

MATRIX METALS LIMITED

ABN 42 082 593 235

Half-Year Financial Report

31 December 2011

MATRIX METALS LIMITED**CORPORATE DIRECTORY**

<p>Directors Joe Ariti (Executive Director) Antony Sage (Non-Executive Director) Jason Bontempo (Non-Executive Director)</p> <p>Company Secretary Fiona Taylor</p>	<p>Registered Office Level 1, 2 Ord Street West Perth WA 6005</p> <p>Telephone: (08) 9211 0600 Facsimile: (08) 9322 2631</p>
<p>Share registry Advanced Share Registry Services 150 Stirling Highway Nedlands Western Australia 6009 Telephone: (08) 9389 8033 Facsimile: (08) 9389 7871</p>	<p>Auditors Stantons International Level 2, 1 Walker Avenue West Perth Western Australia 6005</p>
<p>Stock Exchange Listing The Company's shares are on the official list of the Australian Securities Exchange Home exchange: Perth ASX Code – MRX</p>	<p>Website www.matrixmetals.com.au</p>

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MATRIX METALS LIMITED

DIRECTORS' REPORT

The directors present their report together with the financial report of Matrix Metals Limited ("Matrix" or the "Company") for the half-year ended 31 December 2011 and the auditor's review report thereon.

DIRECTORS

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

Mr Joe Ariti
Mr Antony Sage
Mr Jason Bontempo

RESULT

The net profit for the half-year was \$56,464,557 (2010 loss: \$2,301,129).

REVIEW OF OPERATIONS

During the half-year ended 31 December 2011, the following important milestones were achieved:

- On 27 October 2011, Gary Doran and John Greig of Deloitte Touche Tohmatsu retired as the Receiver and Manager of the Company. The Receiver and Manager had been appointed on 14 November 2008 by the Company's secured creditor, Glencore International AG.
- On 25 November 2011, the Company's shareholders approved a proposal to recapitalise the Company, which included a share consolidation on a 1:50 basis, the issue of 250,000,000 new shares to the proponents of the recapitalisation proposal ("Proponents") to raise \$1,950,000, the issue of 40,000,000 unlisted options to the proponents to raise \$1,000 and the issue of 20,000,000 shares to the Trustee of the Creditors Trust.
- On 12 December 2011, the consolidation of the Company's ordinary shares on a 1:50 basis was completed.
- On 12 December 2011, the Deed of Company Arrangement (entered into in November 2010) was effectuated and the Company was released from external Administration.
- On 13 December 2011, EPM 17910 was granted to the Company.
- On 13 December 2011, the Company lodged a prospectus to raise \$2,151,000 (before costs).
- On 21 December 2011, the Company confirmed that the offers under the prospectus had closed fully subscribed and that 270,000,000 ordinary shares and 40,000,000 unlisted options had been issued raising \$2,151,000 (before costs).

EVENTS SUBSEQUENT TO BALANCE DATE

On 4 January 2012, Joe Ariti was appointed as the Executive Director of the Company and on 11 January 2012, the Company was reinstated to quotation on the Australian Securities Exchange.

On 6 February 2012, EPM 17907 was granted to the Company, and on 7 February, EPM 17904 was granted to the Company.

Other than the above, no event has arisen since 31 December 2011 that would be likely to materially affect the operations of the Company, or its state of affairs which have not otherwise been disclosed in this financial report.

MATRIX METALS LIMITED

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 4 of the financial report.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Joe Ariti". The signature is written in a cursive, flowing style.

Joe Ariti

Executive Director

Dated at Perth this 14th day of March 2012.

14 March 2012

Board of Directors
Matrix Metals Limited
Level 1, 2 Ord Street
WEST PERTH WA 6000

Dear Directors

RE: MATRIX METALS LIMITED

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

As Audit Director for the review of the financial statements of Matrix Metals Limited for the six months ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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



Martin Michalik
Director

MATRIX METALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	December 2011	December 2010
Other income	3	57,965,089	285,760
Care and maintenance costs		(275,647)	(474,542)
Tenement administration costs		(84,189)	(76,470)
Employee benefits costs		(15,235)	(152,926)
Occupancy costs		-	(146,613)
Administration costs		(52,563)	(115,505)
Consultants costs		(133,505)	(353,432)
Compliance costs		(86,214)	(21,324)
Fees paid to Administrator and Receiver and Manager		(250,578)	(1,199,927)
Finance costs		(359,601)	(46,150)
Impairment losses		(243,000)	-
Profit / (loss) before tax		56,464,557	(2,301,129)
Income tax expense		-	-
Profit / (loss) after tax		56,464,557	(2,301,129)
Other comprehensive income / (expenditure) net of tax		-	-
Total comprehensive income / (loss) for the period		56,464,557	(2,301,129)
Profit /(loss) from continuing operations after income tax attributable to:			
Equity holders of the parent		56,464,557	(2,301,129)
Total comprehensive profit / (loss) attributable to:			
Equity holders of the parent		56,464,557	(2,301,129)
Earnings per share attributable to the ordinary equity holders of the company:			
Basic (loss)/earnings per share (cents)		7.63	(0.28)
Diluted (loss)/earnings per share (cents)		7.63	(0.28)

The accompanying notes form part of this financial report.

