



**MATRIX METALS**  
LIMITED

ABN 42 082 593 235

and its Controlled Entities

Half Year Financial Report

31 December 2003

**Matrix Metals Limited  
and its controlled entities**

**Corporate Directory**

**Directors**

David J. Humann  
*Chairman*

Andrew P. Chapman  
*Managing Director and  
Chief Executive Officer*

Gregory A. Hahn  
*Non Executive Director*

Ian C. Burvill  
*Non Executive Director*

J Christopher Mitchell  
*Alternate to Mr Greg Hahn*

**Company Secretary**

Shane B. McBride  
*Chief Financial Officer  
and Company Secretary*

**Registered Office**

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West Perth, Western Australia 6005  
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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  
Level 7, 200 Adelaide Terrace  
PERTH Western Australia 6000  
Telephone: (08) 9221 7288  
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**Lawyers**

Blake Dawson Waldron  
Level 19, Forrest Centre  
221 St George's Terrace  
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  
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**Matrix Metals Limited  
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**Directors' Report**

The directors present their report together with the financial report of the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2003 and the auditors' review report thereon.

**Directors**

The names and particulars of the directors of Matrix Metals Limited holding office at any time during or since the end of the half year are:

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

Appointed 21 March 2000

Mr Humann is a Certified Practising Accountant with 42 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 and Managing Partner Asia Pacific and was a member of the Policy Committee of the Australasian firm. Mr Humann is currently Chairman of MacMahon Holdings Limited, Mincor Ltd, Tethyan Copper Company Limited and WestCoast Mining Limited and a director of TICOR Limited.

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

Appointed 2 February 2000

Andrew Chapman has spent his 23 year career in the mineral resources industry predominately in the gold, base metals and coal sectors. Commencing his career in civil engineering in the Victorian browncoal fields, he moved to Western Australia in the late 1980's and progressed into the gold and base metals industry focussing in the fields of project evaluation and development. He has been directly responsible for the development of two gold projects in WA. After spending time with an international engineering group responsible for its business development and project evaluation activities, he moved into company and corporate management in the mid 1990's. Andrew created and listed Matrix Metals in 2000 and is the Managing Director of Matrix. He was also a founding director of the Australian Gold Council.

*Mr Gregory A. Hahn M.Sc*  
Non Executive Director

Appointed 10 September 2001

Mr Hahn is the President and C.E.O. of Constellation Copper Corporation. He is a Certified Professional Geologist. He spent 10 years with the Noranda organisation before joining CoCa Mines Inc. At CoCa he was instrumental in the development of CoCa's precious metal operations and properties as their Chief Geological Engineer. Mr Hahn joined CoCa for the start-up of its initial operation in California, was interim site manager during a start-up transition and turnaround which solved some difficult processing obstacles, and assisted in the feasibility and optimisation studies for development of the second California operation. Mr Hahn managed all exploration at the development properties, which successfully expanded reserves at the CoCa's operations. Mr Hahn developed the strategy to acquire heap leach copper deposits currently being pursued by Constellation.

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**Directors' Report (continued)**

**Directors (continued)**

*Mr Ian C. Burvill BE, MBA, MAusIMM, MIEAust, CP Eng*  
Non Executive Director

Appointed 6 February 2003

Mr. Burvill was appointed to the Board of Matrix on 6th February 2003. He has 18 years experience in the mining industry, comprising 11 years in finance and 7 years in engineering. He coordinates the Australian investment activities of Resource Capital Funds (RCF) an American private equity firm. Prior to joining RCF in late 2001, Mr. Burvill was Head of Technical Services in the resource banking department of N.M. Rothschild & Sons (Australia) Limited. Before joining Rothschild in 1992, he worked for engineering consultants on the design, construction and commissioning of mineral processing plants in Australia and North America. Mr. Burvill's mining industry experience ranges from feasibility study development, to project development, to debt and equity financing. He is currently a Director of Excel Pty Ltd.

*Mr J. Christopher Mitchell MBA, P.Eng., M.Cdn.IMM*

Appointed 22 June 2001

Mr Mitchell resigned as a director on 4 February 2003. He was subsequently appointed alternate director to Mr Gregory Hahn on 6 February 2003.

