MATRIX METALS
LIMITED

ABN 42 082 592 235

DIRECTORS' REPORT

AND

FINANCIAL REPORT

30 JUNE 2008

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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Western Australia 6005

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Share Registry

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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

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 2008 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: 69, Independent Non-Executive Chairman

Mr Humann is a Chartered Accountant and Certified Practicing Accountant with 46 years international experience predominantly with the accountancy firm, Pricewaterhouse. 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 Resources NL (since November 2000), Braemore Resources Plc (since July 2005), Advanced Braking Technologies Ltd (since August 2006), and LOGICAMMS Ltd (since 2007).

Previous Listed Directorships in the last three years
Monarch Gold Mining Company Ltd (2007-July 2008), India Resources Ltd (2007-July 2008), Tethyan Copper Company Limited (2003-2006), Territory Resources Ltd (April 2008 – July 2008), and MacMahon Holdings Limited (July 2000-2006).

Special Responsibilities
Chairman of Remuneration committee.

Mr Shane B. McBride. BBus., FCPA, FCIS, MAICD Appointed 22 July 2004
Age: 49, Chief Executive Officer and Managing Director

Mr McBride has 27 years of commercial management experience, including 22 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)

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: 46, Independent Non-Executive Director

Mr Jones is a Fellow of the Institution of Engineers, with a Bachelor of Engineering (Civil) degree. He has over 23 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 February 2006. Non-Executive Director Energy Metals Ltd since September 2008.

Previous Listed Directorships in the last three years
Non-Executive Director of Adamus Resources Limited (2006-April 2008).

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

Mr Clive Donner. B.Comm Appointed 17 October 2006
Age: 50, 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 26 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 Director of Millennnium Minerals 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: 40, 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
Zambezi Resources Ltd

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, MIMMM Appointed 28 February 2007
Age: 58, Independent Non-Executive Director

Mr Procter is a mining engineer with over 31 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
Member of the Remuneration committee.

COMPANY SECRETARY

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

Mr Goldberg is a qualified Chartered Accountant and has some 13 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		**Remuneration Meetings**		**Audit Committee Meetings**	
	A	**B**	**A**	**B**	**A**	**B**
Mr D J Humann	8	8	2	2	3	3
Mr S B McBride	8	8	n/a	n/a	n/a	n/a
Mr G Jones	8	7	2	1	3	3
Mr C Donner	8	6	2	1	3	1
Mr R Hing	8	7	2	2	3	1
Mr R Procter	8	7	2	2	n/a	n/a

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

PRINCIPAL ACTIVITIES

The principal activities of Matrix Metals Limited during the course of the year was the production of London Metals Exchange (LME) Grade A copper cathode from the Company's Leichhardt copper cathode processing plant in North West Queensland. 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 Profit / (loss) after income tax for the financial year was $3,576,425 (2007: ($7,970,507)).

Review of Activities

<u>Leichhardt Copper Production</u>

Production activities continued at the Leichhardt Copper Cathode Processing Plant. From July to October 2007 the processing plant was ramped-up to its then maximum production rate of 5,500 tpa copper cathode. In December 2007, the Company started preparations for an expansion of the facility to 9,000 tpa copper cathode.

PRINCIPAL ACTIVITIES (continued)

The plant expansion to a production rate of 9,000 tpa copper cathode was close to commissioning by 30 June 2008. Commencement of commissioning of the expanded plant was announced to the ASX on 15 July 2008. As well as construction of additional sections of the plant, the opportunity has been taken to optimise and streamline the production facilities, including changing the configuration of the filtration area; addition of an extra SpinTek filter; modifications to existing dual media filters; implementation of mechanically assisted cathode stripping, adjustments to the leach pond configuration, debottlenecking of the electrowinning circuit. Outside of the plant expansion the Company has also re-lined the ILS and PLS drainage system, the raffinate, PLS and ILS containment ponds and lined the storm water containment area.

Matrix has also widened and upgraded sections of the haul road from Mt Watson to the processing plant and increased the road maintenance water supply from Matrix's wholly owned sources, enabling it to efficiently cater for the increased hauling capacity requirements.

For the year ended 30 June 2008 Matrix produced 4,794 tonnes of copper with sales of 4,656 tonnes of copper.

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

Over the past eighteen months, Matrix has funded, refurbished and commissioned the Leichhardt Copper plant which processes ore from the Mt Watson orebody some 28 kilometres from the plant. The Stage One Expansion has now increased the processing plant capacity to 9,000 tpa of copper cathode. Commencement of commissioning of the expanded plant was announced to the ASX on 15 July 2008.

Stage Two Expansion Study – Life Extensions

Work continued on the Stage Two Life Extension Study. A re-estimated resource was provided by Golder Associates for Mt Watson.

Mining of the Mt Watson orebody is a two stage development, with Stage 1 underway, currently processing the remaining approximately 1.5 million tonnes of ore reserve. This will be followed by Stage 2 which will process the remaining economically leachable ore from the total Mt Watson deposit. In total the Mt Watson resource alone could potentially provide a life of 5 years, excluding any further exploration success, or the incorporation of Matrix's inventory of other substantial copper resources in proximity to the Leichhardt Copper Plant and any future exploration success.

The conversion of Stage 2 resources to reserves consists of completing metallurgical column test work on the transitional resource and re-optimising pit designs. Metallurgical column test work on the Mt Watson transitional resource commenced in May 2008, with results anticipated to be received by the Company early in the December quarter. Various scenarios will be considered to select the optimum scenarios for a detailed feasibility study.

PRINCIPAL ACTIVITIES (continued)

Joint Venture Agreements

The Company is currently participating in joint ventures with Xstrata Copper ("Xstrata"), Goldstar Resources NL ("Goldstar") and Deep Yellow Limited ("DYL").

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.

Under the terms of the DYL agreement, DYL must spend $3 million on uranium exploration on Matrix tenements in North West Queensland by February 2009 to earn a 51% interest in the joint venture. DYL continued to conduct uranium exploration activities as part of its earn-in to the uranium joint venture on Matrix's tenements.

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.

