MATRIX METALS

LIMITED

Quarterly Activities Report

for the Quarter ended

31 December 2005

"DRILLING RESULTS IN A 135 % INCREASE IN THE McCABE COPPER RESOURCE. THE WHITE RANGE PROJECT ECONOMICS HAVE BEEN ENHANCED AND THE NEGOTIATION OF A FUNDING PACKAGE IS UNDERWAY"

***Highlight Snap Shots*:**

- **Enhanced White Range Project Economics Reported.**
- **Drilling at McCabe Increases the Copper Resource by 135%.**
- **Drilling Confirms the Resource Potential of the Leone Prospect.**
- **Further Resource Growth Potential Confirmed at Vulcan.**
- **Cash at Bank of $9.2 million.**

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1.0 HIGHLIGHTS

White Range Project Update

Enhanced Project economics reported; negotiation of a Project funding package and grid power supply are underway.

McCabe Copper Resource Increased by 135%

The re-estimation of the McCabe copper resource that incorporated the results from the recently completed drilling program resulted in 135% increase in the resource to:

1,700,000 tonnes grading 1.24% Copper.

Drilling Program Presents Positive Results

Significant intersections reported at McCabe, Vulcan, Copper Sunday and Leone from the drilling program completed in late November 2005 include:

Best intersection reported at McCabe of:

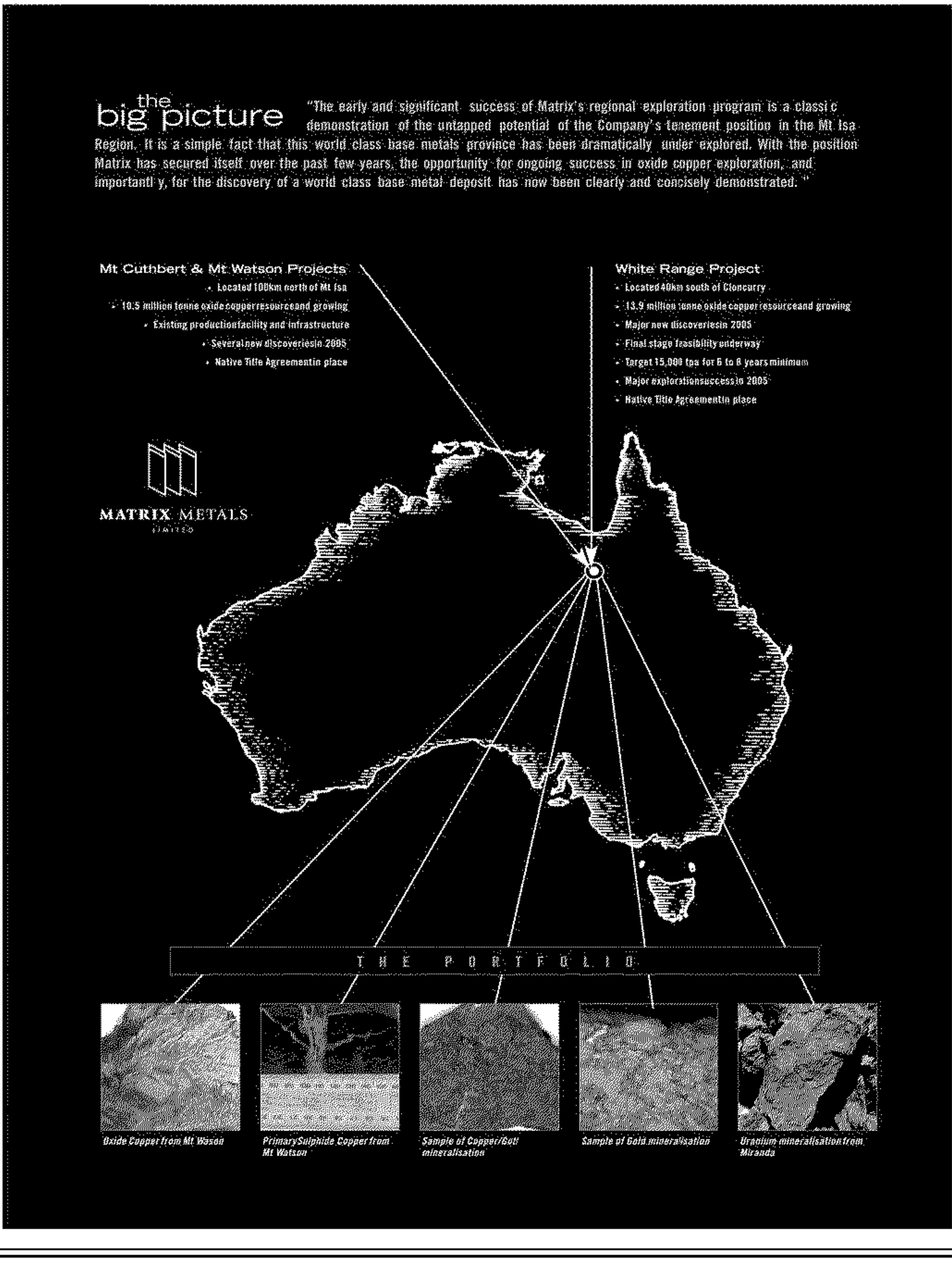
MMXRC65		**2m**	**@ 1.24 %Cu**	**from**	**80m**
	and	**5m**	**@ 0.71 %Cu**	**from**	**88m**
	and	**18m**	**@ 3.50 %Cu**	**from**	**99m**
	and	**9m**	**@ 1.04 %Cu**	**from**	**122m**

