MATRIX METALS

LIMITED

ABN 42 082 592 235

DIRECTORS' REPORT

AND

FINANCIAL REPORT

30 JUNE 2007

Corporate Directory

Directors

David Humann
Chairman

Shane McBride
Chief Executive Officer
and Managing Director

Geoff Jones
Non Executive Director

Clive Donner
Non Executive Director

Ronald Hing
Non Executive Director

Richard Procter
Non Executive Director

Company Secretary
Ian Goldberg

Registered and Principal Office

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West Perth
Western Australia 6005

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Western Australia 6872

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Share Registry

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110 Stirling Highway
Nedlands
Western Australia 6009
Telephone: (08) 9221 7288
Facsimile: (08) 9221 7869

Corporate Advisor

Hartleys Limited
Level 6, Hartleys Building
141 St George's Terrace
Perth
Western Australia 6000

Lawyers

Blake Dawson Waldron
Level 2
Exchange Plaza
2 The Esplanade
Perth
Western Australia 6000

Auditors

KPMG
Level 31, Central Park
152 – 158 St George's Terrace
Perth
Western Australia 6000

Contents

Directors' Report

The directors present their report together with the financial report of Matrix Metals Limited ("the Company") and of the consolidated entity, being the Company and its controlled entity, for the financial year ended 30 June 2007 and the auditor's report thereon.

DIRECTORS

The names, qualification and independence status of the directors of Matrix Metals Limited holding office at any time during or since the end of the financial year are:

Mr David J. Humann. FCA, FCPA, FAICD Appointed 21 March 2000
Age: 68, Independent Non-Executive Chairman

Mr Humann is a Chartered Accountant and Certified Practicing Accountant with 45 years international experience predominantly with the accountancy firm, PricewaterhouseCoopers. He was a member of Pricewaterhouse 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 Pricewaterhouse - 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 Ltd (since November 2000), Braemore Resources Plc (since July 2005) and Safe Effect Technologies Ltd (since August 2006).
Non Executive Director of:
Exxaro Australia Sands Pty Limited (since August 2000), Monarch Gold Mining Company Ltd (since March 2007), India Resources Ltd (since April 2007).

Previous Listed Directorships in the last three years
Tethyan Copper Company Limited (2003-2006), Jupiter Energy Ltd (2003-2005) and MacMahon Holdings Limited (July 2000-2006).

Special Responsibilities
Chairman of Remuneration committee

Mr Shane B. McBride. BBus., FCPA, FCIS, MAICD Appointed 28 February 2007
Age: 48, Chief Executive Officer and Managing Director

Mr McBride has 26 years of commercial management experience, including 21 years experience in the resources industry. This experience has been gained in several listed Australian public companies in the disciplines of corporate management, management and financial accounting, project development and mine site operations 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 of Chartered Secretaries and Administrators, and is a Member of the Australian Institute of Directors.

DIRECTORS (continued)

Mr McBride was previously the chief financial officer and company secretary of Matrix Metals Ltd from 2 February 2000 until 28 February 2007.

Other Current Listed Directorships
None

Previous Listed Directorships in the last three years
None

Special Responsibilities
None

Mr Geoff M. Jones. BE (Civil), FIEAust, CPEng Appointed 17 October 2006
Age: 45, Independent Non-Executive Director

Mr Jones is a Fellow of the Institution of Engineers, with a Bachelor of Engineering (Civil) degree. He has over 22 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 December 2006 and a Non-Executive Director of Adamus Resources Limited since March 2006.

Previous Listed Directorships in the last three years
None

Special Responsibilities
Member of the Remuneration committee and the Audit committee.

Mr Clive Donner. B.Comm Appointed 17 October 2006
Age: 49, Independent Non-Executive Director

Mr Donner has substantial experience in the resources sector and has specific expert skills in fundraising and project financing in this sector, spanning over 25 years. He was previously the project finance head and Director responsible for Rothschild Australia project finance mining business, before spending over a decade in venture capital and equities in the resources sector. He founded and now runs a boutique funds management business in the resource sector.

Other Current Listed Directorships
Non-executive chairman of Wedgetail Mining Limited and China Gold Mines Plc
Managing director of LinQ Resources Fund Limited

DIRECTORS (continued)

Previous Listed Directorships in the last three years
Non Executive Director of Dioro Exploration NL

Special Responsibilities
Member of the Remuneration committee and the Audit committee.

Mr Ronald Hing. B.Eng (Hons) Appointed 18 December 2006
Age: 39, Non-Executive Director

Mr Hing is a full time employee of Glencore International AG ("Glencore") and is Head of the Glencore's Base Metals Desk in Australia. Mr Hing represents Glencore on the board. Mr Hing is a Director of Glencore Australia Pty Ltd.

Other Current Listed Directorships
None

Previous Listed Directorships in the last three years
None

Special Responsibilities
Member of the Remuneration committee and the Audit committee.

Mr Richard Procter BSc(Eng), MBA, CEng, MIMM Appointed 28 February 2007
Age: 57, Independent Non-Executive Director

Mr Procter is a mining engineer with over 30 years international experience covering corporate, operations, contracting, consulting and project management roles. These positions have included the leadership and management of base and precious metal mining assets (at both executive and general management levels), development of bankable feasibility studies and their conversion into mining operations, responsibility for mining asset evaluations, undertaking valuations including technical and operations audits, involvement in mining asset due diligence and expert reporting and the provision of technical and strategic planning advice to mining and industrial companies.

His previous positions have included managing director of UK based gold miner, Avocet Gold Ltd, and a divisional general manager of mining engineering company, Minproc Limited.

Other Current Listed Directorships
Non Executive Director,
Uramet Minerals Ltd

Previous Listed Directorships in the last three years
Wedgetail Mining Limited (Resigned June 2007)

Special Responsibilities
None

Directors' Report

DIRECTORS (continued)

Mr Andrew P. Chapman CP Eng, M.Aus.IMM, M.I.E.Aust Resigned 28 February 2007
Chief Executive Officer and Managing Director.

Mr Chapman resigned from the company on 28 February 2007.

Other Current Listed Directorships
None

Previous Listed Directorships in the last three years
None

Special Responsibilities
None

COMPANY SECRETARY

Mr Ian Goldberg. B.Comm, CA Appointed 19 June 2007

Mr Goldberg is a qualified Chartered Accountant and has some 12 years experience in senior finance positions, including senior roles with PricewaterhouseCoopers, Rio Tinto Ltd and Minara Resources Ltd.

DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings	
	A	**B**
Mr D J Humann	15	14
Mr A P Chapman	12	11
Mr S B McBride	15	15
Mr G Jones	9	9
Mr C Donner	9	8
Mr R Hing	6	6
Mr R Procter	3	3

A - The number of meetings held during the time the director held office during the year.
B - Number of meetings attended.

There were no meetings of the remuneration or audit committees as these committees were established on 11 April 2007 and a formal charter was approved on 18 September 2007.

Directors' Report

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were the evaluation, financing, refurbishment and the start of production activities at the company's Leichhardt operation. In addition, the company continued to explore for minerals at the company's Leichhardt and Cloncurry tenement areas, both within the Mt Isa Inlier base metal province of North West Queensland.

Result

The consolidated loss after income tax for the financial year was $7,970,507 (2006 $1,992,140 2005: $2,547,114; 2004: $2,306,408). The loss was after the company incurred an impairment charge on exploration of $15,621,402 and a profit on sale of its share holding in Deep Yellow Limited of $9,557,862. See accounting note 3 and 13 in the financial statements for further information.

Review of Activities

Leichhardt Copper Project

During the year the Board approved the re-commencement of copper production at the Leichhardt ("Leichhardt") operation, operating at an initial production rate of 5,500 tonnes per annum of Grade A LME copper cathode.

To fund the restart of Leichhardt, the Company undertook an equity raising of $4.85 million through the issue of 86 million ordinary fully paid shares and in addition the Company entered into a A$10 million secured debt facility agreement with Glencore International AG. The major terms of the loan are:

- A$10 million loan with a three year term with an interest rate of LIBOR plus 2.5 %.
- At Matrix's election, monthly payments can be deferred and interest can be capitalised until 31 March 2008. Further, until that date, Matrix has a no default period for non-payment where caused by operational or other circumstances that are outside the control of Matrix.
- The loan can be repaid at any time by Matrix.
- An advance payment facility will be made available to Matrix related to copper cathode that has been produced ready for export.

The Leichhardt operation began copper production during June 2007 and a total of 32 tonnes of copper cathode was stripped from the circuit during that month. During July 2007, the company transported its first copper cathode for sale and received cash receipts for those sales in early August 2007. It has been decided that for accounting purposes the commissioning of the Leichhardt processing plant was completed on 30 June 2007.

The Leichhardt operation produces copper cathode at the Mt Cuthbert processing plant using ore from the nearby Mt Watson orebody, utilising the proven heap-leach - solvent extraction - electrowinning process ("SX/EW"). Leichhardt is currently scoped to produce copper at a rate of 5,500 tonnes per annum of copper cathode, by treating of 2.1 million tonnes of ore over a four year period from the Mt Watson orebody.

PRINCIPAL ACTIVITIES (continued)

The current Mt Watson resource is 8 million tonnes and as noted above the current scope of the operation will process 2.1 million tonnes of that resource. Following further metallurgical and geotechnical testing, life extensions and/or a production rate increase is planned for the Mt Cuthbert processing plant. In addition, there are several previously identified prospects at Mt Earl, Mt Wonder, Tewinga and Boomerang (all within the vicinity of Mt Watson) which may also provide the opportunity for further extensions and/or production rate increases.

During February and March 2007, the Company conducted a Share Purchase Plan ("SPP"). The SPP raised $2,960,641 by the issue of 40,556,730 shares at 7.3 cents per share.

Joint Venture Agreements

During the year, the Company entered into joint venture ("JV") agreements with Xstrata Copper ("Xstrata") and Goldstar Resources NL ("Goldstar").

Under the terms of the Xstrata agreement, Xstrata has the right to earn up to a 75% JV interest in the McCabe Deposit by spending $15 million within an eight year period. Under the agreement with Goldstar, the Company can earn a 70% interest in tenements near the Company's McCabe Deposit, by spending $700,000 within a five year period.

Deep Yellow Limited ("DYL") exercised its right to continue earning into the company's tenements in North West Queensland (solely for uranium minerals), by taking up its right to acquire a 51% interest in the NW Queensland Joint Venture from Matrix. As a result of that election DYL issued 21,549,541 fully paid ordinary shares in DYL to Matrix. To complete the acquisition of the 51% interest, DYL must now spend another $2.5 million on uranium exploration on Matrix tenements by February 2009. During March and April 2007, Matrix sold the 21,549,541 shares issued to it by DYL, and realised $9.56 million in cash.

Tenement Acquisition

During the year a tenement swap was agreed with Exco Resources Limited. The transaction resulted in Matrix taking 100% ownership of approximately 340 square kilometres of highly prospective exploration permits adjoining the company's Cloncurry tenement area. In return, Matrix has transferred 100% ownership of the Mt Colin mining lease (1.3 square kilometres in area) to Exco.

Exploration

The company continued to explore for minerals at the company's Leichhardt and Cloncurry tenement areas, each within the Mt Isa Inlier base metal province of North West Queensland.

A program of regional exploration across the Company's entire tenement holding continued throughout the year. The program has recorded various successes with new discoveries of oxide copper, primary sulphide copper, copper/gold and gold only anomalism and mineralisation. This regional exploration program is ongoing.

PRINCIPAL ACTIVITIES (continued)

Exploration (continued)

In summary, the following programs and results were reported:

- Continuation of a program of geochemical sampling across the Company's tenement holdings.
- Assessment of all available geophysical data and the planning of various targeted geophysical exploration programs.
- Discovery of a number of new copper anomalies in the Prospector Area located within the Leichhardt tenement area. This exploration has resulted in the discovery of a number of Iron Oxide Copper – Gold ("IOCG") occurrences. This style of deposit includes Olympic Dam and Ernest Henry (among the larger representatives) and many other smaller deposits, including a number in the Mt Isa Inlier.
- Deep Yellow conducted Uranium exploration activities as part of its earn-in to the uranium joint venture on Matrix's tenements.

DIVIDENDS

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

The directors recommend that no dividend be paid in respect of the current financial year.

STATE OF AFFAIRS

The Company focused on the evaluation, funding, refurbishment and the start of production activities at the company's Leichhardt copper operation and exploration on its tenement holdings. In the opinion of the directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company acknowledges its accountability to shareholders for creating shareholder value within a framework which protects the rights and interests of shareholders and ensures the Company is properly managed. The Board aims to achieve these objectives through the adoption and monitoring of strategies, plans, policies and performance.

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.

CORPORATE GOVERNANCE STATEMENT (continued)

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 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.

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.

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 3 (continued)
Promote ethical and responsible decision making

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

The Chief Executive Officer and Chief Financial Officer have made the following certifications to the board;

- That the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and group and are in accordance with relevant accounting standards;
- That the above system was founded on a sound system of financial risk management and internal compliance and control.

