67,701,455**	67,701,455
Accumulated losses	20	**(116,264,981)**	(21,601,432)	**(116,264,981)**	(21,601,432)
Total equity		**(48,563,526)**	46,100,023	**(48,563,526)**	46,100,023

The Balance Sheets are to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED AND COMPANY		
	Issued Capital $	**Accumulated losses $**	**Total $**
Balance at 1 July 2008	67,701,455	(21,601,432)	46,100,023
Net loss for the year	-	(94,663,549)	(94,663,549)
Other comprehensive income / (expenditure)	-	-	-
Total comprehensive loss	-	(94,663,549)	(94,663,549)
Transactions with owners in their capacity as owners	-	-	-
Balance at 30 June 2009	67,701,455	(116,264,981)	(48,563,526)
Balance at 1 July 2007	57,408,263	(25,518,189)	31,890,074
Net loss for the year	-	3,576,425	3,576,425
Other comprehensive income / (expenditure)	-	-	-
Total comprehensive loss	-	3,576,425	3,576,425
Transactions with owners in their capacity as owners			
Employee options exercised	21,000	-	21,000
Shares issued pursuant to placements	10,272,192	-	10,272,192
Equity settled share based payments	-	340,332	340,332
Transactions with owners in their capacity as owners	10,293,192	340,332	10,633,524
Balance at 30 June 2008	67,701,455	(21,601,432)	46,100,023

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		THE COMPANY	
		2009	**2008**	**2009**	**2008**
	Note	**$**	**$**	**$**	**$**
Cash flows from operating activities					
Cash receipts from operations		**10,027,241**	38,721,760	**10,027,241**	38,721,760
Cash payments to suppliers and employees		**(6,096,891)**	(36,360,153)	**(6,096,891)**	(36,360,153)
Other income		**180,682**		**180,682**	
Interest received		**159,194**	687,108	**159,194**	687,108
Interest paid		**(215,588)**	(1,016,850)	**(215,588)**	(1,016,850)
Net cash provided by operating activities	24 (a)	**4,054,638**	2,031,865	**4,054,638**	2,031,865
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**46,109**	30,000	**46,109**	30,000
Payments for:					
Property, plant and equipment	12	**(6,153,831)**	(10,888,367)	**(6,153,831)**	(10,888,367)
Security deposits		**(5,000)**	(744,779)	**(5,000)**	(744,779)
Exploration and evaluation	13	**(1,405,670)**	(2,745,945)	**(1,405,670)**	(2,745,945)
Net cash used in investing activities		**(7,518,392)**	(14,349,091)	**(7,518,392)**	(14,349,091)
Cash flows from financing activities					
Repayment of borrowings		**(1,600,000)**	(4,800,000)	**(1,600,000)**	(4,800,000)
Proceeds from issue of shares	19	**-**	11,018,721	**-**	11,018,721
Payment of transaction costs	19	**-**	(725,529)	**-**	(725,529)
Net cash provided by / (used in) financing activities		**(1,600,000)**	5,493,192	**(1,600,000)**	5,493,192
Increase/(Decrease) in cash and cash equivalents		**(5,063,754)**	(6,824,034)	**(5,063,754)**	(6,824,034)
Cash and cash equivalents at 1 July		**7,377,104**	14,201,138	**7,377,104**	14,201,138
Cash and cash equivalents at 30 June	24 (b)	**2,313,350**	7,377,104	**2,313,350**	7,377,104

The Cash Flow Statements are to be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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 2009, comprises the Company and its subsidiary (together referred to as the "Consolidated Entity").

The financial report was authorised for issue by the directors' on 21 March 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 2009; 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 2009.

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

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

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

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

(b) Going Concern

The directors have prepared this financial report on the basis that the 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.

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

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(b) Going Concern *(continued)*

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

- AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* - AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Consolidated Entity will adopt AASB 8 from 1 July 2009. Application of AASB 8 is not expected to result in different segments, segment results and different types of information being reported in the segment note of the financial report.
- Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] - The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Consolidated Entity, as the Consolidated Entity already capitalises borrowing costs relating to qualifying assets.
- Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* - A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Consolidated Entity intends to apply the revised standard from 1 July 2009.
- Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009. The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.
  The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.
  The Consolidated Entity will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 January 2009)
  In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards Standards. The Consolidated Entity will apply the revised standards from 1 July 2009 and does not expect that any adjustments will be necessary as the result of applying the revised rules.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(c) Adoption of new and revised accounting standards

- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009). The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Consolidated Entity will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.
- AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 January 2009). In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AABS 127 *Consolidated and Separate Financial Statements*. The Consolidated Entity will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations and the new parent accounts for its investment in the original parent at cost, it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.
- AASB Interpretation 17 *Distribution of Non-Cash Assets to Owners* and AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17* (effective 1 July 2009). AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Consolidated Entity will apply the interpretation prospectively from 1 July 2009.
- AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments* (effective for annual periods beginning on or after 1 January 2009). In April 2009, the AASB published amendments to AASB 7 *Financial Instruments: Disclosure* to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Consolidated Entity will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.

(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 by all entities in the Consolidated Entity.

(e) Basis of consolidation

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.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(f) Revenue Recognition

Sales Revenue
Initial sales of copper cathode are 'provisionally priced', i.e. the selling price is subject to final adjustment at the end of a period which can be 60 days before shipment or 60 days after shipment of the copper, based on the market price at the relevant quotation point stipulated in the contract, this is common commercial practice for sales of base metals. Glencore International AG nominates the adjustment period to be either pre or post shipment every four months, at the beginning of the four month period. When the nominated period is post shipment, revenue on provisionally priced sales is recognised based on estimates of the fair value of the consideration receivable based on the market price as at the end of the quotation period.

At each reporting date provisionally priced metal is "marked to market" based on the closing forward London Metal Exchange ("LME") price as at the end of the quotation period. The selling price can be measured reliably as copper is an active and freely traded commodity on the LME and the value of product sold by the company is directly linked to the form in which it is traded on that market. The marking to market of provisionally priced sales contracts is recorded as an adjustment directly in revenue.

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

(g) Expenses

Operating lease payments
Payments made under operating leases are recognised in the income statement 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.

(h) 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 balance sheet.

Cash flows are included in the cash flow statement 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.

(i) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 balance sheet 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 balance sheet 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 have not formed a tax-consolidated group.

(k) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The consolidated entity operates in one business segment being exploration within Australia.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits.

(m) Property, plant and equipment

Property, plant and equipment are stated at cost less provision for depreciation and any impairment in value. All such assets, except freehold land, are depreciated over their estimated useful lives on a straight line, reducing balance or production output basis, as considered appropriate, commencing from the time the asset is held ready for use. Depreciation is provided on a straight-line basis on plant and equipment from the date the item is ready for use.

Major depreciation periods are: Plant and equipment - 3 to 5 years, Mine properties - Units of production.

Useful Lives
Mine assets are depreciated or amortised over the lower of their estimated useful lives and the estimated remaining life of the mine. The estimated remaining life of the mine is based upon geological resources. Assets not linked to the mining operation are depreciated over their estimated useful lives.

Mine properties and development
Mine property assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest have been determined and include subsequent costs to develop the mine to the production phase. These may include expenditure incurred by the Consolidated Entity in the current and previous reporting periods. A review is undertaken at each reporting date for each mine property area of interest to determine the appropriateness of continuing to carry forward values in relation to that area. When expenditure carried forward no longer contributes to the Consolidated Entity's ability to successfully exploit an area of interest, such costs are written off in the financial period the decision is made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(m) Property, plant and equipment

Amortisation
Amortisation is charged to the income statement, except to the extent that it is included in the carrying amount of another asset as an allocation of production overheads.

Amortisation is normally calculated using the units of production basis with metal extracted from the mine in the period as a percentage of the total quantity of metal to be extracted in current and future periods based on proved and probable reserves and other mineral resources. Such non reserve material may be included in amortisation calculations in limited circumstances where there is a high degree of confidence in its economic extraction. Amortisation is not charged on costs carried forward in respect of interest in the development phase until commercial production commences.

