

Successful Production Ramp-Up at Leichhardt

Date

31 October 2007

ASX Code

MRX

Share Price

15.5cps

Valuation Range

20-29cps

Market Cap (fully diluted)

\$108.9m (\$110.4m)

Issued Capital (fully diluted)

702.5m shares (712.4m)

Cash (as at 30 September 2007)

\$6.6m

Management

David Humann (Chairman)
Shane McBride (Managing Director)
Clive Donner (Non-Exec Director)
Geoffrey Jones (Non-Exec Director)
Ronald Hing (Non-Exec Director)
Richard Procter (Non-Exec Director)

Top Shareholders

Independence Group (17.7%)
RBC Dexia (8.8%)
Glencore International AG (5.9%)

Resources Analyst

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Matrix Metals Limited (“Matrix”, “MRX”, “Company”) has completed the ramp up phase of its Leichhardt project in Queensland with its first full quarter of copper production. MRX is now producing at its nameplate capacity of 5,500tpa, and is well advanced in its plans to increase this to 9,000tpa. The development of the Leichhardt copper oxide project provides the Company with the cashflow to implement its strategy of focussing on the discovery of world class copper sulphide deposits within its 4,300km² tenement holding in the prospective Mt Isa region.

With Leichhardt now cashflow positive, we have updated our model for MRX, valuing the Company at 20 – 29cps. We believe MRX will be re-rated as the market recognises the Company’s move to a cash generating position; its leverage to the copper price; and the exploration potential of its ground holding. We continue to rate **Matrix Metals Limited** as a **Speculative Buy**.

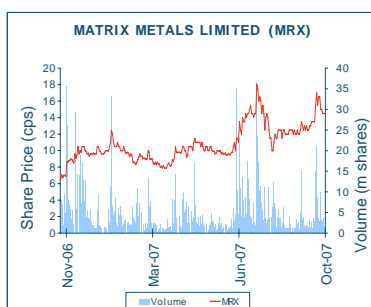
Investment Highlights

- **First Production and Revenue from Leichhardt** – During the September quarter, Matrix stripped 893t of copper cathode, generating revenue of A\$6.8m. With the operation now at full capacity, we expect Leichhardt to produce ~1,375t of copper cathode on a quarterly basis going forward.

Quarterly cash costs of US\$1.71/lb were in line with our expectations of US\$1.70/lb. The Company received an average price of US\$7,700/t (US\$3.49/lb) for its copper cathode, generating an operating margin of US\$1.78/lb.

- **Stage One Expansion On Track** – MRX is currently finalising its study on expanding Stage One production. This expansion will increase production to ~9ktpa of copper cathode, resulting in a significant increase in operating cashflow to \$25-30m pa for capital costs of ~\$5m. The Company plans to ramp up production from 1H CY2008. We expect that operating costs will reduce slightly to ~US\$1.60/lb.
- **Mining Inventory Expansion Studies Underway** – MRX is working towards expanding the current 2.1Mt mining inventory. The Company already has 8.8Mt of leachable resources at Leichhardt, with the majority of ore located at Mt Watson. We see good potential for the Company to convert a significant portion of these resources into its mining inventory, adding substantially to mine life. To this end the Company is expected to release a reserve statement in 3Q CY2008. Depending on the outcome of both studies and reserve calculation, the Company intends to examine further increases to production from Leichhardt.
- **Valuation Upgrade** – With the commencement of production from Leichhardt we have revised our valuation of Matrix to incorporate changes in copper price forecasts, exchange rates as well as revisions to the production scenario. We have a Base Case valuation for the Company of \$141.3m, or 20cps, and an Expanded Case valuation for the Company of \$205.5m, or 29cps.

Share Price Performance



Source: Iress

Overview

Matrix Metals is a copper producer and explorer focussed on the Leichhardt and Cloncurry projects in Queensland (Figure 1). The Company has recently completed the ramp up phase of its Leichhardt copper oxide project and is now operating at its nameplate capacity producing 5,500t of copper cathode pa.

The Company also has exploration joint ventures (JV) with Xstrata Copper Exploration and Deep Yellow Limited.

Leichhardt Project

Overview

The Leichhardt project is located 90km north-west of Cloncurry. The project has over 10Mt of resources in a number of deposits, with the majority of the ore contained within the 8.3Mt Mt Watson orebody.

Matrix is currently mining ore from Mt Watson and transporting it to its Leichhardt plant, located approximately 30km to the south. The ore is treated via a heap leaching and solvent extraction electrowinning (SX/EW) process to produce copper cathode. The cathode is then transported to Townsville for sale to Glencore International AG, which has an agreement to buy 100% of the cathode over the life of mine.