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 did not meet during the year as it was established on 11 April 2007 and the board only adopted a formal audit charter on 18 September 2007. Prior to this date the full Board carried out many of the roles and responsibilities outlined in the charter. 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;

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 5 (continued)
Make timely and balanced disclosure

- 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 immediately 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 insured assets and risks.

The chief executive officer and chief financial officer have declared in writing to the board that the Company's financial reports for the year ended 30 June 2007 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The Company does not have a written procedure for risk management and internal compliance; however, the CEO and CFO have been able to make this declaration due to their intimate knowledge of the Company's activities and operations.

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 compensation 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.

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 9
Remunerate fairly and responsibly

The company has now established a remuneration committee, which comprises Mr D Humann, Mr C Donner, Mr G Jones and Mr R Hing. The remuneration committee did not meet during the year as the committee was only established on 11 April 2007. 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.

REMUNERATION REPORT

Compensation - audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel include the five most highly remunerated S300A directors and executives for the Company and the consolidated entity.

After consideration of the nature of each employee's role within the Company, in the opinion of the board the Company has the following key management persons during the financial year:

REMUNERATION REPORT (continued)

Non Executive Directors
Mr D J Humann
Mr C Donner
Mr G Jones
Mr R Hing
Mr R Procter
Executive Directors
Mr S B McBride
Mr A P Chapman (Resigned 28 February 2007)
Senior Executives
Mr I Goldberg – Chief Financial Officer and Company Secretary

The Remuneration committee determines compensation policies and practices generally, and approves compensation packages and other terms of employment for key management personnel.

Compensation and other terms of employment for key management personnel are reviewed annually by the Remuneration committee having regard to performance, relevant comparative industry information and independent expert advice. As well as a base salary, compensation packages include superannuation, retirement and termination entitlements, performance related bonuses and fringe benefits. Key management personnel are also eligible to participate in the Employee Share Option Scheme ("ESOP"). The payment of equity-based compensation through the ESOP is limited to a cumulative total of five percent of the ordinary issued shares of the Company. No element of compensation is dependent on performance criteria.

Compensation packages are 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' compensation

Compensation and other terms of employment for the Chairman and Chief Executive Officer are formalised by contracts.

Compensation of non-executive directors is determined by the board within the maximum amount approved by shareholders from time to time, currently $150,000 per year. This amount has not been increased since the Company listed on the Australian Stock Exchange on 11 July 2000. The Chairman is entitled to "Retirement Benefits" in accordance with his contract with the Company. Non-executive directors may participate in the ESOP, but each such participation must be specifically approved by shareholders in general meeting.

The Audit committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction comply with the Corporations Act and are appropriately disclosed.

REMUNERATION REPORT (continued)

The Company aims to reward executives with a level of compensation 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 compensation is competitive by market standards.

Compensation consists of the following key elements:

- Fixed compensation; and
- Variable compensation.

The proportion of fixed compensation and variable compensation (long term incentives) is established for each executive director by the board. Long term incentives for directors' are put to shareholders in general meeting.

Fixed Compensation

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

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Fixed compensation is reviewed annually by the Remuneration committee and the process consists of a review of companywide and individual performance, relevant comparative compensation in the market and, where appropriate, external advice.

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

Variable Compensation – Long Term Incentive ("LTI")

The objective of the LTI plan is to reward personnel and executive directors in a manner which aligns this element of compensation with the creation of shareholder wealth.

Directors' Report

REMUNERATION REPORT (continued)

Directors and Executives Remuneration (Company and Consolidated) – Audited

	Short-term			Post Employment			Other long term	Total
	Salary/Fees	Bonus	Non-Monetary	Super	Retirement	Non-Monetary		
Directors								
Non-executive directors								
Mr D J Humann - Chairman								
2007	63,000	-	-	5,670	-	13,639	-	82,309
2006	60,000	-	-	5,400	-	10,000	-	75,400
Mr C Donner (1)								
2007	24,745	-	-	2,227	-	-	-	26,972
2006	-	-	-	-	-	-	-	-
Mr G Jones (2)								
2007	24,745	-	-	2,227	-	-	-	26,972
2006	-	-	-	-	-	-	-	-
Mr R Hing (3)								
2007	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
Mr R Procter (4)								
2007	11,667	-	-	1,050	-	-	-	12,717
2006	-	-	-	-	-	-	-	-
Executive directors								
Mr A P Chapman – Managing Director and Chief Executive Officer (5)								
2007	256,752	-	24,039	48,333	258,000	43,690	-	630,815
2006	260,000	-	41,210	20,000	-	-	-	321,210
Mr S B McBride - Managing Director and Chief Executive Officer (6)								
2007	201,562	-	21,992	16,000	-	-	-	239,554
2006	185,000	-	27,504	15,000	-	-	-	227,504
Key management personnel								
Mr I Goldberg - Chief Financial Officer and Company Secretary (7)								
2007	23,077	-	-	2,415	-	-	-	25,492
2006	-	-	-	-	-	-	-	-
Total								
Total Remuneration: directors / key management personnel								
2007	605,547	-	46,031	77,922	258,000	57,329	-	1,044,830
2006	505,000	-	68,714	40,400	-	10,000	-	624,114

1) Mr Donner was appointed on 17 October 2006.
2) Mr Jones was appointed 17 October 2006.
3) Mr Hing was appointed 18 December 2006.
4) Mr Procter was appointed 28 February 2007.
5) Mr Chapman resigned from the company on 28 February 2007.
6) Mr S McBride was promoted from Company Secretary and Chief Financial Officer to Managing Director and Chief Executive Officer on 28 February 2007.
7) Mr Goldberg was employed on the 14 May 2007.

REMUNERATION REPORT (continued)

Proportion of remuneration that is performance related

There is no portion of the Directors' or Key Management Personal's remuneration which is performance related.

Additional Disclosures

Service Contracts

The Company has contracts in place with the Chairman and Managing Director. The major terms and conditions of those contracts are as follows:

Mr D J Humann:
Term of Contract: 1 July 2004 until departure from the Company
Base remuneration, including superannuation: $68,670 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 B McBride:
Term of Contract: 23 September 2005 to 31 December 2008
Base remuneration, including superannuation: $233,128 per annum.
Provision of other items - Motor vehicle, car parking and telephone.
There is no specific bonus plan, with bonuses being at the sole discretion of the board.
Liquidated damages are triggered if a termination notice is issued before 1 January 2008, or if the location of the executives' working location is changed from metropolitan Perth.
Notice period - after 1 January 2008, within three days of notice of termination the Company must pay the cash equivalent of six months of normal 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 package and transfer of the motor vehicle to the executive.

