



**MATRIX METALS**  
LIMITED

ABN 42 082 593 235

**and its Controlled Entities**

**Half – Year Financial Report**

**31 December 2001**

**Matrix Metals Limited  
and its controlled entities**

**Corporate Directory**

**Directors**

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

David J. Humann  
*Non Executive Director*

J. Christopher Mitchell  
*Non Executive Director*

Gregory A. Hahn  
*Non Executive Director*

**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)  
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**Share Registry**

Advanced Share Registry Services  
Level 7, 200 Adelaide Terrace  
PERTH Western Australia 6000  
Telephone: (08) 9221 7288  
Facsimile: (08) 9221 7869

**Solicitors**

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 Codes: Ordinary Shares – MRX  
Options - MRXOA

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**Matrix Metals Limited  
and its controlled entities**

## **Directors' report**

The directors present their report together with the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2001 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 financial year are:

*Mr Andrew P. Chapman CP Eng, M.Aus.IMM, M.I.E.Aust* Appointed 2 February 2000  
Managing Director and Chief Executive Officer

Mr Chapman has over 20 years experience in the resource industry predominantly focused in the base metals and gold sectors, with this experience base broadly spread across the areas of exploration, project evaluation, development and operations. He has been directly responsible for the development and commissioning of two gold projects within Australia and involved to varying degrees in many other project evaluations and developments both within Australia and internationally. He has a depth of corporate experience including, most recently, holding the position of Managing Director with a listed gold exploration company involved in exploration projects in both Queensland and Western Australia. Mr Chapman was an inaugural director of The Australian Gold Council.

*Mr David J. Humann FCA, FCPA* Appointed 21 March 2000  
Non Executive Director

Mr Humann is a Certified Practising Accountant with 40 years international experience predominantly with the accountancy firm, PricewaterhouseCoopers. He was a member of Pricewaterhouse World Board of Directors and its executive World 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. Mr Humann is currently Chairman of MacMahon Holdings Limited and Mincor Ltd; he is a director of ERG Limited, Kumba Australia Pty Ltd (formally ISCOR) and TICOR Limited.

*Mr J. Christopher Mitchell MBA, P.Eng., M.Cdn.IMM* Appointed 22 June 2001  
Non Executive Director

Mr Mitchell is the Executive Vice President and Chief Financial Officer of Summo Minerals Corporation. He is a registered professional engineer in British Columbia. Mr Mitchell has been employed in the minerals business for over 30 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.

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

**Directors (continued)**

*Mr Gregory Hahn M.Sc*  
Non Executive Director

Appointed 10 September 2001

Mr Hahn is the President and C.E.O. of Summo Minerals 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 Summo.

*Mr Gordon M. Freeman*

Appointed 21 March 2000  
Resigned 9 November 2001

*Mr Robert Prescott*

Appointed 22 June 2001  
Resigned 10 September 2001

**Review of Operations**

Production

In June 2001, the Company implemented an amended operating plan for the Mt Cuthbert Operation, under which further open pit mining and stacking of new ore was deferred. In accordance with this plan, copper production during the period resulted in the draw down of leach pad inventories and a consequential ongoing reduction in production rates. This inventory draw down production regime, which may include a hiatus in copper production, will continue until the recommencement of stacking operations currently targeted for mid 2002.

Exploration

In October 2000, Matrix purchased an exploration tenement known as the Mt Watson Prospect. This prospect is considered to be highly prospective in terms of its potential to contain a significant oxide copper orebody and hence provide a long life ore supply for the Mt Cuthbert operation.

An initial drilling program on the Mt Watson prospect was completed in June 2001 which resulted in an inferred resource of 837,000 tonnes @ 1.3% copper being estimated, with mineralisation being identified over a strike length in excess of 2.5km.

A second drilling program completed in December 2001 increased this resource to 1,300,000 tonnes @ 1.3% copper and confirmed resource grade mineralisation semi-continuously over the 2.5 km strike length.

**Matrix Metals Limited  
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**Directors' report (continued)  
Review of Operations (continued)**

Based on the resource estimates to date and interpretive work on the existing data-base, indications are that the Mt Watson deposit has the potential to produce a significant oxide copper orebody, and hence provide a long life extension to the Mt Cuthbert Operation. It is envisaged the current resource will in addition to extending the project life, also provide the justification for a production upgrade to the Mt Cuthbert Operation (subject to copper price).

Detailed exploration programs to both confirm short-term ore reserves and to assess the medium to long term resource potential have been designed and are being implemented.

