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**MATRIX METALS**  
LIMITED

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

ABN 42 082 593 235

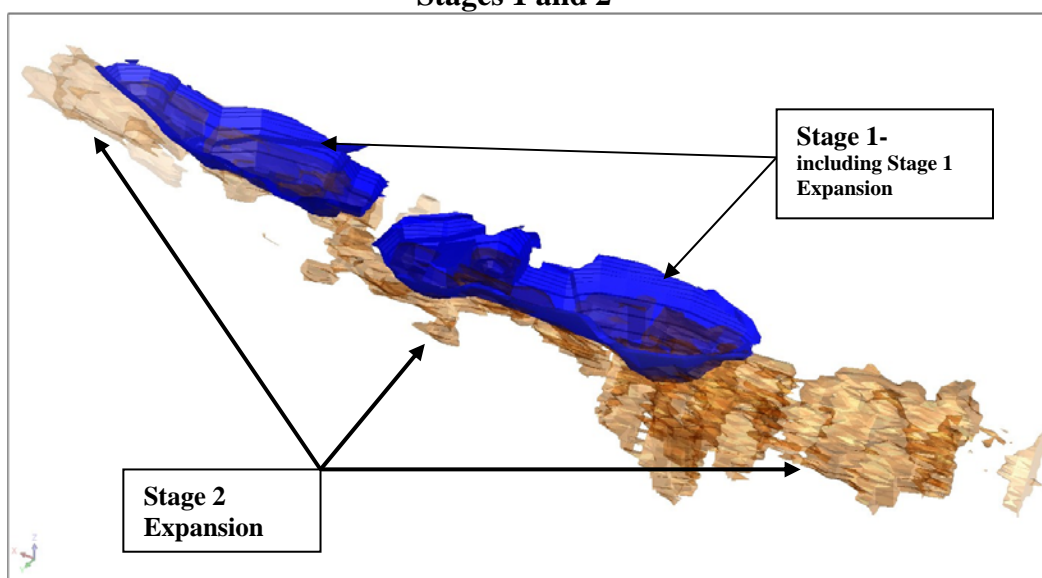
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## **Mt Watson Stage 1 Ore Reserve and Operations Update**

Matrix Metals Limited (“Matrix”) is pleased to announce an initial JORC compliant Ore Reserve for Mt Watson Stage 1. The Mt Watson orebody is a two stage development - Stage 1 processing 2.2 million tonnes of ore and Stage 2 to process the remaining economically leachable ore from the total Mt Watson deposit. Matrix is currently mining Stage 1 ore and is treating the ore at its Leichhardt Copper Plant.

Figure 1 below shows in a diagrammatic manner the two stages of the Mt Watson ore body

*Figure 1*  
**Mt Watson  
Stages 1 and 2**



### **Total Company Resources**

Following the updates to the Mt Watson Reserve and Resource, Matrix has available resources totalling 25.2 million tonnes grading 1.0% Cu (for 252,000 of copper metal), split between the following resource categories:

Measured 6.1 Mt @ 1.1% Cu; Indicated 11.5 Mt @ 1.0% Cu; Inferred 7.6 Mt @ 0.9% Cu.

The resources are spread throughout a number of deposits which form two groups based on their proximity. The first group being the Leichhardt Project where the company's current copper production facility is located and the second group is the Cloncurry Tenement Area to the south of Cloncurry. See Table 5 for a detailed breakdown of the resources.

### **Mt Watson Resource**

After deducting the mining inventory extracted to date, the in situ resource at Mt Watson as of the end of May 2008 is 8.1 Mt @ 0.88% Cu at a 0.5% cut-off grade, with the resource categories as follows:

Measured 2.6 Mt @ 0.95% Cu; Indicated 2.6 Mt @ 0.83% Cu; Inferred 2.9 Mt @ 0.85% Cu. (Table 1).

The latest resource was re-estimated using data unfolding relative to geology, Indicator Kriging and Selective Mining Unit support correction, which has had the effect of increasing tonnage and reducing grade. The 654,000 t @ 1.08% Cu mined to the end of May 2008 is excluded from this new resource. The difference in this resource estimation is largely as a result of the inclusion and consideration of, actual production data. This process has enabled the Company to better assess the deposit and therefore provide improved information for the estimation process.

