



MATRIX METALS
LIMITED

QUARTERLY REPORT

FOR THE PERIOD ENDED

30 SEPTEMBER 2001

MATRIX METALS LIMITED

ACN 082 593 235

**SEPTEMBER QUARTER 2001
SUMMARY**

Production

Production for the period totalled 1,322 tonnes of copper cathode, recording the best quarter of production since Matrix purchased the Mt Cuthbert Operation.

Mt Watson Exploration

Exploration activities continued at the highly prospective Mt Watson prospect with interpretive work allowing the Inferred resource previously estimated, being **837,000 tonnes at 1.3% copper @ 0.5 % cut off**, to be upgraded to the Indicated resource category.

An Exploration Permit application was submitted to the Department of Natural Resources and Mines for an area located adjacent to, and north-east of the existing Mt Watson tenement. The new area, totalling approximately 95 square kilometres, has significant areas of oxide copper identified within the application area.

The total strike length of the hosting structures within the Mt Watson tenement and the new area now totals in excess of 20 kilometres.

Native Title

The Company entered into a Deed with the Kalkadoon People (being the native title claimants in the Mt Cuthbert area), which links the Company to an Indigenous Land Use Agreement between the Kalkadoon and the Queensland Government in relation to a process for the granting of particular Exploration Permit Applications.

In addition, activities continued in relation to finalising a separate Indigenous Land Use Agreement with the Kalkadoon People, which is currently the subject of a Letter of Intent between Matrix and the Kalkadoon People. This ILUA defines a process for the granting of Mining Lease Applications at Mt Cuthbert together with the provision of a package of benefits and opportunities for the Kalkadoon People.

New Director

Mr Greg Hahn, President and CEO of the Company's major shareholder, Summo Minerals Corporation, was appointed to the Board of Matrix on 11 September 2001.

CHIEF EXECUTIVE'S REVIEW

MT CUTHBERT PRODUCTION

Production for the period was 1,322 tonnes of copper cathode. This is the highest quarterly production tonnage recorded since Matrix purchased the Mt Cuthbert Operation.

Stacking of ore to leach pad No 6 continued, with the pad completed in August and leach pad No 7 was subsequently commissioned. A total of 696 tonnes of recoverable copper was stacked on leach pads 6 & 7 during the period.

In accordance with the amended operating plan adopted in June 2001, after a period of the stacking of low-grade ore with Electrostatic Precipitator Dust (ESP), production moved into a gradual decline as the inventory of stacked copper depleted. This decline in production commenced as planned late in September 2001 and proceeded in accordance with projections for a time. As detailed in an announcement to ASX on 23 October 2001, in mid October the rate of decline increased for a period of approximately 10 days and then stabilised again, albeit at a lower daily production rate than initially projected. This unexpected decline in production prompted a further refinement of the operating plan.

Mt Cuthbert Operation		
September Quarter 2001		
Production and Cost Statistics		
ITEM	SEPT QUARTER	YEAR TO DATE
Ore Mined	Nil tonnes	Nil tonnes
Ore Crushed & Stacked	46,097 tonnes	46,097 tonnes
Ore Grade	1.92 % Cu	1.92 % Cu
Copper Cathode Produced	1,322 tonnes	1,322 tonnes
Total Cash Cost (1)	US 53c /lb	US 53c /lb
Copper Price Received	US 64c /lb	US 64c /lb

(1) Total Cash Costs include the following:

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

EXPLORATION

Mt Watson Prospect (Mt Cuthbert Area)

Following further geological investigations and interpretive work at the Company's Mt Watson Prospect and adjacent areas, new large zones containing oxide copper bodies have been identified and the status of the previously announced resource has been upgraded.

The newly discovered copper oxide zones occur in both the existing Mt Watson exploration permit and a new application area. These zones are associated with readily recognised, highly deformed and altered fault structures, which have a collective strike length now exceeding 20 kilometres. Indications of oxide copper mineralisation are evident for most of this length, including a large exposed surface zone with copper oxide mineralisation measuring 400 by 50 metres in the new application area, and a further zone exceeding 100 by 100 metres newly identified within the Mt Watson tenement.

The Exploration Permit application has been lodged with the Queensland Department of Natural Resources and Mines, which secures the ground adjacent to Mt Watson and hosts the recent discoveries. The new application encompasses an area of some 95 square kilometres.

The discovery of these additional highly prospective copper oxide bodies at Mt Watson itself and in the surrounding area has increased the probability of locating additional commercially exploitable oxide copper mineralisation.