Refer to Note 23 of the Notes to the Financial Statements for details on the financial impact in future periods resulting from firm commitments arising from non-cancellable contracts for services key management personnel.

Payment of Bonuses
During the year no bonuses were granted to key management personnel.

Options and rights over equity instruments granted as compensation - audited

No options over ordinary shares in the Company were granted as compensation to key management personnel during the reporting period.

UNISSUED SHARES UNDER OPTION

At the date of this report unissued ordinary shares of the Company under option are:

Number of Options	Grant Date	Exercise Date	Exercise Price
9,999,999	13 December 2004	30 June 2008	$0.18
1,450,000	5 December 2005	30 November 2008	$0.07
7,400,000	10 August 2007	19 June 2012	$0.10

UNISSUED SHARES UNDER OPTION (continued)

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate. During the financial year 300,000 options were exercised. No options were granted during the financial year. Since the end of the financial year, no options have been exercised. Since the end of the financial year the company issued 7,400,000 options to employees under the terms of the employee option scheme. There were no amounts unpaid on shares issued.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity will continue to pursue its objective to increase its mineral resources in the Leichhardt and Cloncurry tenement areas and will continue to pursue opportunities to expand its production profile.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

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*
D Humann	3,000,000	3,333,333
S McBride	-	3,333,333
G Jones	-	-
C Donner	-	-
R Hing	-	-
R Procter	-	-

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification
The Company has agreed to indemnify the current directors and company secretary of the Company, Mr D Humann, Mr S McBride, Mr G Jones, Mr C Donner, Mr R Hing, Mr R Procter, Mr I Goldberg and all former directors and secretaries, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or secretary of the Company and its controlled entity, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification (continued)

The Company has also agreed to indemnify the current directors of its controlled entity for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors and officers liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$
Taxation services	18,250	17,560	18,250	17,560
Other services	-	2,200	-	2,200
	18,250	19,760	18,250	19,760

During the year KPMG, the Company's auditor, has performed taxation services in addition to their statutory duties. The Company's board has considered these non-audit services and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence provisions of the Corporations Act 2001, because they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 21 and forms part of the directors' report for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the directors.

Dated at Perth this 18th day of September 2007.

Shane McBride
Managing Director

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Matrix Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

D McComish

D P McCOMISH
Partner

Perth
18 September 2007

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	THE COMPANY 2007 $	THE COMPANY 2006 $
Revenue	2	55,922	46,327	55,922	46,327
Other income	3	9,557,862	10,479	9,557,862	10,479
Interest income		556,704	564,048	556,704	564,048
Impairment of exploration and evaluation	13	(15,621,402)	-	(15,621,402)	-
Impairment of property, plant and equipment		-	(34,531)	-	(34,531)
Depreciation		(119,955)	(127,440)	(119,955)	(127,440)
Financial expenses		(47,039)	-	(47,039)	-
Employee benefits expense		(1,086,705)	(998,321)	(1,086,705)	(998,321)
Materials and services		(1,265,894)	(1,452,702)	(1,265,894)	(1,452,702)
Loss before tax		(7,970,507)	(1,992,140)	(7,970,507)	(1,992,140)
Income tax expense	5	-	-	-	-
Loss for the year	20	(7,970,507)	(1,992,140)	(7,970,507)	(1,992,140)
Attributable to:					
Equity holders of the parent		(7,970,507)	(1,992,140)	(7,970,507)	(1,992,140)
Earnings per share attributable to the ordinary equity holders of the company:					
Basic earnings per share from continuing operations	21	($0.0124)	($0.0035)		
Diluted earnings per share from continuing operations	21	($0.0124)	($0.0035)		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 26 to 49.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$
Loss for the period	(7,970,507)	(1,992,140)	(7,970,507)	(1,992,140)
Total recognised income and expense for the period attributable to equity holders of the parent	(7,970,507)	(1,992,140)	(7,970,507)	(1,992,140)

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 26 to 49.

BALANCE SHEETS
AS AT 30 JUNE 2007

		CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
	Note	$	$	$	$
Current assets					
Cash and cash equivalents	7	14,201,138	5,788,816	14,201,138	5,788,816
Trade and other receivables	8	683,451	181,820	683,451	181,820
Inventories	9	205,711	179,964	205,711	179,964
Other	10	48,279	13,744	48,279	13,744
Total current assets		15,138,579	6,164,344	15,138,579	6,164,344
Non-current assets					
Other financial assets	11	-	-	100,000	100,000
Property, plant and equipment	12	20,844,151	970,597	20,844,151	970,597
Exploration and evaluation	13	9,801,089	26,601,153	9,701,089	26,501,153
Other	14	1,455,531	756,738	1,455,531	756,738
Total non-current assets		32,100,771	28,328,488	32,100,771	28,328,488
Total assets		47,239,350	34,492,832	47,239,350	34,492,832
Current liabilities					
Trade and other payables	15	4,286,242	1,103,968	4,286,242	1,103,968
Loans and borrowings	16	4,800,000	-	4,800,000	-
Employee benefits	17	197,530	159,717	197,530	159,717
Provisions	18	71,227	62,795	71,227	62,795
Total current liabilities		9,354,999	1,326,480	9,354,999	1,326,480
Non-current liabilities					
Loans and borrowings	16	5,200,000	-	5,200,000	-
Employee benefits	17	22,247	21,410	22,247	21,410
Provisions	18	772,030	614,050	772,030	614,050
Total non-current liabilities		5,994,277	635,460	5,994,277	635,460
Total liabilities		15,349,276	1,961,940	15,349,276	1,961,940
Net assets		31,890,074	32,530,892	31,890,074	32,530,892
Equity					
Issued capital	19	57,408,263	50,078,574	57,408,263	50,078,574
Accumulated losses	20	(25,518,189)	(17,547,682)	(25,518,189)	(17,547,682)
Total equity attributable to equity holders of the parent		31,890,074	32,530,892	31,890,074	32,530,892