In summary, the following programs and results were conducted during the year:

- 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.
- Discovery of a number of new copper anomalies in the Cloncurry tenement area.

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 production and expansion of production of LME Grade A copper cathode from the Company's Leichhardt SX/EW copper cathode processing plant in North West Queensland 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.

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 of 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.

CORPORATE GOVERNANCE STATEMENT (continued)

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.

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 C Donner, Mr G Jones and Mr R Hing. Details of their qualifications can be found in the directors' report. The audit committee met 3 times during the year. 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.

CORPORATE GOVERNANCE STATEMENT (continued)

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;
- 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 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 insurable assets and risks.

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 7
Recognise and manage risk (continued)

The chief executive officer and chief financial officer have declared in writing to the board that the Company's financial report for the year ended 30 June 2008 presents a true and fair view, in all material respects, of the Company's financial condition and operational results and is 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.

Principle 9
Remunerate fairly and responsibly

The Company has an established remuneration committee, which comprises Mr D Humann, Mr C Donner, Mr G Jones, Mr R Hing and Mr Richard Procter. The remuneration committee met twice during the year. 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.

CORPORATE GOVERNANCE STATEMENT (continued)

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 - audited

Principles of 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 and senior 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:

Key management Personnel
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
Senior Executives
Mr I Goldberg – Chief Financial Officer and Company Secretary

REMUNERATION REPORT – Audited (continued)

Senior Personnel
Mr B Dennis – General Manager
Mr Paul Monaghan – Operations Manager
Mr R Jurak – Mine Superintendent

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 this 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 $350,000 per year. This amount was increased from $150,000 at the annual general meeting held on 23 November 2007. 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 – Audited (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 for approval.

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.

There is no short term incentive scheme in place. Any bonuses are paid on an ad hoc basis as determined by the Board.

REMUNERATION REPORT – Audited (continued)
Directors and Executives Remuneration (Company and Consolidated)

	Short-term			Post Employment			Share-based Payments	Total	Proportion of remuneration performance related %
	Salary/Fees	Bonus	Non-Monetary	Super	Retirement	Non-Monetary	Options		
Directors									
Non-executive directors									
Mr D J Humann - Chairman									
2008	70,000	-	-	6,300	-	41,618	-	117,918	-
2007	63,000	-	-	5,670	-	13,639	-	82,309	-
Mr C Donner (1)									
2008	46,667	-	-	4,200	-	-	-	50,867	-
2007	24,745	-	-	2,227	-	-	-	26,972	-
Mr G Jones (2)									
2008	46,667	-		4,200	-	-	-	50,867	-
2007	24,745	-	-	2,227	-	-	-	26,972	-
Mr R Hing (3)									
2008	32,083	-	-	2,888	-	-	-	34,971	-
2007	-	-	-	-	-	-	-	-	-
Mr R Procter (4)									
2008	46,667	-	-	4,200	-	-	-	50,867	-
2007	11,667	-	-	1,050	-	-	-	12,717	-
Executive directors									
Mr A P Chapman – Managing Director and Chief Executive Officer (5)									
2008	-		-	-	-	-	-	-	-
2007	256,752	-	24,039	48,333	258,000	43,690	-	630,815	-
Mr S B McBride - Managing Director and Chief Executive Officer (6)									
2008	235,000	50,000	29,081	13,129	-	-	-	327,210	15.3%
2007	201,562	-	21,992	16,000	-	-	-	239,554	-
Key management personnel									
Mr I Goldberg - Chief Financial Officer and Company Secretary (7)									
2008	176,871	-	1,171	13,129	-	-	23,201	214,372	-
2007	23,077	-	-	2,415	-	-	-	25,492	-
Value of options as a proportion of remuneration: 11% (2007: 0%)									
Senior personnel									
Mr B Dennis - General Manager Operations									
2008	200,000	-	-	13,129	-	-	77,337	290,466	-
2007	177,000	-	-	12,686	-	-	-	189,686	-
Value of options as a proportion of remuneration: 27% (2007: 0%)									
Mr R Jurak - Mine Superintendent (8)									
2008	180,000	-	-	13,129	-	-	19,334	212,463	-
2007	120,750	-	-	8,525	-	-	-	129,275	-
Value of options as a proportion of remuneration: 9% (2007: 0%)									
Mr P Monaghan - Operations Manager (9)									
2008	95,167	-	-	6,536	-	-	15,560	117,263	-
2007	-	-	-	-	-	-	-	-	-
Value of options as a proportion of remuneration: 13% (2007: 0%)									

REMUNERATION REPORT - Audited (continued)

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. Mr Hing elected not to receive board fees for the first 12 months of his appointment and only started to receive board fees from 1 December 2007.
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. He was appointed a Director of the Company on 22 July 2004.
7) Mr Goldberg was employed on 14 May 2007.
8) Mr Jurak was employed on 31 October 2006.
9) Mr Monaghan was employed on 10 January 2008.

The fair value of the options are calculated at the date of grant using a binomial option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. Market conditions have been taken into account within the valuation model. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Option life	Fair value	Exercise price	Price of shares	Expected volatility	Risk free rate
10 August 2007	4.8 years	$0.06	$0.10	$0.145	51%	6.2%
28 April 2008	4.2 years	$0.04	$0.10	$0.09	60%	6.2%

Additional Disclosures

Service Contracts

The Company has contracts in place with the Chairman and the 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: $81,750 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: $263,129 per annum.
Provision of other items: Motor vehicle, car parking and telephone.

REMUNERATION REPORT - Audited (continued)

Liquidated damages would have been triggered if a termination notice was 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 the only Key management person to be granted a bonus was Mr S B McBride.

Managing Director	Included in Remuneration A$	% Vested in year	% Forfeited in year
Mr S B McBride	50,000	100%	Nil

Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on recognising achievement of mine and plant recommissioning. Depending on achievements of specific performance criteria, Mr McBride could receive up to a total of $100,000 in bonus payments for the year ended 30 June 2009.

Options and rights over equity instruments granted as compensation - audited

The following options over ordinary shares in the Company were granted as compensation to key management personnel during the reporting period.