Cash Position

As at 31 December 2005, the Company had cash at bank of $9.2 million.

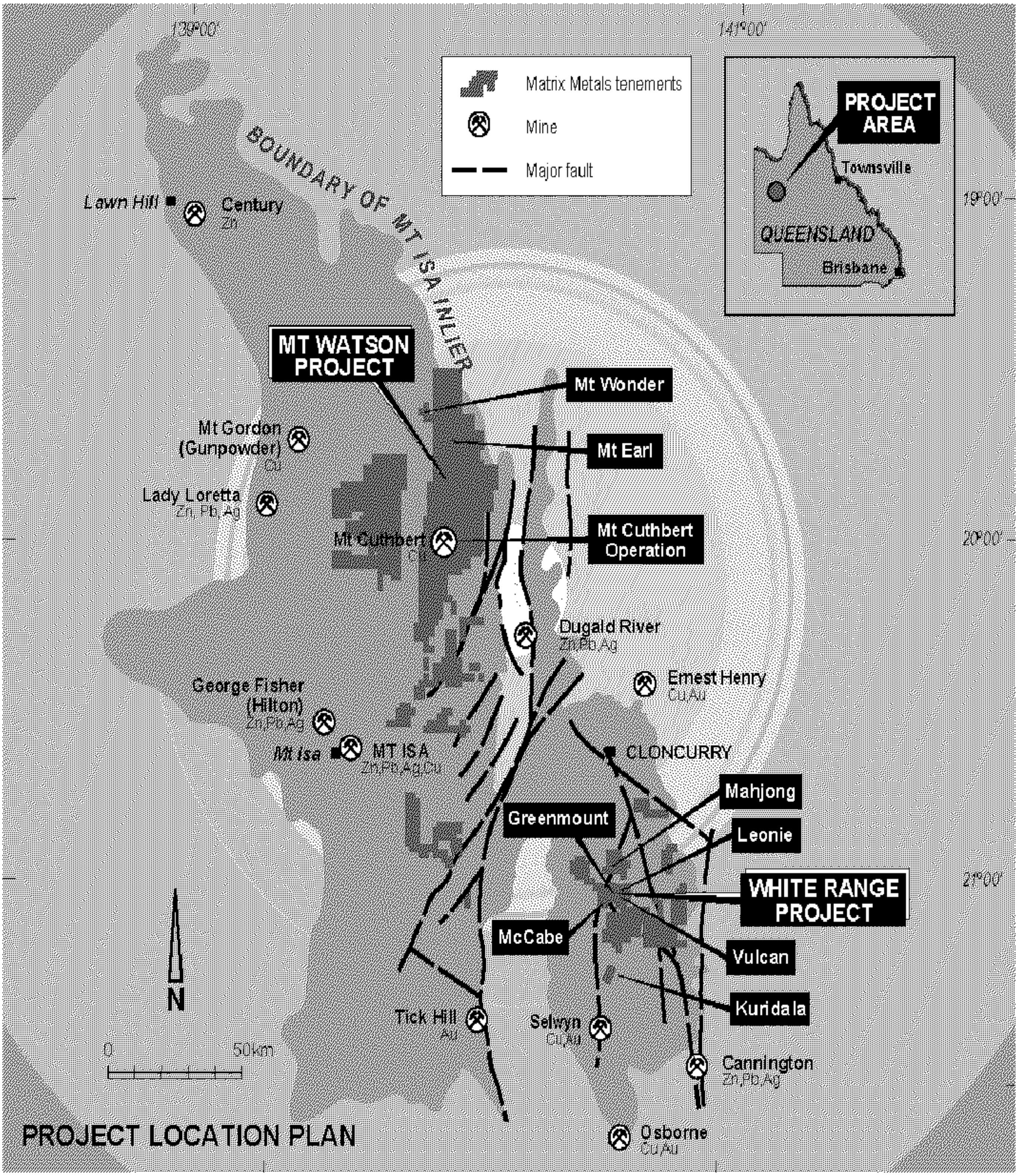
2.0 MATRIX PROJECTS and EXPLORATION OBJECTIVES