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 26 to 49.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	THE COMPANY 2007 $	THE COMPANY 2006 $
Cash flows from operating activities					
Cash receipts from operations		55,922	-	55,922	-
Cash payments to suppliers and employees		(2,540,389)	(2,093,838)	(2,540,389)	(2,093,838)
Interest received		548,292	598,296	548,292	598,296
Interest paid		(180,461)	-	(180,461)	-
Net cash used in operating activities	25	(2,116,636)	(1,495,542)	(2,116,636)	(1,495,542)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		10,954	150	10,954	150
Proceeds from the sale of equity investments	3	9,557,862	-	9,557,862	-
Payments for:					
Property, plant and equipment	12	(12,608,781)	(70,801)	(12,608,781)	(70,801)
Security deposits	14	(698,794)	(7,340)	(698,794)	(7,340)
Exploration and evaluation	13	(3,018,128)	(5,386,133)	(3,018,128)	(5,386,133)
Net cash used in investing activities		(6,756,887)	(5,464,124)	(6,756,887)	(5,464,124)
Cash flows from financing activities					
Proceeds from borrowings	16	10,000,000	-	10,000,000	-
Proceeds from issue of shares	19	7,831,278	-	7,831,278	-
Payment of transaction costs		(545,433)	-	(545,433)	-
Net cash from financing activities		17,285,845	-	17,285,845	-
Increase/(Decrease) in cash and cash equivalents		8,412,322	(6,959,666)	8,412,322	(6,959,666)
Cash and cash equivalents at 1 July		5,788,816	12,748,482	5,788,816	12,748,482
Cash and cash equivalents at 30 June	7	14,201,138	5,788,816	14,201,138	5,788,816

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 26 to 49.

1. SIGNIFICANT 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 2007, comprises the Company and its subsidiary (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors' on 18th September 2007.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP. The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

(b) Adoption of new and revised accounting standards

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 101 Presentation of Financial Statements (October 2006).
- AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2.007, and will require extensive additional disclosures with respect to the consolidated entity's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard is only concerned with disclosures.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of new and revised accounting standards (continued)

- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASF3 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the consolidated entity's 2008 financial statements, and will apply to goodwill. investments in equity instruments, and financial assets carried at cost prospectively from the date that the consolidated entity first applied the measurement criteria of AASB 136 and AASB 139 respectively. Interpretation 10 is not expected to have any impact on the financial report.
- Interpretation 11 AASB 2 Share-based Payment - Group and Treasury Share Transactions addresses the classification of a share-based payment transaction (as equity or cash settled) in which equity instruments of the parent or another group entity are transferred, in statements of the entity receiving the services. Interpretation 11 is not expected to have any impact on the consolidated financial report. The potential effect of the Interpretation on the Company's financial report has not yet been determined.
- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 amends AASB 2 Share-based Payments to insert the transitional provisions of IFRS 2, previously contained in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report. The potential impact on the Company has not yet been determined.
- AASB 123 (revised) Borrowing Costs, AASB 2007-4 Amendments to Australian Accounting Standards. AASB 2007-6 Amendments to Australian Accounting Standards, AASB 2007-7 Amendments to Australian Accounting Standards and Interpretation 14 IAS 19 The limit on defined benefit asset, minimum funding requirements and their interaction. The potential effect of these Standards and the Interpretation on the Company’s financial reports has not yet beer determined.
- IAS1 Presentation of Financial Statements (September 2007)

  The initial application of all other standards and amendments is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendments either do not apply or are concerned only with disclosures.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of preparation

The financial report is presented in Australian dollars. 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 preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by all entities in the consolidated entity.

(d) 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.

(e) Revenue Recognition

Interest Income

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

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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.

(g) Goods and services tax

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

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

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

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

(h) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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.

(k) Cash and cash equivalents

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

(l) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, plant and equipment (continued)

(i) 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.

(ii) 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 are demonstrable and subsequent costs to develop the mine to the production phase. These 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.

(iii) 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. Mine properties in production are amortised on a units of production basis over economically recoverable resources. Amortisation is not charged on costs carried forward in respect of interest in the development phase until commercial production commences.

(m) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (q)).

(n) Inventories

Ore stockpiles
Ore stockpiles 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.

(o) Investments

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

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(p) 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.

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.

Mining Properties in Production or Under Development
Mining properties in production (including exploration, evaluation and development expenditure) are accumulated and brought to account at cost less accumulated amortisation in respect of each identifiable area of interest. Amortisation of capitalised costs is provided on the production output basis, proportional to the depletion of the mineral resource of each area of interest expected to be ultimately economically recoverable.

(q) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (n) are reviewed at each balance sheet 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 unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment (continued)

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.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) 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.

(s) 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.

(t) Employee benefits

Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, is the amount of future benefit 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 consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognised as an employee 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 Black-Scholes 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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 e.

(i) 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, employing 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.

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$

2. REVENUE

Royalties	55,922	46,327	55,922	46,327

3. OTHER INCOME

Net gain on disposal of property, plant and equipment	-	405	-	405
Other	-	10,074	-	10,074
Net gain on the sale of listed investments	9,557,862	-	9,557,862	-
	9,557,862	10,479	9,557,862	10,479

4. AUDITOR'S REMUNERATION

Auditors of the Company – KPMG:				
Audit and review of financial reports	48,000	32,500	48,000	32,500
Other services – taxation services	18,250	17,560	18,250	17,560
Other services – other	-	2,200	-	2,200
	66,250	52,260	66,250	52,260

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	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$
5. INCOME TAX BENEFIT				
Numerical reconciliation between tax expense and pre-tax profit				
Loss before tax	(7,970,507)	(1,992,140)	(7,970,507)	(1,992,140)
Tax benefit using the domestic corporation tax rate of 30% (2006: 30%)	(2,391,152)	(597,642)	(2,391,152)	(597,642)
Deferred Tax expense				
Origination and reversal of timing differences	(174,416)	440,815	(174,416)	440,815
Tax losses utilised	2,494,368	-	2,494,368	-
Decrease in income tax benefit due to				
Non-deductible items	71,200	156,827	71,200	156,827
Income tax benefit attributable to pre-tax operating loss	-	-	-	-
Unrecognised deferred tax assets and tax liabilities				
Deductible temporary differences	318,910	420,989	318,910	420,989
Tax losses	9,379,583	11,873,951	9,379,583	11,873,951
Deferred tax asset	9,698,493	12,294,940	9,698,493	12,294,940
Inventories	(23,412)	(53,989)	(23,412)	(53,989)
Property plant and equipment	(822,175)	(291,179)	(822,175)	(291,179)
Exploration and evaluation	(2,940,327)	(8,428,344)	(2,940,327)	(8,428,344)
Deferred tax liability – temporary differences	(3,785,914)	(8,773,512)	(3,785,914)	(8,773,512)
Net deferred tax asset not recognised	5,912,579	3,521,428	5,912,579	3,521,428

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from. Nevertheless, as at 30 June 2007, the Company has calculated tax losses of $9,379,583 available to offset against future tax payable.