The additional interpretive work has also allowed the previously announced inferred resource at Mt Watson of **837,000 tonnes at 1.3% copper at a cut off grade of 0.5%** to be upgraded to an Indicated resource status.

The next phase of drilling at the existing Mt Watson area has been scoped and is planned to proceed following the completion of the restructure of the current funding arrangements. Geological interpretive work continues on the existing and newly applied for areas.

The Mt Cuthbert Operation is located in the world class base metal province of north-west Queensland, approximately 100 km NNE of Mt Isa. The Mt Watson prospect is located some 25 km NNW of Mt Cuthbert and is targeted to be a satellite mine to the existing Operation.

DEVELOPMENT

Metallurgical Testwork

The program of metallurgical column testwork continued at the Mt Cuthbert Operation during the period. The program has at this stage confirmed the technical suitability of two available substrate sources that could be used for blending with ESP. The test work program is continuing.

White Range Project

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

CORPORATE

Pro Rata Rights Issue

On 14 September 2001, Matrix announced a renounceable pro-rata offer of Shares ("Issue") to existing Shareholders on the basis of one (1) Share for every two (2) Shares held at 5:00 pm WST on 10 October 2001 at an issue price of four cents (\$0.04) per Share including one free attaching Option granted for each two Shares subscribed for. The Option will be exercisable at 20 cents per Share on or before 30 September 2006.

If fully subscribed, the Issue will result in the issue of up to approximately 25,980,000 new Shares and 12,990,000 Options and will raise up to \$1,039,200.

The minimum subscription of the Issue is \$750,000 and over-subscriptions will not be accepted. The Directors reserve the right to place any shortfall Securities not subscribed for by existing Shareholders of Matrix or not taken up by the Underwriter at the Issue Price to persons nominated by the Directors under this Prospectus within 3 months after the close of the Issue.

The Issue is underwritten to the minimum subscription amount of \$750,000 by Resource Capital Fund II LP ("RCF").

A further announcement to ASX on 23 October 2001 advised that as a result of the unexpected production decline, the ongoing funding arrangements for the Company were under review with RCF and Summo, which may result in a restructuring of the Rights Issue.

Appointment of Director

Mr Greg Hahn, President and CEO of the Company's major shareholder, Summo Minerals Corporation, was appointed to the Board of Matrix on 11 September 2001.

Mr Hahn is a Certified Professional Geologist. He spent 10 years with the Noranda organisation before joining CoCa Mines Inc. At CoCa he was instrumental in the development of CoCa's precious metal operations and properties as their Chief Geological Engineer. Mr Hahn joined CoCa for the start-up of its initial operation in California, was interim site manager during a start-up transition and turnaround, which solved some difficult processing obstacles, and assisted in the feasibility and optimisation studies for development of the second California operation. Mr Hahn managed all exploration at the development properties, which successfully expanded reserves at the CoCa's operations. Mr Hahn developed the strategy to acquire heap leach copper deposits currently being pursued by Summo.

Mr Robert Prescott, an employee of Summo, resigned from the Board at the same time.

NATIVE TITLE

Indigenous Land Use Agreements

The Company entered into a Deed with the Kalkadoon People (being the Native Title Claimants in the Mt Cuthbert area), which links the Company to an Indigenous Land Use Agreement between the Kalkadoon and the Queensland Government in relation to a process for the granting of particular exploration permit applications.

Activities continued in relation to finalising a separate Indigenous Land Use Agreement with the Kalkadoon People. This second agreement is currently the subject of a Letter of Intent between Matrix and the Kalkadoon People, and defines a process for the granting of mining lease applications in the Mt Cuthbert area, together with the provision of a package of benefits and opportunities for the Kalkadoon People.

OUTLOOK

Production

Production options for the Mt Cuthbert Operation are being evaluated in consideration of the recent production performance and the continued weakening of the copper price. Electrostatic Precipitator Dust (ESP) continues to be available, with the blending of this material with economic sources of available substrates being the basis of the production options for the remainder of the year and for the early part of 2002.

The production plan options are being evaluated as part of the funding restructure exercise currently being negotiated with Summo and RCF. The revised operating plan to be adopted is planned to prevail until the commitment to recommence open pit mining is made at the time when copper prices justify such commitment.

Exploration

In addition to ongoing site based geological mapping and semi regional exploration work in the area of Mt Watson, the next phase of drilling at Mt Watson has been scoped and will be executed following the completion of the restructure of the current funding arrangements.

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 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**

Gordon M. Freeman
Non Executive Chairman

Andrew P. Chapman
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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