

13 March 2008

Manager Company Announcements  
Company Announcements Office  
Australian Stock Exchange Limited  
Level 10, 20 Bond Street  
SYDNEY NSW 2000



ABN 42 082 593 235

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## **Matrix Records a Half Year Profit of \$1.2 million**

Matrix Metals Limited advises that it has recorded a gross profit from the Leichhardt copper project of \$2,937,190 and a net profit of \$1,127,763.

Mr Shane McBride, managing director of Matrix, commented “that these inaugural profits are of great satisfaction to the board and shareholders of the company. The profits are testament to the efforts of company management, employees and contractors associated with the company and result from an essentially trouble free ramp up to full production at the Leichhardt copper project. The Leichhardt project is currently operating at a rate of 5,500 tpa copper cathode and is generating strong cash flows and profits. Once the expansion to 9,000 tpa is completed during June 2008, those cash flows and profits will increase significantly. The company looks forward to 2008 and beyond with great excitement.”

Yours Faithfully

Shane McBride  
**Managing Director**



# **MATRIX METALS**

LIMITED

ABN 42 082 593 235

**and its controlled entity**

**Half-Year Financial Report**

**31 December 2007**

**Matrix Metals Limited  
and its controlled entity**

**Corporate Directory**

**Directors**

David J. Humann  
*Chairman*

Shane B. McBride  
*Managing Director and  
Chief Executive Officer*

Clive Donner  
*Non-Executive Director*

Geoff M. Jones  
*Non-Executive Director*

Ronald Hing  
*Non-Executive Director*

Richard L. Procter  
*Non-Executive Director*

**Company secretary**  
Ian J. Goldberg

**Registered Office**

1131 Hay Street  
West Perth, Western Australia 6005  
Telephone: (08) 9486 7100  
Facsimile: (08) 9486 7300  
Email: [email@matrixmetals.com.au](mailto:email@matrixmetals.com.au)  
Website: [www.matrixmetals.com.au](http://www.matrixmetals.com.au)

**Share Registry**

Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS, Western Australia 6009  
Telephone: (08) 9389 8033  
Facsimile: (08) 9389 7871

**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

**Stock Exchange Listing**

The Company's shares are listed on  
the Australian Stock Exchange  
ASX Code – MRX

**Matrix Metals Limited  
and its controlled entity**

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**Matrix Metals Limited  
and its controlled entity**

**Directors' Report**

The directors present their report together with the financial report of the consolidated entity, being the Company and its controlled entity, for the half-year ended 31 December 2007 and the auditors' review report thereon.

**Directors**

The directors of Matrix Metals Limited holding office at any time during or since the end of the interim report are:

**Mr David J. Humann.** FCA, FCPA, FAICD  
Independent Non-Executive Chairman

Appointed 21 March 2000

**Mr Shane B. McBride.** BBus., FCPA, FCIS, MAICD  
Chief Executive Officer and Managing Director

Appointed 22 July 2004

**Mr Geoff M. Jones.** BE (Civil), FIEAust, CPEng  
Independent Non-Executive Director

Appointed 17 October 2006

**Mr Clive Donner.** B.Comm  
Independent Non-Executive Director

Appointed 17 October 2006

**Mr Ronald Hing.** B.Eng (Hons)  
Non-Executive Director

Appointed 18 December 2006

**Mr Richard Procter** BSc(Eng), MBA, CEng, MIMM  
Independent Non-Executive Director

Appointed 28 February 2007

**Result**

The consolidated profit after income tax for the half-year was \$1,127,763 (2006 loss: \$964,550).

**Review of Activities**

The principal activities of Matrix Metals Limited during the course of the half-year was the production of LME Grade A copper cathode from the company's Leichhardt SX/EW copper cathode processing plant in North West Queensland and exploration for minerals on its tenement holdings.

Full production of copper cathode at the Leichhardt project has been maintained since early October, following completion of what was a smooth operational ramp-up. The production of copper cathode is now operating at steady state, which will allow the company to optimise project operations going forward.

**Matrix Metals Limited  
and its controlled entity**

**Directors' Report**

Plant performance, particularly in the last two months of the half-year, was excellent. Optimisation of the processing plant in the later period of the half year has allowed both copper extraction and electrical efficiency to proceed according to budget.

