

Circular to Shareholders

Matrix Metals Limited
(Subject to Deed of Company Arrangement)
(In liquidation) (Receivers and Managers Appointed)
ACN 082 593 235
("the Company")

1. Recapitalisation of the Company

In August 2010, the Liquidators of the Company entered into a deed to recapitalise the Company. If successful, this will result in the Company being relisted on the Australian Securities Exchange.

The process is subject to creditor, shareholder and regulatory approval. By creditors resolving to execute a deed of company arrangement (see below), creditor approval has been obtained.

Shareholder approval will be sought at an extraordinary general meeting of shareholders most likely to be held in early 2011. A notice of meeting will be distributed in due course. Both the Deed Administrators and the promoters of the recapitalisation are working together to obtain regulatory approval.

2. Appointment of Deed Administrators

To facilitate the recapitalisation of the Company, it was necessary for the Company to be placed into Voluntary Administration.

On 16 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.

At a meeting of creditors, held on Monday 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 of the Company with immediate effect.

3. Important Information for Shareholders

3.1 Suspension of Trading

As previously advised shares remain suspended for trading. The suspension will remain in place until either the Company is successfully restructured or the Company is de-listed from the ASX. The latter is likely to only occur should a restructure not be possible.

3.2 Transfer of Shares

Pursuant to section 468A of the Corporations Act, a transfer of shares in a company, or an alteration in the status of the members of a company that is made during the liquidation of a company, is void except so far as the Deed Administrator consents or the Court orders.

3.3 Capital Gains Tax

The *Income Tax Assessment Act 1997* allows a Liquidator, in certain circumstances, to declare shares or financial instruments worthless, with the effect of creating a capital loss on the shareholding.

Pursuant to Schedule 8 - CGT Event G3 to the *Taxation Laws Amendments (2004 Measure Number 6) Act 2005*, a Liquidator can only make this declaration if there is no likelihood that shareholders in the company, or shareholders of the relevant class of shares, will receive any further distribution for their shares. Accordingly, I am not in a position to make such a declaration.

4. Further Information

Should you require any further information on the Administration, please note that updates will be placed on the Matrix Metals website www.matrixmetals.com.au from time to time. Further explanatory information for shareholders may also be found in the ASIC insolvency information sheet available from their website at www.asic.gov.au/insolvencyinfosheets.

Should you wish to discuss your enquiries with someone from the Liquidators' offices, please contact Ms Georgia White at Ernst & Young on 08 9429 2222.



Vincent Smith
Joint and Several Deed Administrator

26 November 2010