(n) Trade and other receivables

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

(o) Inventories

Work in progress ("WIP") and finished goods
WIP and finished goods are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of mining inventories is determined using a weighted average basis. Cost includes direct material, removal of waste and overburden material, mining, labour, related transportation costs to the point of processing, mine rehabilitation costs incurred in the extraction process and other fixed and variable overhead costs directly related to mining activities.

Stores
Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value. Cost is assigned on a weighted average basis.

(p) Investments

Investments in controlled entity are carried in the Company's financial statements at the lower of cost and recoverable amount.

(q) 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 will be 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. This income statement will recognise expenses arising from the excess of the carrying values of exploration and evaluation assets over the recoverable amounts of the assets.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(q) Exploration and evaluation expenditure

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.

(r) 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 (see below).

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 income statement.

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 discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

(s) Share capital transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(t) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled within 60 days.

(u) 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 balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Share-based payment transactions
The Employee Share Option Plan allows employees to acquire shares in the Company. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(u) Employee benefits

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 income statement as incurred.

(v) Provisions

A provision is recognised in the balance sheet 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 income statement 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 income statement.

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 income statement 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 income statement as incurred. Changes in the liability are charged to the income statement as rehabilitation expense, other than the unwinding of the discount which is recognised as a finance cost.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(w) 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, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- taxation
- share based payments
- provisions
- property, plant and equipment
- exploration and evaluation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	$	$	$	$
2. REVENUE				
Sales	**8,860,175**	39,366,240	**8,860,175**	39,366,240
3. OTHER INCOME				
Exclusivity fees received	**190,000**	-	**190,000**	-
Profit on disposal of plant and equipment	**-**	6,886	**-**	6,886
Other	**15,682**	-	**15,682**	-
	205,682	6,886	**205,682**	6,886
4. AUDITOR'S REMUNERATION				
Fees paid or payable to KPMG				
Audit and review of financial reports	**-**	93,548	**-**	93,548
Other services – taxation services	**-**	24,010	**-**	24,010
Fees paid or payable to Stantons International				
Audit and review of financial reports	**20,000**	-	**20,000**	-
	20,000	117,558	**20,000**	117,558
5. INCOME TAX BENEFIT				
Reconciliation between tax expense and pre-tax profit				
Accounting profit / (loss) before tax	**(94,663,549)**	3,576,425	**(94,663,549)**	3,576,425
At the statutory income tax rate of 30% (2008: 30%)	**(28,399,065)**	1,072,927	**(28,399,065)**	1,072,927
Add:				
Non-deductible expenses	**23,785,785**	102,100	**23,785,785**	102,100
Tax losses utilised	**-**	805,090	**-**	805,090
Recognition of prior year tax losses not previously recognised	**-**	(1,980,117)	**-**	(1,980,117)
Temporary differences not recognised	**4,613,280**	-	**4,613,280**	-
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 consolidated entity can utilise the deferred tax asset.

6. SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
7. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**197**	3,388,272	**197**	3,388,272
Commercial bills	**-**	3,988,832	**-**	3,988,832
	197	7,377,104	**197**	7,377,104
8. TRADE AND OTHER RECEIVABLES				
Other receivables	**1,162,378**	1,446,843	**1,162,378**	1,446,843
9. INVENTORIES				
Current				
Consumable supplies at cost	**143,900**	722,965	**143,900**	722,965
Work in progress	**-**	7,684,688	**-**	7,684,688
Finished goods	**-**	1,079,849	**-**	1,079,849
	143,900	9,487,502	**143,900**	9,487,502
10. OTHER CURRENT ASSETS				
Prepayments	**-**	149,528	**-**	149,528
11. OTHER FINANCIAL ASSETS				
Investment in controlled entity – at cost	**-**	-	**100,000**	100,000

12. 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 $
Year ended 30 June 2009	
Opening carrying value	**28,094,111**
Additions	**6,153,831**
Disposals	**(46,109)**
Amortisation and depreciation	**(1,638,329)**
Impairment	**(30,858,859)**
Closing carrying value being the net realisable value	**1,704,645**

As at 30 June 2009, all of the Consolidated Entity's plant and equipment and mine properties and development is classified as held for sale. In August 2010, the plant and equipment was sold at its net realisable value of $1,704,645.

	Plant and equipment $	**Mine properties and development $**	**Total $**
Year ended 30 June 2008			
Opening carrying value	907,646	19,936,505	20,844,151
Additions	2,738,505	8,495,322	11,233,827
Transferred in from mine properties	7,917,002	-	7,917,002
Transferred in from exploration & evaluation		27,722	27,722
Transferred out to plant and equipment	-	(7,917,002)	(7,917,002)
Disposals	(23,114)	-	(23,114)
Amortisation and depreciation	(1,942,908)	(2,045,567)	(3,988,475)
Closing carrying value	9,597,131	18,496,980	28,094,111
At 30 June 2008			
At cost	12,841,144	20,542,547	33,383,691
Accumulated depreciation	(3,244,013)	(2,045,567)	(5,289,580)
Carrying value	9,597,131	18,496,980	28,094,111

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	$	$	$	$
13. EXPLORATION AND EVALUATION EXPENDITURE				
Carrying value at the beginning of the year	**12,918,040**	9,801,089	**12,818,040**	9,701,089
Additions	**1,405,670**	3,157,641	**1,405,670**	3,157,641
Impairment charge[1]	**(1,689,355)**	(12,968)	**(1,689,355)**	(12,968)
Transferred out to mine properties & development	**-**	(27,722)	**-**	(27,722)
Carrying value at the end of the year	**12,634,355**	12,918,040	**12,534,355**	12,818,040
Current				
Carrying value of exploration assets held for sale	**12,350,355**	-	**12,250,355**	-
Non current				
Carrying value of exploration assets held as long term interest	**284,000**	12,918,040	**284,000**	12,818,040
	12,634,355	12,918,040	**12,534,355**	12,818,040

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

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	$	$	$	$
14. TENEMENT BONDS AND SECURITY DEPOSITS				
Security deposits	**2,179,140**	2,200,310	**2,179,140**	2,200,310
15. TRADE AND OTHER PAYABLES				
Trade payables and accrued expenses	**24,623,486**	8,547,975	**24,623,486**	8,547,975
Accrual for additional creditor claims received[1]	**38,292,668**	-	**38,292,668**	-
Employee entitlements	**547,965**	229,025	**547,965**	229,025
	63,464,119	8,777,000	**63,464,119**	8,777,000

[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.

16. LOANS AND BORROWINGS				
Current				
Secured Loan	**3,600,000**	4,800,000	**3,600,000**	4,800,000
Non-current				
Secured Loan	**-**	400,000	**-**	400,000

The 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.

17. EMPLOYEE BENEFITS

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	$	$	$	$
Current				
Liability for annual leave	**346,656**	383,453	**346,656**	383,453
Liability for long service leave	**20,425**	-	**20,425**	-
	367,081	383,453	**367,081**	383,453
Liability for annual and long service leave classified as liabilities associated with assets held for sale	**104,434**	-	**104,434**	-
Total liability for annual leave	**471,515**	383,453	**471,515**	383,453
Non-current				
Liability for long service leave	**-**	51,157	**-**	51,157

Defined contribution superannuation funds

The Consolidated Entity makes contributions to defined contribution superannuation funds on behalf of its employees. The amount recognised as expense was $259,474 for the financial year ended 30 June 2009 (2008: $246,979).

Share based payments

The Company has an Employee Share Option Plan (“ESOP”) which provides for eligible participants to receive options over ordinary shares. Each option is exercisable into one ordinary share. The exercise price of options, determined in accordance with the rules of the ESOP, is determined by the Board at the time of grant. Options expire in accordance with the conditions imposed at the time of grant, but in any case at their expiry date. There are no voting or dividend rights attached to the options. There are no voting or dividend rights attached to the unissued ordinary shares. Voting rights will be attached to the ordinary shares issued as a result of the exercise of these options.

