



MATRIX METALS
LIMITED

QUARTERLY REPORT

FOR THE PERIOD ENDED

31 DECEMBER 2001

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DECEMBER QUARTER 2001 SUMMARY

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Resource Increased by 55%
Resource Grade Mineralised Strike Extended by 65%
Total Mineralised Strike now 2.3 Kilometres

?? A program of drilling completed in mid December 01, resulted in the strike length of the resource grade mineralisation being increased by 65% to 1,100 metres.

?? The drilling resulted in the resource being increased by 55% to:

1.3 million tonnes @ 1.3% Copper.

?? Scout drilling to the east and west of the resource area successfully identified mineralisation in all areas tested. The total length of mineralisation is now in excess of 2,300 metres.

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Production for the period totalled 533 tonnes of copper cathode, which was in line with the copper inventory drawdown budget.

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The Company announced the issue of a Free Loyalty Option to Shareholders holding ordinary shares on a 1 for 5 basis. The Options will be exercisable at 20 cents on or before 14 February 2003.

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The Company announced a placement of 37,237,027 shares at an issue price of 7c to raise \$2.6m. The placement was approved at a general meeting of shareholders on 11 January 2002. All funds were received by 18 January 2002.

CHIEF EXECUTIVE'S REVIEW

THIRTY FIRST QUARTER PRODUCTION

Production for the period was 533 tonnes of copper cathode which was inline with the copper inventory drawdown budget.

Direct cash cost of production for the period totalled US 50c/lb of copper, which when adjusted for inventory charges increases to US75c/lb.

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December Quarter 2001		
Production and Cost Statistics		
ITEM	DEC QUARTER	YEAR TO DATE
Ore Mined	Nil tonnes	Nil tonnes
Ore Crushed & Stacked	Nil tonnes	46,097 tonnes
Ore Grade	NIL	1.92 % Cu
Copper Cathode Produced	533 tonnes	1,855 tonnes
Total Cash Cost (1)	*US 75c /lb	US 60c /lb
Copper Price Received	US 64c /lb	US 65c /lb

- (1) Total Cash Costs include the following:
Mining, processing, administration, environmental, site-specific corporate charges, inventory changes and transportation costs.

* US50c/lb when inventory charges not included.

Production of copper cathode will continue to be drawn from leach pad inventories into the 2002 year. Stacking of new ore is programmed to commence in the second quarter of the calendar year.

E P O R T I O N

Mt Watson Prospect (Mt Cuthbert Area)

55% INCREASE INRESOURCE

During the period, the Company announced a 55% increase in the copper resource at its 100% owned Mt Watson Prospect. The increased resource follows the drilling results announced on 15 January 2002 and now totals:

1.3 million tonnes @ 1.3 % copper, at 0.5% cut-off.

The previous resource was 837,000t @ 1.3 % Copper. The resource is categorised as indicated and inferred and relates to holes drilled to a maximum vertical depth of only 22m.

The Company considers this resource increase highly significant in terms of Mt Watson continuing to demonstrate quantified performance, together with offering uncapped potential for further resource increases. The resource area remains open to the east, west and at depth and now extends over a strike length of 1,100 metres.

Diamond drilling during the late 1960's demonstrated oxidation extending to a depth of 90 metres below the surface. Malachite (copper carbonate) and native copper were observed in the core to this depth but the records indicate the samples were not assayed. This highlights the potential for discovering substantial resources below the 22 metres depth drill tested by Matrix to date.

A program of deeper reverse circulation and diamond drilling to test for depth extensions of the mineralisation down to 100 metres has been designed and is scheduled to commence in February 2002. This drilling is designed to provide the data to further increase the resource tonnes and to upgrade the resource to the measured and indicated categories and enable reserve estimations and pit design studies to be undertaken.

Criteria applied to the current resource estimations are consistent with that used for the previous estimation detailed in an announcement dated 3 July 2001.

RESOURCE TABLE

Indicated Resource:

Location	Tonnes	Copper Grade %
Western Zone	332,000	1.1
Eastern Zone	546,000	1.5
Sub total	878,000	1.3

Inferred Resource:

Location	Tonnes	Copper Grade %
Western Zone	59,000	0.9
Central Zone	248,000	1.3
Eastern Zone	109,000	1.3
Sub total	416,000	1.2
Total	1,294,000	1.3

It is intended the Mt Watson resource will provide ore to the Mt Cuthbert Operation commencing in early 2003.