### **Mt Watson Leachable Mineralisation**

Of the 8.1 Mt @ 0.88% Cu resource, an amount of 5.9 Mt @ 0.88% Cu is classified as non-sulphide and therefore potentially leachable (Table 1). The current Stage 1 pit will process 1.7 Mt @ 1.01% Cu as shown in Table 2, leaving 4.2 Mt @ 0.82% Cu of potentially leachable mineralisation available in Stage 2, subject to economic and metallurgical assessment (Table 3). On that basis, at an assumed mining rate of 1 million tonnes per annum, the Mt Watson resource alone could potentially provide a minimum 5 years life, excluding any further exploration success. There are also substantial other mineral resources in the area that could potentially provide additional life to the Leichhardt project (Table 5).

### **Mt Watson Stage 1 Reserve**

The Mt Watson Stage 1 JORC compliant reserve that will be mined to is 1.49 Mt @ 1.02% Cu (Table 4), this is after mining 654,000 t @ 1.08% Cu. The reserve is estimated using 9% dilution and 3% ore loss - these factors having been derived by reconciliation between plant head grade and the resource grade over about 450,000 t of mined material. This is a significant sample size on which to base actual mining performance against the resource. Based on this data, this reserve gives the Mt Watson Stage 1 a mine life to mid 2010. Following completion of the Stage 1 resource, material from Stage 2 is expected to be processed.

Following completion of metallurgical test work (already commenced) and further economic evaluation of Stage 2, a reserve will be published for it. It is anticipated that this work will be completed by the end of the 2008 calendar year.

## **Project Update**

As a result of material increases in operating expenses, and adverse movements in the Australian dollar against the United States dollar, overall operating costs of the project are now expected to increase. The operating cash costs for the twelve months ending 30 June 2009 are now expected to approximate US\$2.40/lb and projecting these costs to the end of Mt Watson Stage 1 in mid 2010 gives an average cost of US\$2.20/lb. Current spot copper price is US\$3.90/lb. At this price and under these conditions, the Stage 1 operating cash flow will approximate \$64 million and increases by \$3.5 million for each \$0.10/lb in the copper price.

The company has minimal debt of \$5.2 million and is un-hedged.

The plant expansion to 9,000 tpa copper cathode is progressing well, with commissioning of the expanded plant expected to start in the middle of next month.

## **Mt Watson Stage 2**

Column test work for Mt Watson Stage 2 has commenced, with results expected to be available during October of this year and with the assessment of the project completed by the end of this calendar year. At that stage, a JORC compliant reserve and economic analysis will be released. This timing fits in well with the depletion schedule of Mt Watson Stage 1.

## **Current Operations**

Several production setbacks were experienced during the quarter, mainly concerned with poor equipment availability. Also, unscheduled, but once-off re-lining of the leached copper solution drains and relining of several of the copper solution ponds restricted production over this period. These issues have now been rectified and the operation is operating as designed. For the quarter, production is now expected to approximate 1,180 tonnes of copper cathode - representing 86% of name plate plant capacity, with cash costs for the same period expected to average USD 2.50/lb.

Despite the current quarter's issues, the operation is now back to normal and operationally more robust. By the middle of August 2008, commissioning of the expanded plant will be complete and production output increased by over 60% to 9,000 tpa. The plant expansion is 80% complete and on budget. The increased production capacity will significantly improve project cashflows, thus enabling the company to capitalise on the current robust copper prices. The installation of new and more efficient power generation units will help to control power costs. The metallurgical performance of the Mt Watson ore continues to be excellent.

## **Exploration**

A separate announcement with regard the progress of exploration drilling activities is being released at the same time as this announcement. We encourage investors to read both documents.

Yours Faithfully



Shane McBride  
**Managing Director**

The Mt Watson Mineral Resource estimate reported upon in this release is based upon and accurately reflects data compiled and/or supervised by Mr Bob Dennis and Dr Andrew Richmond, both of whom are Members of the Australasian Institute of Mining and Metallurgy. Dr Richmond, a full time employee of Golder Associates Pty Ltd, is responsible for the resource block model and estimation. Mr Dennis, a full time employee of the Company, is responsible for all other aspects of the Mineral Resource estimate. Both Mr Dennis and Dr Richmond have sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they have undertaken to qualify as Competent Persons as defined in the 2004 edition of the 'Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Dennis and Dr Richmond consent to the inclusion of this information in the form and context in which it appears in this report.

The information in this report that relates to Ore Reserves is based on information compiled by Bob Dennis. Mr 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 he 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.

**CP1:** The information in this report that relates to Mineral Resources is based on information compiled by Bob Dennis. Mr. 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 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.