Matrix's ongoing exploration and development programs are targeting the completion of the White Range Project bankable feasibility study, preparation for the commencement of a feasibility study on the Mt Watson Project and the continued successful exploration for oxide copper, primary sulphide copper, copper/ gold, gold only and uranium resources.



Matrix's White Range and Mt Watson Projects and the numerous exploration prospects are contained within a 100% owned tenement holding, totalling approximately 3,500 square kilometres. The semi contiguous package of tenements are located in the world class Mt Isa base metal province of North West Queensland as presented in **Figure 1**.

FIGURE 1
MATRIX PROJECT AND PROSPECT LOCATIONS



3.0 EXPLORATION REPORT

3.1 McCabe Copper Resource Increased by 135%

During the period the Company announced that the re-estimation of the McCabe copper resource that incorporated the results from the recently completed drilling program resulted in a **135% increase** in the resource to

1,700,000 tonnes grading 1.24% Copper

Specifically the following was reported:

- The McCabe resource has increased by 135% to 1.70 million tonnes @ 1.24% copper (0.5% cut off). This compares to the previous McCabe resource of 720,000 tonnes @ 1.2% copper (0.8% cut off), as reported in the 2005 Annual Report Resource Inventory Table.

- The re-estimation represents an increase in the contained in-ground copper at McCabe from 9,000 tonnes to 21,000 tonnes.

- This increase, when considered with the 50% resource increase reported for the Vulcan deposit in late 2005, confirms the ongoing resource growth potential of the White Range Project.

- Planned drilling programs will continue to further test the potential of the White Range area. These programs will include additional drilling at the McCabe and Vulcan Deposits, a program to define an initial resource at the Leone Prospect as well as testing of a number of additional new prospects.

Details of the McCabe Resource

The Company's 100% owned Mt McCabe Deposit is a part of the White Range Project and is located 6 kilometres south west of the main Greenmount Deposit. Drilling programs completed during 2005 have confirmed the significant resource potential of the deposit. The last drill program was completed in late November 2005, with the copper resource upgrade achieved as reported in Table 1 below.

TABLE 1

McCABE DEPOSIT RESOURCE ESTIMATE

JANUARY 2006

ORE TYPE	CATEGORY	TONNAGE	Cu%
Oxide & Transitional	Measured	680,000	1.23
	Indicated	790,000	1.23
	Inferred	99,000	1.14
Oxide & Transitional Total		**1,600,000**	**1.23**
Primary	Measured	42,000	1.51
	Indicated	65,000	1.54
	Inferred	10,000	1.52
Primary Total		**120,000**	**1.53**
Measured Total		**720,000**	**1.24**
Indicated Total		**860,000**	**1.25**
Inferred Total		**110,000**	**1.16**
GRAND TOTAL		**1,700,000**	**1.24**

Notes

The mineralisation in this resource is weathered vein style copper mineralisation hosted in siltstones and breccias with copper carbonate and chalcocite mineralogy.