The resource increase was estimated from the first 36 holes from the 82 hole drilling program completed at the Mt Watson Prospect in late December 2001.

These drilling results have extended the area containing resource grade intersections from 650 metres to approximately 1,100 metres of strike length.

Significant intercepts reported from the first 36 holes are:

(Maximum hole depth 25.5 m)

Hole ID	Interval m	Cu %	From m	To m
MWRB107	9.0	1.40	16.5	25.5
MWRB108	8.9	0.96	16.6	25.5
MWRB109	18.0	1.54	7.5	25.5
Includes	4.5	2.33	7.5	12.0
MWRB110	6.0	1.31	18.0	24.0
MWRB112	12.0	0.99	7.5	19.5
MWRB113	12.0	1.13	13.5	25.5
MWRB114	1.5	0.71	24.0	25.5
MWRB124	21.0	1.57	4.5	25.5
MWRB125	10.5	1.22	15.0	25.5
MWRB128	22.5	1.07	3.0	25.5
Includes	3.0	1.67	9.0	12.0
Includes	6.0	1.36	19.5	25.5
MWRB129	16.5	0.91	9.0	25.5
Includes	4.5	1.60	9.0	13.5
Includes	6.0	0.98	19.5	25.5
MWRB132	12.0	1.35	13.5	25.5
MWRB153	3.0	0.56	22.5	25.5
MWRB156	3.0	0.53	7.5	10.5
MWRB157	3.0	0.55	18.0	21.0
MWRB159	10.5	2.27	15.0	25.5
MWRB160	3.0	0.64	12.0	15.0
MWRB161	4.5	0.61	21.0	25.5

These results confirm extensions of strongly mineralised zones directly adjacent to the east and west of the existing resource area. The sections containing resource grade and width mineralisation have now been drilled from 9,350 m East to 10,425 m East on the local grid. The resulting new resource area now extends, with minor sub-resource grade/width intervals, for approximately 1.1 kilometres of strike length.

The drill hole location of the 36 holes are presented below:

MT WATSON PROSPECT
Drill Hole Locations
(36 holes of 82 hole pro gram)

Hole ID	Easting	Northing	RL	Depth	Azimuth	Dip
MWRB105	10425.00	4862.50	264.33	25.5	172.0	-61.0
MWRB106	10425.00	4875.00	267.10	25.5	168.0	-61.0
MWRB107	10425.00	4887.50	268.57	25.5	175.0	-58.0
MWRB108	10400.00	4875.00	263.84	25.5	168.5	-61.0
MWRB109	10400.00	4887.50	266.00	25.5	178.0	-57.0
MWRB110	10400.00	4900.00	266.56	25.5	176.0	-58.5
MWRB111	10400.00	4912.50	267.64	25.5	166.5	-62.0
MWRB112	10373.00	4887.50	269.77	25.5	178.0	-61.5
MWRB113	10373.00	4900.00	268.91	25.5	188.0	-65.0
MWRB114	10373.00	4912.50	269.21	25.5	179.0	-64.5
MWRB121	9849.87	4975.08	259.02	25.5	172.5	-65.0
MWRB122	9849.91	4987.65	258.99	25.5	170.5	-65.0
MWRB123	9850.03	4999.77	260.50	25.5	181.0	-63.0
MWRB124	9849.90	5012.53	262.06	25.5	177.0	-62.5
MWRB125	9850.17	5025.21	263.68	25.5	176.0	-63.0
MWRB126	9850.06	5036.27	265.77	25.5	178.0	-68.5
MWRB127	9749.90	4950.40	259.76	25.5	179.0	-59.0
MWRB128	9749.91	4962.84	258.70	25.5	176.0	-63.0
MWRB129	9749.71	4975.13	257.88	25.5	179.0	-63.0
MWRB130	9749.73	4987.76	258.07	25.5	178.0	-57.0
MWRB131	9749.67	5000.89	259.96	25.5	179.0	-65.5
MWRB132	9749.89	5012.87	261.99	25.5	174.0	-60.0
MWRB133	9749.86	5024.86	263.43	16.5	178.0	-60.0
MWRB134	9750.00	5037.00	263.40	25.5	180.0	-60.0
MWRB135	9749.66	5037.15	264.02	25.5	351.0	-53.0
MWRB136	9749.99	5049.38	264.89	25.5	353.0	-62.0
MWRB153	9750.43	5024.84	263.33	25.5	181.0	-60.0
MWRB154	9799.85	4988.08	258.28	25.5	171.0	-62.0
MWRB155	9799.85	4975.17	257.61	25.5	180.0	-61.0
MWRB156	9800.00	5000.00	259.00	25.5	179.0	-62.5
MWRB157	9800.01	5012.62	260.63	25.5	178.0	-63.0
MWRB158	9799.83	5025.19	261.34	25.5	170.0	-60.0
MWRB159	9800.04	5037.37	262.01	25.5	355.5	-61.0
MWRB160	9799.51	5037.09	261.92	25.5	180.0	-59.0
MWRB161	9949.97	5024.56	263.63	25.5	0.0	-62.0
MWRB162	9950.42	5034.92	263.59	25.5	353.0	-58.0

