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Manager Company Announcements
Company Announcements Office
Australian Stock Exchange Limited
Level 10, 20 Bond Street
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MATRIX METALS
LIMITED

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Dear Sir,

ANNOUNCEMENT

Deep Yellow to Commence Uranium Drilling

- **Matrix and Deep Yellow formed a Joint Venture in February 2006 whereby Deep Yellow will be granted access to explore for uranium on Matrix's 5,000 sq km of tenement holdings in the uranium rich Mt Isa – Cloncurry region.**
- Deep Yellow have carried out field work across various areas of Matrix's tenements during the year with significant success in extending existing and identifying new zones of uranium mineralisation and anomalism.
- Deep Yellow have advised Matrix that drilling at the Lochness uranium prospect is planned to commence early in November 2006. The program will comprise approximately 2000m of drilling testing to depths of 120m. Drilling at the Miranda prospect is planned for this field season.

Details of the Uranium Drilling Program

In regard to a drilling program planned by Deep Yellow to commence in early November 2006, the following was reported in the Deep Yellow September 2006 quarterly report:

“Lochness and Lochness North Prospects (EPM 14916) lie within the Western Succession of the Mt Isa Inlier, more specifically within the Leichardt River Fault Trough, which also is the host unit for the Valhalla and Skal uranium deposits.

During the September quarter, further mapping of the Lochness and Lochness North prospects was carried out in order to identify the main uranium mineralised units comprising the airborne uranium radiometric anomaly at Lochness. The radiometric data clearly identifies the Lochness and Lochness North prospects as uranium highs lying on a regional 10 km strike anomalous zone.

At the Lochness Prospect the strong airborne radiometric anomaly was shown to devolve at prospect scale mapping into broad weakly radioactive, oxidised limonitic, fine grained mudstones, with several thinner (1-5m) more radioactive, bedding sub-parallel to acutely cross-cutting and intensely limonitised gossanous rock which displayed a discernable sheared and sometimes laminated fabric. A maximum assay of 233 ppm U_3O_8 was returned from rock chip samples collected from this area.

Similar features, but over smaller stratigraphic width and strike, were displayed at the Lochness North Prospect located some 5.5 km north of the main Lochness Prospect. A series of drill traverses are planned to evaluate the two prospects.

EPM 14916 is covered by an Indigenous Land Use Agreement that is registered with the National Native Title Tribunal between Matrix Metals Ltd (Matrix) and the Kalkadoon People. DYL is a party to this agreement through the NW Joint Venture Agreement with Matrix.

With Matrix's assistance the Company applied for and received clearance from the Kalkadoon People to carry out RC percussion drilling, drill pad preparation and the upgrading of access tracks into the Project area.

Drill site preparation commenced on 25 October and the Company is hopeful that RC percussion drilling will commence in early November (pending confirmation that a drill rig is available). It is anticipated that approximately 2,000 m will be drilled in total (60° angle holes to 120 m depth).

The Company will also follow-up clearance and access for the Miranda Prospect (EPM 14281) with a view to completing a drill programme this field season."

The Deep Yellow/Matrix Uranium Joint Venture

The Deep Yellow/Matrix uranium joint venture is formally known as the NW Uranium Joint Venture (NWUJV).

The Mt Isa region has a significant history in regard to the discovery and mining of uranium. The most notable uranium discovery in the Mt Isa region is the Mary Kathleen mine. This mine operated in two phases between 1958 and 1982. A total of 9.2 million tonnes grading 0.13% U_3O_8 was treated during the period.

Various other major uranium occurrences have been identified in the region, with the most notable of these being a series of deposits located some 40

kilometres south west of the Matrix's Mt Cuthbert and Ewen tenement blocks. The Skal and high grade Valhalla deposits owned by Summit Resources comprise indicated and inferred resources of approximately 75 million pounds of U₃O₈.

On 11 August 2005 Matrix announced that an evaluation of past uranium exploration work and uranium mining that had been carried out in the region, had identified 15 occurrences of uranium mineralisation or anomalism. Many of the occurrences in the Ewen EPMA14916 are geologically similar to the Skal and high grade Valhalla deposits, owned by Summit. These uranium deposits are located some 40 km to the south of the Matrix tenements that contains six of the identified uranium occurrences. In the southern area of Matrix tenements, anomalies hosted in the Corella Formation in the White Range area suggest similarities to the Mary Kathleen uranium mine.

The top 15 uranium occurrences identified on Matrix's tenements are detailed in Figure 1 attached.