Production

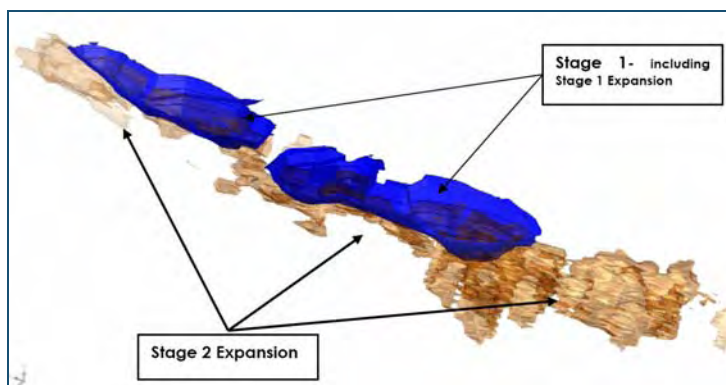
After commencing mining operations in April 2007, the Company has completed its first full quarter of production, completing the ramp up phase of the operation by bringing Leichhardt online on time and budget. The operation delivered its first cathode to Glencore in August, generating revenue of ~A\$6.8m for the September quarter. Total production during the quarter was 893t of cathode stripped, with 916t of cathode shipped. Cash operating costs were US\$1.71/lb, giving a cash operating margin of US\$1.78/lb based on an average sales price of US\$3.49/lb. With the operation now at nameplate capacity, the operation should deliver ~1,375t of cathode per quarter, generating an operating cashflow of A\$15-20m pa.

Leichhardt Expansions

Matrix is taking a staged approach to the development of Leichhardt. Stage One, which the Company has just achieved, involves treating 2.1Mt of ore from Mt Watson, producing 5,500t of copper cathode pa over a 4–5 year period. Mining is from two open pits, the Eastern and Western Pits, both of which are located on the main Mt Watson orebody (Figure 2).

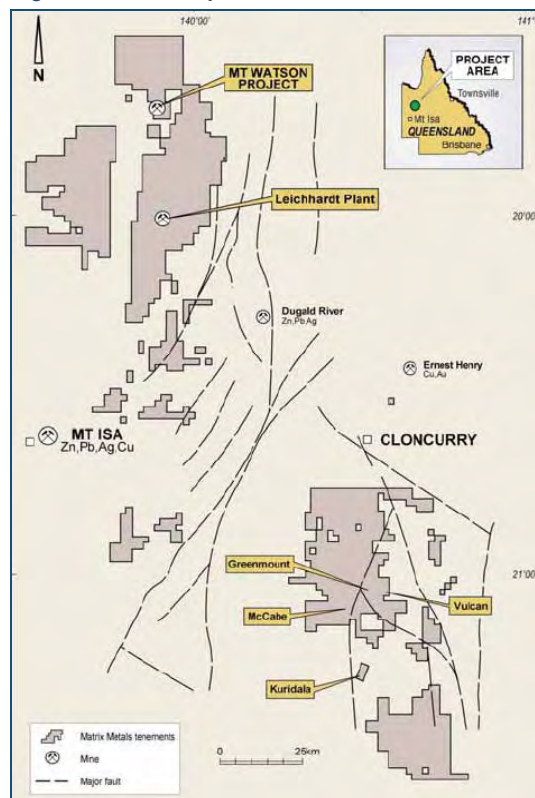
The Company then plans to expand Stage One, taking annual production to ~9,000t cathode. Capital expenditure required for the expansion is ~A\$5m, generating a significant increase in operating cashflow to ~A\$25-30m pa. The expansion will utilise EW equipment that is already owned by the Company, thereby keeping the capital expenditure low. We estimate operating costs will reduce slightly to ~US\$1.60/lb. We

Figure 2: Mt Watson Pits and Orebody



Source: Matrix Metals Limited

Figure 1: MRX Project Locations



Source: Matrix Metals Limited

Figure 3: Mt Watson Cathode



Source: Matrix Metals Limited

understand that plans for the expansion are well advanced and expect Leichhardt to commence production at this higher level from the September 2008 quarter.

Stage Two involves expanding the current resource inventory, converting a larger proportion of the current resource into reserves. The aim is to incorporate both the Eastern and Western Pits into a significantly larger pit on the Mt Watson orebody. This would extend the current mine life, as well as potentially leading to another expansion in cathode production, depending on the size of the increase. Significant parts of the mining inventory increase are likely to come from the treatment of transitional ore, as opposed to the purely oxide material currently being treated. Two of the main hurdles in determining the viability of the mining inventory expansion involve determining the geotechnical and metallurgical parameters of the orebody outside the current pit designs, and particularly the behaviour of the transitional ore. The Company has recently completed the geotechnical drilling and is currently drilling diamond holes for the required metallurgical testwork. Once all of these factors have been determined, Matrix will calculate reserves for the upgraded resource, including the transitional material, which we expect to be released in 3Q CY2008.