Mr Mitchell is the Chief Financial Officer of Constellation Copper Corporation. He is a registered professional engineer in British Columbia. Mr Mitchell has been employed in the minerals business for over 31 years, initially as a metallurgist and financial analyst. Since 1970 he has held positions of increasing responsibility in corporate finance and administration, marketing of base and precious metals concentrates, environmental permitting and executive management positions with several mining companies in Canada and the United States. In addition to his duties with Constellation, Mr Mitchell serves as Chief Financial Officer of two resource companies headquartered in Vancouver, British Columbia, whose shares trade on the TSX Venture Exchange: First Point Minerals Corp., and Diamondex Resources Ltd.

**Review of Activities**

***About Matrix Metals***

Matrix purchased 100% of the Mt Cuthbert Operation and the White Range Project in early 2000 and subsequently listed on the ASX on 11 July 2000. These copper projects, both of which are located in the world class Mt Isa inlier base metals province of North West Queensland, comprise oxide copper resources and reserves with an existing copper production facility utilising heap leach and solvent extraction/electrowinning ("SX/EW") processing technology. The White Range Project is in the final stages of a feasibility study which is due for completion in mid 2004. The Mt Cuthbert processing plant is in a state of care and maintenance with exploration continuing in the area focussed at the Mt Watson deposit.

**Matrix Metals Limited  
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**Directors' Report (continued)**

**Corporate Matters**

- During the half-year, the Company completed two placements totalling 70,206,736 ordinary shares at an issue price of 8 cents per share raising \$5,616,538, before costs of the issues.
- In October 2003, SG Australia Limited ("SG"), a member of the Société Générale Group provided funding for completion of the bankable feasibility study ("BFS") for the Company's 100% owned White Range copper project. SG's funding assistance came in the form of both debt and equity, with a \$2 million debt facility and a \$350,000 share placement.

**Exploration Activities**

- Drilling continued at the Mt Watson deposit (Mt Cuthbert Project) in December 2003. The program, comprising 3,200 metres of RC drilling was highly successful in extending the zones of mineralisation and increasing the resource inventory to 2.6 million tonnes at 1.1 % copper. Drilling is continuing at Mt Watson with the aim of continuing to grow the resource inventory.
- A reverse circulation drilling program was completed at the Mt Earl prospect (Mt Cuthbert Project) during the period comprising 15 RC holes for 693 metres. The objective of the program was to identify resource width and grade oxide copper mineralisation and to confirm the resource potential of the prospect. With every hole drilled being mineralised, this objective has been achieved with the significant high grade copper intercepts reported below.

MERC 10 **16m @ 1.62 % Cu** from 28m

MERC 11 **20m @ 1.22 % Cu** from 4m

MERC 09 **19m @ 1.15 % Cu** from 8m

MERC 16 **5m @ 1.33 % Cu** from 1m

and **12m @ 0.99 % Cu** from 28m

MERC 01 **12m @ 0.90 % Cu** from 21m

- Drilling programs at the White Range Project were successfully completed at Toby Barty, Desolation and Copper Canyon prospects with resource grade and width mineralisation reported at all three prospects. Significant intersections reported include:

DRC 15 **3m @ 4.49 % Cu** from surface

DRC 16 **9m @ 1.28 % Cu** from 3 m

DRC 14 **5m @ 1.20 % Cu** from 12 m

DRC 13 **5m @ 1.28 % Cu** from 9 m

MRC 03 **14m @ 0.89 % Cu** from surface

**Matrix Metals Limited  
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**Directors' Report (continued)**

**Development and Production Activities**

- Following finalisation of the funding package from SG Australia Limited, field work on the White Range bankable feasibility study ("BFS") proceeded. The key activity that commenced during the period was a program of diamond core drilling to retrieve samples for the metallurgical heap leach column testwork program. The various components of the BFS have been scoped and costed and will proceed in accordance with the schedule. Completion of the study is due for completion by mid 2004.
- Evaluations continued in regard to the various options related to the restart and upgrade to the Mt Cuthbert processing facility.

**Native Title & Tenement Grants**

The mining lease for the Mt Watson Deposit was granted during the period as the first practical outcome of the Matrix/Kalkadoon Indigenous Land Use Agreement.

In addition, under a separately negotiated agreement with the Kalkadoon People, two exploration permits (EPM's) were granted including the EPM hosting the Mt Earl Prospect.

On 8 October 2003, a native title agreement with the Mitakoodi People was signed in Cloncurry. The agreement relates specifically to the Greenmount mining lease application (MLA 90134) at the White Range Project.

Signed in accordance with a resolution of the directors.

Dated at Perth this 3<sup>rd</sup> day of March 2004.