6. SEGMENT INFORMATION

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

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$
7. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	1,269,386	317,487	1,269,386	317,487
Commercial bills	12,931,752	5,471,329	12,931,752	5,471,329
	14,201,138	5,788,816	14,201,138	5,788,816

The commercial bills mature within 31 days and pay interest at a weighted average interest rate of 6.29% (2006 5.78%).

8. TRADE AND OTHER RECEIVABLES

Other receivables	683,451	181,820	683,451	181,820

9. INVENTORIES

Current				
Consumable supplies at cost	205,711	179,964	205,711	179,964

10. OTHER CURRENT ASSETS

Prepayments	48,279	13,744	48,279	13,744

11. OTHER FINANCIAL ASSETS

Non-current				
Investment in controlled entity – at cost	-	-	100,000	100,000

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CONSOLIDATED AND COMPANY

12. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment $	Mine properties & Development $	Total $
At 1 July 2005			
At cost	2,250,017	-	2,250,017
Accumulated depreciation	(1,197,819)	-	(1,197,819)
Net book amount	1,052,198	-	1,052,198
Year ended 30 June 2006			
Opening net book amount	1,052,198	-	1,052,198
Additions	88,115	-	88,115
Disposals	(7,745)	-	(7,745)
Impairment losses	(34,531)	-	(34,531)
Amortisation and depreciation	(127,440)	-	(127,440)
Closing net book amount	970,597	-	970,597
At 30 June 2006			
At cost	2,222,334	-	2,222,334
Accumulated depreciation	(1,251,737)	-	(1,251,737)
Net book amount	970,597	-	970,597
Year ended 30 June 2007			
Opening net book amount	970,597	-	970,597
Additions (i)	106,828	16,008,670	16,115,498
Transferred in from exploration & evaluation	-	3,927,835	3,927,835
Disposals	(49,824)	-	(49,824)
Impairment losses	-	-	-
Amortisation and depreciation	(119,955)	-	(119,955)
Closing net book amount	907,646	19,936,505	20,844,151
At 30 June 2007			
At cost	2,238,977	19,936,505	22,175,482
Accumulated depreciation	(1,331,331)	-	(1,331,331)
Net book amount	907,646	19,936,505	20,844,151

(i) Included in the additions to mine properties and development are the following amounts:

- Interest on loans of $245,289. The weighted average interest rate paid was 9.11%
- Preproduction operating costs of $2,740,583

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	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$
13. EXPLORATION AND EVALUATION EXPENDITURE				
Carrying amount at the beginning of the year	26,601,153	21,034,264	26,501,153	20,934,264
Additions – internally developed	769,183	1,796,923	769,183	1,796,923
Additions - other	1,979,990	3,769,966	1,979,990	3,769,966
Impairment charge (i)	(15,621,402)	-	(15,621,402)	-
Transferred out to mine properties & development	(3,927,835)	-	(3,927,835)	-
Exploration and or evaluation phase	9,801,089	26,601,153	9,701,089	26,501,153

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

(i) During the year the Company transitioned from an explorer to producer and has undertaken a review of the assets of the Group. As the Company has not been able to finance the White Range Project the board has made the decision that the project is therefore impaired and it has decided to write off the accumulated costs relating to the White Range Feasibility Study ("WRFS"). The Company is also of the view that the areas of interest that were included in the WRFS are also impaired and has written these areas of interest down to fair value. Fair value has been determined by the directors based on an assessed value per tonne of resource, consistent with external sources of information.

14. OTHER NON-CURRENT ASSETS				
Security deposits	1,455,531	756,738	1,455,531	756,738
15. TRADE AND OTHER PAYABLES				
Trade payables and accrued expenses	4,232,797	1,057,503	4,232,797	1,057,503
Employee entitlements	53,444	46,465	53,444	46,465
	4,286,241	1,103,968	4,286,241	1,103,968
16. LOANS AND BORROWINGS				
Current				
Secured Loan	4,800,000	159,717	4,800,000	159,717
Non-current				
Secured Loan	5,200,000	21,410	5,200,000	21,410

The loan is secured by a fixed charge over the assets within the Leichhardt operation, owed to Glencore International AG and has a maturity date 31 October 2009. The interest rate is the 3 month AUD LIBOR plus margin of 2.5% and as at 30 June 2007 is 9.11%.

17. EMPLOYEE BENEFITS

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$
Current				
Liability for annual leave	197,530	159,717	197,530	159,717
Non-current				
Liability for long service leave	22,247	21,410	22,247	21,410

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 $41,213 for the financial year ended 30 June 2007 (2006: $53,643).

Share based payments

The Company has an employee share option plan ("ESOP") which provides for eligible participants to receive options over ordinary shares for no consideration. 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. All options granted to date, are fully vested. 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.

The terms of the grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date/employee entitled	Number of instruments	Contractual life
Option grant to key management personnel at 13 December 2004	9,999,999	3.5 years
Option grant to other personnel at 5 December 2005	1,450,000	3.0 years
Total share options granted	11,449,999	

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

	Weighted average exercise price 2007	Number of options 2007	Weighted average exercise price 2006	Number of options 2006
Outstanding at the beginning of the period	$0.15	14,287,499	$0.17	14,937,499
Granted during the period	-	-	$0.07	2,650,000
Expired during the period	$0.09	(2,837,500)	$0.15	(3,300,000)
Outstanding at the end of the period	$0.17	11,449,999	$0.15	14,287,499
Exercisable at the end of the period		11,449,999		13,537,499

The options outstanding at 30 June 2007 have an exercise price in the range of $0.07 to $0.18 and a weighted average remaining contractual life of 2 years.

During the financial year 300,000 options were exercised (2006: nil).

Total expenses arising from share-based payment transactions recognised during the period as part of personnel expenses were as follows:

17. EMPLOYEE BENEFITS (continued)

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$
Options issued under employee share option plan	-	64,108	-	64,108

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option-pricing model.

The fair value at measurement date for options issued during the year ended 30 June 2006 is $64,108 which was determined using the following inputs: share price $0.06; exercise price $0.07; expected volatility 60%; option life 2.98 years; expected dividends nil and risk-free interest rate 5.5%. The risk-free interest rate is based on the national government bond rate and the expected volatility is based on historic volatility.