Executives	Number of options granted during 2008	Grant date	Fair value per option at grant date	Exercise price per option ($)	Expiry date	Number of options vested during 2008
Mr I Goldberg	600,000	10 August 2007	$0.06	$0.10	19 June 2012	200,000
Mr B Dennis	2,000,000	10 August 2007	$0.06	$0.10	19 June 2012	666,666
Mr R Jurak	500,000	10 August 2007	$0.06	$0.10	19 June 2012	166,666
Mr P Monaghan	1,000,000	28 April 2008	$0.04	$0.10	19 June 2012	333,333

No options have been granted since the end of the financial year. The options were provided at no cost to the recipient. Options are exercisable from the date of vesting and the details of vesting periods are set out in note 17. All options expire on the earlier of their expiry date or termination of the individual's employment.

REMUNERATION REPORT - audited (continued)

Analysis of options and rights over equity instruments granted as compensation - audited

Executives	**Options granted** Number	Date	**% Vested in year**	**% forfeited in year**	**Financial years in which grant vests**
Mr I Goldberg	200,000	10 August 2007	100%	-%	30 June 2008
	200,000	10 August 2007	100%	-%	30 June 2009
	200,000	10 August 2007	100%	-%	30 June 2010
Mr B Dennis	666,666	10 August 2007	100%	-%	30 June 2008
	666,666	10 August 2007	100%	-%	30 June 2009
	666,668	10 August 2007	100%	-%	30 June 2010
Mr R Jurak	166,666	10 August 2007	100%	-%	30 June 2008
	166,666	10 August 2007	100%	-%	30 June 2009
	166,668	10 August 2007	100%	-%	30 June 2010
Mr P Monaghan	333,333	28 April 2008	100%	-%	30 June 2008
	333,333	28 April 2008	100%	-%	30 June 2009
	333,334	28 April 2008	100%	-%	30 June 2010

Analysis of movement in options - audited

The movement during the year, by value, of options over ordinary shares in the Company held by each key management person is detailed below.

	Granted in year $ (A)	Value of option exercised in year$(B)	Lapsed in year $(C)
Mr D Humann	-	-	-
Mr S McBride	-	-	-
Mr G Jones	-	-	-
Mr C Donner	-	-	-
Mr R Procter	-	-	-
Mr I Goldberg	36,000	-	-
Mr B Dennis	120,000	-	-
Mr R Jurak	30,000	-	-
Mr P Monaghan	40,000	-	-
	226,000	-	-

(A) The value of options granted in the year is the fair value of the options calculated at the grant date using a binomial option pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2007 to 30 June 2012.)

(B) No options were exercised during the year.

(C) 3,333,333 options allocated to Mr McBride and 3,333,333 options allocated to Mr Humann, in prior years, expired during the year. No value was assigned to these options when they expired as the exercise price was greater than the trading price.

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**
1,100,000	5 December 2005	30 November 2008	$0.07
6,400,000	10 August 2007	19 June 2012	$0.10
1,000,000	28 April 2008	19 June 2012	$0.10
4,500,000	26 April 2008	26 April 2013	$0.085

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. During the financial year 12,900,000 options were issued to employees under the terms of the employee option scheme. During the financial year 1,050,000 employee options were cancelled and 9,999,999 director options expired. Since the end of the financial year, no options have been exercised or granted. 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 produce copper cathode at its Leichhardt plant, pursue its objective to increase its mineral resources in the Leichhardt and Cloncurry tenement areas and continue to pursue opportunities to expand its production of LME grade copper cathode.

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	3,247,619	-
S McBride	1,125,000	-
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 (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.

ENVIRONMENTAL REGULATIONS

The Company is subject to significant environmental regulation in respect to its operations. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the financial year under review.

NON-AUDIT SERVICES

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Taxation services	24,010	18,250	24,010	18,250
Other services	-	-	-	-
	24,010	18,250	24,010	18,250

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 23 and forms part of the directors' report for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors.

Dated at Perth, this 24th day of September 2008.

Shane McBride
Managing Director

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 2008 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

DMcComish

D P McComish
Partner

Perth
24 September 2008

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	THE COMPANY 2008 $	THE COMPANY 2007 $
Revenue	2	39,366,240	55,922	39,366,240	55,922
Cost of Sales					
Depreciation and amortisation		(3,945,054)	-	(3,945,054)	-
Other cost of sales		(28,656,485)	-	(28,656,485)	-
Gross Profit		6,764,701	55,922	6,764,701	55,922
Other income	3	6,886	9,557,862	6,886	9,557,862
Care and maintenance expenses		-	(455,856)	-	(455,856)
Corporate administration expenses		(1,964,484)	(1,896,743)	(1,964,484)	(1,896,743)
Employee option expense	17	(340,332)	-	(340,332)	-
Impairment of exploration and evaluation	13	(12,968)	(15,621,402)	(12,968)	(15,621,402)
Depreciation and amortisation		(20,271)	(119,955)	(20,271)	(119,955)
Results from operating activities		4,433,532	(8,480,172)	4,433,532	(8,480,172)
Financial expenses	22(a)	(1,551,442)	(47,039)	(1,551,442)	(47,039)
Financial income	22(a)	694,335	556,704	694,335	556,704
Profit/(Loss) before tax		3,576,425	(7,970,507)	3,576,425	(7,970,507)
Income tax expense	5	-	-	-	-
Profit/(Loss) for the year	20	3,576,425	(7,970,507)	3,576,425	(7,970,507)
Attributable to:					
Equity holders of the parent		3,576,425	(7,970,507)	3,576,425	(7,970,507)
Earnings per share attributable to the ordinary equity holders of the Company:					
Basic earnings per share from continuing operations (cents)	21	0.47	(1.24)		
Diluted earnings per share from continuing operations (cents)	21	0.47	(1.24)		

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 28 to 54.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Profit/(Loss) for the period	3,576,425	(7,970,507)	3,576,425	(7,970,507)
Total recognised income and expense for the period attributable to equity holders of the parent	3,576,425	(7,970,507)	3,576,425	(7,970,507)

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 28 to 54.