.....  
*Andrew P Chapman*  
Managing Director and  
Chief Executive Officer

**Matrix Metals Limited  
and its controlled entities**

<p><b>Statement of Financial Performance</b> <b>For the half-year ended 31 December 2003</b></p>
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	Note	Consolidated	
		December 2003 \$	December 2002 \$
Revenues from copper sales		-	816,710
Cost of sales		-	(1,079,816)
Gross profit / (loss)		-	(263,106)
Other revenues from ordinary activities		66,777	68,518
Borrowing costs		(63,987)	(70,766)
Care and maintenance expenses		(330,336)	-
Corporate and administration expenses		(713,089)	(559,989)
<b>Loss from ordinary activities before related income tax</b>		<b>(1,040,635)</b>	<b>(825,343)</b>
Income tax attributable to ordinary activities		-	-
Net loss from ordinary activities after related income tax	3	<b>(1,040,635)</b>	<b>(825,343)</b>
Basic loss per share (cents)		(0.34)	(0.37)
There are no dilutive potential ordinary shares, therefore, diluted EPS has not been calculated or disclosed.			

The statement of financial performance is to be read in conjunction with the notes to and forming part of the half-year financial statements set out on pages 11 to 13.

**Matrix Metals Limited  
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<p><b>Statement of Financial Position As at 31 December 2003</b></p>
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	Note	Consolidated	
		December 2003 \$	June 2003 \$
<b>CURRENT ASSETS</b>			
Cash		6,216,873	2,282,195
Receivables		41,251	15,847
Inventories		254,981	236,005
Other		26,131	4,067
<b>TOTAL CURRENT ASSETS</b>		6,539,236	2,538,114
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		1,401,898	1,449,442
Exploration, evaluation and development		11,370,250	10,241,500
Other – cash security deposits		538,719	540,119
<b>TOTAL NON CURRENT ASSETS</b>		13,310,867	12,231,061
<b>TOTAL ASSETS</b>		19,850,103	14,769,175
<b>CURRENT LIABILITIES</b>			
Payables		659,993	349,190
Interest bearing liabilities		26,428	26,428
Provisions		105,828	79,294
<b>TOTAL CURRENT LIABILITIES</b>		792,249	454,912
<b>NON CURRENT LIABILITIES</b>			
Interest bearing liabilities		338,562	101,777
Provisions		500,000	500,000
<b>TOTAL NON CURRENT LIABILITIES</b>		838,562	601,777
<b>TOTAL LIABILITIES</b>		1,630,811	1,056,689
<b>NET ASSETS</b>		18,219,292	13,712,486
<b>EQUITY</b>			
Contributed equity	2	30,056,102	24,508,661
Accumulated losses	3	(11,836,810)	(10,796,175)
<b>TOTAL EQUITY</b>		18,219,292	13,712,486

The statement of financial position is to be read in conjunction with the notes to and forming part of the half-year financial statements set out on pages 11 to 13.

**Matrix Metals Limited  
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Statement of Cash Flows for the Half-year ended 31 December 2003
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	<b>Consolidated</b>	
	<b>December 2003</b>	<b>December 2002</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	-	998,719
Cash payments in the course of operations	(962,295)	(2,554,837)
Interest received	53,155	68,518
Interest paid	(14,573)	(126,329)
<b>Net cash used in operating activities</b>	<b>(923,713)</b>	<b>(1,613,929)</b>
 <b>Cash flows from investing activities</b>		
Proceeds on disposal of property, plant and equipment	3,210	-
Payments for:		
Property, plant and equipment	(6,978)	(428,825)
Security deposits	1,400	(144,000)
Acquisition of exploration assets	(2,000)	(41,702)
Exploration, evaluation and development expenditure	(1,090,770)	(861,458)
<b>Net cash used in investing activities</b>	<b>(1,095,138)</b>	<b>(1,475,985)</b>
 <b>Cash flows from financing activities</b>		
Proceeds from issue of shares	5,966,538	7,563,252
Payment of share issue expenses	(249,794)	(562,628)
Repayment of borrowings	-	(1,000,000)
Proceeds from borrowings	250,000	-
Lease repayments	(13,215)	(317,706)
<b>Net cash provided by financing activities</b>	<b>5,953,529</b>	<b>5,682,918</b>
 <b>Net increase in cash held</b>	<b>3,934,678</b>	<b>2,593,004</b>
<b>Cash at beginning of the financial period</b>	<b>2,282,195</b>	<b>885,916</b>
<b>Cash at the end of the financial period</b>	<b>6,216,873</b>	<b>3,478,920</b>

The statements of cash flows are to be read in conjunction with the notes to and forming part of the half-year financial statements set out on pages 11 to 13.