**Events subsequent to Balance Date**

- On 18 January 2002, the Company issued 29,555,862 ordinary fully paid shares at 7 cents per share to raise \$2,068,910, subsequent to approval from shareholders on 11 January 2002. These funds have been or are to be used for confirmation drilling at the Mt Watson Prospect and working capital. The funds were received in two tranches; being \$1,000,000 advanced to the Company by Summo Minerals Corporation in October and November 2001, this amount has been brought to account as equity as at 31 December 2001. The second tranche of \$1,068,910 was received in January 2002 and has not been brought to account.
- On 21 January 2002, the Company issued 1,982,450 shares at 2.223 cents per share, in partial satisfaction of interest due to 21 November 2001 on the Summo Minerals Corporation loan. These shares were issued in accordance with Resolution 5 approved by shareholders on 9 April 2001, which dictated the issue price of those shares.
- On 20 February 2002, the Company issued 18,083,856 listed options for free to eligible ordinary fully paid shareholders registered with the company's share registry as at 19 February 2002. The options were issued on the basis of one free option for every five ordinary fully paid shares held at that date. The options have an exercise price of 20 cents per share and expire on 14 June 2003.

Signed in accordance with a resolution of the directors.

Dated at Perth this 15 day of March 2002.

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

**Matrix Metals Limited  
and its controlled entities**

**Statement of Financial Performance  
For the half-year ended 31 December 2001**

	Note	Consolidated	
		December 2001 \$	December 2000 \$
Revenues from copper sales		5,196,436	4,489,829
Cost of sales		(4,680,935)	(3,517,636)
Gross Profit		515,501	972,193
Other revenues from ordinary activities		10,626	60,281
Borrowing costs expensed		(162,734)	(40,018)
Other expenses from ordinary activities		(425,486)	(528,830)
<b>Profit / (loss) from ordinary activities before related income tax</b>		(62,093)	463,626
Income tax attributable to ordinary activities		-	(95,710)
Net profit / (loss) from ordinary activities after related income tax	3	(62,093)	367,916
Basic earnings per share (cents)		(0.12)	0.72
Diluted earnings per share (cents)		(0.10)	0.66

The statement of financial performance is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 12.

**Matrix Metals Limited  
and its controlled entities**

**Statement of Financial Position  
For the half-year ended 31 December 2001**

	Note	Consolidated	
		December 2001 \$	June 2001 \$
<b>CURRENT ASSETS</b>			
Cash assets		485,739	113,240
Receivables		517,029	2,015,278
Inventories		1,866,844	2,300,701
Other		36,467	-
<b>TOTAL CURRENT ASSETS</b>		<b>2,906,079</b>	<b>4,429,219</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		1,399,229	1,527,361
Exploration, evaluation and development		8,683,925	8,408,388
Other		47,840	54,640
<b>TOTAL NON CURRENT ASSETS</b>		<b>10,130,994</b>	<b>9,990,389</b>
<b>TOTAL ASSETS</b>		<b>13,037,073</b>	<b>14,419,608</b>
<b>CURRENT LIABILITIES</b>			
Payables		1,156,130	4,058,556
Interest - bearing liabilities		3,476,259	3,570,708
Provisions		115,737	112,702
Deferred vendor consideration		1,000,000	1,000,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,748,126</b>	<b>8,741,966</b>
<b>NON CURRENT LIABILITIES</b>			
Interest - bearing liabilities		374,466	384,596
Provisions		400,000	400,000
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>774,466</b>	<b>784,596</b>
<b>TOTAL LIABILITIES</b>		<b>6,522,592</b>	<b>9,526,562</b>
<b>NET ASSETS</b>		<b>6,514,481</b>	<b>4,893,046</b>
<b>EQUITY</b>			
Contributed equity	2	12,728,499	11,173,127
Accumulated losses	3	(6,214,018)	(6,280,081)
		<b>6,514,481</b>	<b>4,893,046</b>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 12.

**Matrix Metals Limited  
and its controlled entities**

**Statement of Cash Flows for the  
half-year ended 31 December 2001**

	<b>Consolidated</b>	
	<b>December 2001</b>	<b>December 2000</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	6,833,029	3,110,892
Cash payments in the course of operations	(7,349,572)	(5,419,865)
Interest received	10,626	60,281
Interest paid	(30,734)	(40,018)
<b>Net cash used in operating activities</b>	<b>(536,651)</b>	<b>(2,288,710)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(103,987)	(162,755)
Payments for:		
Security deposits	6,800	(18,000)
Acquisition of exploration assets	-	(184,117)
Mine development	-	(527,438)
Exploration, evaluation and development expenditure	(380,473)	(144,632)
<b>Net cash used in investing activities</b>	<b>(477,660)</b>	<b>(1,036,942)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,537,682	-
Proceeds from borrowings:	-	212,551
Payment of share issue expenses	-	(751,842)
Finance lease payments	(150,872)	(233,210)
<b>Net cash provided by financing activities</b>	<b>1,386,810</b>	<b>(772,501)</b>
<b>Net increase / (decrease) in cash held</b>	372,499	(4,098,153)
<b>Cash at beginning of the financial period</b>	113,240	4,783,115
<b>Cash at the end of the financial period</b>	<b>485,739</b>	<b>684,962</b>

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 12.

**Matrix Metals Limited  
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**Notes to and forming part of the financial statements  
for the half-year ended 31 December 2001**

**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 1029 "Interim Financial Reporting" and Urgent Issues Group consensus views. It is recommended that this half-year financial report be read in conjunction with the 30 June 2001 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, except where there is a change in accounting policy, are consistent with those applied in the 30 June 2001 Annual Financial Report.