Leichhardt Resources

Current total resources in the Leichhardt area are 10.3mt (Table 1). Of this, 8.8Mt are leachable, with the only non-leachable material being 1.49Mt of the Mt Watson Primary ore. Of the current leachable resources, Matrix has a mining inventory of 2.1Mt which it plans to substantially increase for Stage Two.

Table 1: Leichhardt Area Resources

	Measured		Indicated		Inferred		Total	
	Mt	% Cu	Mt	% Cu	Mt	% Cu	Mt	% Cu
Leichhardt Area								
Leichhardt			0.894	1.0	0.241	0.9	1.135	1.0
Ned Kelly			0.095	1.0			0.095	1.0
Mighty Atom North			0.233	1.1			0.233	1.1
Mighty Atom South			0.086	1.1			0.086	1.1
Little Wonder			0.126	1.5			0.126	1.5
Mt Millicent			0.231	1.0			0.231	1.0
Mt Cuthbert Extended			0.064	1.9			0.064	1.9
Total			1.729	1.1	0.241	0.9	1.970	1.1
Leichhardt Area - Mt Watson								
Mt Watson Oxide	0.743	1.2	2.028	1.0	0.112	0.95	2.883	1.0
Mt Watson Transitional	0.167	0.8	2.974	1.0	0.519	0.94	3.660	0.9
Mt Watson Primary			0.442	1.1	1.045	1.07	1.487	1.1
Mt Watson Total	0.910	1.1	5.444	1.0	1.676	1.02	8.030	1.0
Hidden Treasure Oxide	0.229	1.5	0.071	0.8			0.300	1.3
Total	1.139	1.2	5.515	1.0	1.676	1.00	8.330	1.0

Source: Matrix Metals Limited

Cloncurry Tenement Area

Matrix's other main project area is located 35km south of Cloncurry, and covers an area of ~1,500km². The Company is targeting the development of a heap leach SX/EW project similar to that of Leichhardt. The project currently has resources of 14.8Mt transitional and oxide material across a number of deposits (Table 2).

The project resource inventory is significantly larger than Mt Watson, with demonstrated exploration potential. A study completed in early 2005 involved the relocation and upgrading of the Mt Cuthbert SX/EW plant to produce 15ktpa copper cathode over 6.2 years with upfront capital of \$39m and cash costs of US\$0.72/lb. Using a flat copper price of US\$1.40/lb, this generated an NPV₅ of ~\$53m. However, funding was considered difficult due to the banks at the time using a long term copper price of ~US\$0.80/lb, rendering the project uneconomic. The project was re-examined in 2006 with higher copper prices, delivering a better result, though with higher capital and operating costs. The rise in both capital costs and operating costs across the industry particularly impacted the project moving to development.

We understand that Matrix is re-examining the study with a view to producing ~15,000tpa copper cathode from a new plant, this time located at its Kuridala mining lease. The project still has good potential to be developed and could partially be funded using cashflow from Leichhardt. However, we believe that the Company is currently focussing on the Leichhardt project with a view to completing the studies required for the Stage One expansion as well as the Stage Two phase, with the development of Kuridala a lower priority.

Table 2: Cloncurry Area Resources

	Measured		Indicated		Inferred		Total	
	Mt	% Cu	Mt	% Cu	Mt	% Cu	Mt	% Cu
Greenmount	1.330	1.1	3.260	0.9	3.380	1.0	7.970	1.0
Kuridala	1.240	1.4	1.480	1.3	0.780	1.2	3.500	1.3
McCabe	0.720	1.2	0.860	1.3	0.110	1.2	1.690	1.2
Vulcan			0.341	1.2	0.119	0.8	0.460	1.1
Stuart			1.222	1.1			1.222	1.1
Total	3.290	1.2	7.163	1.1	4.389	1.0	14.842	1.1

Source: Matrix Metals Limited

Exploration

Both of Matrix's projects are highly prospective for a range of large polymetallic ore systems, as well as uranium, gold and molybdenum deposits. The projects are in the vicinity of a number of world class ore bodies such as Mount Isa (Zn, Pb, Ag, Cu), Ernest Henry (Cu, AU), and Dugald River (Zn, Pb, Ag), as well as the uranium deposits of Valhalla and Skäl. With the development of Leichhardt now generating cashflow, the Company is planning to significantly increase its exploration effort targeting copper oxide deposits to augment its current resources, as well as copper sulphide deposits.