BALANCE SHEETS
AS AT 30 JUNE 2008

	Note	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	THE COMPANY 2008 $	THE COMPANY 2007 $
Current assets					
Cash and cash equivalents	7	7,377,104	14,201,138	7,377,104	14,201,138
Trade and other receivables	8	1,446,843	683,451	1,446,843	683,451
Inventories	9	9,487,502	205,711	9,487,502	205,711
Other	10	149,528	48,279	149,528	48,279
Total current assets		18,460,977	15,138,579	18,460,977	15,138,579
Non-current assets					
Other financial assets	11	-	-	100,000	100,000
Property, plant and equipment	12	28,094,111	20,844,151	28,094,111	20,844,151
Exploration and evaluation	13	12,918,040	9,801,089	12,818,040	9,701,089
Other	14	2,200,310	1,455,531	2,200,310	1,455,531
Total non-current assets		43,212,461	32,100,771	43,212,461	32,100,771
Total assets		61,673,438	47,239,350	61,673,438	47,239,350
Current liabilities					
Trade and other payables	15	8,777,000	4,286,242	8,777,000	4,286,242
Loans and borrowings	16	4,800,000	4,800,000	4,800,000	4,800,000
Employee benefits	17	383,453	197,530	383,453	197,530
Provisions	18	112,845	71,227	112,845	71,227
Total current liabilities		14,073,298	9,354,999	14,073,298	9,354,999
Non-current liabilities					
Loans and borrowings	16	400,000	5,200,000	400,000	5,200,000
Employee benefits	17	51,157	22,247	51,157	22,247
Provisions	18	1,048,960	772,030	1,048,960	772,030
Total non-current liabilities		1,500,117	5,994,277	1,500,117	5,994,277
Total liabilities		15,573,415	15,349,276	15,573,415	15,349,276
Net assets		46,100,023	31,890,074	46,100,023	31,890,074
Equity					
Issued capital	19	67,701,455	57,408,263	67,701,455	57,408,263
Accumulated losses	20	(21,601,432)	(25,518,189)	(21,601,432)	(25,518,189)
Total equity attributable to equity holders of the parent		46,100,023	31,890,074	46,100,023	31,890,074

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 28 to 54.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		THE COMPANY	
		2008	2007	2008	2007
	Note	$	$	$	$
Cash flows from operating activities					
Cash receipts from operations		38,721,760	55,922	38,721,760	55,922
Cash payments to suppliers and employees		(36,360,153)	(2,540,389)	(36,360,153)	(2,540,389)
Interest received		687,108	548,292	687,108	548,292
Interest paid		(1,016,850)	(180,461)	(1,016,850)	(180,461)
Net cash provided by/(used in) operating activities	25	2,031,865	(2,116,636)	2,031,865	(2,116,636)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		30,000	10,954	30,000	10,954
Proceeds from the sale of equity investments	3	-	9,557,862	-	9,557,862
Payments for:					
Property, plant and equipment	12	(10,888,367)	(12,608,781)	(10,888,367)	(12,608,781)
Security deposits	14	(744,779)	(698,794)	(744,779)	(698,794)
Exploration and evaluation	13	(2,745,945)	(3,018,128)	(2,745,945)	(3,018,128)
Net cash used in investing activities		(14,349,091)	(6,756,887)	(14,349,091)	(6,756,887)
Cash flows from financing activities					
Repayment of borrowings	16	(4,800,000)	-	(4,800,000)	-
Proceeds from borrowings	16	-	10,000,000	-	10,000,000
Proceeds from issue of shares	19	11,018,721	7,831,278	11,018,721	7,831,278
Payment of transaction costs	19	(725,529)	(545,433)	(725,529)	(545,433)
Net cash from financing activities		5,493,192	17,285,845	5,493,192	17,285,845
Increase/(Decrease) in cash and cash equivalents		(6,824,034)	8,412,322	(6,824,034)	8,412,322
Cash and cash equivalents at 1 July		14,201,138	5,788,816	14,201,138	5,788,816
Cash and cash equivalents at 30 June	7	7,377,104	14,201,138	7,377,104	14,201,138

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 28 to 54.

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 2008, comprises the Company and its subsidiary (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors' on 24th September 2008.

(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.

The financial report 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

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008 but have not been applied in preparing this financial report:

- AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Consolidated entity's 30 June 2010 financial statements. The Consolidated entity has not yet determined the impact on the Consolidated entity's 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 or the Consolidated entity as the standard is only concerned with disclosures.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standards do not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Consolidated entity's 30 June 2010 financial statements. The Consolidated entity has not yet determined the potential effect on the Consolidated entity's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Consolidated entity's 30 June 2010 financial statements and will constitute a change of accounting policy for the Consolidated entity. The Consolidated entity has not yet determined the potential effect of the revised standard on future earnings.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous / retained investment when control is obtained / lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders. The revised standard will become mandatory for the Consolidated entity's June 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the revised standard on the Consolidated entity's financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Consolidated entity's June 2010 financial statements. The Consolidated entity has not yet determined the potential effect of the amending standard on the Consolidated entity's financial report.

(c) Basis of preparation

The financial report is presented in Australian dollars which is the entity's functional currency. 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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue Recognition

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. 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.

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 an adjustment directly in revenue.

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

(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.

1) SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

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 have been determined and include subsequent costs to develop the mine to the production phase. These may 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.

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.

Amortisation is normally calculated using the units of production basis with metal extracted from the mine in the period as a percentage of the total quantity of metal to be extracted in current and future periods based on proved and probable reserves and other mineral resources. Such non reserve material may be included in amortisation calculations in limited circumstances where there is a high degree of confidence in its economic extraction. 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)).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Inventories

Work in progress ("WIP") and finished goods
WIP and finished goods 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 and production 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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

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 binomial 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.

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 liability.

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, applying 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Provisions (Continued)

Mine rehabilitation (Continued)

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.

(v) 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.

