

Matrix Metals Limited**Speculative Buy****250% Copper Resource Increase - Exceptional Result****Date**

20 July 2004

ASX Code

MRX

Share Price

9cps

Market Cap (fully diluted)

\$48.7m (\$51.8m)

Issued Capital (fully diluted)

541.0m shares (575m)

Cash as at 30 June 2004

\$20.5m

Management

David Humann (Chairman)

Andrew Chapman (Managing Director)

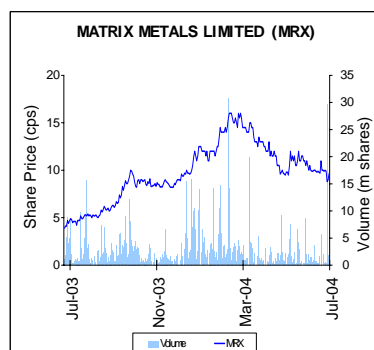
Shane McBride (Company Secretary)

Head of Research

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Share Price Performance

Matrix Metals ("Matrix, MRX") has today announced a leachable copper resource increase at Mt Watson of **250%** taking contained copper from 26,000t to 65,000t. The Company is continuing with drilling to define the Mt Watson resource which remains open to the east, west and at depth and we anticipate further resource increases are highly likely.

Mt Watson

- The Mt Watson leachable resource has increased from 2.6 to 6.54Mt at 1% Cu, an increase of 250% which has exceeded our expectations
- Given the size of the resource and its potential for further increases, Matrix is intending to commence a BFS by the end of the year
- The Company has also recently completed electrical geophysical surveys at Mt Watson and defined several very good conductors, possibly sulphide which it plans to drill in the near-term
- The overall resource for Mt Watson including sulphides now stands at 8.03Mt at 1.01% Cu for 81,100t of contained copper

White Range

- The White Range project has a measured and indicated resource of some 12mt at 1.1% Cu (132,000t copper metal) which is currently the subject of a feasibility study for a 15,000tpa operation
- Matrix is expected to make a go-ahead decision in the near-term where we anticipate it will relocate the Mt Cuthbert plant to White Range and expand current plant capacity from 5,500tpa to 15,000tpa

Valuation

- Our base valuation has been revised upward to 17cps which now includes some minor value for contained metal at Mt Watson based upon comparative transactions. Once the resource is converted to a reserve we anticipate that the valuation will further increase
- The base case also includes production from White Range using a flat copper price of US\$0.85/lb and a flat AUD/USD exchange rate of 0.68 (AU\$1.25/lb Cu)
- The copper price in A\$ is trading at \$A1.78/lb, which is a 40% premium to the price used in our models. Should the current price be used it would have a marked positive effect on our valuation
- We are planning to revise our base case and expanded case once the results from the White Range Bankable Feasibility Study are to hand. The expanded case stands at 30cps using AU\$1.25/lb Cu

Summary

Matrix continues to surprise on the upside. Following the sale by its major shareholder, Constellation Copper as a condition precedent for its own project financing in the USA, Matrix's share register is now wide open and the Company could be in play. We anticipate a steady stream of announcements including a go-ahead at White Range in the near-term. We believe the current share price weakness due to the Constellation Copper sell down is a buying opportunity and continue to rate Matrix as a **Speculative Buy**.

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Hartleys has completed a placement of \$15m in Matrix Metals for which it received a fee of 6%, and a SPP of \$4.5m for which it received a fee of 4.5%. Hartleys has also provided and does provide corporate advice to Matrix Metals, for which it receives fees.

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