**CP2:** The information in this report that relates to Mineral Resources is based on information compiled by Phil Frank. Mr. Frank is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of the Company. Mr. Frank 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code". Mr. Frank consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

**CP3:** The information in this report that relates to Mineral Resources is based on information compiled by Andrew Richmond. Dr. Richmond is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Golder Associates. Dr. Richmond 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code". Dr. Richmond consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

**CP4:** The information in this report that relates to Mineral Resources is based on information compiled by John Horton. Mr. Horton is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Golder Associates. Mr. Horton 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code". Mr. Horton consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

**Table 1 Total Mt Watson Resource by Weathering and Confidence @ 0.5% Cu Cut-off inclusive of those Mineral Resources modified to produce the Ore reserve**

Total Resource	Resource			
	Classification	Resource Tonnage T	Resource Grade %Cu	Resource Cu T
Oxide	Measured	1,875,000	0.98	18,379
	Indicated	1,102,000	0.85	9,389
	Inferred	309,000	0.82	2,535
	Sub Total	3,286,000	0.93	30,303
Transition	Measured	694,000	0.86	5,977
	Indicated	1,463,000	0.82	11,942
	Inferred	492,000	0.78	3,835
	Sub Total	2,649,000	0.82	21,755
Leachable (Oxide + Transition)	Measured	2,569,000	0.95	24,356
	Indicated	2,565,000	0.83	21,331
	Inferred	801,000	0.80	6,370
	Sub Total	5,935,000	0.88	52,058
Sulphide	Measured			
	Indicated			
	Inferred	2,157,000	0.87	18,789
	Sub Total	2,157,000	0.87	18,789
Total	Measured	2,569,000	0.95	24,356
	Indicated	2,565,000	0.83	21,331
	Inferred	2,958,000	0.85	25,159
	Grand Total	8,092,000	0.88	70,847

**Table 2 Stage 1 Mt Watson Resource by Weathering and Confidence @ 0.5% Cu Cut-off inclusive of those Mineral Resources modified to produce the Ore reserve**

Total Stage 1	Resource			
Weathering Domain	Classification	Resource Tonnage T	Resource Grade %Cu	Resource Cu T
Oxide	Measured	1,199,000	1.04	12,490
	Indicated	147,000	0.93	1,360
	Inferred			
	Sub Total	1,346,000	1.03	13,848
Transition	Measured	331,000	0.96	3,182
	Indicated	25,000	0.84	207
	Inferred			
	Sub Total	356,000	0.95	3,392
	Grand Total	1,702,000	1.01	17,240

**Table 3 Stage 2 Mt Watson Resource by Weathering and Confidence @ 0.5% Cu Cut-off**

Total Stage 2	Resource			
Weathering Domain	Classification	Resource Tonnage T	Resource Grade %Cu	Resource Cu T
Oxide	Measured	676,000	0.88	5,974
	Indicated	955,000	0.84	8,047
	Inferred	309,000	0.82	2,534
	Sub Total	1,940,000	0.85	16,555
Transition	Measured	363,000	0.77	2,787
	Indicated	1,438,000	0.82	11,728
	Inferred	492,000	0.78	3,833
	Sub Total	2,293,000	0.80	18,347
Leachable (Oxide + Transition)	Measured	1,039,000	0.84	8,761
	Indicated	2,393,000	0.83	19,775
	Inferred	801,000	0.79	6,366
	Sub Total	4,233,000	0.82	34,903
Sulphide	Measured			
	Indicated			
	Inferred	2,158,000	0.87	18,796
	Sub Total	2,158,000	0.87	18,796
	Grand Total	6,391,000	0.84	53,699

#### Notes

Resource estimates are based on Multiple Indicator Kriging.

Resource estimates are at 0.5% Cu cut-off.

Drilling methods are RC, diamond coring and open hole percussion.

Bulk density is based on bulk core determinations.

Ore type is based on acid and cyanide soluble assaying.

Total copper Assay is by AAS.

The Resource was estimated using unfolding techniques based on geologic models and Indicator Kriging.

The resource differs from previous, because of different estimation technique, removal of material by mining, different lower depths of estimate, application of change of support adjustments.

Minor differences in the table are due to rounding.

**Table 4 Stage 1 Mt Watson Reserve by Weathering and Confidence @ 0.6% Cu Cut-off**

Total Stage 1	Reserve			
Weathering Domain	Classification	Ore Tonnage T	Ore Grade %Cu	Reserve Cu T
Oxide	Proved	1,055,000	1.05	11,037
	Probable	112,000	0.98	1,100
		0		0
		1,167,000	1.04	12,137
Transition	Proved	305,000	0.94	2,860
	Probable	20,000	0.86	172
		0		0
	Sub Total	325,000	0.93	3,032
	Grand Total	1,492,000	1.02	15,168

**Note**

For estimating the Reserve from the Resource a mining dilution of 9% at 0% Cu grade and wastage of 3% is applied.