No options were granted under the ESOP during the current year. In the prior year, 12,900,000 options were granted under the ESOP, the terms of which were as follows:

Option grant date/employee entitled	Number of instruments	Vesting Conditions	Contractual life
Grant to key management personnel at 10 August 2007, exercise price $0.10	4,100,000	One third vesting on each of 19 June 2008, 19 June 2009, and 19 June 2010	5.0 years
Grant to other personnel at 10 August 2007, exercis price $0.10	3,300,000	One third vesting on each of 19 June 2008, 19 June 2009, and 19 June 2010	5.0 years
Grant to other personnel at 26 April 2008, exercis price $0.085	4,500,000	One third vesting on each of 26 April 2009, 26 April 2010, and 26 April 2011	5.0 years
Grant to other personnel at 28 April 2008, exercis price $0.10	1,000,000	One third vesting on each of 19 June 2008, 19 June 2009, and 19 June 2010	4.0 years
Total share options granted	**12,900,000**		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

17. EMPLOYEE BENEFITS (Continued)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at the beginning of the period	$0.09	13,000,000	$0.17	11,449,999
Granted during the period		-	$0.09	12,900,000
Exercised during the period		-	$0.07	(300,000)
Forfeited during the period	$0.09	(13,000,000)	$0.10	(1,050,000)
Expired during the period		-	$0.18	(9,999,999)
Outstanding at the end of the period		-	$0.09	13,000,000
Exercisable at the end of the period		-		5,066,667

As a consequence of the Company entering into voluntary administration on 11 November 2008, all options under the ESOP lapsed.

During the financial year, no options were exercised (2008: 300,000).

18. PROVISIONS

	CONSOLIDATED		THE COMPANY	
	Rehabilitation $	Retirement Benefit $	Rehabilitation $	Retirement Benefit $
Balance at 1 July 2008	1,048,960	112,845	1,048,960	112,845
Provisions made during the year	(1,147)	5,002	(1,147)	5,002
Balance at 30 June 2009	1,047,813	117,847	1,047,813	117,847
Current				
Retirement benefit	-	117,847	-	117,847
Rehabilitation provision associated with exploration assets held for sale	1,020,813	-	1,020,813	-
	1,020,813	117,847	1,020,813	117,847
Non-current				
Rehabilitation provision associated with exploration assets held for long term interest	27,000	-	27,000	-
Balance at 1 July 2007	772,030	71,227	772,030	71,227
Provisions made during the year	276,930	41,618	276,930	41,618
Balance at 30 June 2008	1,048,960	112,845	1,048,960	112,845
Current	-	112,845	-	112,845
Non-current	1,048,960	-	1,048,960	-
	1,048,960	112,845	1,048,960	112,845

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

19. ISSUED CAPITAL

	CONSOLIDATED AND COMPANY	
	2009	**2008**
	$	**$**
Issued and paid up capital 807,534,380 (2008: 807,534,380) ordinary shares fully paid	**67,701,455**	67,701,455
Movements in ordinary share capital		
Opening balance	**67,701,455**	57,408,263
Employee options exercised (a)	**-**	21,000
Share issue (b)	**-**	6,712,125
Share issue (c)	**-**	745,500
Share issue (d)	**-**	102,375
Share issue (e)	**-**	2,564,604
Share issue (f)	**-**	873,117
Share issue expenses	**-**	(725,529)
Closing balance	**67,701,455**	67,701,455

	CONSOLIDATED AND COMPANY	
	2009	**2008**
	No of shares	***No of shares***
Movements in number of ordinary shares		
Balance at 1 July	807,534,380	702,494,239
Employee options exercised (a)	-	300,000
Share issue (b)	-	63,925,000
Share issue (c)	-	7,100,000
Share issue (d)	-	975,000
Share issue (e)	-	24,424,796
Share issue (f)	-	8,315,345
Balance at 30 June	807,534,380	807,534,380

(a) On 15 December 2007 300,000 employee options were exercised at a price of 7 cents per share.

(b) On 19 December 2007 63,925,000 ordinary shares were issued to shareholders at 10.5 cents per share, as part of a placement.

(c) On 21 December 2007 7,100,000 ordinary shares were issued to shareholders at 10.5 cents per share, as part of a placement.

(d) On 24 December 2007 975,000 ordinary shares were issued to shareholders at 10.5 cents per share, as part of a placement.

(e) On 31 December 2007 24,424,796 ordinary shares were issued to shareholders as part of the share purchase plan at 10.5 cents per share.

(f) On 3 January 2008 8,315,345 ordinary shares were issued to shareholders as part of the share purchase plan at 10.5 cents per share.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

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

Options on issue over ordinary shares as at 30 June 2009: Nil (2008: 13,000,000).

		CONSOLIDATED		THE COMPANY	
		2009	2008	2009	2008
	Note	$	$	$	$
20. ACCUMULATED LOSSES					
Balance at 1 July		**(21,601,432)**	(25,518,189)	**(21,601,432)**	(25,518,189)
Equity settled share based payments		**-**	340,332	**-**	340,332
Total recognised income and expense		**(94,663,549)**	3,576,425	**(94,663,549)**	3,576,425
Balance at 30 June		**(116,264,981)**	(21,601,432)	**(116,264,981)**	(21,601,432)

21. (LOSS) / EARNINGS PER SHARE

	CONSOLIDATED	
	2009	2008
Basic earnings per share (cents)	**(12)**	0.47
Diluted earnings per share (cents)	**(12)**	0.47

The calculation of basic and diluted loss per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of $94,663,549 (2008: profit of $3,576,425) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 807,534,380 (2008: 757,267,805).

22. 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.

2009	Note	**Floating Interest Rate**	**Non-interest bearing**	**Total**
		$	**$**	**$**
Financial assets				
Cash	7	-	197	197
Cash balances under the control of the Administrator and the Receiver and Manager		2,313,153	-	2,313,153
Receivables	8	-	1,162,378	1,162,378
Tenement bonds and security deposits	14	700,000	1,479,140	2,179,140
		3,013,153	2,641,715	5,654,868
Financial liabilities				
Payables	15	-	63,464,119	63,464,119
Secured Loan	16	3,600,000	-	3,600,000
		3,600,000	63,464,119	67,064,119

22. FINANCIAL INSTRUMENTS *(continued)*

(a) Interest rate risk (continued)

2008	Note	Floating Interest Rate $	Non-interest bearing $	Total $
Financial assets				
Cash	7	7,376,904	200	7,377,104
Receivables	8	-	1,446,843	1,446,843
Other	14	728,574	1,471,736	2,200,310
		8,105,478	2,918,779	11,024,257
Financial liabilities				
Payables	15	-	8,777,000	8,777,000
Secured Loan	16	5,200,000	-	5,200,000
		5,200,000	8,777,000	13,977,000

Finance income and Expenses

	CONSOLIDATED		THE COMPANY	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Interest income on bank deposits	**115,291**	694,335	**115,291**	694,335
Finance income	**115,291**	694,335	**115,291**	694,335
Unwinding of discount on rehabilitation provision	**-**	(130,019)	**-**	(130,019)
Foreign exchange forward contracts	**(1,227,340)**	(315,901)	**(1,227,340)**	(315,901)
Interest expense on financial liabilities	**(215,588)**	(1,019,635)	**(215,588)**	(1,019,635)
Withholding tax and other	**(14,092)**	(85,887)	**(14,092)**	(85,887)
Finance expense	**(1,457,020)**	(1,551,442)	**(1,457,020)**	(1,551,442)

(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, of the Company and the Consolidated Entity, which have been recognised on the balance sheet, 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 and the Consolidated Entity 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

22. FINANCIAL INSTRUMENTS *(continued)*

(d) Foreign currency risk management

The Company and the Consolidated Entity undertake certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The Company and the Consolidated Entity remain unhedged against foreign currency fluctuations. The carrying amount of the Company and the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets A$		**Liabilities A$**	
	2009	**2008**	**2009**	**2008**
US Dollars (equivalent)	-	1,500,282	-	-

(e) Foreign currency sensitivity

As at 30 June 2009, the Consolidated Entity is not exposed to any foreign currency risk. As at 30 June 2008, the Consolidated Entity was mainly exposed to US dollars.