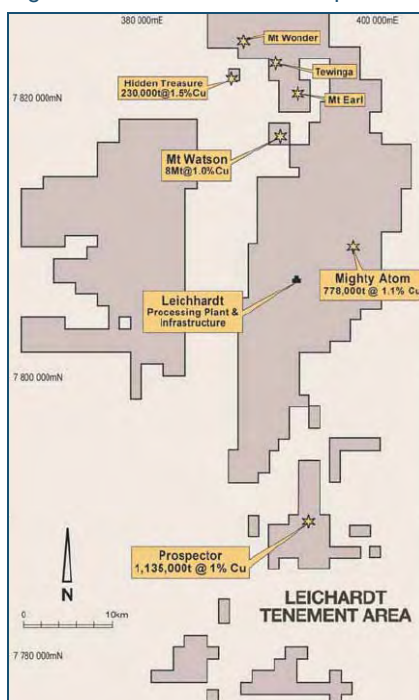
Leichhardt

Current exploration at Leichhardt is focussed on the Prospector Prospect, located ~35 km south of the processing plant at Leichhardt. Recent exploration has led to the discovery of a number of iron oxide copper gold ("IOCG") occurrences similar in style to that of Olympic Dam and Ernest Henry.

Matrix believes that all prospects within the Prospector area have good potential for the discovery of heap leachable oxide copper mineralisation as well as primary copper-gold mineralisation. The prospects are associated with a large strong magnetic anomaly (Figure 5). Mineralisation is associated with hydrothermal magnetite. The Company has recently completed a detailed magnetic survey with results currently being assessed.

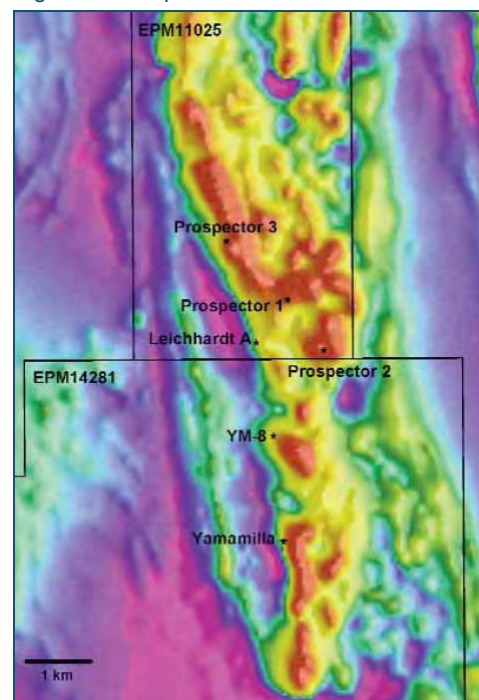
The Company has identified a number of promising copper soil anomalies at the Prospector 1, 2 and 3 prospects as well as Yamamilla. Matrix plans to test the anomalies with RC drilling in the near future. The results from this program will be incorporated with the results from the detailed magnetics survey to define targets to test for IOCG deposits.

Figure 4: Leichhardt Area Prospects



Source: Matrix Metals Limited

Figure 5: Prospector Area



Source: Matrix Metals Limited

Xstrata JV

In September 2006, Xstrata Copper entered into a JV agreement with MRX to earn an interest in the McCabe deposit and the surrounding exploration permit (EPM). The EPM covers an area of 210km² and is located on the highly prospective Sierra Line – a significant fault structure, ~12km long with significant copper mineralisation. Xstrata Copper has the right to earn a 55% JV interest by spending at least A\$5m within a three year period. Xstrata Copper then has the right to earn a further 20% JV interest during a sole funding period, by spending another A\$10m within a further five year period, or by completing a feasibility study during the sole funding period. Matrix maintains 100% ownership of the tenements to a depth of 100m until a decision to mine is made, at which time the JV has the right to buy that part of the tenements at fair market value.

Historical exploration work by Matrix has confirmed the growth potential of the oxide zone of the deposit as well as demonstrated the sulphide potential at depth of the McCabe deposit. A drilling program in late 2005 reported significant copper sulphide mineralisation at depth. Drill hole MMXRD 01 returned 58m at 1.61% Cu from 211m (including 27m at 2.93% Cu from 235m, 3m at 6.10% Cu from 235m and 4m at 7.40% Cu from 245m).

Xstrata completed four follow up diamond holes (MCC001D, MCC002D, MCC003D and MCC004D) during the June 2007 Quarter. The holes did not intersect any mineralisation, though they are currently being probed using downhole IP-resistivity logging and TEM to test for potential nearby conductors which may represent massive sulphide mineralisation.