18. PROVISIONS

	CONSOLIDATED		THE COMPANY	
	Rehabilitation	Retirement Benefit	Rehabilitation	Retirement Benefit
	$	$	$	$
Balance at 1 July 2006	614,050	62,795	614,050	62,795
Provisions made during the year	157,980	8,432	157,980	8,432
Balance at 30 June 2007	772,030	71,227	772,030	71,227
Current	-	71,227	-	71,227
Non-current	772,030	-	772,030	-
	772,030	71,227	772,030	71,227

Rehabilitation
In accordance with state government legislative requirements, a provision for rehabilitation has been recognised in relation to the Company's operations. The basis of accounting is set out in Note (u) of the significant accounting policies.

Retirement Benefit
The Company has service contracts in place with directors, the terms of one of these contracts allow for a retirement benefit. Refer to the Remuneration Report section of the Directors' Report for further detail.

	CONSOLIDATED AND COMPANY	
	2007	2006
	$	$
19. CAPITAL		
Issued and paid up capital		
702,494,239 (2006: 575,637,509) ordinary shares fully paid	57,408,263	50,078,574
Movements in ordinary share capital		
Opening balance	50,078,574	50,061,574
Share issues (a)	-	17,000
Share issue (b)	2,500,000	17,000
Share issues (c)	2,349,667	-
Share issue (d)	2,960,641	-
Employee options exercised (e)	21,000	-
Share issue expenses	(501,619)	-
Closing balance	57,408,263	50,078,574

	CONSOLIDATED AND COMPANY	
	2007	2006
	No of shares	*No of shares*
Movements in number of ordinary shares		
Balance at 1 July	575,637,509	575,387,509
Share issues (a)	-	250,000
Share issue (b)	41,666,667	-
Share issues (c)	44,333,333	-
Share issue (d)	40,556,730	-
Employee options exercised (e)	300,000	-
Balance at 30 June	702,494,239	575,637,509

(a) On 15 June 2006, the Company issued 250,000 shares to the Mitakoodi Juhnljar Aboriginal Corporation, in accordance with a Native Title Resource and Infrastructure Agreement for the Company's White Range Project. The shares were issued for no cash consideration and have been valued at the fair value of the shares granted per AASB 2 *Share-based Payment*.
(b) On 23 October 2006 Glencore International AG was issued 41,666,667 ordinary shares at 6 cents per share.
(c) On 24 November 2006 44,333,333 ordinary shares were issued to shareholders at 5.3 cents per share.
(d) On 15 March 2007 40,556,730 ordinary shares were issued to shareholders at 7.3 cents per share.
(e) On 18 April 300,000 employee options were exercised at a price of 7 cents per share.

Terms and conditions

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

19. CAPITAL (Continued)

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 2007: 11,449,999 (2006: 14,287,499).

		CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
	Note	$	$	$	$
20. RETAINED EARNINGS					
Balance at 1 July		(17,547,682)	(15,619,650)	(17,547,682)	(15,619,650)
Equity settled share based payments	17	-	64,108	-	64,108
Total recognised income and expense		(7,970,507)	(1,992,140)	(7,970,507)	(1,992,140)
Balance at 30 June		(25,518,189)	(17,547,682)	(25,518,189)	(17,547,682)

21. EARNINGS PER SHARE

	CONSOLIDATED	
	2007	2006
Basic earnings per share	($0.0124)	($0.0035)

The calculation of basic earnings per share at 30 June 2007 was based on the loss attributable to ordinary shareholders of $7,970,507 (2006: $1,992,140) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2007 of 642,604,094 (2006: 575,398,468) calculated as follows:

	CONSOLIDATED	
	2007 Number	2006 Number
Issued ordinary shares at 1 July	575,637,509	575,387,509
Effect of exercise of share options on issue	-	-
Weighted effect of shares issued during the year	66,966,585	10,959
Weighted average number of ordinary shares at 30 June	642,604,094	575,398,468

Options issued to employees under the Employee Share Option Scheme are considered to be potential ordinary shares only to the extent that they have a dilutive effect. Diluted earnings per share has been calculated and is the same as basic earnings per share. The options could potentially dilute basic earnings per share in the future. Details relating to the options are set out in Note 17. Details relating to the share issue are set out in Note 19.

22. FINANCIAL INSTRUMENTS

(a) Interest rate risk

Interest rate risk exposures

The Company and consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

			Repricing 1 year or less		
2007	Note	**Weighted Average Interest Rate**	**Floating Interest Rate**	**Non-interest bearing**	**Total**
		%	**$**	**$**	**$**
Financial assets					
Cash	7	6.29%	14,200,938	200	14,201,138
Receivables	8		-	683,451	683,451
Other	14	5.8%	728,574	726,957	1,455,531
			14,959,512	1,410,608	16,340,120
Financial liabilities					
Payables	15		-	4,286,241	4,286,241
Secured Loan	16	9.11%	10,000,000	-	10,000,000
			10,000,000	4,286,241	14,286,241
2006					
Financial assets					
Cash	7	5.78%	5,788,616	200	5,788,816
Receivables	8		-	181,820	181,820
Other	14	5.47%	722,600	34,138	756,738
			6,511,216	216,158	6,727,374
Financial liabilities					
Payables	15		-	1,103,968	1,103,968

(b) Credit risk exposures

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

Recognised Financial Instrument

The credit risk on financial assets of the consolidated entity which have been recognised on the Balance Sheet, is the carrying amount, net of any impairment losses.

(c) Net fair values of financial assets and liabilities
Valuation Approach
Net fair values of financial assets and liabilities are determined by 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.

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$

23. COMMITMENTS

Operating lease Commitments:

Non-cancellable operating lease rentals are payable as follows:				
Not later than one year	109,794	85,644	109,794	85,644
Later than one year but not later than five years	72,900	1,800	72,900	1,800
	182,694	87,444	182,694	87,444

The consolidated entity leases property under non-cancellable leases. The leases typically run for a period of 12 months.

During the financial year ended 30 June 2007, $85,640 was recognised as an expense in the income statement in respect of operating leases (2006: $83,480).

Employee Compensation Commitments:	2007	2006	2007	2006
Key management personnel:	$	$	$	$
Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities payable:				
Not later than one year	294,969	642,384	294,969	642,384
Later than one year but not later than five years	130,317	894,906	130,317	894,906
	425,286	1,537,290	425,286	1,537,290

Exploration Commitments:

Minimum exploration expenditure obligations in pursuance of the terms and conditions of tenement licenses:				
Not later than one year	3,260,400	1,294,390	3,260,400	1,294,390
Later than one year but not later than five years	3,664,950	6,925,350	3,664,950	6,925,350
	6,925,350	8,219,740	6,925,350	8,219,740

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Queensland State government. These obligations are subject to renegotiation during the tenure of the tenement. These obligations are not provided for in the financial report.

