

MatrixView Limited
Notes to Appendix 4C for the Quarter ended 30 June 2006

In May 2006 MatrixView released a statement that it was reviewing the operating strategy of its business and had decided a stronger focus on the commercialisation of the ABO™ technology through the completion of a number of current projects and potential reference sites and partnering with one or more major US corporations are short term imperatives. This commercialisation strategy is now being aggressively implemented and important results have already been achieved. Discussions with a number of potential global partners are continuing in a very positive manner.

The Company also decided that the business would be restructured and that resources would be reallocated to focus on achieving these outcomes in the short term.

In the third quarter of the 2006 year, our distributor and agent in South Africa, Amava Technologies Pty Ltd. had strongly promoted the ABO™ technology for a tele-radiology project with the Eastern Cape Provincial Government Department of Health. This project was to initially link four hospitals in the Province. Despite a successful proof of concept and what was understood to be a preferred technology solution by Amava, the tender was re-called in May 2006. As such, the anticipated revenues for MatrixView from this project were not generated in the 2006 year. The project has now been restructured by the Eastern Cape Provincial Government Department of Health with the tender now covering 23 hospitals. In a show of strong support for the ABO™ technology, Amava has been included as part of a consortium to bid for this project, which also includes Dimension Data as the systems integrator. The anticipated revenue from this project will therefore now be pushed into the 2007 year. The joint venture agreement with Amava is still being negotiated with the final structure and agreement expected to be finalised within two weeks. The delays have been primarily with ensuring the most appropriate commercial structure is implemented and lengthy legal drafting.

In Canada, the Company's distributor Modus, secured a contract to install a MatrixView ABO™ optimizer connecting three cardiology centres. The revenue from this in 2006 was modest, but, on the back of this, other projects had been identified and were expected to also add revenue in the 2006 year. The implementation of the project was delayed by integration issues, thereby also pushing back the other prospective contracts. This installation is now successfully implemented and is a very strong reference site for ABO™. The follow on projects are being pursued with some vigour but any resulting revenues will now obviously be in the 2007 year.

Each of these projects were expected to contribute more significantly to revenues in 2006 and the delays have obviously had a negative impact on recorded revenue. The expected revenues are now delayed into the 2007 year.

The 2006 year was also adversely affected by high marketing and travel costs, particularly in the Singapore head office. Previous management had pursued a very broad and disjointed sales and marketing strategy which resulted in excessive costs, and very

low revenues. Much of this cost was associated with a systems integration business involving document management. This business was totally unrelated to the core ABO™ business, and it was decided to close this activity in late June 2006. The costs of this, largely in the form of redundancy costs, amounted to in excess of \$S450,000 in the month of June 2006.

MatrixView remains committed to the document and data management business, but will be delivering ABO™ solutions through established systems integrators in the future. It is expected that the next generation of ABO™ will provide significant advantages in the compression, storage and archiving of large volumes of text documents and text files.

The restructuring and reorganization of the business reduces the Company's operating cost base by \$S150,000 per month, or \$S1.8 million per year. More importantly it allows the Company to conserve its cash resources for expansion into key markets.

Losses are therefore higher for the second half of the 2006 year arising from lower than anticipated sales and once off costs. Moving forward the Company will have a lower cost base and revenues will improve with a stronger and more strategic approach to sales and by leveraging off the successes in the very late part of the 2006 year. The 2007 year is expected to show considerably improved financial results.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

MatrixView Limited

ABN

109 317 151

Quarter ended ("current quarter")

30 June 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter S\$	Year to date (12 months) S\$
1.1 Receipts from customers	48,938	398,278
1.2 Payments for		
(a) staff costs	-	-
(b) advertising and marketing	(486,773)	(1,653,548)
(c) research and development	(762,235)	(2,975,981)
(d) corporate management expenses	(583,294)	(2,062,394)
(e) leased assets	-	-
(f) other working capital	28,532	(104,848)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	39,095	290,483
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(24,134)	(108,293)
1.7 Other (provide details if material)		
(a) patent & trademark expenses	(23,787)	(195,697)
(b) other operating expenses	(26,173)	(152,637)
(c) exchange gain / (loss)	4,635	(507,184)
(d) grant from EDB	-	324,125
Net operating cash flows	(1,785,196)	(6,747,696)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter S\$	Year to date (12 months) S\$
1.8 Net operating cash flows (carried forward)	(1,785,196)	(6,747,696)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) business (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(255,365)	(696,045)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) business (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	4,813
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(255,365)	(691,232)
1.14 Total operating and investing cash flows	(2,040,561)	(7,438,928)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc	-	5,311,081
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	-	5,311,081
Net increase (decrease) in cash held	(2,040,561)	(2,127,847)
1.21 Cash at beginning of quarter/year to date	6,565,507	6,652,793
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	4,524,946	4,524,946

Note: The above statement was presented, where applicable, in the form presented in the most recently audited financial statements for the year ended 30th June 2005.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter S\$
1.24	Aggregate amount of payments to the parties included in item 1.2	269,709
1.25	Aggregate amount of loans to the parties included in item 1.11	NIL

1.26 Explanation necessary for an understanding of the transactions

Item 1.2 (d) – corporate management expenses includes S\$8,000 consultancy fees paid to an executive director.
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available S\$	Amount used S\$
3.1	Loan facilities	NIL	NIL
3.2	Credit standby arrangements	NIL	NIL

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter 30.06.2006 S\$	Previous quarter 31.03.2006 S\$
4.1 Cash on hand and at bank	1,222,155	2,011,074
4.2 Deposits at call	3,302,791	4,554,433
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	4,524,946	6,565,507

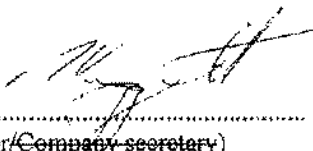
Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	NIL	NIL
5.2 Place of incorporation or registration	NIL	NIL
5.3 Consideration for acquisition or disposal	NIL	NIL
5.4 Total net assets	NIL	NIL
5.5 Nature of business	NIL	NIL

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Director/~~Company secretary~~)

Date: 27th July 2006.

Print name: **NEIL IAN LEGGETT**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.