Xstrata has also partially completed a ground IP survey, which was abandoned due to inaccessibility issues. The survey identified a number of potentially significant anomalies which may be followed up by drilling.

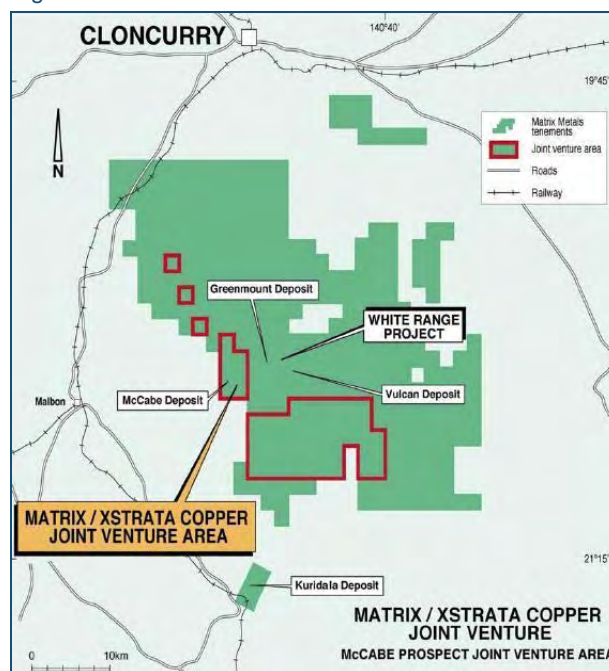
Deep Yellow Uranium JV

Overview

In early 2006, MRX formed a JV with Deep Yellow Limited (“Deep Yellow”, “DYL”) to allow DYL access to the MRX tenement holdings to explore for uranium. Previous work by MRX had identified 15 occurrences of uranium mineralisation or anomalism. Many of the occurrences in the Ewen EPM14916 are geologically similar to the Skal and high grade Valhalla deposits.

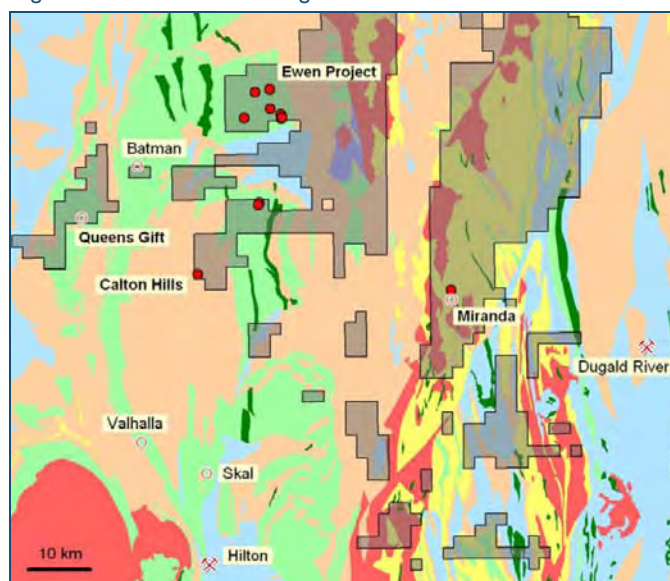
DYL has the right to earn a 51% interest in the uranium rights by spending \$3m over a 3 year period. As part of the JV, MRX was issued with and subsequently divested 21.4m ordinary shares in DYL for a consideration of \$9.56m. Deep Yellow must spend \$1m in the coming year and \$1.5m next year, to earn 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 \$3m, indexed at CPI. After completion of a BFS on any particular resource, Deep Yellow may buy out Matrix’s residual 20% position in that specific

Figure 6: Xstrata JV Area



Source: Matrix Metals Limited

Figure 7: DYL Uranium Targets



Source: Matrix Metals Limited

resource for a value equal to 15% of the in-ground value of Matrix's 20% holding in the resource (i.e. 3% of total in ground value).

Work Program

In May 2007 DYL flew a detailed low level radiometrics and magnetics survey over nine targets including a large component of the Matrix JV. The close spaced data was used to generate a series of targets for ground checking/reconnaissance mapping. DYL undertook a helicopter supported anomaly validation programme in August 2007 sampling 56 of the 109 anomalies generated. The samples were taken with the aid of a hand held scintillometer targeting peak radiometric values. DYL notes that the samples are positively biased and are not seen as representative of the entire anomaly and are only being used to identify potential follow up drill locations. Some of the higher results within the JV ground are detailed in Table 3. DYL has indicated that the results, combined with geological mapping, have identified EPM's 14916, 14281 held by Matrix as containing a number of priority drill targets.