(w) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- share based payments
- provisions
- financial instruments
- exploration and evaluation

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$

2. REVENUE

Sales	39,366,240	-	39,366,240	-
Royalties	-	55,922	-	55,922
	39,366,240	55,922	39,366,240	55,922

3. OTHER INCOME

Net gain on sale of fixed assets	6,886	-	6,886	-
Net gain on the sale of listed investments	-	9,557,862	-	9,557,862
	6,886	9,557,862	6,886	9,557,862

4. AUDITOR'S REMUNERATION

Auditors of the Company – KPMG:				
Audit and review of financial reports	93,548	48,000	93,548	48,000
Other services – taxation services	24,010	18,250	24,010	18,250
	117,558	66,250	117,558	66,250

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	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
5. INCOME TAX BENEFIT				
Numerical reconciliation between tax expense and pre-tax profit				
Gain / (Loss) before tax	3,576,425	(7,970,507)	3,576,425	(7,970,507)
Tax expense / (benefit) using the domestic corporation tax rate of 30% (2007: 30%)	1,072,927	(2,391,152)	1,072,927	(2,391,152)
Deferred Tax expense				
Origination and reversal of timing differences	(1,980,117)	(174,416)	(1,980,117)	(174,416)
Tax losses utilised	805,090	2,494,368	805,090	2,494,368
Decrease in income tax benefit due to				
Non-deductible items	102,100	71,200	102,100	71,200
Income tax benefit attributable to pre-tax operating gain / (loss)	-	-	-	-
Unrecognised deferred tax assets and tax liabilities				
Deductible temporary differences	478,925	318,910	478,925	318,910
Tax losses	9,933,411	10,738,501	9,933,411	10,738,501
Deferred tax asset	10,412,336	11,057,411	10,412,336	11,057,411
Inventories	(187,743)	(23,412)	(187,743)	(23,412)
Property plant and equipment	(1,663,782)	(822,175)	(1,663,782)	(822,175)
Exploration and evaluation	(3,875,412)	(2,940,327)	(3,875,412)	(2,940,327)
Deferred tax liability – temporary differences	(5,726,937)	(3,785,914)	(5,726,937)	(3,785,914)
Net deferred tax asset not recognised	4,685,399	7,271,497	4,685,399	7,271,497

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have only been recognised to the extent that they offset deferred tax liabilities. The balance of the deferred tax assets have not been recognised in respect of these items because of the inherent uncertainty of future copper prices as the Company does not hedge its Australian dollar copper sales and thus, it is not probable that future taxable profit will be available against which the consolidated entity can utilise the deferred tax asset. As at 30 June 2008, the Company has calculated tax losses of $9,933,411 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	
	2008	2007	2008	2007
	$	$	$	$
7. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	3,388,272	1,269,386	3,388,272	1,269,386
Commercial bills	3,988,832	12,931,752	3,988,832	12,931,752
	7,377,104	14,201,138	7,377,104	14,201,138

The commercial bills mature within 31 days and pay interest at a weighted average interest rate of 7.30% (2007 6.29%).

8. TRADE AND OTHER RECEIVABLES

Other receivables	1,446,843	683,451	1,446,843	683,451

9. INVENTORIES

Current				
Consumable supplies at cost	722,965	205,711	722,965	205,711
Work in progress	7,684,688	-	7,684,688	-
Finished goods	1,079,849	-	1,079,849	-
	9,487,502	205,711	9,487,502	205,711

10. OTHER CURRENT ASSETS

Prepayments	149,528	48,279	149,528	48,279

11. OTHER FINANCIAL ASSETS

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

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12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED AND COMPANY		
	$	$	$
	Plant & equipment	**Mine properties & Development**	**Total**
At 1 July 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
Year ended 30 June 2008			
Opening net book amount	907,646	19,936,505	20,844,151
Additions	2,738,505	8,495,322	11,233,827
Transferred in from mine properties	7,917,002	-	7,917,002
Transferred in from exploration & evaluation		27,722	27,722
Transferred out to plant and equipment	-	(7,917,002)	(7,917,002)
Disposals	(23,114)	-	(23,114)
Amortisation and depreciation	(1,942,908)	(2,045,567)	(3,988,474)
Closing net book amount	9,597,131	18,496,980	28,094,111
At 30 June 2008			
At cost	12,841,144	20,542,547	33,383,691
Accumulated depreciation	(3,244,013)	(2,045,567)	(5,289,580)
Net book amount	9,597,131	18,496,980	28,094,111

(i) Included in the additions to mine properties and development in the prior year 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

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$

13. EXPLORATION AND EVALUATION EXPENDITURE

Carrying amount at the beginning of the year	9,801,089	26,601,153	9,701,089	26,501,153
Additions – internally developed	782,968	769,183	782,968	769,183
Additions - other	2,374,673	1,979,990	2,374,673	1,979,990
Impairment charge	(12,968)	(15,621,402)	(12,968)	(15,621,402)
Transferred out to mine properties & development	(27,722)	(3,927,835)	(27,722)	(3,927,835)
Exploration and or evaluation phase	12,918,040	9,801,089	12,818,040	9,701,089

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.

14. OTHER NON-CURRENT ASSETS

Security deposits	2,200,310	1,455,531	2,200,310	1,455,531

15. TRADE AND OTHER PAYABLES

Trade payables and accrued expenses	8,547,975	4,232,798	8,547,975	4,232,798
Employee entitlements	229,025	53,444	229,025	53,444
	8,777,000	4,286,242	8,777,000	4,286,242

16. LOANS AND BORROWINGS

Current				
Secured Loan	4,800,000	4,800,000	4,800,000	4,800,000
Non-current				
Secured Loan	400,000	5,200,000	400,000	5,200,000

The loan is secured by a fixed charge over the assets that comprise the Leichhardt copper project and associated tenements, owed to Glencore International AG and has a maturity date 31 July 2009. The interest rate is the 3 month AUD LIBOR plus margin of 2.5% and as at 30 June 2008 is 10.3%.

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17. EMPLOYEE BENEFITS

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Current				
Liability for annual leave	383,453	197,530	383,453	197,530
Non-current				
Liability for long service leave	51,157	22,247	51,157	22,247

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 $246,979 for the financial year ended 30 June 2008 (2007: $41,213).