After completion of a competitive selection process involving a number of parties, Matrix selected Deep Yellow, a specialist uranium explorer, as its uranium exploration partner. Dr Leon Pretorius Executive Chairman of Deep Yellow commented that it *"had approached Matrix to become involved in what it recognised as a large ground position with exceptional potential to host uranium mineralisation of significant size and grade"*. During the competitive process, Deep Yellow has undertaken a comprehensive review of the historical data and site review, coincident with further work undertaken by Matrix.

Key Terms of the NWUJV

The following is a summary of the terms of the NWUJV:

- Deep Yellow has the right to earn a 51% position in the UJV by spending \$3,000,000 over a 3 year period.
- The expenditure commitments require Deep Yellow to spend \$500,000 in the first nine months and to issue to Matrix ordinary shares in Deep Yellow equal to 2.2% of the issued capital of Deep Yellow provided Deep Yellow elect to continue earning towards a 51% position. On election, Deep Yellow must spend \$1,000,000 in the following year and \$1,500,000 the year after that, to earn its 51% position.
- After earning the 51% position, Deep Yellow can acquire an additional 29% at any time up until the commencement of a bankable feasibility study ("BFS") on any specific resource, for an additional \$3,000,000 indexed at CPI.
- After completion of any individual BFS on any particular resource, Deep Yellow may buy out Matrix's residual 20% position in that specific resource for a value equal to 15% of the in-ground value of Matrix's 20% holding in the resource.
- Each discovered resource subject to a BFS, is subject to the buyout provision referred to above. The greater UJV continues at the respective ownership positions as may dictated at any point in time.

Results of Previous Deep Yellow 2006 Field work Results

After the formation of the NWUJV in early 2006, Deep Yellow mobilised to the field and carried out programs of mapping, rock chip sampling and various geophysical studies that reported immediate success with the extension to existing and the identification of new zones of uranium mineralisation and anomalism reported.

The following is an extract from the Deep Yellow June 2006 Quarterly Report that highlighted the following:

“Rock chip sampling of the Miranda project northeast of Mt Isa previously drilled by CRA returns values up to 9,640 ppm (0.964%) U₃O₈. Drilling planned for September 2006.

During the quarter, regional airborne spectral radiometric, magnetic, landsat, and airphoto data was acquired and processed to highlight uranium specific radiometric anomalies within the tenement package. This was followed up with a first pass field program in June, where several of the uranium anomalies in EPM 14916 (“Ewen”), and EPM 14281 (“Miranda Creek”) were visited, with prospect scale 1:2,000 geological mapping, ground radiometric traversing, and rock chip sampling initiated.

The Lochness and Lochness North Prospects lie within the Western Succession of the Mt Isa Inlier, more specifically within the Leichard River Fault Trough, which also is the host unit for the Valhalla and Skal uranium deposits.

The Miranda Prospect lies within the Central Succession of the Mt Isa Inlier, specifically within the Kalkadoon-Leichardt block. The Mary Kathleen uranium mine occurred to the south at the eastern margin of this block.

*At the **Lochness Prospect** a strong airborne radiometric anomaly was shown to devolve at ground prospect scale mapping into broad weakly radioactive, oxidised limonitic, fine grained mudstones, with several thinner (1 – 5 m) stronger radioactive, bedding sub-parallel to acutely cross-cutting, intensely limonitised gossan rock which displayed a discernable sheared and sometimes laminated fabric. A maximum assay of 233 ppm U₃O₈ was returned from several rock chip samples collected from this area.*

*Similar features, but over smaller stratigraphic width and strike, were displayed at the **Lochness North Prospect** located some 5.5 km north of the main **Lochness Prospect**.*

Previous drilling by former tenement owners at both the above prospects around 30 years ago, is assessed as having not successfully intercepted the more strongly radioactive structures. A new round of RC drilling is planned by DYL to test these anomalies later in 2006, pending the availability of a drilling rig.

*At the **Miranda Prospect**, located some 40 km SE of Lochness, an intensely radioactive (+20,000 cps TC) anomaly hosted within a chloritic schist of the basal Leichardt Metamorphics and close to the intrusive contact of the Kalkadoon Granite, was seen in the field to contain a platy, pale yellow, radioactive mineral thought to be uranophane. A rock chip sample from this*

location assayed 9,640 ppm (0.964%) U₃O₈. This prospect will be drill tested at the same time as the Lochness prospects”.

Results of the Deep Yellow drilling program that is planned to commence next month will be reported when they are received by Matrix.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'A. Chapman', with a long horizontal flourish extending to the right.

Andrew Chapman
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Bob Dennis. Mr Bob Dennis is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of the Company. Mr Dennis has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code". Mr Dennis consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Figure 1
Matrix Uranium Prospect Locations