(f) 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.

(g) Interest rate sensitivity

Under the terms of the Glencore loan Agreement the Company is exposed to movements in the London Inter Bank offer Rate ("LIBOR") on outstanding loan funds.

(h) Commodity price risks

Under the terms of the Glencore Offtake Agreement, the Company was exposed to movements in the copper prices on unfinalised sales.

23. COMMITMENTS

Operating lease Commitments

As at 30 June 2009, all operating leases had been cancelled as a consequence of the Company entering into voluntary administration on 11 November 2008. As at 30 June 2008, the Company had operating lease commitments of $182,694, of which $109,794 was a12 month period.

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 2009. As at 30 June 2008, commitments totalling $350,481 had not been recognised as liabilities.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

24. CASH FLOW INFORMATION

(a) Reconciliation of cash flows from operating activities

	CONSOLIDATED		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Cash flows from operating activities				
Profit / (Loss) for the period	**(94,663,549)**	3,576,426	**(94,663,549)**	3,576,426
Adjustments for:				
Loss on sale of fixed assets	**-**	23,114	**-**	23,114
Depreciation and Amortisation	**1,638,329**	3,965,326	**1,638,329**	3,965,326
Equity-settled share-based payment expenses	**-**	340,332	**-**	340,332
Impairment of assets	**40,993,282**	12,968	**40,993,282**	12,968
Recognition of additional creditor claims	**38,292,668**	-	**38,292,668**	-
Operating Profit / (loss) before changes in working capital and provisions:	**(13,739,270)**	7,918,166	**(13,739,270)**	7,918,166
Movement in inventories	**1,076,516**	(9,281,791)	**1,076,516**	(9,281,791)
Movement in trade and other receivables	**282,181**	(864,313)	**282,181**	(864,313)
Movement in trade and other payables	**16,394,452**	3,726,422	**16,394,452**	3,726,422
Movement in employee benefits	**36,904**	256,451	**36,904**	256,451
Movement in provisions	**3,855**	276,930	**3,855**	276,930
Net cash generated from operating activities	**4,054,638**	2,031,865	**4,054,638**	2,031,865

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

	CONSOLIDATED		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Cash on hand in bank	**197**	3,388,272	**197**	3,388,272
Commercial bills	**-**	3,988,832	**-**	3,988,832
Cash balances under the control of the Administrator a the Receiver and Manager	**2,313,153**	-	**2,313,153**	-
Net cash generated / (used) in operating activities	**2,313,350**	7,377,104	**2,313,350**	7,377,104

(c) Non Cash financing and investing activities
There were no non cash financing and investing activities undertaken by the Company during the year.

25. CONSOLIDATED ENTITIES

	Country of Incorporation	Class of Share	Interest held	
Parent Entity			2009 %	2008 %
Matrix Metals Limited				
Subsidiary				
Maxiforde Pty Ltd	Australia	Ord	100	100

In the financial statements of the Company, investments in controlled entities are measured at the lower of cost and net realisable value.

26. RELATED PARTIES

Prior to the Company entering voluntary administration, the following directors and senior executives had authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity:

Directors
Mr D Humann
Mr C Donner (resigned 28 October 2008)
Mr G Jones (resigned on 17 January 2011)
Mr R Hing (resigned 30 October 2008)
Mr R Procter (resigned 17 November 2008)
Mr S McBride (resigned on 10 January 2011)

Senior Executives
Mr I Goldberg – Company Secretary and Chief Financial Officer (resigned 5 December 2008)

On entering voluntary administration on 11 November 2008, no directors or other company employees had responsibility for planning, directing or controlling the activities of the Company. Consequently, the individuals listed above ceased being regarded as key management personnel with effect from 11 November 2008.

Details of remuneration paid to the directors and senior executives are set out below. The current period is 1 July 2008 to 11 November 2008 and the prior period is 1 July 2007 to 30 June 2008.:

	CONSOLIDATED		**THE COMPANY**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Short-term employee benefits	**254,354**	734,207	**254,354**	734,207
Post-employment benefits	**25,522**	89,664	**25,522**	89,664
Share-based payments	**-**	23,201	**-**	23,201
	279,876	847,072	**279,876**	847,072

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.

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 or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Equity Instruments

Options and rights over equity instruments

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the Employee Share Option Plan ("ESOP").

As a consequence of the Company entering voluntary administration on 11 November 2008, all options awarded under the ESOP lapsed.

26. RELATED PARTIES *(continued)*

Option Holdings

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

	Balance as at 1 July 2008	Granted as remuneration	Lapsed	Balance as at 30 June 2009	Vested and exercisable at 30 June 2009
Directors					
D Humann	-	-	-	-	-
S McBride	-	-	-	-	-
G Jones	-	-	-	-	-
C Donner	-	-	-	-	-
R Procter	-	-	-	-	-
R Hing	-	-	-	-	-
Senior Executives					
I Goldberg	600,000	-	(600,000)	-	-

The movement during the prior year in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, was as follows:

	Balance as at 1 July 2007	Granted as compensation	Expired	Balance as at 30 June 2008	Vested and exercisable at 30 June 2008
Directors					
D Humann	3,333,333	-	3,333,333	-	-
A Chapman	3,333,333	-	3,333,333	-	-
S McBride	3,333,333	-	3,333,333	-	-
G Jones	-	-	-	-	-
C Donner	-	-	-	-	-
R Procter	-	-	-	-	-
R Hing	-	-	-	-	-
Senior Executives					
I Goldberg	-	600,000	-	600,000	200,000

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 key management person, including their related parties, is as follows:

2009	Balance as at 1 July 2008	Purchases	Granted as Remuneration	Received on Option Exercise	Other	Balance as at 30 June 2009
Directors						
D Humann	3,247,619	750,000	-	-	-	3,997,619
S McBride	741,948	512,497	-	-		1,254,445
G Jones	-					
C Donner[1]	40,506,717	-	-	-	(40,506,717)	-
R Procter	-	-	-	-	-	-
R Hing	-	-	-	-	-	-
Senior Executives						
I Goldberg	-	-	-	-	-	-

26. RELATED PARTIES *(continued)*

2008	Balance as at 1 July 2007	Purchases	Granted as Remuneration	Received on Option Exercise	Sales	Balance as at 30 June 2008
Directors						
D Humann	2,768,494	479,125	-	-	-	3,247,619
S McBride	123,478	618,470	-	-	-	741,948
G Jones	-	-	-	-	-	-
C Donner[1]	61,932,748	-	-	-	(21,426,031)	40,506,717
R Procter	-	-	-	-	-	-
R Hing	-	-	-	-	-	-
Senior Executives						
I Goldberg	-	-	-	-	-	-

[1] Mr Donner resigned on 28 October 2008. The shareholding reflected at 1 July 2007, 1 July 2008 and throughout the 2008 financial year is the shareholding of an entity of which Mr Donner is a director.

27. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year and the date of this report, the following transactions have taken place:

- 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 Receiver and Manager was completed.
- On 16 November 2009, the Receiver and Manager of the Company entered into an agreement to sell the Leichhardt Copper Project to Cape Lambert Resources Limited. A deposit of $1 million was paid at that time. On 18 August 2010, the sale completed and the balance of the purchase price of $6.7 million was paid.
- On 23 December 2009, the Liquidators of the Company entered into an agreement to sell the White Range Project to Queensland Mining Corporation Limited for a consideration of $5 million. On 20 July 2010, the sale was completed.
- In August 2010, the Liquidators of the Company entered into a deed to recapitalise the Company. The process is subject to creditor, shareholder and regulatory approval.
- To facilitate the recapitalisation of the Company, it was necessary for the Company to be placed into voluntary administration. In September 2010, the Federal Court of Australia ordered that the liquidation of the Company be stayed and that the Liquidators be appointed Voluntary Administrators of the Company.
- On 1 November 2010, creditors resolved for the Company to execute a Deed of Company Arrangement ("DOCA"). The DOCA was executed on 9 November 2010, and the Administrators became Deed Administrators with immediate effect.

