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Circular to Shareholders

Matrix Metals Limited (Administrators Appointed) ACN

1. Appointment of Administrators

I advise Justin Walsh and I were appointed Joint and Several Administrators of the above company on 11 November 2008. Effective 14 November 2008, John Greig and Gary Doran of Deloitte Touche Tohmatsu were appointed Receivers over certain assets and operations of the company including the Mt Watson and Mt Cuthbert projects.

Whilst the appointment of the Receivers does not cover and apply to all of the assets of the company it does cover all existing mining and processing operations. The Receivers will be responsible for all issues relating to the ongoing operations at Mt Watson and Mt Cuthbert.

It is the Administrators' intention to work with the Receivers to maximise the future outcome for secured and unsecured creditors and the shareholders of the company.

2. Important Information for Shareholders

2.1 Suspension of Trading

At the date of our appointment (11 November 2008) trading in the shares in the company had already been voluntarily suspended on the Australian Stock Exchange ("ASX"). Whether this suspension will be lifted such that the shares can once again be traded on the ASX will depend on the outcome of the receivership, the administration and also possibly any offer to restructure the company.

Should it eventuate that a restructure is proposed, you will receive written notification regarding the same.

2.2 Transfer of Shares

Pursuant to section 437F of the Corporations Act, a transfer of shares in a company, or an alteration in the status of the members of a company that is made during the administration of a company, is void except so far as the Court orders.

2.3 Capital Gains Tax

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

Pursuant to Schedule 8 - CGT Event G3 to the *Taxation Laws Amendments (2004 Measure Number 6) Act 2005*, an Administrator can only make this declaration if there is no likelihood that shareholders in the company, or shareholders of the relevant class of shares, will receive any further distribution for their shares.

It is my opinion that potential still exists for the recapitalisation of the company, and accordingly I am currently unable to make this declaration for shareholders.

3. Further Information

In regards to the provision of further information appraising you of developments in the Administration, I will not write to shareholders until the earlier of circumstances arising that enables me to provide details of a restructure or recapitalisation, or to make the aforementioned tax declaration, or just prior to the end of the financial year to apprise you of developments since the Administrators' appointment.

Should you require any further information on the Administration, please note that updates will be placed on the Matrix Metals website www.matrixmetals.com.au from time to time.

Should you wish to discuss your enquiries with someone from the Administrators offices, please contact Mr David Luong on +61 8 9429 2222 at Ernst & Young. Please note that given the appointment of Administrators only occurred on 11 November 2008, and the Administrators investigations have only just commenced, it will be at least 3-4 weeks before any further updates will be provided.

Further explanatory information for shareholders may also be found in the ASIC insolvency information sheet available from their website at www.asic.gov.au/insolvencyinfosheets.



Vincent Smith
Administrator
Matrix Metals Limited (Administrators Appointed)

14 November 2008