Table 3: Deep Yellow Reconnaissance Uranium Sample Results From MRX Tenements

EPM	Prospect	Follow Up Action	U3O8	
			PPM	%
14281	Miranda North	Drill	29,400	2.940
14916	Bluestone	Drill	5,200	0.520
14916	Slance NE	Drill	4,850	0.485
14916	Wahn	Drill	3,200	0.320
14916	Crystal	Drill	2,850	0.285
14916	Crystal	Drill	2,700	0.270
11025		Follow-up 2007/2008	2,650	0.265
14916	Conquest Central	Drill	2,200	0.220
14916	Crystal 6	Drill	2,100	0.210
14916	Conquest North	Drill	1,950	0.195
14916	Slance NW	Drill	1,900	0.190
14916		Follow-up 2007	1,500	0.150
14916		Follow-up 2007	1,150	0.115
14916	Slance	Drill	1,150	0.115
14916	Conquest East	Drill	1,000	0.100

Source: Matrix Metals Limited

Of the 56 targets tested, DYL ranked 12 as immediate drill targets; 12 required follow-up mapping and prospecting in 2007; with 11 follow-up targets for 2008, and 21 anomalies were down graded. DYL plans to recommence the helicopter supported reconnaissance program, with the majority of targets falling within the Matrix JV ground.

Financial Analysis

Matrix has 702.49m shares on issue, and 19.75m unlisted options exercisable at various dates and times. As at 30 September 2007, Matrix had \$6.6m in cash and debt of \$8.8m to Glencore. The Company paid back \$1.2m of the debt during the quarter.

The Company has taken out call options at an exchange rate of 0.841 covering Leichhardt production out to the March 2008 quarter. We understand that the cost of the options was ~A\$320k. Based on expected production over this period and a using copper price of US\$3.50/lb, we estimate that the options are in the money by ~A\$155k for every \$0.01 above \$0.841, not including the call purchase price.

Valuation

Assumptions

Table 4 details our exchange rate and commodity price forecasts used in our modeling. We have taken into account Matrix's call options over the exchange rate out to March 2008, but have not shown that in Table 4.

Table 4: Deep Yellow Reconnaissance Uranium Sample Results

		2H 2007	2008	2009	2010	2011 on
AUDUSD	A\$/US\$	0.90	0.83	0.83	0.80	0.72
Copper	US\$/lb	3.50	2.90	2.50	2.00	2.00

Source: Hartleys Estimates

Base Case

Our Base Case valuation incorporates Stage 1 at Leichhardt of 5,500tpa, before expanding to 9,000tpa in Q3 CY2008. For Stage 2, we have factored in a mining inventory upgrade, taking total ore production at Leichhardt to 5.4Mt, a ~60% conversion rate of the current resource. Total production is 46.1kt of copper cathode over 5.25 years. Our model does not incorporate any production increases above 9,000tpa for the Base Case. Based on these factors, we derive a value for Leichhardt at \$76.6m, or 11cps.

We have also assumed that Cloncurry is developed from Q1 CY2010, with a plant located at Kuridala at a capital cost of \$100m. Production is estimated at ~15kt copper cathode pa, over a mine life of 9 years with average LOM cash costs of US\$1.16/lb. This scenario derives a valuation for Cloncurry of \$47.6m. However, due to the early stage of the project, we have discounted this value by 50% to \$23.8m, or 3cps.

Incorporating the significant usable tax losses, with an exploration value for the copper oxide projects of \$20m and uranium of \$10m, we have a **Base Case** valuation for Matrix of \$141.3m, or **19.8cps**.

Table 5: MRX Base Case Valuation

	\$m	cps
Leichhardt (NPV @ 8%)	76.55	0.11
Kuridala (NPV @ 8%)	23.84	0.03
Exploration - Uranium	10.0	0.01
Exploration - Copper	20.0	0.03
Cash	6.6	0.01
Forwards	0.0	0.00
Corporate Overheads	(3.1)	(0.00)
Total Debt	(8.8)	(0.01)
Tax Losses	15.2	0.02
Options & Other Equity	1.0	0.00
Total	141.3	0.20

Source: Hartleys Estimates

Expanded Case

In our Expanded Case, we have assumed Leichhardt will have an additional expansion to 14,500kt cathode pa from 4Q CY2009, at a capital cost of \$5m. Resource upgrades result in a mine life of 6.5 years with total cathode production of 79.4kt. Life of mine cash costs are estimated at US\$1.52/lb. This increases the valuation for Leichhardt to \$108.8m, or 15cps. For Cloncurry, we have not made any adjustments to our scenario, but have reduced our discount to 25%, which increases the valuation to \$35.8m, or 5cps. Our exploration value for the copper oxide projects has increased to \$30m, and to \$20m for the uranium JV. This gives a valuation for our **Expanded Case** of \$205.5m, or **28.8cps**.