Updated estimates are based on Median Indicator Kriging.

Estimates are at 0.5% Cu cut-off.

Blocks estimated to have less than 10% of material above cut off are excluded from the resource.

Drilling methods are RC and diamond coring with 7,728m from 117 drill holes contributing informing samples.

Bulk density is based on pycnometer and bulk core determinations and lithologic assigned densities.

Ore type is based on observed mineral species.

Assay is by AAS.

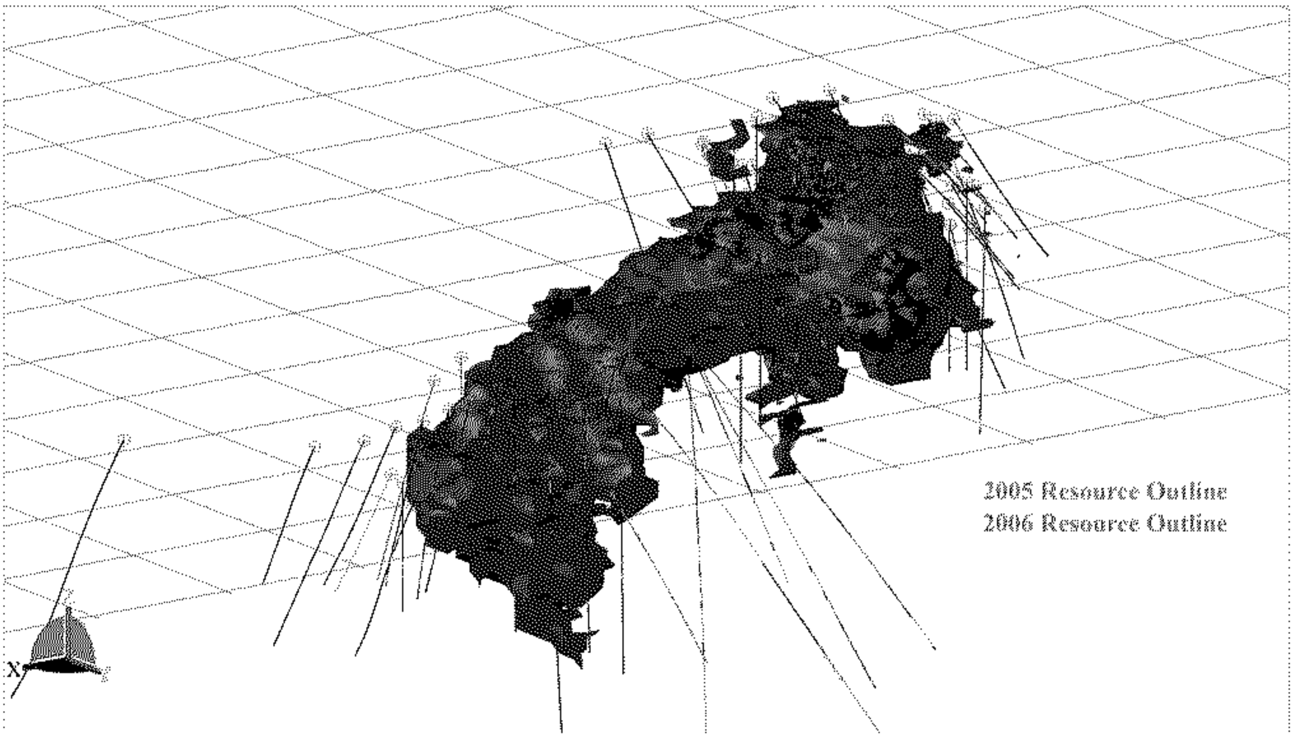
Apparent errors subject to rounding.