Share based payments

The Company has an employee share option plan ("ESOP") which provides for eligible participants to receive options over ordinary shares. 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. 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:

Option grant date/employee entitled	Number of instruments	Vesting Conditions	Contractual life
Grant to key management personnel at 10 August 2007, exercise price $0.10	600,000	One third vesting on each of 19 June 2008, 19 June 2009, and 19 June 2010	5.0 years
Grant to other personnel at 10 August 2007, exercise price $0.10	6,800,000	One third vesting on each of 19 June 2008, 19 June 2009, and 19 June 2010	5.0 years
Grant to other personnel at 26 April 2008, exercise price $0.085	4,500,000	One third vesting on each of 26 April 2009, 26 April 2010, and 26 April 2011	5.0 years
Grant to other personnel at 28 April 2008, exercise price $0.10	1,000,000	One third vesting on each of 19 June 2008, 19 June 2009, and 19 June 2010	4.0 years
Total share options granted	**12,900,000**		

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17. EMPLOYEE BENEFITS (Continued)

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

	Weighted average exercise price 2008	**Number of options** 2008	**Weighted average exercise price** 2007	**Number of options** 2007
Outstanding at the beginning of the period	$0.17	11,449,999	$0.15	14,287,499
Granted during the period	$0.09	12,900,000	-	-
Exercised during the period	$0.07	(300,000)	$0.07	(300,000)
Forfeited during the period	$0.10	(1,050,000)	-	-
Expired during the period	$0.18	(9,999,999)	$0.10	(2,537,500)
Outstanding at the end of the period	$0.09	13,000,000	$0.17	11,449,999
Exercisable at the end of the period		5,066,667		11,449,999

The options outstanding at 30 June 2008 have an exercise price in the range of $0.07 to $0.10 and a weighted average remaining contractual life of 4 years.

During the financial year 300,000 options were exercised (2007: 300,000). The share price at exercise date was $0.12 (2007: $0.10)

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

	CONSOLIDATED		**THE COMPANY**	
	2008 $	2007 $	2008 $	2007 $
Options issued under employee share option plan	340,332	-	340,332	-
Other employee expenses	3,993,453	1,072,271	3,993,453	1,072,271
Total Personnel Expenses	4,333,785	1,072,271	4,333,785	1,072,271

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 a binomial option-pricing model using the following inputs:

	Options Granted		
Inputs into the model	**10 August 2007**	**26 April 2008**	**28 April 2008**
Fair value	$0.06	$0.04	$0.04
Share price	$0.145	$0.08	$0.09
Exercise price	$0.10	$0.085	$0.10
Expected volatility (based on historic volatility)	51%	60%	60%
Option life	4.8 years	4.9 years	4.2 years
Expected dividends	-	-	-
Risk-free interest rate (based on government bonds)	6.2%	6.2%	6.2%

18. PROVISIONS

	CONSOLIDATED		THE COMPANY	
	Rehabilitation	Retirement Benefit	Rehabilitation	Retirement Benefit
	$	$	$	$
Balance at 1 July 2007	772,030	71,227	772,030	71,227
Provisions made during the year	276,930	41,618	276,930	41,618
Balance at 30 June 2008	1,048,960	112,845	1,048,960	112,845
Current	-	112,845	-	112,845
Non-current	1,048,960	-	1,048,960	-
	1,048,960	112,845	1,048,960	112,845

Rehabilitation
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 Mr D Humann and Mr S McBride, the terms of Mr Humann's contract allows for a retirement benefit. Refer to the Remuneration Report section of the Directors' Report for further detail.

19. CAPITAL

	CONSOLIDATED AND COMPANY	
	2008	2007
	$	$
Issued and paid up capital 807,534,380 (2007: 702,494,239) ordinary shares fully paid	67,701,455	57,408,263
Movements in ordinary share capital		
Opening balance	57,408,263	50,078,574
Share issue (a)	-	2,500,000
Share issues (b)	-	2,349,667
Share issue (c)	-	2,960,641
Employee options exercised (d)	-	21,000
Employee options exercised (e)	21,000	-
Share issue (f)	6,712,125	-
Share issue (g)	745,500	-
Share issue (h)	102,375	-
Share issue (i)	2,564,604	-
Share issue (j)	873,117	-
Share issue expenses	(725,529)	(501,619)
Closing balance	67,701,455	57,408,263

19. CAPITAL (Continued)

	CONSOLIDATED AND COMPANY	
	2008	2007
	No of shares	*No of shares*
Movements in number of ordinary shares		
Balance at 1 July	702,494,239	575,637,509
Share issue (a)	-	41,666,667
Share issues (b)	-	44,333,333
Share issue (c)	-	40,556,730
Employee options exercised (d)	-	300,000
Employee options exercised (e)	300,000	-
Share issue (f)	63,925,000	-
Share issue (g)	7,100,000	-
Share issue (h)	975,000	-
Share issue (i)	24,424,796	-
Share issue (j)	8,315,345	-
Balance at 30 June	807,534,380	702,494,239

(a) On 23 October 2006 Glencore International AG was issued 41,666,667 ordinary shares at 6 cents per share.
(b) On 24 November 2006 44,333,333 ordinary shares were issued to shareholders at 5.3 cents per share.
(c) On 15 March 2007 40,556,730 ordinary shares were issued to shareholders at 7.3 cents per share.
(d) On 18 April 2007 300,000 employee options were exercised at a price of 7 cents per share.
(e) On 15 December 2007 300,000 employee options were exercised at a price of 7 cents per share.
(f) On 19 December 2007 63,925,000 ordinary shares were issued to shareholders at 10.5 cents per share, as part of a placement.
(g) On 21 December 2007 7,100,000 ordinary shares were issued to shareholders at 10.5 cents per share, as part of a placement.
(h) On 24 December 2007 975,000 ordinary shares were issued to shareholders at 10.5 cents per share, as part of a placement.
(i) On 31 December 2007 24,424,796 ordinary shares were issued to shareholders as part of the share purchase plan at 10.5 cents per share.
(j) On 3 January 2008 8,315,345 ordinary shares were issued to shareholders as part of the share purchase plan at 10.5 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.

