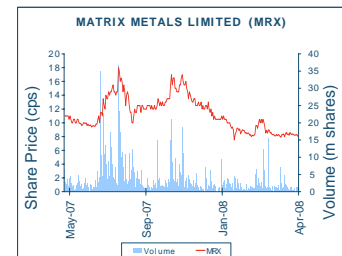


Leichhardt Hit By Rising Diesel and One Off Costs

Brief Update Note

Stock:	Matrix Metals Limited (MRX 7.8cps)
Valuation:	16.7cps (Previously 19cps)
Market Cap (Full. Dil.):	\$63.0m (\$63.1m)
Issued Capital (Full. Dil.):	807.5m shares (809m)
Cash (as at 31 March 2008):	\$12.9m
Date:	30 April 2008
Resources Analyst:	Andrew Muir



Source: Iress

Detail

Rain Impacts Production and Costs – During the March 2008 quarter, Matrix's Leichhardt operations were impacted by heavy seasonal rains, which led to a slight drop in production to 1,318t copper cathode stripped (Dec Qtr: 1,348t). The rain also led to an increase in reagent usage and site works, which both affected costs. The increasing diesel price has also impacted on costs due to Leichhardt's reliance on diesel for all power and earthmoving. Consequently, cash operating costs for the March quarter rose by 24% to US\$2.38/lb (A\$2.82/lb) from US\$1.92/lb (~A\$2.18/lb).

With a component of the cost increases due to one off elements related to the rains, the Company expects operating costs to reduce in the following quarters. The addition of three new more efficient generators as part of the Stage 1 expansion will also have a beneficial impact on costs. We have estimated cash costs to reduce to ~US\$2.15/lb for the June quarter 2008, reducing to ~US\$2.10 for the September quarter, with December quarter costs of ~US\$2.00.

Margins Helped by High Copper Price – Matrix sold 1,491t of copper cathode at a weighted average price of US\$3.24/lb (A\$3.84/lb), yielding an operating margin of US\$0.86/lb (~A\$1.02/lb), as compared to a margin of US\$1.33/lb (~A\$1.60/lb) in the December quarter. With the costs expected to reduce, and a copper price that has averaged above US\$3.90 for the June quarter to date, we would expect margins to increase substantially. Assuming an increase back to nameplate production of 1,375t of cathode per quarter, operating cash flow should increase to +A\$5m for the June quarter, as compared to A\$3.35m for the March quarter

Plant Upgrade On Track – The Leichhardt expansion to take production to 9,000tpa copper cathode is on track and should be completed by the end of the June 2008. Ground works on site have commenced including earthworks for the additional leach pads, earth and pipe work modifications on the W drains and raffinate pond, and improvements to haul roads. Design and procurement activities for the plant expansion are ongoing.

Initial Reserve and Resource Upgrade Due Soon – The Company is due to release an initial reserve for Stage 1 Mt Watson for Leichhardt within the next month. Currently the Company is working off a mining inventory, which gives the operation a 2 year mine life for Mt Watson Stage 1. An expanded resource for Mt Watson Stage 2 will also be released at the same time, which should indicate an increase in mine life to at least 6 years. However, final studies for the life of mine will not be concluded until the completion of more metallurgical testwork towards the end of CY2008. We understand that the testwork is focussing on the leachability of the ~3.7Mt of Mt Watson transitional ore, which could substantially add to the life of mine.

Impact

The lower production level for the March quarter was close to our estimates as we were aware of the heavy rain issues. However, whilst we expected an increase in operating costs, we were surprised that they rose by 24% in US\$ terms. Though some of these costs were one offs, the Company's exposure to the diesel price is an ongoing issue. Consequently we have adjusted our cost structure upwards and expect long term costs to be around US\$1.90/lb for the life of mine (previously US\$1.80/lb). As a result, our valuation for the Company has reduced to 16.7cps (previously 19cps).

Though the higher costs have disappointed, we expect them to steadily reduce over the coming quarters, with margins to be returned. The Company is unhedged and is highly leveraged to the strong copper price. We still believe MRX offers excellent value at current levels and it is still trading at a heavy discount to our valuation. We continue to rate **Matrix Metals Limited** as a **BUY**.