24. CONTINGENT LIABILITIES

Native Title

There is significant uncertainty associated with native title in Australia and this may impact on the Company's operations and future plans. Nevertheless, significant advancements have been made by the Company with regard to native title, with no significant native title impediments being experienced to date.

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	$	$	$	$
Cash flows from operating activities				
Loss for the period	(7,970,507)	(1,992,140)	(7,970,507)	(1,992,140)
Adjustments for:				
Loss / (Gain) on sale of fixed assets	2,900	(405)	2,900	(405)
Depreciation	119,955	127,440	119,955	127,440
Equity-settled share-based payment expenses	-	64,108	-	64,108
Impairment of fixed assets	-	34,531	-	34,531
Impairment of exploration and development	15,621,402	-	15,621,402	-
Exploration assets written off	5,139	-	5,139	-
Property plant and equipment written off	49,770	-	49,770	-
Profit on sale of investments	(9,557,862)	-	(9,557,862)	-
Operating loss before changes in working capi and provisions:	(1,729,203)	(1,766,466)	(1,729,203)	(1,766,466)
Increase in inventories	(25,747)	(3,999)	(25,747)	(3,999)
Decrease / (increase) in prepayments	(34,535)	5,316	(34,535)	5,316
Increase in receivables	(1,192,994)	(56,751)	(1,192,994)	(56,751)
Increase in payables	660,781	197,064	660,781	197,064
Increase in employee benefits	37,813	22,559	37,813	22,559
Increase in provisions	167,249	106,735	167,249	106,735
Net cash used in operating activities	(2,116,636)	(1,495,542)	(2,116,636)	(1,495,542)

Non-cash financing and investment activities

During the financial year ended 30 June 2006, 250,000 ordinary shares were issued for no cash consideration. See Note 19 for further detail.

26. CONSOLIDATED ENTITIES

	Country of Incorporation	Class of Share	Interest held	
Parent Entity			2007 %	2006 %
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 cost.

27. RELATED PARTIES

The following were key management personnel of the consolidated entity for the reporting period:

Non-executive directors
Mr D Humann (Chairman)
Mr Clive Donner (appointed 17 October 2006)
Mr Geoff Jones (appointed 17 October 2006)
Mr Ronald Hing (appointed 18 December 2006)
Mr Richard Procter (appointed 28 February 2007)

Executive directors
Mr A Chapman (Chief Executive Officer, resigned 28 February 2007)
Mr S McBride (Chief Executive Officer / Chief Financial Officer and Company Secretary)

Senior Executives
Mr Ian Goldberg (Chief Financial Officer and Company Secretary, appointed 19 June 2007))

Key management personnel compensation

Details of key management personnel compensation are set out below:

	CONSOLIDATED		THE COMPANY	
	2007 $	2006 $	2007 $	2006 $
Short-term employee benefits	651,578	573,714	651,578	573,714
Post-employment benefits	393,252	50,400	393,252	50,400
	1,044,830	624,114	1,044,830	624,114

Information regarding individual directors and executive's compensation 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.

27. RELATED PARTIES (continued)

Equity Instruments

Options and rights over equity instruments

All options refer to options over ordinary shares of Matrix Metals Limited, which are exercisable on a one-for-one basis under the Employee Share Option Scheme.

Vesting is at the discretion of the board and is not subject to service or performance criteria.

Option Holdings

The movement during the reporting period in the number of options over ordinary shares in Matrix Metals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance as at 1 July 2006	Granted as compensation	Expired	Balance as at 30 June 2007	Vested as at 30 June 2007	
					Exercisable	Unexerciseable
Directors						
D Humann	3,333,333	-	-	3,333,333	3,333,333	-
A Chapman	3,833,333	-	500,000	3,333,333	3,333,333	-
S McBride	3,583,333	-	250,000	3,333,333	3,333,333	-
G Jones	-	-	-	-	-	-
C Donner	-	-	-	-	-	-
R Procter	-	-	-	-	-	-
R Hing	-	-	-	-	-	-
Senior Executives						
I Goldberg	-	-	-	-	-	-

	Balance as at 1 July 2005	Granted as compensation	Expired	Balance as at 30 June 2006	Vested as at 30 June 2006	
					Exercisable	Unexerciseable
Directors						
D Humann	3,833,333	-	500,000	3,333,333	3,333,333	-
A Chapman	4,833,333	-	1,000,000	3,833,333	3,333,333	500,000
S McBride	4,083,333	-	500,000	3,583,333	3,333,333	250,000

No options were exercised and all options are fully vested at the reporting date. The options shown as vested but unexerciseable, are unexerciseable because the Company share price at the reporting date was not equal to or exceeding the hurdle price of the options.

Movement in shares

The movement during the reporting period in the number of ordinary shares in Matrix Metals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

27. RELATED PARTIES (continued)

	Balance as at 1 July 2006	Purchases	Granted as Compensation	Received on Option Exercise	Other	Balance as at 30 June 2007
Directors						
D Humann	1,080,000	1,688,494	-	-	-	2,768,494
A Chapman (i)	2,606,956	-	-	-	(2,606,956)	-
S McBride	123,478	-	-	-	-	123,478
G Jones	-	-	-	-	-	-
C Donner (ii)	-	-	-	-	61,932,748	61,932,748
R Procter	-	-	-	-	-	-
R Hing	-	-	-	-	-	-
Senior Executives						
I Goldberg	-	-	-	-	-	-

(i) Mr Chapman resigned during the year.

(ii) Mr Donner who was appointed a director on 17 October 2006, is also the managing director of LinQ Resources Fund Limited which controls shares in the company.

	Balance as at 1 July 2005	Purchases	Granted as Compensation	Received on Option Exercise	Sales	Balance as at 30 June 2006
Directors						
D Humann	1,080,000	-	-	-	-	1,080,000
A Chapman	2,606,956	-	-	-	-	2,606,956
S McBride	123,478	-	-	-	-	123,478

28. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as mentioned above, there has not arisen any other matter in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years

DIRECTORS' DECLARATION

1. In the opinion of the directors of Matrix Metals Limited ("the Company"):

   (a) the financial statements and notes, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and the consolidated entities financial position as at 30 June 2007 and of their 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; and

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a); and

   (c) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures;* and

   (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the directors.

Dated at Perth this 18th day of September 2007.

Shane McBride
Managing Director

Independent auditor's report to the members of Matrix Metals Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Matrix Metals Limited (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the Company and the entity it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' 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 establishing 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. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' 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 controls. An audit also includes evaluating the

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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 and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

(a) 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 the Group's financial position as at 30 June 2007 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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

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D P McCOMISH
Partner

Perth
18 September 2007