**Matrix Metals Limited  
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Notes to and forming part of the Financial Statements  
for the half-year ended 31 December 2003

**1. Statement of significant accounting policies**

**(a) Basis of preparation of the half-year financial report**

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting", Urgent Issues Group Consensus Views, the recognition and measurement requirements of applicable AASB Standards, and other authoritative pronouncements of the Australian Accounting Standards Board. It is recommended that this half-year financial report be read in conjunction with the 30 June 2003 Annual Financial Report and any public announcements by Matrix Metals Limited and its controlled entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied by each entity in the economic entity and are consistent with those applied in the 30 June 2003 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

**2. Contributed Equity**

	<b>December 2003</b>	<b>June 2003</b>
Issued and paid up capital 371,584,979 (June 2003: 294,378,243) ordinary fully paid shares	\$  30,056,102	\$  24,508,661
 Movements in ordinary share capital		
Opening balance	24,508,661	13,700,077
Share issue (a)		520
Share issue (b)		8,252,732
Share issue (c)		3,085,530
Share issue (d)	350,000	-
Share issue (e)	3,616,538	-
Share issue (f)	2,000,000	-
Share issue expenses	(419,097)	(530,198)
Closing balance	30,056,102	24,508,661

**Matrix Metals Limited  
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Notes to and forming part of the Financial Statements  
for the half-year ended 31 December 2003 (continued)

**2. Contributed Equity (continued)**

- (a) On 30 July 2002, the Company issued 2,600 shares on conversion of 2,600 14 February 2003 options.
- (b) On 5 September 2002, the Company completed a rights issue and issued 183,394,054 shares at an issue price of 4.5 cents per share raising \$8,252,732, before costs of the issue.
- (c) On 10 September 2002, the Company announced the full and final satisfaction of the Constellation Copper Corporation Loan of A\$3,250,000, which was denominated in United States Dollars and equalled USD 1,673,900. At the time of conversion on 5 September 2002, the Loan was equivalent to A\$3,085,530 and was converted into 19,284,562 shares at an issue price of 16 cents per share.
- (d) On 30 September 2003, the Company completed a placement of shares and issued 7,000,000 shares at 5 cents per share.
- (e) On 28 November 2003, the Company completed a placement of shares and issued 45,206,736 shares at 8 cents per share.
- (f) On 23 December 2003, the Company completed a placement of shares and issued 25,000,000 shares at 8 cents per share.

**Options**

On 30 September 2003, the Company granted 34,250,000 options exercisable at 5.3 cents per share on or before 30 September 2006 to SG Australia Limited “(SG)”, in accordance with the terms of the Loan Facility Agreement between the Company and SG.

On 24 December 2003, the Company granted 2,325,000 options exercisable at 10 cents per share with varying hurdle rates and exercise dates, to officers of the company.

Other than as disclosed above, no options were granted, exercised or expired during the half-year.

	<b>December 2003</b>	<b>December 2002</b>
<b>3. Accumulated Losses</b>	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the half year	(10,796,175)	(7,962,210)
Profit / (loss) attributable to members of the parent entity	(1,040,635)	(825,343)
Accumulated profits / (losses) at the end of the half year	(11,836,810)	(8,787,553)

**4. Segment Reporting**

The company operates in one business segment, being exploration and mining of copper within Australia

**Matrix Metals Limited  
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Notes to and forming part of the Financial Statements  
for the half-year ended 31 December 2003 (continued)

**5. Contingent Liabilities**

There have been no changes in contingent liabilities since 30 June 2003

**6. Subsequent Events**

There are no matters or circumstances that have arisen since 31 December 2003 which significantly affected the operations of the consolidated entity, the results of their operations, or the state of affairs of the consolidated entity in subsequent financial periods.

**Matrix Metals Limited  
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**Directors Declaration**

In the opinion of the directors of Matrix Metals Limited:

- (a) the financial statements and notes, set out on pages 8 to 13, 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 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 1029 “Interim Financial Reporting” and the Corporations Act 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 3<sup>rd</sup> day of March 2004.

Signed in accordance with a resolution of the directors:

.....  
*Andrew P Chapman*  
Managing Director and  
Chief Executive Officer



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

### ***Scope***

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Matrix Metals Limited Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2003. The Consolidated Entity comprises Matrix Metals Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.





### *Independence*

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### *Statement*

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

- a) the Corporations Act 2001, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
  - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

  
KPMG

  
B C FULLARTON  
*Partner*

Perth

3 March 2004