Matrix Metals Limited		Share Price				April 2008	
MRX		\$0.078				BUY	
Key Market Information							
Share Price		\$0.078					
Market Capitalisation		\$63m					
52 Week High-Low		\$0.20-\$0.083					
Issued Capital		807.5m					
Issued Capital (fully diluted inc. ITM options)		809.0m					
Options		22.4m@A\$0.14					
Hedging							
Yearly Turnover/Volume		\$124.7m/985.6m shares					
Liquidity Measure (Yearly Turnover/Issued Capital)		122%					
Valuation		\$0.17					
Financial Performance							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Net Revenue	A\$m	9.6	41.6	80.0	127.6		
Total Costs	A\$m	(18.0)	(29.1)	(46.9)	(72.8)		
EBITDA	A\$m	(8.4)	12.5	33.2	54.8		
Depreciation/Amort	A\$m	(0.1)	(5.4)	(5.3)	(11.5)		
EBIT	A\$m	(8.5)	7.0	27.9	43.3		
Net Interest	A\$m	0.5	(0.4)	(0.0)	(3.1)		
Pre-Tax Profit	A\$m	(8.0)	6.6	27.9	40.2		
Tax Expense	A\$m	-	-	(4.1)	(12.0)		
NPAT	A\$m	(8.0)	6.6	23.8	28.1		
Abnormal Items	A\$m	-	-	-	-		
Reported Profit	A\$m	(8.0)	6.6	23.8	28.1		
Financial Position							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Cash	A\$m	14.2	9.8	34.2	26.9		
Other Current Assets	A\$m	0.9	13.4	15.9	23.8		
Total Current Assets	A\$m	15.1	23.2	50.1	50.7		
Property, Plant & Equip.	A\$m	20.8	24.6	21.9	114.2		
Exploration	A\$m	9.8	12.1	14.0	15.5		
Investments/other	A\$m	1.5	2.2	2.2	2.2		
Tot Non-Curr. Assets	A\$m	32.1	38.9	38.1	131.9		
Total Assets	A\$m	47.2	62.0	88.2	182.6		
Short Term Borrowings	A\$m	4.8	3.0	2.0	-		
Other	A\$m	4.6	4.4	4.6	12.8		
Total Curr. Liabilities	A\$m	9.4	7.4	6.6	12.8		
Long Term Borrowings	A\$m	5.2	3.0	2.0	50.0		
Other	A\$m	0.8	0.8	0.8	0.8		
Total Non-Curr. Liabil.	A\$m	6.0	3.8	2.8	50.8		
Total Liabilities	A\$m	15.3	11.3	9.4	63.6		
Net Assets	A\$m	31.9	50.8	74.7	102.8		
Cashflow							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Operating Cashflow	A\$m	(2.5)	1.6	30.8	55.1		
Income Tax Paid	A\$m	-	-	-	-		
Interest & Other	A\$m	0.4	(0.7)	(0.0)	(3.1)		
Operating Activities	A\$m	(2.1)	0.9	30.8	52.0		
Property, Plant & Equip.	A\$m	(12.6)	(9.9)	(0.8)	(101.6)		
Exploration and Devel.	A\$m	(3.0)	(3.5)	(3.7)	(3.7)		
Investments	A\$m	8.9	(0.7)	-	-		
Investment Activities	A\$m	(6.8)	(14.2)	(4.5)	(105.3)		
Repayment of Borrowings	A\$m	-	(4.2)	(2.0)	(2.0)		
Proceeds From Borrowings	A\$m	10.0	0.2	-	48.0		
Equity	A\$m	7.8	12.8	0.1	-		
Dividends Paid	A\$m	-	-	-	-		
Financing Activities	A\$m	17.3	8.8	(1.9)	46.0		
Net Cashflow	A\$m	8.4	(4.4)	24.4	(7.3)		
Ratio Analysis							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Cashflow Per Share	A¢	(1.2)	1.5	3.5	4.8		
Cashflow Multiple	X	(6.8)	5.3	2.2	1.6		
Earnings Per Share	A¢	(1.2)	0.8	2.9	3.4		
Price to Earnings Ratio	X	(6.7)	9.6	2.7	2.3		
Dividends Per Share	A¢	-	-	-	-		
Dividend Yield	%	-	-	-	-		
Interest Cover	X	16.7	4409.5	13.8	-		
Return on Equity	%	na	13%	32%	27%		
Directors							
David Humann (Chairman)				1131 Hay St,			
Shane McBride (Managing Director)				West Perth WA 6005			
Clive Donner				Tel: +61 8 9486 7100			
Ronald Hing				Fax: +61 8 9486 7300			
Geoffrey Jones				Web: www.matrixmetals.com.au			
Richard Procter							
Company Information							
Top 10 Shareholders							
		m shares	%				
Independence Group NL		128.88	16.0				
RBC Dexia Investor Services Australia Nominees		76.55	9.5				
Glencore International AG		41.67	5.2				
HSBC Custody Nominees		22.61	2.8				
National Nominees Pty Ltd		9.53	1.2				
Mr Eugen Schilter		9.21	1.1				
Merrill Lynch (Australia) Nominees Pty Ltd		6.78	0.8				
Standard Bank London Ltd		6.62	0.8				
NEFCO Nominees Pty Ltd		6.22	0.8				
ANZ Nominees		4.85	0.6				
Reserves & Resources							
		Mt	%	000t	Attrib.		
Leichhardt							
Mt Cuthbert Resources		1.97	1.10	21.7	21.7		
Mt Watson Resources		8.33	1.00	83.3	83.3		
White Range							
Cloncurry Area Resources		14.84	1.10	163.3	163.3		
TOTAL RESOURCES		25.14	1.10	276.6	276.6		
Leichhardt Mining Inventory							
		2.10	1.20	25.2	25.2		
Production Summary							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
*Attributable							
Payable Copper Metal	000t	-	5.0	8.9	16.5		
Cash Cost	US\$/lb	-	2.03	2.01	1.92		
Price Assumptions							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Copper	US\$/lb	3.21	3.54	3.60	3.13		
Exchange Rate	A\$/US\$	0.79	0.85	0.89	0.85		
\$A Copper	A\$/lb	4.09	4.01	4.07	3.68		
Hedging							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Total Forward Sales - Copper	000t	-	-	-	-		
Forward Copper Price	A\$/lb	-	-	-	-		
Sensitivity Analysis							
	Valuation (\$/s)	NPAT	EPS (¢)	CFPS (¢)			
Base Case	0.167	6.6	0.8	1.5			
Exchange Rate +10%	0.12	4.4	0.5	1.2			
Exchange Rate -10%	0.22	9.3	1.1	1.8			
Copper Price +10%	0.22	9.0	1.1	1.8			
Copper Price -10%	0.12	4.2	0.5	1.2			
Operating Costs +10%	0.13	5.3	0.7	1.3			
Operating Costs -10%	0.20	7.9	1.0	1.6			
*N.B. NPAT, EPS, CFPS forecasts are for FY2008							
Share Price Valuation (NAV)							
		Est. \$m	Est. cps				
Kuridala (NPV @ 8%)		17.8	2.2				
Leichhardt (NPV @ 8%)		77.0	9.5				
Exploration - Uranium		10.0	1.2				
Exploration - Copper		20.0	2.5				
Cash		12.9	1.6				
Forwards		0.7	0.1				
Corporate Overheads		(4.7)	(0.6)				
Total Debt		(7.6)	(0.9)				
Tax Losses		7.9	1.0				
Options & Other Equity		1.0	0.1				
Total		135.0	16.7				
Analyst: Andrew Muir		Last Updated: 30/04/2008					
Phone: +61 8 9268 3045							
Sources: IRESS, Company Information, Hartleys Research							