Other than the above, no event has arisen since 30 June 2009 that would be likely to materially affect the operations of the Consolidated Entity, or its state of affairs which have not otherwise been disclosed in this financial report.

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 Consolidated Entity's financial position as at 30 June 2009 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 Consolidated Entity is not a going concern.

Signed in accordance with a resolution of the directors.

Dated at Perth this 21st day of March 2011.

Jason Bontempo
Non-Executive Director

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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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement 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 the 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 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 2009 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 in pages 7 to 11 of the directors' report for the year ended 30 June 2009. 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 for the year ended 30 June 2009 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 and Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
21 March 2011

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 2008 to 30 June 2009; Prior Period: 1 July 2007 to 30 June 2008).

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

Details of board members, their experience, expertise, qualifications, term in office and independence status are set-out in the start to the Directors Report. 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 (2008: six) 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.

CORPORATE GOVERNANCE STATEMENT

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.

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

Audit committee
The audit committee comprises Mr G Jones, Mr C Donner and Mr R Hing. Details of their qualifications can be found in the directors' report. The audit committee met twice during the year. The charter sets out the roles and responsibilities of the audit committee and contains information on the procedures for the selection and rotation of the external auditor. The board believes the audit committee structure is appropriate given the company's size. The composition of the audit committee will be assessed on an ongoing basis in light of the company's overall board structure and strategic direction.

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.

CORPORATE GOVERNANCE STATEMENT

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.

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.

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 2011[1] 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.

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**

MATRIX METALS

LIMITED

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

ABN 42 082 592 235

ANNUAL REPORT

30 JUNE 2010

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

CORPORATE DIRECTORY

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

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the financial report of Matrix Metals Limited ("Matrix" or the "Company") and its controlled entity Maxiforde Pty Ltd (collectively referred to as the "Consolidated Entity"), for the financial year ended 30 June 2010 and the auditor's report thereon.

DIRECTORS

The names, qualification 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) and Fe Ltd (since August 2009).

Non-Executive Chairman of:
International Goldfields Ltd (since February 2009)
International Petroleum Ltd (NSX listed) (since January 2006)

Non-Executive Director of:
African Iron Limited (since January 2011) 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 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. Since 2006, he has worked with Cape Lambert Resources Limited on the acquisition and monetisation of mineral assets.

Other Current Listed Directorships

Non-Executive Director of:
Territory Resources Limited (since August 2008), 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 Ltd[1] (from August 2009 to present), Azumah Resources Ltd (from September 2007 to October 2009) and ABM Resources NL (July 2008 to December 2008)

[1] delisted from ASX in September 2010

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 Emporer Resources NL (since February 2011) and Glory Resources Limited (since June 2010)

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

Mr Humann is a Chartered Accountant with many years international experience predominantly with the accountancy firm, Pricewaterhouse Coopers ("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
Non-Executive Chairman of:
Mincor Resources NL (since November 2000), Braemore Resources Plc (since July 2005), Advanced Braking Technologies Ltd (since August 2006), and Logicamms Ltd (since 2007).

Previous Listed Directorships in the last three years
Monarch Gold Mining Company Ltd (2007-July 2008), India Resources 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 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.

DIRECTORS' REPORT

Other Current Listed Directorships
Managing Director of Brumby Resources Limited since February 2006. Non-Executive Director of Energy Metals Ltd since September 2008.

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 during the 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 2010; 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 2010.

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

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

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

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

DIRECTORS' MEETINGS

The directors who held office during the financial year ended 30 June 2010 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 consolidated loss after income tax for the financial year was $6,153,978 (2008: loss of $94,663,549).

DIRECTORS' REPORT

REVIEW OF OPERATIONS

As set out in the Company's June 2009 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 Touch Tohmatsu as Receivers and Managers; and
- on 18 June 2009, at the second meeting of creditors, creditors resolved for the Company to be wound up. Accordingly, the Administrators became the Liquidators with immediate effect.

During the current year, the following steps were taken in respect of disposing of the Company's assets:

- On 25 August 2009, the sale of EPM 14916, EPM 14281 and EPM 17000 (under application) to Deep Yellow Limited for $1.4 million facilitated by the Receivers and Managers was completed.
- On 16 November 2009, the Receivers and Managers of the Company entered into an agreement to sell the Leichhardt Copper Project to Cape Lambert Resources Limited. A deposit of $1 million was paid at that time.
- On 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.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year and the date of this report, the following transactions have taken place:

- 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.
- On 20 July 2010, the sale of the White Range Project to Queensland Mining Corporation Limited was completed.
- In August 2010, the Liquidators of the Company entered into a deed to recapitalise the Company. The process is subject to creditor, shareholder and regulatory approval.
- To facilitate the recapitalisation of the Company, it was necessary for the Company to be placed into voluntary administration. In September 2010, the Federal Court of Australia ordered that the liquidation of the Company be stayed and that the Liquidators be appointed Voluntary Administrators of the Company.
- On 1 November 2010, creditors resolved for the Company to execute a Deed of Company Arrangement ("DOCA"). The DOCA was executed on 9 November 2010, and the Administrators became Deed Administrators with immediate effect.

Other than the above, no event has arisen since 30 June 2010 that would be likely to materially affect the operations of the Consolidated Entity, or its state of affairs which have not otherwise been disclosed in this financial report.

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.

DIRECTORS' REPORT

REMUNERATION REPORT - audited

Principles of Remuneration - audited

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 of the Company.

Details of the remuneration paid or payable in the previous financial year to key management personnel (for the period 1 July 2008 to 31 October 2008[1]) are set out below:

	Short term				Post employment		
	Salary / Fees	Other Benefits	Bonus	Non-Monetary[2]	Superannuation	Non-Monetary	Total
Directors							
Mr D Humann[7]	**25,000**	**-**	**-**	**-**	**2,250**	**5,002**	**32,252**
Mr S McBride	**83,333**	**9,694**	**-**	**-**	**6,000**		**99,027**
Mr G Jones	**18,333**	**-**	**-**	**-**	**1,650**		**19,983**
Mr C Donner[3]	**18,333**	**-**	**-**	**-**	**1,650**		**19,983**
Mr R Hing[4]	**18,333**	**-**	**-**	**-**	**1,650**		**19,983**
Mr R Procter[5, 7]	**18,333**	**-**	**-**	**-**	**1,650**		**19,983**
Executives							
Mr I Goldberg[6]	**62,995**	**-**	**-**	**-**	**5,670**		**68,665**
Senior personnel							
Mr B Dennis	**68,099**	**-**	**-**	**-**	**6,129**		**74,228**
Mr R Jurak	**57,712**	**-**	**-**	**-**	**5,194**		**62,906**
Mr P Monaghan	**67,191**	**-**	**-**	**-**	**6,047**		**73,238**
Total	**437,662**	**9,694**	**-**	**-**	**37,890**	**5,002**	**490,248**

Notes

1) Directors and employees were paid up until 31 October 2008. The Company entered voluntary administration before the November 2008 salaries, wages and fees payments were made.
2) No amounts have been recognised for options that may have vested during the period as all options lapsed when the Company entered voluntary administration on 11 November 2008.
3) Mr Donner resigned on 28 October 2008.
4) Mr Hing resigned on 30 October 2008.
5) Mr Procter resigned 17 November 2008.
6) Mr Goldberg resigned on 5 December 2008.
7) A portion of amounts disclosed above payable to Messrs Humann and Proctor were still outstanding when the company went into administration, those amounts are treated as unsecured creditors for the purpose final payment of those outstanding amounts.

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 would 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 D 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.