In addition to the drilling in the resource area, a program of scout-drilling was also completed in December 2001. The scout program was designed to test structural and geological targets located significant distances along strike from the defined resource area. The drilling, to a maximum vertical depth of only 22 metres, tested areas 650 metres to the west and 400 metres to the east of the resource area. This drilling has resulted in semi-continuous resource grade mineralisation now being identified over a total strike length of 2,300 metres.

The results are highly encouraging with anomalous levels of copper mineralisation recorded in 36 of the 46 holes, with 6 holes reporting intersections of resource grade mineralisation. As has been the trend with the previous drilling results, copper grades are increasing with depth. Continuous widths of mineralisation of 70 metres and 60 metres respectively were defined at the eastern and western areas. These results complete the remaining 46 holes of the 82 hole programme drilled in late December 2001.

This drilling has defined new targets for future drilling and has also provided valuable geological information to assist with an interpretation of the overall Mt Watson prospect.

DEVELOPMENT

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The program of metallurgical column testwork was completed at the Mt Cuthbert Operation during the period. Results are now being fully analysed and documented for future process design purposes.

R P

Apart from ongoing management and administration activities, no work was completed on the White Range Project during the period.

CORPORATE

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The Company announced the issue of a Free Loyalty Option to shareholders holding ordinary shares on a 1 for 5 pro rata basis. This will result in up to approximately 18,339,405 options being issued, with entitlements to be determined based on registered shareholdings as at 15 February 2002. The Option will be exercisable at 20 cents on or before 14 February 2003.

The Company considers the issue of the Option at this time to be prudent in consideration of the events and circumstances that have prevailed in the past year and the desire of the Company to enhance shareholder loyalty at this important time in the progression of the Company and its mining operations, exploration activities and development studies.

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Under a mandate agreement with stock broking firm Patterson Ord Minnett, a placement of 37,237,027 shares to raise \$2,606,592 has been concluded.

The issue of the ordinary fully paid shares was priced at 7 cents per share and was processed in two separate tranches, the first issued under the director's 15% authority and the second tranche was put to an extraordinary meeting of shareholders, held on 11 January 2002. Shareholders approved both tranches of shares at that meeting.

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A program of Reverse Circulation (RC) drilling targeting a further increase in the resource inventory at Mt Watson is scheduled to commence in February 2002. In principle, the drilling will test for continuation of the resource grade mineralisation below the 22 metres vertical depth tested to date, down to the oxide / transition zone interface interpreted to be at approximately 90 to 100 metres depth.

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Copper production for the coming period will continue to be drawn from the leach pad inventory. Planning is proceeding on the development of the next satellite open pit to provide the ore for recommencement of stacking operations at Mt Cuthbert. The target is to recommence stacking of new ore in the second quarter of the 2002 calendar year.

Yours Faithfully

Andrew Chapman
Chief Executive Officer

The geological information in this report is based on information compiled by the Company's Senior project Geologist, Mr Phil Frank and the Company's Operations Manager, Mr Bob Dennis both of whom are employees of Matrix Metals Limited. Messrs Frank and Dennis are both qualified geologists and each have a minimum of 5 years experience in estimation, assessment of, and evaluation of Mineral Resources and Ore Reserves, which are relevant to the style of mineralisation under consideration.

COMPANY INFORMATION

DIRECTORS

Andrew P. Chapman
*Managing Director and
Chief Executive Officer*

David J. Humann
Non Executive Director

J. Christopher Mitchell
Non Executive Director

Gregory A. Hahn
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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