Sensitivities

We have used our base case valuation of Matrix of \$141.3m to run a sensitivity analysis, modifying the operating cost, exchange rate and copper price inputs. As can be seen from Table 6, the Company is extremely sensitive to moves in both copper price and exchange rates. For example, a 10% drop in the copper price results in a fall in the valuation to \$103.7m, or 15cps (-27%). Conversely a 10% rise in the copper price sees the valuation jump to 25cps (+26%).

Table 6: Sensitivity Matrix of Base Case Valuation

	-20%		-10%		Base Case		10%		20%	
	\$m	Cps	\$m	cps	\$m	cps	\$m	cps	\$m	cps
Exchange Rate	231.7	0.32	181.5	0.25	141.3	0.20	108.2	0.15	79.2	0.11
Operating Costs	187.1	0.26	164.2	0.23	141.3	0.20	118.3	0.17	94.1	0.13
Copper Price	64.6	0.09	103.7	0.15	141.3	0.20	178.4	0.25	215.6	0.30

Source: Hartleys Estimates

Conclusion

Matrix has completed the ramp up phase of Leichhardt, completing the development of the project on time and on budget. Following its first full quarter of copper production, the operation is now at nameplate capacity. With the ramp up complete, the Company is well advanced in its plans to increase production to 9,000tpa that has the potential to almost double operating cashflow for a relatively low capital cost.

The development of Leichhardt provides the Company with the cashflow to implement its strategy of focussing on the discovery of world class sulphide deposits within its large tenement holding in the prospective Mt Isa region. With the tenements also highly prospective for uranium, the JV with Deep Yellow allows the Company to focus on its copper developments, while participating in the upside of an economic uranium discovery.

With the Company now producing at nameplate capacity, and Leichhardt cashflow positive, we have updated our model for MRX, valuing it at 20 – 29cps. We believe MRX will be re-rated as the market recognises the Company's move to a cash generating position; its leverage to the copper price; and the exploration potential of its ground holding. We continue to rate **Matrix Metals Limited** as a **Speculative Buy**.

Matrix Metals Limited		Share Price			
MRX		\$0.155			
Key Market Information					
Share Price		\$0.155			
Market Capitalisation		\$109m			
52 Week High-Low		\$0.12-\$0.05			
Issued Capital		702.5m			
Issued Capital (fully diluted inc. ITM options)		713.4m			
Options		24.4m@A\$0.13			
Hedging					
Yearly Turnover/Volume		\$88.1m/979.5m shares			
Liquidity Measure (Yearly Turnover/Issued Capital)		188%			
Valuation		\$0.20			
Financial Performance					
Unit	FY2007A	FY2008F	FY2009F	FY2010F	
Net Revenue	A\$m	9.6	63.7	86.2	117.8
Total Costs	A\$m	(18.0)	(55.5)	(71.2)	(96.8)
EBITDA	A\$m	(8.4)	8.3	14.9	21.0
Depreciation/Amort	A\$m	(0.1)	(2.1)	(3.3)	(5.6)
EBIT	A\$m	(8.5)	6.2	11.6	15.4
Net Interest	A\$m	0.5	(0.6)	1.2	0.0
Pre-Tax Profit	A\$m	(8.0)	5.6	12.9	15.5
Tax Expense	A\$m	-	(1.7)	(3.9)	(4.6)
NPAT	A\$m	(8.0)	3.9	9.0	10.8
Abnormal Items	A\$m	-	-	-	-
Reported Profit	A\$m	(8.0)	3.9	9.0	10.8
Financial Position					
Unit	FY2007A	FY2008F	FY2009F	FY2010F	
Cash	A\$m	14.2	33.9	72.6	57.1
Other Current Assets	A\$m	0.9	6.3	7.2	13.1
Total Current Assets	A\$m	15.1	40.2	79.8	70.2
Property, Plant & Equip.	A\$m	20.8	27.0	25.5	122.7
Exploration	A\$m	9.8	13.1	16.0	18.8
Investments/other	A\$m	1.5	1.5	1.5	1.5
Tot Non-Curr. Assets	A\$m	32.1	41.5	43.0	143.0
Total Assets	A\$m	47.2	81.8	122.8	213.1
Short Term Borrowings	A\$m	4.8	4.8	3.3	-
Other	A\$m	4.6	35.0	66.4	104.6
Total Curr. Liabilities	A\$m	9.4	39.8	69.7	104.6
Long Term Borrowings	A\$m	5.2	3.6	5.5	50.2
Other	A\$m	0.8	0.8	0.8	0.8
Total Non-Curr. Liabil.	A\$m	6.0	4.4	6.3	51.0
Total Liabilities	A\$m	15.3	44.1	76.1	155.6
Net Assets	A\$m	31.9	37.6	46.8	57.6
Cashflow					
Unit	FY2007A	FY2008F	FY2009F	FY2010F	
Operating Cashflow	A\$m	(2.5)	33.3	45.4	53.3
Income Tax Paid	A\$m	-	-	-	-
Interest & Other	A\$m	0.4	(0.6)	1.2	0.0
Operating Activities	A\$m	(2.1)	32.8	46.7	53.3
Property, Plant & Equip.	A\$m	(12.6)	(7.5)	(0.8)	(101.6)
Exploration and Devel.	A\$m	(3.0)	(4.0)	(4.0)	(4.0)
Investments	A\$m	8.9	-	-	-
Investment Activities	A\$m	(6.8)	(11.5)	(4.8)	(105.6)
Repayment of Borrowings	A\$m	-	(3.3)	(3.3)	(3.3)
Equity	A\$m	17.8	1.8	0.1	40.0
Dividends Paid	A\$m	-	-	-	-
Financing Activities	A\$m	17.3	(1.5)	(3.2)	36.7
Net Cashflow	A\$m	8.4	19.7	38.7	(15.6)
Ratio Analysis					
Unit	FY2007A	FY2008F	FY2009F	FY2010F	
Cashflow Per Share	A¢	(1.2)	0.9	1.7	2.3
Cashflow Multiple	X	(13.5)	18.2	9.0	6.8
Earnings Per Share	A¢	(1.2)	0.6	1.3	1.5
Price to Earnings Ratio	X	(13.3)	27.8	12.3	10.2
Dividends Per Share	A¢	-	-	-	-
Dividend Yield	%	-	-	-	-
Interest Cover	X	11.0	na	na	-
Return on Equity	%	na	10%	19%	19%