DIRECTORS' REPORT

Mr S 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 (2009: Nil).

UNISSUED SHARES UNDER OPTION

At the date of this report there were no unissued ordinary shares of the Company under option (2009: 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 an extraordinary general meeting of shareholders to be held in the coming months. The Deed Administrators and the promoters of the recapitalisation are working together to obtain the necessary regulatory approvals.

DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock 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	-	-
Mr Humann	3,997,619	-

DIRECTORS' REPORT

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 9 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
Dated at Perth this 21st day of March 2011.

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Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as

Stantons International

Chartered Accountants and Consultants

21 March 2011

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

Dear Directors

RE: MATRIX METALS LIMITED

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

As Audit Director for the audit of the financial statements of Matrix Metals Limited for the year ended 30 June 2010, 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 sincerely

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

Martin Michalik

Martin Michalik
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Revenue	2	**-**	8,860,175
Cost of sales and operational expenditure	3	**(3,440,620)**	(20,132,784)
Other income	4	**200,934**	205,682
Corporate administration expenses		**(2,821,502)**	(2,960,818)
Impairment of assets		**-**	(40,993,282)
Recognition of additional creditor claims		**-**	(38,292,668)
Depreciation and amortisation		**-**	(8,125)
Results from operating activities		**(6,061,188)**	(93,321,820)
Financial expenses	21(a)	**(129,669)**	(1,457,020)
Financial income	21(a)	**36,879**	115,291
Loss before tax		**(6,153,978)**	(94,663,549)
Income tax expense	6	**-**	-
Loss for the year	19	**(6,153,978)**	(94,663,549)
Other comprehensive income net of tax		**-**	-
Total comprehensive loss for the year		**(6,153,978)**	(94,663,549)
Loss of the year attributable to:			
Equity holders of the parent		**(6,153,978)**	(94,663,549)
Total comprehensive loss of the year attributable to:			
Equity holders of the parent		**(6,153,978)**	(94,663,549)
Earnings per share attributable to the ordinary equity holders of the company:			
Basic loss per share (cents)	20	**(1)**	(12)
Diluted loss per share (cents)	20	**(1)**	(12)

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 2010

	Note	**2010** **$**	**2009** **$**
Current assets			
Cash and cash equivalents	8	**-**	197
Cash balances under the control of the Administrator and the Receiver and Manager		**1,741,119**	2,313,153
Trade and other receivables	9	**94,846**	1,162,378
Inventories	10	**95,000**	143,900
		1,930,965	3,619,628
Assets held for sale			
Property, plant and equipment	11	**1,704,645**	1,704,645
Exploration and evaluation	12	**10,950,355**	12,350,355
Tenement bonds and security deposits	13	**2,181,640**	2,179,140
Total current assets		**16,767,605**	19,853,768
Non-current assets			
Exploration and evaluation	12	**284,000**	284,000
Total non-current assets		**284,000**	284,000
Total assets		**17,051,605**	20,137,768
Current liabilities			
Trade and other payables	14	**64,616,475**	63,464,119
Loans and borrowings	15	**5,857,816**	3,600,000
Employee benefits	16	**156,800**	367,081
Provisions	17	**117,847**	117,847
		70,748,938	67,549,047
Liabilities associated with assets held for sale			
Employee benefits	16	**104,434**	104,434
Provisions	17	**888,737**	1,020,813
Total current liabilities		**71,742,109**	68,674,294
Non-current liabilities			
Provisions	17	**27,000**	27,000
Total non-current liabilities		**27,000**	27,000
Total liabilities		**71,769,109**	68,701,294
Net liabilities		**(54,717,504)**	(48,563,526)
Equity			
Issued capital	18	**67,701,455**	67,701,455
Accumulated losses	19	**(122,418,959)**	(116,264,981)
Total equity		**(54,717,504)**	(48,563,526)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	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)

	Issued Capital $	Accumulated losses $	Total $
Balance at 1 July 2008	67,701,455	(21,601,432)	46,100,023
Net loss for the year	-	(94,663,549)	(94,663,549)
Other comprehensive income / (expenditure)	-	-	-
Total comprehensive loss	-	(94,663,549)	(94,663,549)
Transactions with owners in their capacity as owners	-	-	-
Balance at 30 June 2009	67,701,455	(116,264,981)	(48,563,526)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Receipts from operations		**-**	10,027,241
Payments to suppliers and employees		**(4,435,997)**	(6,096,891)
Other income		**200,934**	180,682
Interest received		**36,879**	159,194
Interest paid		**(21,547)**	(215,588)
Net cash provided by/(used in) operating activities	23 (a)	**(4,219,731)**	4,054,638
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**-**	46,109
Proceeds from sale of exploration assets		**1,400,000**	-
Deposit received		**100,000**	-
Payments for:			
Property, plant and equipment	11	**-**	(6,153,831)
Tenement security deposits		**(2,500)**	(5,000)
Exploration and evaluation	12	**-**	(1,405,670)
Net cash from / (used in) investing activities		**1,497,500**	(7,518,392)
Cash flows from financing activities			
Repayment of borrowings		**-**	(1,600,000)
Proceeds from borrowings		**2,150,000**	-
Net cash from / (used by) financing activities		**2,150,000**	(1,600,000)
Decrease in cash and cash equivalents		**(572,231)**	(5,063,754)
Cash and cash equivalents at 1 July		**2,313,350**	7,377,104
Cash and cash equivalents at 30 June	23 (b)	**1,741,119**	2,313,350

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 2010, comprises the Company and its subsidiary (together referred to as the "Consolidated Entity").

The financial report was authorised for issue by the directors' on 21 March 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 2010; 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 2010.

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

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

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

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

(b) Going Concern

The directors have prepared this financial report on the basis that the 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.

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

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(b) Going Concern

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the annual reporting period ended 30 June 2010 are set out below. Unless otherwise stated, it is expected that there will be no impact on the Consolidated Entity on applying the new standards and interpretations once they are effective.

AASB 2009-5 [AASB 5, 8, 101, 107, 117, 118, 136 & 139] - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (application date: reporting periods ending on/after 1 January 2010)

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on the Consolidated Entity except for the following:

The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.

AASB 2009-8 [AASB 2] - Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions (application date: reporting periods ending on/after 1 January 2010)

This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.

The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation

The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

AASB 2009-9 - Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards (application date: reporting periods ending on/after 1 January 2010)*

The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

AASB 2009-11 - [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] - Amendments to Australian Accounting Standards arising from AASB 9(application date: reporting periods ending on/after 1 January 2013)

The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

- two categories for financial assets being amortised cost or fair value
- removal of the requirement to separate embedded derivatives in financial assets
- strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows
- an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition
- reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes
- changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income

AASB 2009-12 - [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] - Amendments to Australian Accounting Standards (application date: reporting periods ending on/after 1 January 2011)

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.

The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).

AASB 2009-13 - [AASB 1] - Amendments to Australian Accounting Standards arising from Interpretation 19 (application date: reporting periods ending on/after 1 January 2010)

This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.

(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 by all entities in the Consolidated Entity.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(e) Basis of consolidation

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.

(f) Revenue Recognition

Sales Revenue
Initial sales of copper cathode are 'provisionally priced', i.e. the selling price is subject to final adjustment at the end of a period which can be 60 days before shipment or 60 days after shipment of the copper, based on the market price at the relevant quotation point stipulated in the contract, this is common commercial practice for sales of base metals. Glencore International AG nominates the adjustment period to be either pre or post shipment every four months, at the beginning of the four month period. When the nominated period is post shipment, revenue on provisionally priced sales is recognised based on estimates of the fair value of the consideration receivable based on the market price as at the end of the quotation period.

At each reporting date provisionally priced metal is "marked to market" based on the closing forward London Metal Exchange ("LME") price as at the end of the quotation period. The selling price can be measured reliably as copper is an active and freely traded commodity on the LME and the value of product sold by the company is directly linked to the form in which it is traded on that market. The marking to market of provisionally priced sales contracts is recorded as an adjustment directly in revenue.

