



QUARTERLY REPORT

FOR THE PERIOD ENDED

31 DECEMBER 2000

MATRIX METALS LIMITED
ABN 42 082 593 235

DECEMBER 2000 QUARTER SUMMARY

PRODUCTION

- Above budget performance was achieved at Mt Cuthbert in the areas of open pit mining and total copper stacked with production costs being below budget for the period. The rate of copper production build up to full capacity proceeded in accordance the budgeted rate until unforeseen events occurred including a strike by Queensland Rail and December rainfall of over five times the average historical rate. Despite good performance in production costs, mining and stacking, the net effect was below budget copper cathode production.
 - Inventory of stacked copper increased to 3,500 tonnes compared to the budget of 3,329 tonnes.
 - Copper production for the period totalled 948 tonnes compared to the budget of 1,376 tonnes. The average daily production of 10.3 tonnes per day was well down on the peak production levels of 12.5 tonnes per day achieved in early December.
 - Cash production costs for the period were at US 56c/lb compared to the budget of US\$ 62/lb.
 - Average price of copper sales during the period was US 82c/lb, at the average received exchange rate of 53c.

EXPLORATION

- Matrix acquired the promising Mt Watson prospect, which is located near Mt Cuthbert. While limited historical exploration has been conducted, the tenement is contiguous with known mineralisation and is considered highly prospective. Initial interpretations of the prospects potential, indicates delineation of a resource in excess of 2.0 million tonnes is possible. If achieved, this would double the mine life of the Mt Cuthbert operation.

FUNDING

- A range of potential funding options were considered, including debt, equity and joint venture arrangements to secure the required capital to progress the business plan of Matrix. This evaluation resulted in the announcement made on 25 January 2001 relating to the proposed Summo Minerals Corporation transaction as detailed elsewhere in this report.

NATIVE TITLE

- Negotiation of an Indigenous Land Use Agreement (ILUA) with the Native Title Claimants in the Mt Cuthbert area has progressed to the point of having a draft document agreed between the parties. Notification of a meeting time with the Claimants for finalisation of the ILUA is imminent.

SIGNIFICANT EVENT

SUMMO TO BECOME MAJOR SHAREHOLDER OF MATRIX AND PROVIDE FUNDING FOR PROGRESSION OF MATRIX'S BUSINESS PLAN.

As announced on 25 January 2001, Summo Minerals Corporation ("Summo") has advised Matrix that it has entered into agreements to acquire the Matrix shares held by Murchison United NL and Majestic Resources NL, subject to the approval of Matrix shareholders. Matrix and Summo have entered into a Heads of Agreement under which Summo will provide Matrix with a financing facility to fast track its business plan. A copy of the ASX announcement is attached.

The facility provided to Matrix by Summo will be utilised to:

- optimise the operation of the existing Mt Cuthbert copper operation, including further evaluation of the production upgrade feasibility study;
- commence exploration drilling at the recently acquired and highly regarded Mt Watson prospect;
- secure ownership of the White Range project through the payment of the A\$2million deferred consideration to Majestic; and
- commence the final phase of the White Range Project Feasibility study.

The directors of Matrix have indicated their support for Summo becoming a major shareholder as they believe the relationship will bring together significant operating, management and development expertise and in particular expertise in the areas of solvent extraction, electrowinning, heap leaching and the production of LME Grade A copper cathode. The directors are confident that the sharing of this expertise between Matrix and Summo, in addition to the financial support provided by Summo's major shareholder, Resource Capital Fund, will offer significant benefits to Matrix's minority shareholders.

CHIEF EXECUTIVES REVIEW

Mt Cuthbert Operation

The December quarter was a period of mixed outcomes with good production cost, mining and stacking performances offset by below budget copper metal production.

Matrix met the quarter's budget in a number of areas;

- Copper Production costs were US 56c/lb.
- Mine production was above budget at 136,792 tonnes compared to the budget of 117,772 tonnes.
- Stacking and crushing of ore was on budget with the stacked copper inventory of 3,500 tonnes at 31 December 2000 being 5% above the budgeted inventory of 3,329 tonnes.
- Ore stockpiles equal to at least 2 months ore supply have been built up to cover wet season events, which may interrupt mine production.

However, copper cathode production was adversely impacted as a result of unforeseen key events with 948 tonnes being produced compared to a budget of 1,376 tonnes.