Mineral processing recovery is 85% based on production pad performance.

The information in this report that relates to Mineral Reserve is based on information compiled by Bob Dennis. Mr. 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 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.

**Table 5 Total Matrix Resources Reserve by Deposit and Confidence**

## COPPER RESOURCE INVENTORY

## LEICHHARDT AREA Oxide and Transition Zone Mineral Resources

DEPOSIT	MEASURED TONNES	%CU	INDICATED TONNES	%CU	INFERRED TONNES	%CU	TOTAL TONNES	%CU	CUT OFF %CU	COMPETENT PERSON ATTRIBUTION
Leichhardt			894,000	1.0	241,000	0.9	1,135,000	1.0	0.5	1
Ned Kelly			95,000	1.0			95,000	1.0	0.5	1
Mighty Atom North			233,000	1.1			233,000	1.1	0.5	1
Mighty Atom South			86,000	1.1			86,000	1.1	0.5	1
Little Wonder			126,000	1.5			126,000	1.5	0.5	1
Mt Millicent			231,000	1.0			231,000	1.0	0.3	1
Mt Cuthbert Extended			64,000	1.9			64,000	1.9	0.5	1
<b>Total</b>	-	-	<b>1,729,000</b>	<b>1.1</b>	<b>241,000</b>	<b>0.9</b>	<b>1,970,000</b>	<b>1.1</b>	<b>N/A</b>	

## LEICHHARDT AREA - MT WATSON Oxide and Transition and Primary Zone Mineral Resources

DEPOSIT	MEASURED TONNES	%CU	INDICATED TONNES	%CU	INFERRED TONNES	%CU	TOTAL TONNES	%CU	CUT OFF %CU	COMPETENT PERSON ATTRIBUTION
Mt Watson Oxide	1,875,000	1.0	1,102,000	0.9	309,000	0.8	3,285,000	0.9	0.5	1
Mt Watson Transitional	694,000	0.9	1,463,000	0.8	492,000	0.8	2,650,000	0.8	0.5	1
Mt Watson Primary					2,150,700	0.9	2,150,700	0.9	0.5	1
<b>Mt Watson Total</b>	<b>2,569,000</b>	<b>0.9</b>	<b>2,565,000</b>	<b>0.8</b>	<b>2,951,700</b>	<b>0.8</b>	<b>8,085,700</b>	<b>0.9</b>	<b>0.5</b>	
Hidden Treasure Oxide	229,000	1.5	71,000	0.8			300,000	1.3	0.5	1
<b>Total</b>	<b>2,798,000</b>	<b>1.0</b>	<b>2,636,000</b>	<b>0.8</b>	<b>2,951,700</b>	<b>0.8</b>	<b>8,385,700</b>	<b>0.9</b>	<b>0.5</b>	

## CLONCURRY AREA Oxide and Transition Zone Mineral Resources

DEPOSIT	MEASURED TONNES	%CU	INDICATED TONNES	%CU	INFERRED TONNES	%CU	TOTAL TONNES	%CU	CUT OFF %CU	COMPETENT PERSON ATTRIBUTION
Greenmount	1,330,000	1.1	3,260,000	0.9	3,380,000	1.0	7,970,000	1.0	0.3	3
Kuridala	1,240,000	1.4	1,480,000	1.3	780,000	1.2	3,500,000	1.3	0.5	4
McCabe	720,000	1.2	860,000	1.3	110,000	1.2	1,690,000	1.2	0.5	1
Vulcan			341,000	1.2	119,000	0.8	460,000	1.1	0.5	1
Stuart			1,222,000	1.1			1,222,000	1.1	0.5	2
<b>Total</b>	<b>3,290,000</b>	<b>1.2</b>	<b>7,163,000</b>	<b>1.1</b>	<b>4,389,000</b>	<b>1.0</b>	<b>14,842,000</b>	<b>1.1</b>	<b>N/A</b>	
<b>Grand Total</b>	<b>6,088,000</b>	<b>1.1</b>	<b>11,528,000</b>	<b>1.0</b>	<b>7,581,700</b>	<b>0.9</b>	<b>25,197,700</b>	<b>1.0</b>	<b>N/A</b>	

Minor differences in the table are due to rounding

The quoted resources are attributable to the following Competent Persons (CP):

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