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

(g) 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.

(h) 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.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(h) Goods and services tax *(continued)*

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.

(i) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(j) 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 have not formed a tax-consolidated group.

(k) 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. This includes start up operations which are yet to earn revenues.

The Consolidated Entity has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not impacted on the number of reportable segments presented and there has been no impact on the measurement of the Consolidated Entity's assets and liabilities. Consistent with the prior year, the Consolidated Entity operates in one business segment and one geographical being exploration within Australia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(l) 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.

(m) Property, plant and equipment

Property, plant and equipment are stated at cost less provision for depreciation and any impairment in value. All such assets, except freehold land, are depreciated over their estimated useful lives on a straight line, reducing balance or production output basis, as considered appropriate, commencing from the time the asset is held ready for use. Depreciation is provided on a straight-line basis on plant and equipment from the date the item is ready for use.

Major depreciation periods are: Plant and equipment - 3 to 5 years, Mine properties - Units of production.

Useful Lives
Mine assets are depreciated or amortised over the lower of their estimated useful lives and the estimated remaining life of the mine. The estimated remaining life of the mine is based upon geological resources. Assets not linked to the mining operation are depreciated over their estimated useful lives.

Mine properties and development
Mine property assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest have been determined and include subsequent costs to develop the mine to the production phase. These may include expenditure incurred by the Consolidated Entity in the current and previous reporting periods. A review is undertaken at each reporting date for each mine property area of interest to determine the appropriateness of continuing to carry forward values in relation to that area. When expenditure carried forward no longer contributes to the Consolidated Entity's ability to successfully exploit an area of interest, such costs are written off in the financial period the decision is made.

Amortisation
Amortisation is charged to the Statement of Comprehensive Income, except to the extent that it is included in the carrying amount of another asset as an allocation of production overheads.

Amortisation is normally calculated using the units of production basis with metal extracted from the mine in the period as a percentage of the total quantity of metal to be extracted in current and future periods based on proved and probable reserves and other mineral resources. Such non reserve material may be included in amortisation calculations in limited circumstances where there is a high degree of confidence in its economic extraction. Amortisation is not charged on costs carried forward in respect of interest in the development phase until commercial production commences.

(n) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(o) Inventories

Work in progress ("WIP") and finished goods
WIP and finished goods are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of mining inventories is determined using a weighted average basis. Cost includes direct material, removal of waste and overburden material, mining, labour, related transportation costs to the point of processing, mine rehabilitation costs incurred in the extraction process and other fixed and variable overhead costs directly related to mining activities.

Stores
Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value. Cost is assigned on a weighted average basis.

(p) Investments

Investments in controlled entity are carried in the Company's financial statements at the lower of cost and recoverable amount.

(q) 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 will be 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. The Statement of Comprehensive Income will recognise expenses arising from the excess of the carrying values of exploration and evaluation assets over the recoverable amounts of the assets.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(r) 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 (see below).

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 discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

(s) Share capital transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(t) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled within 60 days.

(u) 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.

Share-based payment transactions
The Employee Share Option Plan allows employees to acquire shares in the Company. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

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.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(v) 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.

(w) 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, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- taxation
- provisions
- property, plant and equipment
- exploration and evaluation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 $	2009 $
2. REVENUE		
Sales	-	8,860,175

3. COST OF SALES AND OPERATIONAL COSTS

	2010	2009
Depreciation and amortisation	-	1,630,204
Camp costs	**41,467**	153,159
Consultants	**1,804,509**	788,055
Consumables	**368,650**	3,675,894
Freight and cartage	-	3,286,646
Hire and maintenance costs	**159,715**	1,045,742
Staff costs	**875,535**	4,242,910
Other	**190,744**	5,310,174
	3,440,620	20,132,784

4. OTHER INCOME

	2010	2009
Exclusivity fees received	**200,000**	190,000
Other	**934**	15,682
	200,934	205,682

5. AUDITOR'S REMUNERATION

	2010	2009
Fees paid or payable to Stantons International		
Audit and review of financial reports	**15,000**	20,000
	15,000	20,000

6. INCOME TAX BENEFIT

	2010	2009
Reconciliation between tax expense and pre-tax profit		
Accounting profit / (loss) before tax	**(6,153,978)**	(94,663,549)
At the statutory income tax rate of 30% (2009: 30%)	**(1,846,193)**	(28,399,065)
Adjusted for:		
Non-deductible expenses	-	23,785,785
Temporary differences not recognised	**1,846,193**	4,613,280
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 consolidated entity can utilise the deferred tax asset.

7. SEGMENT INFORMATION

The Company has not actively traded 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 mining and exploration within Australia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009 $	2009 $
8. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**-**	197
9. TRADE AND OTHER RECEIVABLES		
Other receivables	**94,846**	1,162,378
10. INVENTORIES		
Consumable supplies at cost	**95,000**	143,900

11. 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	
	2010 $	**2009 $**
Opening carrying value	**1,704,645**	28,094,111
Additions	**-**	6,153,831
Disposals	**-**	(46,109)
Amortisation and depreciation	**-**	(1,638,329)
Impairment	**-**	(30,858,859)
Closing carrying value (net realisable value)	**1,704,645**	1,704,645

As at 30 June 2010, all of the Consolidated Entity's plant and equipment and mine properties and development is classified as held for sale, which is consistent with the position at 30 June 2009. In August 2010, the plant and equipment was sold at its net realisable value of $1,704,645.

	2010 $	2009 $
12. EXPLORATION AND EVALUATION EXPENDITURE		
Carrying value at the beginning of the year	**12,634,355**	12,918,040
Additions	**-**	1,405,670
Disposals[2]	**(1,400,000)**	-
Impairment charge[1]	**-**	(1,689,355)
Carrying value at the end of the year	**11,234,355**	12,634,355
Current		
Carrying value of exploration assets held for sale	**10,950,355**	12,350,355
Non current		
Carrying value of exploration assets held as long term interest	**284,000**	284,000
	11,234,355	12,634,355

[1] As a consequence of the Company entering into voluntary administration on 11 November 2008, the Company's exploration assets were written down to their net realisable value in the year ended 30 June 2009.

[2] Sale of tenements to Deep Yellow Limited which completed on 25 August 2009.

13. TENEMENT BONDS AND SECURITY DEPOSITS

	2010 $	2009 $
Security deposits	**2,181,640**	2,179,140

14. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Trade payables and accrued expenses	**25,980,978**	24,623,486
Accrual for additional creditor claims received[1]	**38,292,668**	38,292,668
Employee entitlements	**242,829**	547,965
Deposits received	**100,000**	-
	64,616,475	63,464,119

[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.

15. LOANS AND BORROWINGS

	2010 $	2009 $
Secured Loan[1]	**3,600,000**	3,600,000
Loan funds provided to Reveiver and Manager by secured creditor[2]	**2,257,816**	**-**
	5,857,816	**3,600,000**

[1]The 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 attracts 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.

16. EMPLOYEE BENEFITS

	2010 $	2009 $
Current		
Liability for annual leave	**136,375**	346,656
Liability for long service leave	**20,425**	20,425
	156,800	367,081
Liability for annual and long service leave classified as liabilities associated with assets held for sale	**104,434**	104,434
Total liability for annual leave	**261,234**	471,515

Defined contribution superannuation funds

The Consolidated Entity makes contributions to defined contribution superannuation funds on behalf of its employees. The amount recognised as expense was $91,700 for the financial year ended 30 June 2010 (2009: $259,474).

17. PROVISIONS

	Rehabilitation		Retirement Benefit	
	2010	2009	2010	2009
	$	$	$	$
Balance at beginning of year	**1,047,813**	1,048,960	**117,847**	112,845
Provisions made / (released) during the year	**(132,076)**	(1,147)	**-**	5,002
Balance at end of year	**915,737**	1,047,813	**117,847**	117,847
Current				
Retirement benefit	**-**	-	**117,847**	117,847
Rehabilitation provision associated with exploration assets held for sale	**888,737**	1,020,813	**-**	-
	888,737	1,020,813	**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 (v) 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.