Matrix produced 2,238 tonnes of copper and sold 1,943 tonnes of copper during the half-year.

**Expansion of Copper Production from 5,500 tpa to 9,000 tpa Copper Cathode**

Over the last twelve months, Matrix has funded, refurbished and commissioned the Leichhardt project, which is now operating at its steady state name plate capacity of 5,500 tpa of copper cathode. Due to the success of the project the company decided in December 2007 to expand the processing plant capacity to 9,000 tpa of copper cathode, from current name plate of 5,500 tpa.

The expansion is in progress and is expected to be completed by the end of the financial year. Production at the current name plate capacity of 5,500 tpa of copper cathode is expected to essentially continue uninterrupted through the expansion period.

**Exploration activities**

Exploratory work in the first half of the current financial year to 31 December 2007 was concentrated in the Prospector Area within the Leichhardt Tenement Package and in the Gold Star JV area and the Sierra structure each contained within the Cloncurry Tenement Package.

**Leichhardt Tenement Package**

**Prospector Area:**

All prospects investigated within the Prospector Area have demonstrated a high potential for the discovery of both heap leachable copper mineralization and primary copper – gold mineralization. The clustering of strong magnetic and coincident geochemical anomalies enhances the probability that a new mineralised area may be discovered.

The area encompasses four major prospects (Prospector 1, Prospector 2, Prospector 3 and Yamamilla) plus the Leichhardt Copper Resource (1,135,000t @ 1.0% Copper), all occurring in or adjacent to a large strong magnetic anomaly. Mineralisation is associated with abundant hydrothermal magnetite, which is the source of the magnetic anomaly.

During the first half-year, soil sampling, rock chip sampling and geological and structural mapping continued. Results received are highly encouraging for both an IOCG and for near surface secondary copper oxide deposits suitable for processing at the Leichhardt SXEW plant.

**Matrix Metals Limited  
and its controlled entity**

**Directors' Report**

**Cloncurry Tenement Package**

Work at Cloncurry includes activities at the Gold Star J.V. tenements, Sierra structure on EPM 4317 and EPM 11035 and at Wally's Find on EPM 14475.

**Gold Star Joint Venture:**

The Goldstar J.V. includes two adjoining EPM's; 13625 and 13922 known as Top Camp and Iron Range respectively, and is centred some 40 kilometres south of Cloncurry. The tenements host a number of highly prospective prospects.

The Company is exploring South BFS, Just There and Black Fort for an IOCG style deposit. Encouraging criteria disclosed by work completed include substantial copper gold soil anomalies at each area, proximity to substantial aero magnetic anomalies and at Black Fort an adjacent gravity anomaly. Recently completed (SAM) geophysical surveys have also shown high chargeability anomalies to be either coincident or proximal to high resolution magnetic anomalies over the soil copper anomalies. Mapping and infill soil sampling is underway.

**Sierra Toby Barty Structure:**

Gap Geophysics has completed a SAM Survey over the Sierra-Toby Line. Data from the survey has defined two discrete parallel chargeability anomalies. Correlation of the SAM survey, geology and soil sampling is yet to be undertaken.

**Gilded Rose, Gilded Rose North, Wally's Find and Flat Top:**

EPM 14475 encloses four known mineral occurrences known as *Gilded Rose, Gilded Rose North, Wally's Find and Flat Top*. During the reporting period a programme of geological mapping, soil sampling and selective rock chip sampling was undertaken. Assaying and processing of this work is in progress. Surface native copper mineralisation was found at Wally's Find and is similar in style to that found by CuDeco at their Las Minerale Prospect, which is located north west of Cloncurry.

**McCabe Joint Venture (Xstrata Copper earning-in)**

Xstrata Copper Exploration continued exploration activities on the McCabe Project Farm-in and Joint Venture during the quarter. The second phase of drilling was undertaken during the December Quarter. The hole was designed to target sulphide mineralisation hosted within an interpreted north-northwest plunging breccia controlled by the intersection of a major east-west trending fault and a north-northwest trending fault set. Drilling results were encouraging. Of most significance the drill hole intersected variably brecciated silicified black shale containing zones of chalcocite and native copper mineralization. Down hole TEM surveying and IP-resistivity logging of selected drill holes was also completed. Additional processing and interpretation work is planned. Results from the down hole geophysics will be used to assist with the interpretation of results and future drill hole planning.