- The first event related to problems with the historical acid treatment regime. After a positive copper production build up in the September quarter, a flattening of the build up occurred in late October. The cause of this was quickly identified and a new acid treatment regime was introduced and production levels again commenced to grow towards maximum capacity.
- The second adverse event was a snap strike by the employees of Queensland Rail. This interrupted acid supplies and the stockpiled acid inventory was not sufficient to allow the full acid treatment rate to be maintained.
- This acid supply problem was aggravated by a mechanical failure with the crushing contractors' equipment. Notwithstanding this, a peak production rate of 12.5 tonnes per day was achieved in early December.
- The final and most adverse event was the extreme rain event that occurred in the second week of December. The rain event caused major flooding and damage in the North West Queensland Region. Approximately 455mm of rain fell at Mt Cuthbert over a three week period, which compares to the long term December average rainfall of 85mm. The rain caused crushing and stacking to be halted for the majority of December and acid, diesel and general supplies were again disrupted due to the interruption to transport services.
- Site managements' forward planning and experience in these conditions enabled the available resources and supplies to be optimised and the production downturn minimised, despite the conditions being more severe than has ever been previously encountered.

Therefore, although Matrix has been successful in a number of areas where it could directly control activities, copper cathode production was impacted by factors predominantly beyond its control. This has effected the cashflow availability for the first quarter of the 2001 calender year and reinforced the advantage of entering into

the arrangements with Summo, compared to other funding alternatives explored by management including raising new equity, debt or entering into joint venture arrangements.

Crushing and stacking recommenced in early January 2001 with the production build up recommencing again. The achievement of maximum cathode production is now anticipated for late February 2001.

Production statistics for are set out below.

Mt Cuthbert Operation		
Production and Cost Statistics		
ITEM	DECEMBER QUARTER	YEAR TO DATE
Ore Mined	136,792 tonne	189,370 tonne
Ore Crushed & Stacked	88,011 tonne	139,421 tonne
Ore Grade	2.38 % Cu	2.13 % Cu
Copper Produced	948 tonne	1,385 tonne
Total Cash Cost (1)	US 56c /lb	US 62c /lb
Copper Price Received	US 82c /lb	US 83c /lb

(1) Total Cash Costs include the following:

Mining, processing, administration, environmental, site specific corporate charges, inventory changes, transportation costs and royalties.

Mt Cuthbert Exploration

During the quarter Matrix purchased the Mt Watson prospect. Mt Watson is located within hauling distance of the Mt Cuthbert SX-EW processing facility and fills a strategic gap that existed in a larger exploration permit owned by Matrix.

Geological interpretations of the prospect have revealed a potentially large high grade copper oxide deposit which is expected to be well suited to heap leach processing. Surface geological work by third parties has identified the copper oxide body outcropping at intervals through soil cover over a strike length in excess of 1 km. Exposed widths of mineralisation range upwards to 20 metres.

Mt Watson is located within the Kalkadoon / Leichardt belt of the Mt Isa Inlier. The mineralised zone occurs along a strongly developed east west trending shallow zone, which is intersected by a number of oblique (north east trending) mineralised faults. Preliminary mapping has predicted the possibility of parallel mineralised structures.

Matrix has proceeded immediately with a geological evaluation of the prospect with an initial drilling program scheduled for February / March 2001.

White Range Project

Planning for the commencement of the final phase of the White Range Feasibility Study continued in anticipation of field activities proceeding upon completion of the wet season in February / March 2001.

Work has continued in reviewing the existing Project exploration and feasibility study database. Definition of the Scope of Work required to progress the Project to Bankable Feasibility study status is due to be completed by mid February.

Outlook

Despite the set backs of the last quarter, Matrix is confident that as a consequence of the new acid treatment regime and the additional funding to be provided by Summo, it is now back on track in the build up to full production capacity at Mt Cuthbert. Management is targeting achievement of the annualised production rate of 5,500 tonnes per annum of copper cathode by late February 2001.

The business plan as set out in the 2000 Prospectus remains in place. Exploration work at the exciting Mt Watson prospect will commence in March 2001. Matrix will have access to the funds required to secure ownership of White Range and additional fieldwork at will also commence in the March/April period with the aim of progressing towards the White Range Feasibility Study targeted to be completed by early to mid 2002. These activities have the potential of significantly increasing Matrix's production levels and extending the mine life and growth opportunities for the Company in the medium to longer term.

Yours sincerely

Andrew Chapman
Chief Executive Officer

COMPANY INFORMATION

DIRECTORS

Gordon M. Freeman
Non Executive Chairman

Andrew P. Chapman
Chief Executive Officer

James K. Williams
Non Executive Director

David J. Humann
Non Executive Director

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Shane B. McBride

STOCK EXCHANGE LISTING

Matrix Metals Limited shares are listed
on the Australian Stock Exchange
(Code MRX)

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MATRIX METALS LIMITED

ATTACHMENT TO DECEMBER 2000 QUARTERLY REPORT

24 January 2001

ANNOUNCEMENT SUMMO MINERALS CORPORATION TO BECOME MAJOR SHAREHOLDER OF MATRIX.

