

Matrix Metals Limited

Reduce

White Range BFS Difficult to Debt Fund

Date

14 January 2005

ASX Code

MRX

Share Price

7cps

Market Cap

\$40.3m

Issued Capital

 575.4m shares
 19.9m options at various exc. prices

Cash

\$16m (2.8cps cash backing)

Management

 David Humann (Chairman)
 Andrew Chapman (Managing Director)

Top Shareholder

Independence Group NL (19.96%)

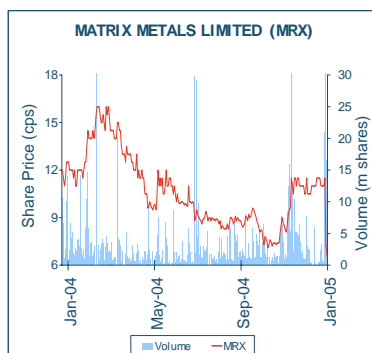
Research Analyst

 Simon Tonkin
 Ph: +61 8 9268 2826
 simon_tonkin@hartleys.com.au

Matrix Metals Limited (“Matrix”, “MRX”, “Company”) has released its Bankable Feasibility Study (“BFS”) and formed the view that debt funding of the White Range Project in its current form would be difficult to achieve. In order to improve the economics of the project the Company aims to evaluate additional copper resources located in close proximity to the Greenmount deposit

White Range BFS released

- The White Range BFS assumes a mine life of 6.2 years at 15,000tpa copper cathode production. The BFS has used the current copper spot price of \$US1.40/lb at an exchange rate of 0.75 resulting in a pre-tax profit of \$74m and an NPV@5% of \$53m
- Using our long-term forecasts of \$US1.00/lb copper and 0.70 exchange rate the project appears uneconomic. It is highly leveraged to the copper price and exchange rate (a 10¢ movement in copper price or a 7¢ change in exchange rate impacts on the NPV by approximately \$25m)
- The project economics have been significantly impacted by the increase in the strip ratio at Greenmount due to geotechnical issues, the increase in mining contract costs and the increase in the cost of diesel fuel
- Investors can expect a 40-50% reduction in the pre-announcement share price (this is the typical impact of a negative result for a BFS for a Junior mining company)
- The reduction in share price could place Matrix in play as a takeover target. In late November, Independence Group NL (“Independence”, “IGO”) spent \$11.9m to acquire a 19.96% stake in Matrix at an average price of 10.4cps. Further interest in Matrix by Independence could result in the Matrix share price returning to higher levels
- Matrix aims to improve the White Range project economics through the delineation of additional resources in close proximity to Greenmount. The most prospective of these is the Vulcan resource. Other prospects identified to date include: Desolation, Speculation, Expectation, Leonie and the Pete’s prospect which are located within a 5km radius of the Greenmount resource

Share Price Performance


Summary

The White Range BFS has been disappointing due to geotechnical issues which resulted in an increase in operating costs; capital costs have also increased. At this stage it appears difficult to debt fund. The Company aims to improve the project economics by the delineation of additional ore in close proximity to Greenmount. Further corporate activity is possible which may result in further investor interest. However, due to investors purchasing Matrix stock at higher levels we believe the stock will undergo some pricing pressure, at least in the short term, and thus we rate Matrix Metals Limited as a **Reduce**.

Hartleys Corporate Directory

Research

Kevin Tomlinson	Head of Research	+61 8 9268 2827
Jonathan Battershill	Resources Analyst	+61 8 9268 3045
Simon Tonkin	Research Analyst	+61 8 9268 2826
Kristy Grosser	Research Assistant	+61 8 9268 2831

Corporate Finance

Richard Simpson	Managing Director & Head of Corporate Finance	+61 8 9268 2824
Martin Pyle	Director-Corporate Finance	+61 8 9268 2821
Grey Egerton-Warburton	Director-Corporate Finance	+61 8 9268 2851
Paul Fryer	Assoc Director-Corp Finance	+61 8 9268 2819
Dale Bryan	Corp Finance Executive	+61 8 92682829

Registered Office

Level 6, 141 St Georges Tce
Perth WA 6000
Australia

Postal Address
GPO Box 2777
Perth WA 6001
Australia

Contact Details
Telephone: +61 8 9268 2888
Facsimile: +61 8 9268 2800
Website: www.hartleys.com.au
Email: info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:
firstname_lastname@hartleys.com.au

Wealth Management

Stephen Anastos	+61 8 9268 2871
Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Nathan Featherby	+61 8 9268 2823
Ben Fleay	+61 8 9268 2844
Robin Forbes	+61 8 9268 2813
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Andrew Macnaughtan	+61 8 9268 2898
Joanne Malaxos	+61 8 9268 2820
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Nicole Morcombe	+61 8 9268 2896
Jamie Moulain	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Ian Parker	+61 8 9268 2810
Michael Pugh	+61 8 9268 2836
Margaret Radici	+61 8 9268 3051
Charlie Ransom	+61 8 9268 2868
James Robinson	+61 8 9268 2859
Elliott Rowton	+61 8 9268 3040
Carrick Ryan	+61 8 9268 2864
Conlie Salvemini	+61 8 9268 2833
Darryl Smalley	+61 8 9268 2808
Craig Smith-Gander	+61 8 9268 2866
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Marlene White	+61 8 9268 2806

Hartleys Recommendation Categories

Strong Buy	Significant share price appreciation anticipated
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but is considered high risk
Accumulate	Buy in periods of weakness
Hold	Take no action
Reduce	Sell in periods of strength
Sell	Significant price depreciation anticipated

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Hartleys has provided and does provide corporate advice to Matrix Metals Limited, for which it receives fees. In addition, Hartleys has been engaged by Matrix to provide advice in respect of the acquisition of 19.96% of Matrix by Independence Group NL.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.