MATRIX METALS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	31 December 2011 \$	30 June 2011 \$
Current assets			
Cash and cash equivalents		2,154,407	-
Cash balances under the control of the Administrator and the Receiver and Manager		-	5,089,143
Trade and other receivables		1,019	26,713
		<u>2,155,426</u>	<u>5,115,856</u>
Assets held for sale			
Tenement bonds and security deposits		-	728,267
Total current assets		<u>2,155,426</u>	<u>5,844,123</u>
Non-current assets			
Tenement bonds and security deposits		20,020	-
Exploration and evaluation	4	41,000	284,000
Total non-current assets		<u>61,020</u>	<u>284,000</u>
Total assets		<u>2,216,446</u>	<u>6,128,123</u>
Current liabilities			
Trade and other payables		56,331	61,925,784
Loans and borrowings		933,624	1,600,000
Employee benefits		-	64,096
Provisions		-	117,847
Total current liabilities		<u>989,955</u>	<u>63,707,727</u>
Non-current liabilities			
Provisions		27,000	27,000
Total non-current liabilities		<u>27,000</u>	<u>27,000</u>
Total liabilities		<u>1,016,955</u>	<u>63,734,727</u>
Net assets / (liabilities)		<u>1,199,491</u>	<u>(57,606,604)</u>
Equity			
Issued capital	5	70,041,993	67,701,455
Reserves		1,000	-
Accumulated losses		(68,843,502)	(125,308,059)
Total equity		<u>1,199,491</u>	<u>(57,606,604)</u>

The accompanying notes form part of this financial report.

MATRIX METALS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2011	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2011	67,701,455	-	(125,308,059)	(57,606,604)
Net profit for the year	-	-	56,464,557	56,464,557
Other comprehensive income / (expenditure)	-	-	-	-
Total comprehensive income	-	-	56,464,557	56,464,557
Transactions with owners in their capacity as owners				
Issue of shares pursuant to Deed of Company Arrangement	200,000	-	-	200,000
Issue of shares and options pursuant to a prospectus (net of costs)	2,140,538	1,000	-	2,141,538
Balance at 31 December 2011	70,041,993	1,000	(68,843,502)	1,199,491
For the half-year ended 31 December 2010	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2010	67,701,455	-	(122,418,959)	(54,717,504)
Net loss for the year	-	-	(2,301,129)	(2,301,129)
Other comprehensive income / (expenditure)	-	-	-	-
Total comprehensive loss	-	-	(2,301,129)	(2,301,129)
Transactions with owners in their capacity as owners	-	-	-	-
Balance at 31 December 2010	67,701,455	-	(124,720,088)	(57,018,633)

The accompanying notes form part of this financial report.

MATRIX METALS LIMITED

STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	December 2011 \$	December 2010 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,263,590)	(4,950,564)
Other revenue received		-	4,526
Interest received		95,003	85,820
Interest paid		(359,601)	-
Net cash used in operating activities		<u>(1,528,188)</u>	<u>(4,860,218)</u>
Cash flows from investing activities			
Proceeds on disposal of exploration assets		-	8,350,355
Proceeds on disposal of plant and equipment		-	1,704,645
Proceeds on disposal of equity interests		-	2,525,150
Environmental performance bonds refunded		686,929	-
Environmental performance bonds put in place		(15,020)	-
Net cash from investing activities		<u>671,909</u>	<u>12,580,150</u>
Cash flows from financing activities			
Proceeds from issue of shares and options		2,151,000	-
Payment of capital raising costs		(9,462)	-
Distribution to secured creditor		-	(2,000,000)
Loan funding received		833,624	-
Repayment of borrowings		(1,600,000)	(2,257,816)
Cash balances previously under the control of the Administrator transferred to the Creditors Trust		(3,453,619)	-
Net cash used in financing activities		<u>(2,078,457)</u>	<u>(4,257,816)</u>
(Decrease) / increase in cash and cash equivalents		(2,934,736)	3,462,116
Cash and cash equivalents at 1 July		<u>5,089,143</u>	<u>1,741,119</u>
Cash and cash equivalents at 31 December	6	<u>2,154,407</u>	<u>5,203,235</u>

The accompanying notes form part of this financial report.

1. SUMMARY OF ACCOUNTING POLICIES

Matrix Metals Limited is a company domiciled in Australia.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2011.

The interim financial report was authorised for issue by the directors' on 14 March 2012.

