

16 January 2006

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**Electronic delivery**

No of pages: 4

Dear Sir,

## ANNOUNCEMENT

# McCabe Copper Resource Increased by 135%

Matrix Metals Limited is delighted to announce that the re-estimation of the McCabe copper resource that incorporates results from the recently completed drilling program, has resulted in 135% increase in the resource to **1,700,000 tonnes grading 1.24% Copper**.

### Highlights

- The McCabe resource has increased by 135% to **1.70 million tonnes @ 1.24% copper** (0.5% cut off). This compares to the previous McCabe resource of 720,000 tonnes @ 1.2% copper (0.8% cut off), as reported in the 2005 Annual Report Resource Inventory Table.
- The re-estimation represents an increase in the contained **in-ground copper at McCabe from 9,000 tonnes to 21,000 tonnes**.
- This increase, when considered with the 50% resource increase reported for the Vulcan deposit in late 2005, confirms the resource growth potential of the White Range Project.
- Planned drilling programs will continue to further test the potential of the White Range area. These programs will include additional drilling at the McCabe and Vulcan Deposits, a program to define an initial resource at the Leone Prospect as well as testing of a number of additional new prospects.

### Details of the McCabe Resource

The Company's 100% owned Mt McCabe Deposit is a part of the White Range Project and is located 6 kilometres south west of the main Greenmount Deposit. Drilling programs completed during 2005 have confirmed the significant resource potential of the deposit. The last drill program was completed in late November 2005, with the copper resource upgrade achieved as reported in Table 1 below.

**Table 1**  
**McCabe Deposit Resource Estimate**  
**January 2006**

<i>Ore Type</i>	<i>Category</i>	<i>Tonnage</i>	<i>Cu%</i>
<b>Oxide &amp; Transitional</b>	Measured	680,000	1.23
	Indicated	790,000	1.23
	Inferred	99,000	1.14
<b>Oxide &amp; Transitional Total</b>		<b>1,600,000</b>	<b>1.23</b>
<b>Primary</b>	Measured	42,000	1.51
	Indicated	65,000	1.54
	Inferred	10,000	1.52
<b>Primary Total</b>		<b>120,000</b>	<b>1.53</b>
<b>Measured Total</b>		<b>720,000</b>	<b>1.24</b>
<b>Indicated Total</b>		<b>860,000</b>	<b>1.25</b>
<b>Inferred Total</b>		<b>110,000</b>	<b>1.16</b>
<b>Grand Total</b>		<b>1,700,000</b>	<b>1.24</b>

**Notes**

The mineralisation in this resource is weathered vein style copper mineralisation hosted in siltstones and breccias with copper carbonate and chalcocite mineralogy

Updated estimates are based on Median Indicator Kriging

Estimates are at 0.5% Cu cut-off

Blocks estimated to have less than 10% of material above cutoff are excluded from the resource

Drilling methods are RC and diamond coring with 7,728m from 117 drill holes contributing informing samples

Bulk density is based on pycnometer and bulk core determinations and lithologic assigned densities