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Sources: IRESS, Company Information, Hartleys Research

October 2007 SPECULATIVE BUY

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Ronald Hing		Web: www.matrixmetals.com.au			
Geoffrey Jones					
Richard Procter					
Top 10 Shareholders					
	m shares			%	
Independence Group NL	124.14			17.7	
RBC Dexia Investor Services Australia Nominees	61.78			8.8	
Glencore International AG	41.67			5.9	
HSBC Custody Nominees	16.47			2.3	
Standard Bank London Ltd	12.09			1.7	
Mr Eugen Schilter	7.19			1.0	
NEFCO Nominees Pty Ltd	6.02			0.9	
Citicorp Nominees Pty Ltd	5.37			0.8	
National Nominees Pty Ltd	4.71			0.7	
Merrill Lynch (Australia) Nominees Pty Ltd	3.16			0.5	
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	-	5.4	9.4	16.9
Cash Cost	US\$/lb	-	1.69	1.63	1.58
Price Assumptions					
Unit	FY2007A	FY2008F	FY2009F	FY2010F	
Copper	US\$/lb	3.21	3.18	2.70	2.25
Exchange Rate	A\$/US\$	0.79	0.85	0.83	0.82
\$A Copper	A\$/lb	4.09	3.80	3.25	2.76
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	0.198	3.9	0.6	0.9	
Exchange Rate +10%	0.15	1.7	0.2	0.5	
Exchange Rate -10%	0.25	6.6	0.9	1.2	
Copper Price +10%	0.25	7.0	1.0	1.3	
Copper Price -10%	0.15	0.8	0.1	0.4	
Operating Costs +10%	0.17	2.4	0.3	0.6	
Operating Costs -10%	0.23	5.5	0.8	1.1	
<i>*N.B. NPAT, EPS, CFPS forecasts are for FY2008</i>					
Share Price Valuation (NAV)					
	Est. \$m	Est. cps			
Kuridala (NPV @ 8%)	23.8	3.3			
Leichhardt (NPV @ 8%)	76.6	10.7			
Exploration - Uranium	10.0	1.4			
Exploration - Copper	20.0	2.8			
Cash	6.6	0.9			
Forwards	0.0	0.0			
Corporate Overheads	(3.1)	(0.4)			
Total Debt	(8.8)	(1.2)			
Tax Losses	15.2	2.1			
Options & Other Equity	1.0	0.1			
Total	141.3	19.8			

Last Updated: 31/10/2007

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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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