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 2008: 13,000,000 (2007: 11,449,999).

20. RETAINED EARNINGS

	Note	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	THE COMPANY 2008 $	THE COMPANY 2007 $
Balance at 1 July		(25,518,189)	(17,547,682)	(25,518,189)	(17,547,682)
Equity settled share based payments	17	340,332	-	340,332	-
Total recognised income and expense		3,576,425	(7,970,507)	3,576,425	(7,970,507)
Balance at 30 June		(21,601,432)	(25,518,189)	(21,601,432)	(25,518,189)

21. EARNINGS PER SHARE

	CONSOLIDATED 2008	CONSOLIDATED 2007
Basic earnings per share (cents)	0.47	(1.24)
Diluted earnings per share (cents)	0.47	(1.24)

The calculation of basic and diluted earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $3,576,425 (2007: loss of $7,970,507) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008 of 757,267,805 (2007: 642,604,094) calculated as follows:

Weighted average number of ordinary shares - Basic	CONSOLIDATED 2008 Number	CONSOLIDATED 2007 Number
Issued ordinary shares at 1 July	702,494,239	575,637,509
Effect of exercise of share options on issue	-	-
Weighted effect of shares issued during the year	54,773,566	66,966,585
Weighted average number of ordinary shares at 30 June	757,267,805	642,604,094

Weighted average number of ordinary shares - Diluted	2008 Number	2007 Number
Weighted average number of ordinary shares at 30 June (basic)	757,267,805	642,604,094
Effect of share options on issue	8,779,371	-
Weighted average number of ordinary shares (diluted) at 30 June	766,047,176	642,604,094

The average market value of the company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding. 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		
2008	Note	**Weighted Average Interest Rate**	**Floating Interest Rate**	**Non-interest bearing**	**Total**
		%	**$**	**$**	**$**
Financial assets					
Cash	7	6.68%	7,376,904	200	7,377,104
Receivables	8		-	1,446,843	1,446,843
Other	14	6.96%	723,350	1,476,960	2,200,310
			8,100,254	2,924,003	11,024,257
Financial liabilities					
Payables	15		-	8,777,000	8,777,000
Secured Loan	16	10.3%	5,200,000	-	5,200,000
			5,200,000	8,777,000	13,977,000
2007					
Financial assets					
Cash	7	6.29%	14,200,938	200	14,201,138
Receivables	8		-	683,451	683,451
Other	14	5.80%	728,574	726,957	1,455,531
			14,929,512	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

Finance income and Expenses

	CONSOLIDATED		**THE COMPANY**	
	2008	2007	2008	2007
	$	$	$	$
Interest income on bank deposits	694,335	556,704	694,335	556,704
Finance income	694,335	556,704	694,335	556,704
Unwinding of discount on rehabilitation provision	(130,019)	-	(130,019)	-
Foreign exchange forward contracts	(315,901)	-	(315,901)	-
Interest expense	(1,019,635)	(3,194)	(1,019,635)	(3,194)
Withholding tax and other	(85,887)	(43,845)	(85,887)	(43,845)
Finance expense	(1,551,442)	(47,039)	(1,551,442)	(47,039)

22. FINANCIAL INSTRUMENTS (Continued)

(b) Capital Risk Management

The Company and Consolidated Entity manage its capital to ensure that constituent entities are able to continue as a going concern whilst retaining an optimal debt to equity balance. The capital structure of the group consists of cash and cash equivalents (Note 7) and equity attributable to equity holders of the parent, comprising issued capital (Note 19) and Accumulated Losses (Note 20).

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the Company and the consolidated entity, which have been recognised on the balance sheet, is the carrying amount, net of any allowance for doubtful debts. Credit risk in respect of cash, deposits and receivables is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

(d) Net fair values of financial assets and liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by the Company and 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.

(e) Foreign currency risk management

The Company and the consolidated entity undertake certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The Company and the consolidated entity are unhedged at balance date against foreign currency fluctuations. The carrying amount of the Company and the consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets A$		Liabilities A$	
	2008	2007	2008	2007
US Dollars (equivalent)	1,500,282	-	-	-

(f) Foreign currency sensitivity

The Company and the consolidated entity is mainly exposed to US dollars. The following table details the Company and the consolidated entity's sensitivity to a 10% increase and decrease in the Australian dollar against the US dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible changes in foreign exchange rates.

	Assets $		Liabilities $	
Profit or (loss)	2008	2007	2008	2007
Increase 10%	(136,389)	-	-	-
Decrease 10%	166,698	-	-	-

US dollar denominated transactions occur on a fluctuating basis throughout the year. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(g) Interest rate risk management

The Company and the consolidated entity are exposed to interest rate risk as entities in the Company and the consolidated entity hold cash and term deposits and borrow funds at floating interest rates.

22. FINANCIAL INSTRUMENTS (Continued)

(h) Interest rate sensitivity

Under the terms of the Glencore loan agreement the Company and the consolidated entity is exposed to movements in the London Inter Bank offer Rate ("LIBOR") on outstanding loan funds. The following table details the sensitivity of an increase or decrease of 10% in the LIBOR on financial assets and financial liabilities:

	Assets $		Liabilities $	
Profit or (loss)	2008	2007	2008	2007
Increase 10%	49,278	89,324	(53,560)	(91,100)
Decrease 10%	(49,278)	(89,324)	53,560	91,100

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework of the Company and the consolidated entity's short, medium and long term funding and liquidity management requirements. The Company and the consolidated entity manages liquidity risk by maintaining reserves adequate for immediate requirements and achieving returns on capital via investing excess funds in highly liquid short term investments. Contractual maturities of financial liabilities include estimated interest payments:

	Carrying amount	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**
Secured Loans	5,200,000	5,493,166	2,605,112	2,484,849	403,205
Trade & Other payables	8,777,000	8,777,000	8,777,000	-	-
	13,977,000	14,270,166	11,382,112	2,484,849	403,205

(j) Commodity price risks

Under the terms of the Glencore Offtake Agreement the Company and the consolidated entity is exposed to movements in the copper prices on unfinalised sales. The following table details the sensitivity of an increase or decrease of 10% in the price of copper on financial assets and financial liabilities:

	Assets $		Liabilities $	
Profit or (loss)	2008	2007	2008	2007
Increase 10%	490,243	-	-	-
Decrease 10%	(473,675)	-	-	-

Commodity sales occur on a fluctuating basis throughout the year. In management's opinion, the sensitivity analysis is unrepresentative of the inherent commodity price risk as the year end exposure does not reflect the exposure during the year.