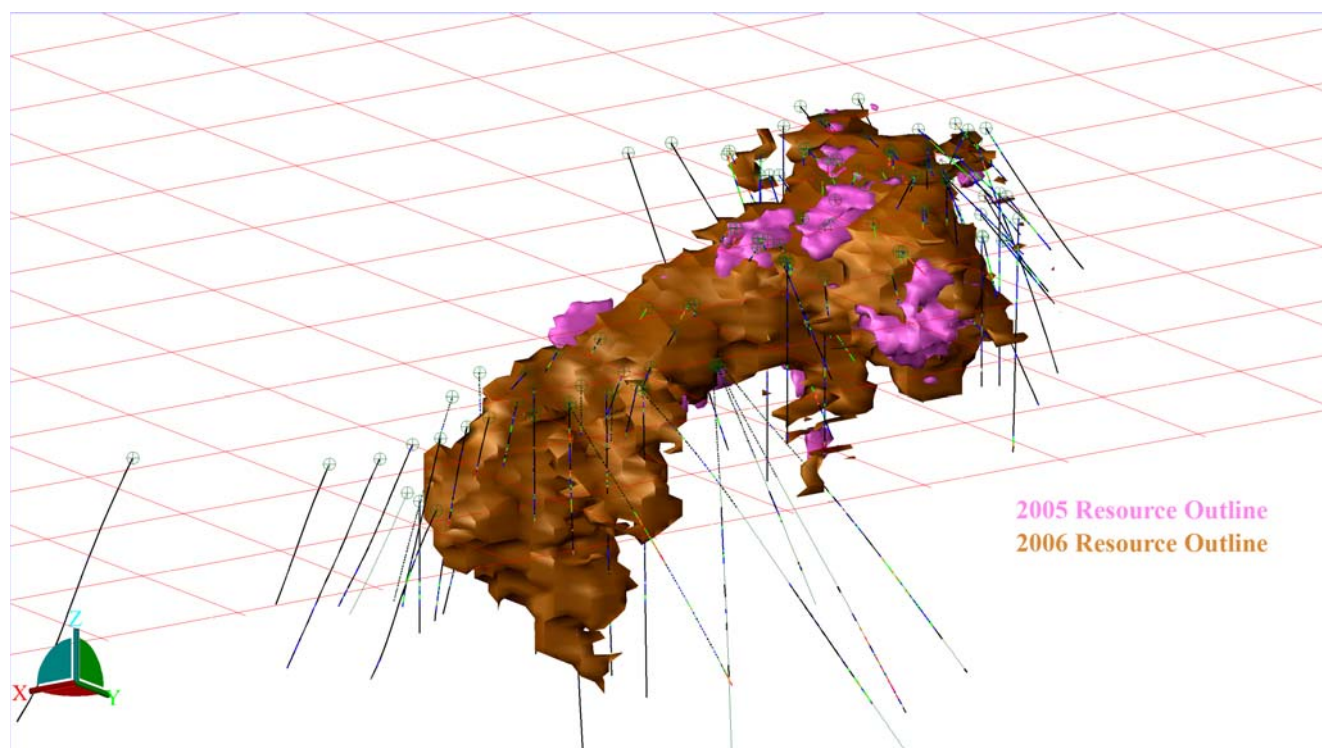
Ore type is based on observed mineral species

Assay is by AAS

Apparent errors subject to rounding

**Figure 1** below presents a perspective view of the McCabe Deposit showing drilling, the previously estimated resource (named 2005 Resource Outline) and the much larger re-estimated resource (named 2006 Resource Outline) , which has been extended to the east and to depth.

**Figure 1**  
**McCabe Resource Upgrade**  
**Comparison of the 2005 and 2006 Resource Shells**



### **Exploration Outlook for the White Range Project**

Following the success of the 2005 drilling programs at McCabe, Vulcan and Leone as demonstrated by the re-estimated resource, the design of additional drilling programs is underway to further quantify the resource potential of the Project area. In addition to the resource increase reported for McCabe, drilling at the Vulcan Deposit and the Leone Prospect was also successful in confirming resource potential. The Vulcan Deposit and the Leone Prospect results were reported in December 2005. Additional drilling programs are also being prepared for these and a range of new White Range Project prospects with all programs to follow.

### **White Range Project Feasibility Study & Project Funding**

On 28 November 2005 the Company released a White Range Project Update to ASX that reported a number of advances and specific activities in regard to the development of the Project. Specifically the following was reported:

- Alternative Project funding options are the subject of negotiations with various product end users and off-take parties who have expressed strong interest in funding the Project.
- Negotiations for the Project to be supplied with power from the local grid are ongoing with indications being that a significant reduction in power costs from those assumed in the initial BFS results as reported in January 2005 will be achievable.
- Since the reporting of the initial BFS results in January 2005, the copper price has risen a further 40% to all time highs of over US\$2.00 per pound. Matrix believes that this is a significant positive factor in regard to the funding of the Project.
- Various other optimisation activities are ongoing, including a review of various other key cost components of the Project including earthworks capital costs, mining costs, acid supply costs and modifications to the Project site layout and access routes.

The Company takes the opportunity to confirm that all the above activities continue to progress.

Matrix believes the opportunity now exists to secure a funding package for the development of the White Range Project as it currently stands. The additional resources reported in this announcement and those that may be identified as the result of further drilling programs, will enhance the economics and add to the life of the Project.

Yours Faithfully



Andrew Chapman  
**Chief Executive Officer**

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Bob Dennis. Mr Bob Dennis is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of the Company. Mr Dennis has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code". Mr Dennis consents to the inclusion in the report of the matters based on information in the form and context in which it appears.*