

### Funding Negotiations the Key to White Range

#### Date

27 January 2006

#### ASX Code

MRX

#### Share Price

6.5cps

#### Market Cap (fully diluted)

\$37.4m (\$37.4m)

#### Issued Capital (fully diluted)

575.4m shares (575.4m)

#### Cash (as at 31 December 2005)

\$9.2m

#### Management

David Humann (Chairman)

Andrew Chapman (Managing Director)

#### Top Two Shareholders

Independence Group NL (18.9%)

Westpac Custodian Nominees Ltd (9.7%)

#### Analyst

Simon Tonkin

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The highlight of Matrix Metals Limited's ("MRX") December quarterly report is the recent increase in the McCabe copper resource to 1.7Mt at 1.24% Cu for 21,000t Cu. The McCabe copper resource has only been partially included in the White Range Feasibility Study and is likely to improve the project economics. MRX is currently negotiating an alternative funding arrangement and grid power supply for the White Range project with a development decision expected by end FY2006.

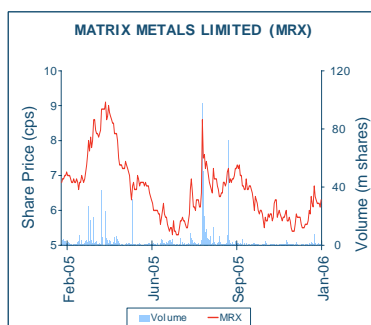
### White Range

- In early January, MRX upgraded the McCabe copper resource by 135% to 1.7Mt at 1.24% for 21,000t Cu. This resource only has limited inclusion in the White Range Feasibility study and could improve the project economics based upon the grade and proximity to the Main Greenmount deposit.
- During November 2005, a number of encouraging results were received from McCabe, McCabe North, McCabe East and Copper Sunday, all located within 1.5km of McCabe Central (see Figure 1). Better results include (Refer 9 Dec. 2005 research report for more details):

<b>MMRX65</b>	<b>18m at 3.50% Cu from 99m;</b>
<b>MMRX36</b>	<b>8m at 3.39% Cu from 37m; and</b>
<b>MMRX38</b>	<b>12m at 1.51% Cu from 142m.</b>

- In November 2005, MRX provided an update on the White Range Feasibility study that indicated that the project was more attractive given the strong copper price environment. The company also outlined that negotiations were underway for alternative funding arrangements and to obtain grid power which would result in significant cost reductions for the project. We estimate that MRX would require funding of \$45m to get the White Range Project into production.
- A substantial remodelling of the White Range Project economics is expected to occur during the March quarter. This will incorporate the additional resources, updated costs, higher copper prices and a range of other project enhancements.
- Planned drill programmes will continue to further test the potential of the White Range area. These programmes will include additional drilling at the McCabe and Vulcan deposits and a programme to define the Leone Prospect as well as testing additional new prospects.

### Share Price Performance

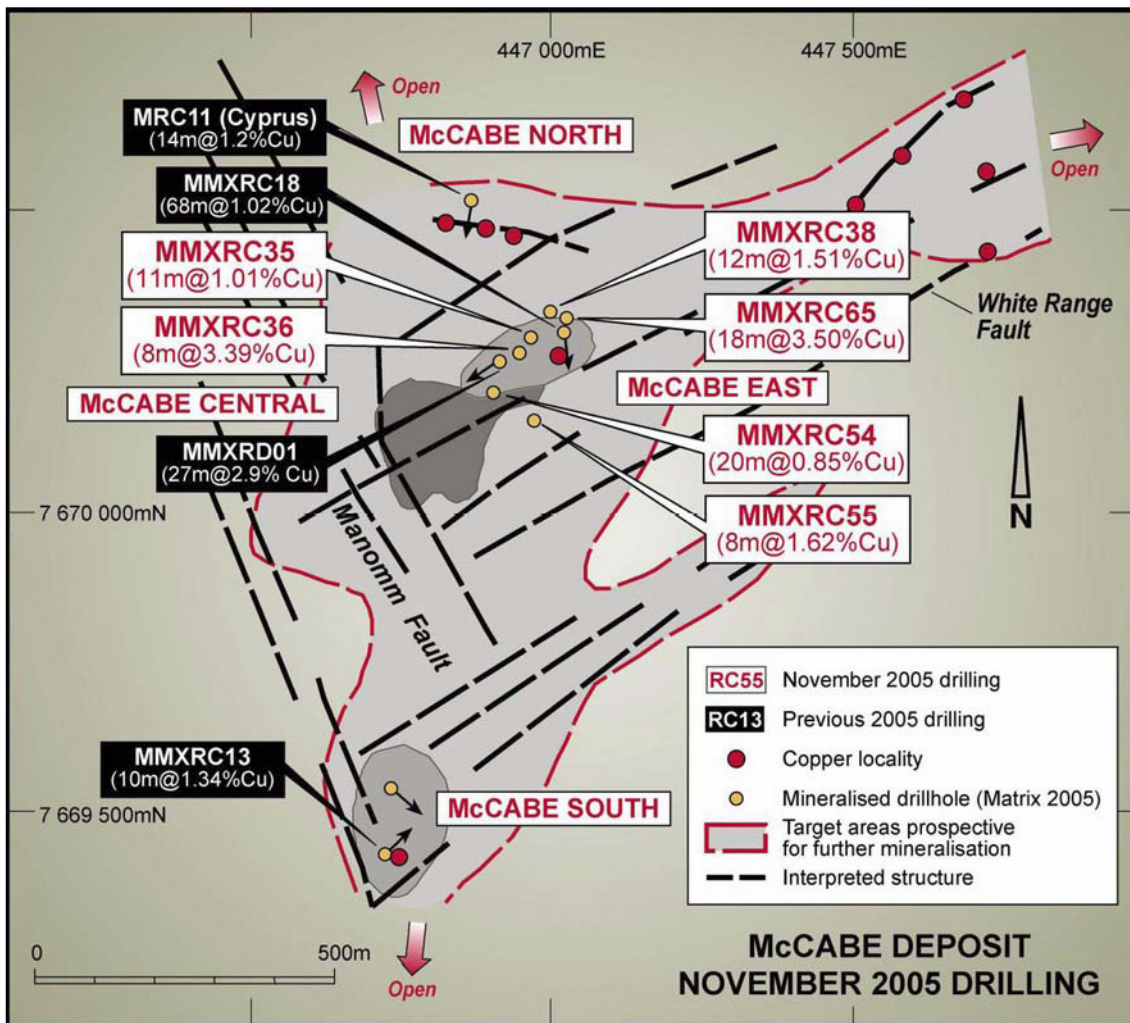


Source: Iress

### Summary

The latest increase in the McCabe resource represents another step towards production at White Range. The McCabe resource has limited inclusion in the White Range Feasibility Study and could add significant incremental value to the project. MRX is currently remodelling the project with an update expected late in the March quarter. The primary catalyst for share price appreciation in the short to medium term is securing an alternative funding arrangement and subsequently a development decision. Based on our preliminary analysis and our recently upgraded commodity price forecasts, our valuation would be around 10cps, if and when funding for the project can be obtained. This indicates substantial upside for the MRX share price. We rate **Matrix Metals Limited** as a **Speculative Buy**.

Figure 1: McCabe Deposit – November 2005 drilling.



Source: MRX December Quarterly Report

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## 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

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