	CONSOLIDATED		**THE COMPANY**	
	2008	2007	2008	2007
	$	$	$	$
23. COMMITMENTS				
Operating lease Commitments:				
Non-cancellable operating lease rentals are payable as follows:				
Not later than one year	178,018	109,794	178,018	109,794
Later than one year but not later than five years	4,050	72,900	4,050	72,900
	182,068	182,694	182,068	182,694

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

23. COMMITMENTS (Continued)

During the financial year ended 30 June 2008, $121,004 was recognised as an expense in the income statement in respect of operating leases (2007: $85,640).

	CONSOLIDATED		THE COMPANY	
Employee Compensation Commitments:	2008	2007	2008	2007
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	227,856	294,969	227,856	294,969
Later than one year but not later than five years	122,625	130,317	122,625	130,317
	350,481	425,286	350,481	425,286
Exploration Commitments:				
Minimum exploration expenditure obligations in pursuance of the terms and conditions of tenement licenses:				
Not later than one year	2,194,850	3,260,400	2,194,850	3,260,400
Later than one year but not later than five years	3,491,550	3,664,950	3,491,550	3,664,950
	5,686,400	6,925,350	5,686,400	6,925,350

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	
	2008	2007	2008	2007
	$	$	$	$
Cash flows from operating activities				
Profit / (Loss) for the period	3,576,426	(7,970,507)	3,576,426	(7,970,507)
Adjustments for:				
Loss on sale of fixed assets	23,114	2,900	23,114	2,900
Depreciation and amortisation	3,965,326	119,955	3,965,326	119,955
Equity-settled share-based payment expenses	340,332	-	340,332	-
Impairment of exploration and development	-	15,621,402	-	15,621,402
Exploration assets written off	12,968	5,139	12,968	5,139
Property plant and equipment written off	-	49,770	-	49,770
Profit on sale of investments	-	(9,557,862)	-	(9,557,862)
Operating Profit / (loss) before changes in wor capital and provisions:	7,918,166	(1,729,203)	7,918,166	(1,729,203)

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (continued)

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
Cash flows from operating activities	$	$	$	$
Increase in inventories	(9,281,791)	(25,747)	(9,281,791)	(25,747)
Increase in prepayments	(101,249)	(34,535)	(101,249)	(34,535)
Increase in receivables	(763,064)	(1,192,994)	(763,064)	(1,192,994)
Increase in payables	3,726,422	660,781	3,726,422	660,781
Increase in employee benefits	256,451	37,813	256,451	37,813
Increase in provisions	276,930	167,249	276,930	167,249
Net cash generated / (used) in operating activities	2,031,865	(2,116,636)	2,031,865	(2,116,636)

Non Cash financing and investing activities
There were no non cash financing and investing activities undertaken by the Company during the year.

26. CONSOLIDATED ENTITIES

	Country of Incorporation	Class of Share	Interest held	
Parent Entity			2008 %	2007 %
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
Mr Geoff Jones
Mr Ronald Hing
Mr Richard Procter

Executive directors
Mr S McBride (Chief Executive Officer)

Senior Executives
Mr Ian Goldberg (Chief Financial Officer and Company Secretary)

27. RELATED PARTIES (continued)

Key management personnel compensation

Details of key management personnel compensation are set out below:

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	$	$	$	$
Short-term employee benefits	734,207	651,578	734,207	651,578
Post-employment benefits	89,664	393,252	89,664	393,252
Share-based payments	23,201	-	23,201	-
	847,072	1,044,830	847,072	1,044,830

Information regarding individual directors' and executives' 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.

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 2007	Granted as compensation	Expired	Balance as at 30 June 2008	Vested and exercisable at 30 June 2008
					Exercisable
Directors					
D Humann	3,333,333	-	3,333,333	-	-
S McBride	3,333,333	-	3,333,333	-	-
G Jones	-	-	-	-	-
C Donner	-	-	-	-	-
R Procter	-	-	-	-	-
R Hing	-	-	-	-	-
Senior Executives					
I Goldberg	-	600,000	-	600,000	200,000

27. RELATED PARTIES (continued)

	Balance as at 1 July 2006	Granted as compensation	Expired	Balance as at 30 June 2007	Vested and exercisable at 30 June 2007
					Exercisable
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	-	-	-	-	-

No options were exercised. No options held by key management personnel were vested but not exercisable at 30 June 2007 or 2008. No options were held by key management person related parties.

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:

2008	Balance as at 1 July 2007	Purchases	Granted as Compensation	Received on Option Exercise	Sales	Balance as at 30 June 2008
Directors						
D Humann	2,768,494	479,125	-	-	-	3,247,619
S McBride	123,478	618,470	-	-	-	741,948
G Jones	-	-	-	-	-	-
C Donner (ii)	61,932,748	-	-	-	(21,426,031)	40,506,717
R Procter	-	-	-	-	-	-
R Hing	-	-	-	-	-	-
Senior Executives						
I Goldberg	-	-	-	-	-	-

2007	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 on 28 February 2007.

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

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 entity's financial position as at 30 June 2008 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 2008.

Signed in accordance with a resolution of the directors.

Dated at Perth this 24th day of September 2008.

Shane McBride
Managing Director

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Matrix Metals Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial 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(a), 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.

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.

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

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.

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

Auditor's opinion

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 2008 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(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 14 to 20 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Matrix Metals Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

D McComish

D P McComish
Partner

Perth
24 September 2008