(a) Incomplete Records

The management and affairs of the Company was under the control of a Receiver and Manager and an Administrator from November 2008 until the Company was released from external administration on 12 December 2011, and has been under the control of the Company's directors since that date.

This financial report was prepared by directors who were not in office at the time the Company entered voluntary administration.

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 12 December 2011 (the date on which the Deed of Company Arrangement was effectuated); 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 27 October 2011 (the date on which the Receiver and Manager retired).

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, the directors have prepared the financial information for the periods presented in this financial report to the best of their knowledge based on the information made available to them up to the date of retirement of the Receiver and Manager (27 October 2011), and effectuation of the Deed of Company Arrangement (12 December 2011).

Given that the directors were not in control of the management and affairs of the Company until 12 December 2011, they are of the opinion that it is not possible to state that the financial information 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.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation

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

The accounting policies have been applied consistently by the Company.

(c) Significant accounting policies

The accounting policies applied by the Company in this interim financial report are consistent with those applied by the Company in its financial report as at and for the year ended 30 June 2011.

Critical Judgements in Applying the Company's Accounting Policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and Evaluation

The application of Company's accounting policy for exploration and evaluation (which is set out in the Company June 2011 Annual Report) necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is written off in the statement of comprehensive income.

During the half-year ended 31 December 2011, management have recognised impairment losses in respect of capitalised exploration and evaluation expenditure of \$243,000.

2. SEGMENT INFORMATION

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

MATRIX METALS LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	December 2011 \$	December 2010 \$
3. OTHER INCOME		
Interest received	95,003	85,820
Profit on sale of shares	-	25,150
Tenement rent refunds received	-	170,264
Gain on transfer of net liabilities to the Creditors Trust	57,851,606	-
Other income	18,480	4,526
	<u>57,965,089</u>	<u>285,760</u>

4. EXPLORATION AND EVALUATION EXPENDITURE

Carrying value at the beginning of the period	284,000	11,234,355
Disposals	-	(10,950,355)
Impairment losses	(243,000)	-
Carrying value at the end of the period	<u>41,000</u>	<u>284,000</u>

5. ISSUED CAPITAL

	31 December 2011		30 June 2011	
	\$	No. of shares	\$	No. of shares
Issued and paid up capital	<u>70,041,993</u>	<u>306,151,329</u>	67,701,455	807,534,380
Balance at beginning of period	67,701,455	807,534,380	67,701,455	807,534,380
Reduction in shares on issue due to share consolidation	-	(791,383,051)		
Shares issued pursuant to Deed of Company Arrangement	200,000	20,000,000	-	-
Shares issued pursuant to a prospectus	2,150,000	270,000,000	-	-
Capital raising costs	(9,462)	-	-	-
Balance at end of period	<u>70,041,993</u>	<u>306,151,329</u>	67,701,455	807,534,380

Terms and conditions

Holder 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.

At 31 December 2011, there were 40,000,000 unlisted options on issue over ordinary shares with an exercise price of \$0.005 and an expiry date of 31 December 2016 (31 December 2010 and 30 June 2011: Nil option on issue).

MATRIX METALS LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

6. CASH FLOW INFORMATION

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

	December 2011	December 2010
	\$	\$
Cash on hand in bank	2,154,407	-
Cash balances under the control of the Administrator and Receiver and Manager	-	5,203,235
	<u>2,154,407</u>	<u>5,203,235</u>

7. EVENTS SUBSEQUENT TO BALANCE DATE

On 4 January 2012, Joe Ariti was appointed as the Executive Director of the Company and on 11 January 2012, the Company was reinstated to quotation on the Australian Securities Exchange.

On 6 February 2012, EPM 17907 was granted to the Company, and on 7 February, EPM 17904 was granted to the Company.

Other than the above, no event has arisen since 31 December 2011 that would be likely to materially affect the operations of the Company, or its state of affairs which have not otherwise been disclosed in this financial report.

MATRIX METALS LIMITED

DIRECTORS' DECLARATION

1. In the opinion of the directors of Matrix Metals Limited:
 - (a) as set out in note 1(a), although the directors have prepared the interim financial statements and notes thereto to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the interim financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Signed in accordance with a resolution of the directors.

Dated at Perth this 14th day of March 2012.



Joe Ariti
Executive Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MATRIX METALS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Matrix Metals Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Matrix Metals Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Matrix Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Matrix Metals Limited on 14 March 2012.

Basis for Disclaimer of Auditor's Review Opinion

The company were placed into administration on 11 November 2008. Consequently, the financial information relating to the period under review, was not subject to the same accounting and internal controls processes, which includes the implementation and maintenance of internal controls, that are relevant to the preparation and fair presentation of the financial report. Whilst the books and records of the company 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.

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 Review Opinion

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

- (i) giving a true and fair view of the entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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

Stantons International Audit & Consulting Pty Ltd.



Martin Michalik
Director

West Perth, Western Australia
14 March 2012