Summo Minerals Corporation “(Summo)” has today advised Matrix Metals Limited “(Matrix)” that it has entered into agreements to acquire the Matrix shares held by Murchison United NL and Majestic Resources NL, subject to the approval of Matrix shareholders.

The directors of Matrix are pleased to announce that a Heads of Agreement has also been signed today with Summo under which Summo has committed to provide a bridging loan facility to Matrix to fast track its current operating plans and the directors of Matrix have indicated their support for Summo becoming a major shareholder of the company.

The funds provided to Matrix by Summo will be utilised to:

- optimise the operation of the existing Mt Cuthbert copper operation, including further evaluation of the production upgrade feasibility study;
- commence exploration drilling at the recently acquired and highly regarded Mt Watson prospect;
- secure ownership of the White Range project through the payment of the A\$2million deferred consideration to Majestic; and
- commence the final phase of the White Range Project Feasibility study.

Summo is listed on the Toronto Stock Exchange, has a market capitalisation of CAD\$10m., and has the same focus as Matrix – that is the development of SX/EW copper projects. Summo owns two significant heap leach oxide copper development projects in North America, namely the Lisbon Valley Project, located in Utah, and the Terrazas Project located in Mexico. The combined inventory of contained copper for these two projects is in excess of 1.0 billion pounds (476,400 tonnes) of copper.

Summo’s major shareholder is the US based private equity fund, Resource Capital Fund. This Fund currently has approximately US\$110m under management and has a mandate to promote the growth of young promising resource companies. Resource Capital Fund, which is associated with the Rothschild family, has provided Summo with the funds to both acquire the Murchison/Majestic stake and to provide the additional development funding to Matrix.

The key terms of the intended transactions are:

- Summo will purchase the shareholding currently held by Murchison and Majestic, totalling 48 per cent of the issued capital of Matrix, at 25 cents per share.
- Summo will extend a loan, or at Matrix's option a Letter of Credit, for up to A\$3.25M for working capital and project development purposes. Five Hundred Thousand dollars (\$500,000) of that facility will be available to be drawn down prior to the shareholders meeting upon the execution of formal loan and security documentation agreement, with the balance to be drawn down on shareholder approval of the share acquisitions. The loan will mature on 30 June 2002, and is convertible at Matrix's option into ordinary shares at 16 cents if any unpaid balance of the loan remains outstanding on maturity. The interest is payable, at Matrix's option, in shares or cash. In consideration of this loan Summo will receive 3 million options for ordinary shares in Matrix exercisable at 25 cents per share at any time prior to 30 June 2003.
- Providing shareholder approval is granted, at least two Summo representatives will be invited to join the Board of Directors of Matrix. It is envisaged that one of the current non-executive directors of Matrix will resign from the Board.

The Directors of Matrix consider the intended transactions will be beneficial to existing shareholders in that they:

- introduce a new growth orientated industry shareholder with significant resource sector operating, management and development expertise and importantly with specific expertise in the areas of solvent extraction, electrowinning, heap leaching and the production of LME Grade A copper cathode;
- provide access to the funding resources of Summo and its principal shareholder the Resource Capital Fund that will enable Matrix to retain sole ownership of its existing projects and assist in the further development of these projects;
- facilitate the orderly exit of Murchison and Majestic from the Matrix share register;
- provide Matrix with the required development funding without significantly diluting existing shareholders through a share placement or alternative equity raising that would otherwise be required; and
- enable Matrix shareholders to share in the upside created by the enhanced opportunities presented to the Company through these changes.

It is intended that a general meeting of Matrix's shareholders will be held as soon as possible at which the shareholders, other than Murchison and Majestic, will be asked to vote on Summo's acquisition of the Matrix shares currently held by Majestic and Murchison. Formal documentation will be distributed to all shareholders as soon as practicable. To accompany the Notice of General Meeting of Matrix's shareholders, the Directors and management of Matrix are currently preparing an Explanatory Memorandum that will explain the relative merits of the transaction. Matrix has commissioned KPMG to prepare an Independent Expert's Report on the proposed acquisition of the Matrix shares by Summo, which will be sent to shareholders with the other meeting documents.

Matrix believes the relationship with Summo brings together significant operating, management and development expertise in the resource sector in general and specifically

in the areas of solvent extraction, electrowinning, heap leaching and the production of LME Grade A copper cathode. Matrix and Summo are confident that the sharing of this expertise in addition to the financial support provided by Summo's major shareholder, Resource Capital Fund, will offer significant benefits to both companies.

Yours faithfully,

Shane McBride
Company Secretary

For further information please contact:

Matrix Corporate Advisors – Gresham

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Matrix Management

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CFO: Mr. Shane McBride
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Note: Mr. Chapman is currently in Denver, USA finalising the details of the proposed transaction and will return to Perth on 27 January 2001.

Investor Relations Manager

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