Comparative information is reclassified where appropriate to enhance comparability.

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

**(b) Going Concern**

The financial report has been prepared on the going concern basis that contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For the half-year ended 31 December 2001 the consolidated entity recorded a loss of \$62,093 (30 June 2001: loss of \$6,097,957). At 31 December 2001, the consolidated entity's current liabilities exceeded current assets by \$2,842,047 and the consolidated entity had net assets of \$6,514,481 (30 June 2001: \$4,893,046).

The directors believe the preparation of the accounts on a going concern basis is appropriate, after considering a number of inherent risks. Key risks include continued supply of ESP dust, the level of accuracy achievable in predicting production rates of the leaching process, price volatility of the US dollar copper price, and volatility of the Australian dollar against the US dollar exchange rate. It should be noted that copper prices were at historical lows in real terms during the last half-year, however, in recent months the copper price has increased.

**Matrix Metals Limited  
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**Notes to and forming part of the financial statements  
for the half-year ended 31 December 2001**

**1. Statement of significant accounting policies continued  
(b) Going Concern continued**

After considering the key risks, the director's believe that the Company will be able to meet its scheduled payments and fund the consolidated entity's budgeted working capital requirements due to the following:

- 1) In January 2001, shareholders approved the issue of 29,555,862 ordinary shares. These funds were received in two tranches being; \$1,000,000 previously advanced to the Company by Summo Minerals Corporation in October and November 2001, and \$1,068,910 received during January 2002. The amount of \$1,068,910 was received post balance date, subsequent to shareholder approval, and is therefore not included in the 31 December 2001 half-year financial statements;
- 2) The Company at its own election, can convert the Summo Minerals Corporation loan of A\$3,244,588 into equity;
- 3) The Company intends to commence a stacking programme in May 2002 which is expected to generate a net cash inflow;
- 4) Given the recent share price performance of the Company and the positive drill results from the Mt Watson prospect the Company believes it has the ability to raise further equity capital.
- 5) The company has secured ongoing support from its major shareholder.

**2. Contributed Equity**

	<b>December 2001</b>	<b>June 2001</b>
	\$	\$
Issued and paid up capital 74,444,430 (June 2001: 51,960,000) ordinary fully paid shares	12,728,499	11,173,127
Movements in ordinary share capital		
Opening balance	11,173,127	11,100,520
Share issue (a)	57,353	-
Share issue (b)	537,682	150,000
Share issue (c)	1,000,000	-
Share issue expenses (b)	(39,663)	(77,393)
Closing balance	12,728,499	11,173,127

**Matrix Metals Limited  
and its controlled entities**

**Notes to and forming part of the financial statements  
for the half-year ended 31 December 2001 (continued)**

**2. Contributed Equity continued**

- (a) On 9 October 2001, the Company allotted 517,550 ordinary fully paid shares to Summo Minerals Corporation in satisfaction of interest due.
- (b) On 12 December 2001, following a placement of shares, 7,681,165 ordinary fully paid shares were issued at 7 cents per share. Capital raising expenses of \$39,663 were recognised as a reduction of the proceeds of the issue.
- (c) \$1,000,000 equity advanced to the Company by Summo Minerals Corporation during the half-year was subsequently issued as capital on 18 January 2002 following approval of a general meeting of shareholders on 11 January 2002. These funds have been booked as equity at 31 December 2001 by the issue of 14,285,715 shares at 7 cents per share.
- (d) No options were granted, exercised or expired during the half-year.

	<b>December 2001</b>	<b>June 2001</b>
<b>3. Accumulated Losses</b>	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the half year	(6,280,081)	(182,124)
Adjustment to prior year accumulated losses (1)	128,156	-
Profit / (loss) attributable to members of the parent entity	(62,093)	(6,097,957)
Accumulated profits / (losses) at the end of the half year	(6,214,018)	(6,280,081)

- (1) Amounts reversed from accounts payable which had previously been booked on acquisition of the Mt Cuthbert Mine.

**4. Statement of operations of segments**

The company operates in one business segment, being copper cathode production within Australia.

**5. Events subsequent to Balance Date**

- On 18 January 2002, the Company issued 29,555,862 ordinary fully paid shares at 7 cents per share to raise \$2,068,910, subsequent to approval from shareholders on 11 January 2002. These funds have been or are to be used for confirmation drilling at the Mt Watson Prospect and working capital. The funds were received in two tranches; being \$1,000,000 advanced to the Company by Summo Minerals Corporation in October and November 2001, this amount has been brought to account as equity as at 31 December 2001. The second tranche of \$1,068,910 was received in January 2002 and has not been brought to account.
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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 7 to 12, 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 2001 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 Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Act 2001; and
- (b) based on the factors set out in note 1(b) of the Notes to the Financial Statements, 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 15 day of March 2002.

Signed in accordance with a resolution of the directors:

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

**Matrix Metals Limited  
and its controlled entities**

**Independent auditors' report to the members of  
Matrix Metals limited**

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