**Matrix Metals Limited  
and its controlled entity**

**Directors' Report**

**Uranium (Deep Yellow Limited earning-in)**

The North West Uranium Joint Venture (“NWUJV”) between Matrix and Deep Yellow Limited (“DYL”) entitles DYL access to explore for uranium on Matrix’s tenement holdings in the uranium rich Mt Isa – Cloncurry region and to earn an 80% ownership in the NWUJA after meeting specific spending and payment obligations. A regional helicopter mapping and sampling programme visited over 100 radiometric anomalies. High grade to highly anomalous uranium assays were returned from over 20 locations. The highest rock chip sample came from Toby Barty in the White Range Area and assayed 1.14% U<sub>3</sub>O<sub>8</sub>. Follow-up RC percussion drilling was undertaken at four locations namely, Miranda, Crystal-1, Slance and Conquest with the remaining prospects scheduled to be drilled in 2008. The RC percussion drilling programmes were terminated for the 2007 field season during December. Drilling within the NW Queensland JV tenements totalled 33 holes for 3,818 m on EPM’s 14281 and 14916. Highly encouraging results were obtained from a number of holes and from surface sampling. A best intercept of 61 m at 394 ppm U<sub>3</sub>O<sub>8</sub> from 22 m was returned from the Conquest Prospect.

**Corporate**

In December 2007, Matrix issued by Placement 72,000,000 ordinary shares at an issue price of \$0.105 per share to raise \$7,560,000, principally to international and domestic institutional and sophisticated investor clients of Hartley’s Limited, and major shareholders of Matrix. Matrix also issued 32,740,141 ordinary shares at an issue price of \$0.105 per share to raise \$3,437,715 pursuant to a Share Purchase Plan which was offered to all shareholders. As at 31 December 8,315,341 ordinary shares were still to be allotted, these were allotted on 4 January 2008.

Matrix held AUD Call Options (“Options”) protecting US\$13.25 million in revenue to be derived from future copper production to be delivered during the period January 2008 to March 2008. These Options lock in the US\$/A\$ foreign exchange deliveries at US\$/ A\$0.841. These Options allow Matrix to lock in a maximum foreign exchange rate, but do not create a requirement to deliver into them, thereby allowing full participation of a lower A\$ if the US\$/A\$ exchange rate were to weaken. The costs of these options was \$315,900 and have been applied against the revaluation gains arising from the marking to market of these derivatives of \$728,213 and are disclosed as financial income.

**Subsequent Events**

There are no events or circumstances that have arisen since the end of the half-year that have significantly affected or may effect the operation of the Consolidated Entity, the results of those operations, or the state of the affairs of the Consolidated Entity in the subsequent financial periods.

**Matrix Metals Limited  
and its controlled entity**

**Directors' Report**

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

The lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the half-year ended 31 December 2007.

Signed in accordance with a resolution of the directors.

Dated at Perth this 13<sup>th</sup> day of March 2008.



.....  
*Shane McBride*  
Managing Director and  
Chief Executive Officer



**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 half-year ended 31 December 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'D P McComish'.

D P McComish  
*Partner*

Perth  
13 March 2008

**Matrix Metals Limited  
and its controlled entity**

<b>Consolidated Interim Income Statement for the six months Ended 31 December 2007</b>
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	<b>December 2007</b>	<b>December 2006</b>
	\$	\$
Revenue	16,319,112	-
Cost of sales		
Depreciation and amortisation	(2,123,577)	-
Other cost of sales	(11,258,345)	-
<b>Gross profit</b>	2,937,190	-
Other income	4,545	-
Mark to market movement on provisionally priced sales contracts	3 (1,018,050)	-
Corporate administration expenses	(899,204)	(772,275)
Care and maintenance expenses	-	(248,490)
Employee option expense	(i) (146,776)	-
Impairment of exploration and evaluation	-	(5,139)
Impairment of property, plant and equipment	-	(1,166)
Depreciation and amortisation	(10,004)	(62,056)
Financial expenses	(447,786)	(54,773)
Financial income		
Interest income	295,535	179,349
Mark to market gain on foreign exchange options	412,313	-
<b>Profit/(Loss) before tax</b>	1,127,763	(964,550)
Income tax expense	-	-
<b>Profit/(Loss) for the half-year</b>	1,127,763	(964,550)
 <b>Earnings per share attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share from continuing operations	\$0.0016	(\$0.0016)

There are no dilutive potential ordinary shares, therefore, diluted EPS has not been calculated or disclosed.

