

20 July 2004

Manager Company Announcements
Company Announcements Office
Australian Stock Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000



ABN 42 082 593 23

Electronic delivery
No of pages: 4

Dear Sir,

ANNOUNCEMENT

Mt Watson Leachable Copper Resource Increased by 250%

Matrix Metals Limited is delighted to announce the results of the re-estimation of the copper resource at the Company's 100% owned Mt Watson project following the drilling program completed during the period February to June 2004.

Highlights

- The leachable copper component of the Mt Watson resource has increased by 250% to **6.54 million tonnes @ 1.0% copper**. This represents an increase in the contained leachable copper metal from 26,000 tonnes to 65,000 tonnes.
- The leachable component of the copper resource forms the foundation for an SX/EW development at Mt Watson, with a Bankable Feasibility Study scheduled to commence before the end of the year
- Importantly, the drilling has confirmed the continuity of the deposit and has now linked the previously identified semi discontinuous resource areas. The deposit continues to remain open to the west, east and at depth
- Drilling is currently continuing at Mt Watson testing further extensions to the oxide and transitional zones targeting additional leachable copper resources
- The total Mt Watson copper resource, which now includes a primary sulphide resource, has increased by in excess of 300% for a total combined oxide, transitional and sulphide resource of 8.03 million tonnes @ 1.01% copper
- Based on the successful results of the MIMDAS geophysical survey assessing the primary sulphide zone at Mt Watson, diamond drilling of this zone is scheduled to commence in late July 2004.

Continuing Mt Watson Oxide Drilling

In consideration of the deposit remaining open to the west, east and at depth, drilling is continuing at Mt Watson initially in areas to the west of the Vegetation anomaly targeting additional oxide and transitional copper resources. Further drilling targeting additional resources will also be undertaken at the eastern end of the deposit.

New Mt Earl Oxide Drilling

Following the success of the drilling program completed at Mt Earl in July 2003 (located 8 km north east of Mt Watson), a follow up scout drilling program has commenced to further investigate mineralisation at the Rita, Sally and Marli grid areas. Subject to the success of this second program, a resource delineation program will commence at Mt Earl upon completion of the planned drilling at Mt Watson.

Mt Watson Sulphide Drilling

Field work for the MIMDAS geophysical survey was completed on 10 July 2004. Initial interpretation has confirmed strong conductors that are spatially associated with the previously reported drill intersected sulphide copper mineralisation. These anomalies are interpreted to extend to beyond 200 metres down dip of the known mineralisation. Further, the conductive anomaly also extends at least 1,000 metres west of the recently reported sulphide intersections.

In addition to the anomaly related to the reported primary sulphide drill intercepts, a number of other anomalies in areas directly around Mt Watson have also been defined by the MIMDAS survey.

Diamond drilling to test these highly significant anomalies is scheduled to commence in late July 2004.

Mt Watson Resource Details and Outlook

This significant increase in the Mt Watson resource announced today, the confirmation of the strong continuity of the deposit and the fact that the resource remains open both along strike and at depth, all highlight the ongoing success and potential of Mt Watson and the surrounding areas.

The re-estimated Mt Watson resource, that now comprises the oxide, transitional and primary zones, is a result of the successful drilling programs completed during the period February to June 2004. The resource now extends over a continuous strike length in excess 1500 metres, to a depth of 180 metres and remains open to the west, east and at depth.

The distribution of resources across the various ore types and JORC code classifications are presented in the following table.

Mt Watson Deposit
Table of Copper Resources
July 2004

Ore Type	Confidence	Millions of Tonnes	Cu%
Oxide	Measured	0.74	1.16
	Indicated	2.03	1.01
	Inferred	0.11	0.95
Oxide Total		2.88	1.05

Transitional	Measured	0.17	0.84
	Indicated	2.97	0.96
	Inferred	0.52	0.94
Transitional Total		3.66	0.95

Primary	Measured	0.00	
	Indicated	0.44	1.08
	Inferred	1.05	1.07
Primary Total		1.49	1.07

Measured Total	0.91	1.10
Indicated Total	5.44	0.99
Inferred Total	1.68	1.02

Grand Total	8.03	1.01
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Notes

Updated estimates are based on Multiple Indicator Kriging
Estimates are at 0.5% Cu cut-off
Drilling methods are RC, diamond coring and open hole percussion
Bulk density is based on pycnometer and bulk core determinations
Ore type is based on acid and cyanide soluble assaying
Assay is by AAS

The attached diagram presents a general layout of the Mt Watson area showing the resource area and strike length of the deposit and the now extended target areas to the west and east.

Yours Faithfully



Andrew Chapman
Chief Executive Officer

The information in this report that relates to Mineral Resources and 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 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 he is undertaking to qualify as a Competent Person as defined in the 1999 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Dennis, consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Mt Watson Deposit
General Layout & Resource Areas
July 2004