18. ISSUED CAPITAL

	2010		2009	
	$	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 2010: Nil (2009: Nil).

	2010 $	2009 $
19. ACCUMULATED LOSSES		
Balance at beginning of period	**(116,264,981)**	(21,601,432)
Equity settled share based payments		
Total recognised income and expense	**(6,153,978)**	(94,663,549)
Balance at end of period	**(122,418,959)**	(116,264,981)

20. LOSS PER SHARE

	2010	2009
Basic loss per share (cents)	**(1)**	(12)
Diluted loss per share (cents)	**(1)**	(12)

The calculation of basic and diluted loss per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $6,153,978 (2009: loss of $94,663,549) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 807,534,380 (2009: 807,534,380).

21. 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.

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	9	-	94,846	94,846
Tenement bonds and security deposits	13	700,000	1,481,640	2,181,640
		2,441,119	1,576,486	4,017,605
Financial liabilities				
Payables	14	-	64,616,575	64,616,575
Secured Loan	15	5,857,816	-	5,857,816
		5,857,816	64,616,575	70,474,391

21. FINANCIAL INSTRUMENTS *(continued)*

(a) Interest rate risk

2009	Note	**Floating Interest Rate $**	**Non-interest bearing $**	**Total $**
Financial assets				
Cash	8	-	197	197
Cash balances under the control of the Administrator and the Receiver and Manager		2,313,153	-	2,313,153
Receivables	9	-	1,162,378	1,162,378
Tenement bonds and security deposits	13	700,000	1,479,140	2,179,140
		3,013,153	2,641,715	5,654,868
Financial liabilities				
Payables	14	-	63,464,119	63,464,119
Secured Loan	15	3,600,000	-	3,600,000
		3,600,000	63,464,119	67,064,119

Finance income and Expenses

	2010 $	**2009 $**
Interest income on bank deposits	**36,879**	115,291
Finance income	**36,879**	115,291
Unwinding of discount on rehabilitation provision	**-**	-
Foreign exchange forward contracts	**-**	1,227,340
Interest expense on financial liabilities	**129,363**	215,588
Withholding tax and other	**306**	14,092
Finance expense	**129,669**	1,457,020

(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, of the Company and the Consolidated Entity, which have been recognised in 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 and the Consolidated Entity 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.

21. FINANCIAL INSTRUMENTS *(continued)*

(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.

(e) Commodity price risks

Under the terms of the Glencore Offtake Agreement, the Company was exposed to movements in the copper prices on unfinalised sales. There were no sales in the current year as a consequence of the Company entering voluntary administration on 11 November 2008.

22. COMMITMENTS

Operating lease Commitments

The Company had no operating lease commitments as at 30 June 2010 (30 June 2009: 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 2010 (30 June 2009: 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.

23. CASH FLOW INFORMATION

(a) Reconciliation of cash flows from operating activities

	2010 $	2009 $
Cash flows from operating activities		
Loss for the period	**(6,153,978)**	(94,663,549)
Adjustments for:		
Depreciation and Amortisation	**-**	1,638,329
Interest capitalised to loan account (not paid)	**107,815**	-
Impairment of assets	**-**	40,993,282
Recognition of additional creditor claims	**-**	38,292,668
Operating loss before changes in working capital and provisions:	**(6,046,163)**	(13,739,270)
Movement in inventories	**48,900**	1,076,516
Movement in trade and other receivables	**1,067,531**	282,181
Movement in trade and other payables	**1,052,356**	16,394,452
Movement in employee benefits	**(210,280)**	36,904
Movement in provisions	**(132,075)**	3,855
Net cash generated / (used) in operating activities	**(4,219,731)**	4,054,638

23. CASH FLOW INFORMATION *(continued)*

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

	2010	2009
	$	$
Cash on hand in bank	-	197
Cash balances under the control of the Administrator and the Receiver and Manager	**1,741,119**	2,313,153
	1,741,119	2,313,350

(c) Non Cash financing and investing activities
There were no non cash financing and investing activities undertaken by the Company during the year.

24. 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.

Amounts paid in the previous financial year to directors and executives (for the period 1 July 2008 to 11 November 2008) are set out below:

	$
Short-term employee benefits	254,354
Post-employment benefits	**25,522**
Share-based payments	-
	279,876

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.

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 or the consolidated entity 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 will nil options on issue at 30 June 2010 (30 June 2009: Nil).

The movement during the prior year in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, was as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

24. RELATED PARTIES *(continued)*

	Balance as at 1 July 2008	Granted as remuneration	Lapsed	Balance as at 30 June 2009	Vested and exercisable at 30 June 2009
Directors					
D Humann	-	-	-	-	-
S McBride	-	-	-	-	-
G Jones	-	-	-	-	-
C Donner	-	-	-	-	-
R Procter	-	-	-	-	-
R Hing	-	-	-	-	-
Senior Executives					
I Goldberg	600,000	-	(600,000)	-	-

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 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	-	-	-	-	-	

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 2008	Purchases	Granted as Remuneration	Received on Option Exercise	Other	Balance as at 30 June 2009
Directors						
D Humann	3,247,619	750,000	-	-	-	3,997,619
S McBride	741,948	512,497	-	-	-	1,254,445
G Jones	-					
C Donner[1]	40,506,717	-	-	-	(40,506,717)	-
R Procter	-	-	-	-	-	-
R Hing	-	-	-	-	-	-
Senior Executives						
I Goldberg	-	-	-	-	-	-

[1] Mr Donner resigned on 28 October 2008. The shareholding reflected at 1 July 2008 is the shareholding of an entity of which Mr Donner is a director.

25. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year and the date of this report, the following transactions have taken place:

- 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.
- On 23 December 2009, the Liquidators of the Company entered into an agreement to sell the White Range Project to Queensland Mining Corporation Limited for a consideration of $5 million. On 20 July 2010, the sale completed.
- In August 2010, the Liquidators of the Company entered into a deed to recapitalise the Company. The process is subject to creditor, shareholder and regulatory approval.
- To facilitate the recapitalisation of the Company, it was necessary for the Company to be placed into voluntary administration. In September 2010, the Federal Court of Australia ordered that the liquidation of the Company be stayed and that the Liquidators be appointed Voluntary Administrators of the Company.
- On 1 November 2010, creditors resolved for the Company to execute a Deed of Company Arrangement (“DOCA”). The DOCA was executed on 9 November 2010, and the Administrators became Deed Administrators with immediate effect.

Other than the above, no event has arisen since 30 June 2010 that would be likely to materially affect the operations of the Consolidated Entity, or its state of affairs which have not otherwise been disclosed in this financial report.

26. PARENT ENTITY INFORMATION

a) Summary financial information

	2010 $	2009 $
Statement of financial position		
Current assets	**16,767,605**	19,853,768
Total assets	**17,051,605**	20,137,768
Current liabilities	**71,742,109**	68,674,294
Total liabilities	**71,769,109**	68,701,294
Shareholder’s equity		
Issued capital	**67,701,455**	67,701,455
Retained earnings	**(122,418,959)**	(116,264,981)
Net loss for the year	**(6,153,978)**	(94,663,549)
Total comprehensive loss	**(6,153,978)**	(94,663,549)

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 (2009: Nil).

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 Consolidated Entity's financial position as at 30 June 2010 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 Consolidated Entity is not a going concern.

Signed in accordance with a resolution of the directors.

Dated at Perth this 21st day of March 2011.

Jason Bontempo
Non-Executive Director

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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 2010, and the statement of comprehensive income, statement of changes in equity and statement of cashflows 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 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 2010 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 in pages 6 to 8 of the directors' report for the year ended 30 June 2010. 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 for the year ended 30 June 2010 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 and Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
21 March 2011

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 2009 to 30 June 2010; Prior Period: 1 July 2008 to 30 June 2009).

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.

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.

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.

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 2011[1] 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.

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**