The income statement is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 14 to 17.

(i) Employee option expense is not a cash payment, see note 9 for further explanation.

**Matrix Metals Limited  
and its controlled entity**

**Consolidated Interim Balance Sheet**

	Note	Consolidated December 2007 \$	Consolidated June 2007 \$
<b>Current Assets</b>			
Cash and cash equivalents		12,712,767	14,201,138
Trade and other receivables		1,262,430	683,451
Inventories		8,272,552	205,711
Other		987,707	48,279
<b>Total Current Assets</b>		<u>23,235,456</u>	<u>15,138,579</u>
<b>Non Current Assets</b>			
Property, plant and equipment – plant & equipment		1,628,149	907,646
Property, plant and equipment – mine properties/development	6	18,758,976	19,936,505
Exploration and evaluation	7	11,394,873	9,801,089
Other – cash security deposits		2,199,460	1,455,531
<b>Total Non Current Assets</b>		<u>33,981,458</u>	<u>32,100,771</u>
<b>Total Assets</b>		<u>57,216,914</u>	<u>47,239,350</u>
<b>Current Liabilities</b>			
Trade and other payables		4,933,909	4,286,242
Interest bearing liabilities		4,800,000	4,800,000
Employee benefits		254,826	197,530
Provisions		102,188	71,227
<b>Total Current Liabilities</b>		<u>10,090,923</u>	<u>9,354,999</u>
<b>Non Current Liabilities</b>			
Interest bearing liabilities		2,800,000	5,200,000
Employee benefits		22,247	22,247
Provisions		808,460	772,030
<b>Total Non Current Liabilities</b>		<u>3,630,707</u>	<u>5,994,277</u>
<b>Total Liabilities</b>		<u>13,721,630</u>	<u>15,349,276</u>
<b>Net Assets</b>		<u>43,495,284</u>	<u>31,890,074</u>
<b>Equity</b>			
Issued capital	8	67,738,934	57,408,263
Accumulated losses		(24,243,650)	(25,518,189)
<b>Total equity attributable to equity holders of the parent</b>		<u>43,495,284</u>	<u>31,890,074</u>

The balance sheet is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 14 to 17.

**Matrix Metals Limited  
and its controlled entity**

**Consolidated Interim Statement of Recognised Income and Expense  
For the six months ended 31 December 2007**

	<b>December 2007 \$</b>	<b>December 2006 \$</b>
Profit / (Loss) for the half-year	1,127,763	(964,550)
<b>Total recognised income and expense for the period attributable to equity holders of the parent</b>	<b>1,127,763</b>	<b>(964,550)</b>

Other movements in equity arising from transactions with owners as owners, are set out in Note 8.

The statement of recognised income and expense is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 14 to 17

**Matrix Metals Limited  
and its controlled entity**

<b>Consolidated Interim Statement of Cash Flows For the six months ended 31 December 2007</b>
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	Note	December 2007 \$	December 2006 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		14,134,857	50,960
Cash payments to suppliers and employees		(17,812,666)	(1,421,247)
Interest received		321,384	167,736
Financial expenses paid		(756,290)	(45,901)
<b>Net cash used in operating activities</b>		(4,112,715)	(1,248,452)
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property, plant and equipment		4,545	10,727
Payments for:			
Property, plant and equipment		(3,599,228)	(751,918)
Security deposits		(743,928)	(2,500)
Exploration and evaluation expenditure		(1,674,217)	(2,491,074)
<b>Net cash used in investing activities</b>		(6,012,828)	(3,234,765)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		11,037,972	4,849,677
Share issue expenses		(800)	(375,101)
Loans repaid to other entities		(2,400,000)	-
<b>Net cash from financing activities</b>		8,637,172	4,474,576
Decrease in cash and cash equivalents		(1,488,371)	(8,641)
Cash and cash equivalents at 1 July		14,201,138	5,788,816
<b>Cash and cash equivalents at 31 December</b>		12,712,767	5,780,175

The statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 14 to 17.