Hartleys Corporate Directory

Research

Nikki Ermongkonchai	Industrial Analyst	+61 8 9268 2837
Andrew Muir	Resources Analyst	+61 8 9268 3045
David Wall	Resources Analyst	+61 8 9268 2826

Corporate Finance

Richard Simpson	Managing Director & Head of Corporate Finance	+61 8 9268 2824
Grey Egerton-Warburton	Lead Director-Corporate Finance	+61 8 9268 2851
Martin Pyle	Director-Corporate Finance	+61 8 9268 2821
Paul Fryer	Assoc Director-Corp Finance	+61 8 9268 2819
Dale Bryan	Senior Manager - Corporate Finance	+61 8 9268 2829
Ben Wale	Corporate Finance Executive	+61 8 9268 3055

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

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 completed capital raising in the past 12 months for Matrix Metals Limited ("Matrix"), for which it received fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to Matrix, for which it has received and continues to receive fees.

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.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Darren Reed	+61 8 9268 3053
Davide Bosio	+61 8 9268 3042
Simon Van Den Berg	+61 8 9268 2867

Wealth Management

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
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
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
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
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Margaret Radici	+61 8 9268 3051
Charlie Ransom	+61 8 9268 2868
James Robinson	+61 8 9268 2859
Conlie Salvemini	+61 8 9268 2833
Darryl Smalley	+61 8 9268 2808
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