**Matrix Metals Limited  
and its controlled entity**

**Condensed Notes to the Consolidated Interim Financial Statements**

**1. Reporting entity**

Matrix Metals Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007, comprises the Company and its subsidiary (together referred to as the “consolidated entity”).

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 is available upon request from the Company’s registered office or website (see page 2 for details).

**2. Statement of compliance**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007.

The consolidated interim financial report was approved by the board of directors’ on 10<sup>th</sup> March 2008.

**3. Significant accounting policies**

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2007. Additional accounting policies applicable for this interim period are set out below.

**Sales Revenue**

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

**Matrix Metals Limited  
and its controlled entity**

**Condensed Notes to the Consolidated Interim Financial Statements (continued)**

**Sales Revenue (continued)**

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

The marking to market of provisionally priced sales contracts is recorded as a disclosed item on the face of the income statement. Thus, the income statement records a charge of \$1,018,050, which relates to the restatement of provisionally priced sales contracts outstanding as at 31 December 2007. Subsequently, as at the date of signing this report those provisional priced sales contracts have been finalised which resulted in an actual gross profit of \$1,044,693, to be recorded in the second half of the year.

**Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. Attributable transaction costs are recognised in the income statement when incurred. At each balance date the gains and losses are recognised in the income statement.

**4. Basis of Preparation**

The preparation of an interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2007.

**5. Segment Reporting**

The Group is in the business of production of copper cathode and exploration for minerals within Australia. During the previous half year the groups operations comprised exploration only. In the current half year, the groups revenue and result is derived principally from copper production.

**Matrix Metals Limited  
and its controlled entity**

**Condensed Notes to the Consolidated Interim Financial Statements (continued)**

**6. Property, plant and equipment**

**Acquisitions**

During the six months ended 31 December 2007, \$1.65m was spent on Property Plant and Equipment and Mine Property and Development.

**Capital Commitments**

The consolidated entity did not have any capital commitments as at the end of the half-year .

**7 Exploration and Evaluation**

During the six months ended 31 December 2007, \$1.6m was spent on Exploration and Evaluation.

**8 Issued Capital**

	<b>December 2007 \$</b>	<b>December 2006 \$</b>
Balance at 1 July – (702,494,239 ordinary shares)	57,408,263	50,078,574
Share issue – 41,666,667 shares @ 6 cents/share	-	2,500,000
Share issue – 44,333,333 shares @ 5.3 cents/share	-	2,349,677
Employee options exercised into ordinary shares – 300,000 shares@ 7 cents/share	21,000	
Shares issued – 96,424,800 shares @ 10.5 cents/share	10,124,604	
Shares to be issued – 8,315,341 shares @ 10.5 cents/share (i)	873,111	
Share issue expenses	(688,044)	(375,101)
Balance at 31 December – (807,534,380 ordinary shares)	67,738,934	54,553,150

- (i) These shares were allotted on 4 January 2008, however, the subscription funds for these shares was received prior to period end.

**Matrix Metals Limited  
and its controlled entity**

**Condensed Notes to the Consolidated Interim Financial Statements (continued)**

**9 Share based payments**

Employees receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments. A total of 7,400,000 options to acquire shares were issued under the employee option plan, the options vest in three equal tranches over a period of 3 years. The options were valued at \$0.07/share using the binomial valuation method. The total accounting charge for the period was \$146,776.

**10 Subsequent Events**

There are no events or circumstances that have arisen since the end of the half-year that have significantly affected or may effect the operation of the Consolidated Entity, the results of those operations, or the state of the affairs of the Consolidated Entity in the subsequent financial periods.

**Matrix Metals Limited  
and its controlled entity**

**Directors' Declaration**

In the opinion of the directors of Matrix Metals Limited:

- (a) the financial statements and notes, set out on pages 10 to 17, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 13<sup>th</sup> day of March 2008.

Signed in accordance with a resolution of the directors:



.....  
*Shane McBride*  
Chief Executive Officer  
Managing Director



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

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Matrix Metals Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Matrix Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Matrix Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'D P McComish'.

D P McComish  
*Partner*

Perth  
13 March 2008