Figure 2 below presents a perspective view of the McCabe Deposit showing drilling, the previously estimated resource (named "2005 Resource Outline") and the much larger re-estimated resource (named "2006 Resource Outline") , which has been extended to the east and to depth.

FIGURE 2

McCABE RESOURCE UPGRADE

COMPARISON OF THE 2005 AND 2006 RESOURCE SHELLS



Exploration Outlook for the White Range Project

Following the success of the 2005 drilling programs at McCabe, Vulcan and Leone as demonstrated by the re-estimated resource, the design of additional drilling programs is underway to further quantify the resource potential of the Project area. In addition to the resource increase reported for McCabe, drilling at the Vulcan Deposit and the Leone Prospect was also successful in confirming resource potential. The Vulcan Deposit and the Leone Prospect results were reported in December 2005. Additional drilling programs are also being prepared and a range of new White Range Project prospects with all programs to follow.

3.2 White Range Project Drilling Program Results

Prior to the re-estimation of the McCabe resource, the Company announced the results from the White Range Project drilling Program that was completed in late November 2005.

The Program comprised drilling at the McCabe and Vulcan Deposits as well as at the new Leone and Copper Sunday Prospects.

All programs were successful with new resource width and grade leachable copper mineralisation reported at all deposits and prospects.

Details and Highlights of the Program include:

- Drilling programs were completed at the McCabe and Vulcan Deposits as well as at the new Leone and Copper Sunday Prospects.
- All programs successful with new resource width and grade leachable copper mineralisation reported at all deposits and prospects.
- McCabe results a standout, including **18m @ 3.5% copper and 8m @ 3.39 % copper.**
- The major increase in the McCabe resource that resulted from the Program will further enhance the economics of the White Range Project

Significant intersections reported from the Program include:

McCabe Deposit

MMXRC65		**2m @ 1.24 %Cu from 80m**
	and	**5m @ 0.71 %Cu from 88m**
	and	**18m @ 3.50 %Cu from 99m**
	and	**9m @ 1.04 %Cu from 122m**
MMXRC32		**8m @ 1.04 %Cu from 69m**
	and	**9m @ 0.61 %Cu from 81m**
MMXRC35		**11m @ 1.01 %Cu from 6m**
MMXRC36		**6m @ 0.93 %Cu from 0m**
	and	**8m @ 3.39 %Cu from 37m**
MMXRC38		**7m @ 0.79 %Cu from 17m**
	and	**4m @ 0.72 %Cu from 42m**
	and	**9m @ 0.50 %Cu from 60m**
	and	**9m @ 0.81 %Cu from 94m**
	and	**12m @ 1.51 %Cu from 142m**
MMXRC55		**5m @ 0.77 %Cu from 1m**
	and	**8m @ 1.62 %Cu from 154m**

Leone Prospect

GRCM154		**17m @ 1.01 % Cu from 43m**
	incl	**10m @ 1.26 % Cu from 43m**
GRCM153		**6m @ 0.87 % Cu from 11m**
GRCM145		**4m @ 1.31 % Cu from 37m**
and		**6m @ 1.14 % Cu from 53m**
	and	**4m @ 1.26 % Cu from 85m**
GRCM146		**2m @ 1.19 % Cu from 3m**

Vulcan Deposit

VRCM40		**13m @ 1.34 % Cu from 49m**
VRCM41		**6m @ 1.02 % Cu from 42m**
	and	**4m @ 1.01 % Cu from 52m**

Details of the Program

McCabe Deposit

The McCabe Deposit is located approximately 6 kilometres south east of Greenmount which is the central deposit of the White Range Project. The drilling program, that comprised 48 holes for 6,973 metres, tested for growth potential of the existing McCabe resource. The results from all of the McCabe areas that were drilled are significant as summarised below:

- The new intercepts at the various locations around McCabe form the basis of a resource re-estimation, targeting a significant increase in the existing McCabe resource;
- McCabe North mineralisation has been confirmed;
- The exploration potential of the Copper Sunday has been confirmed.

The Program was successful in locating further wide and high grade chalcocite-enriched copper mineralisation at McCabe East, confirming significant mineralisation at the McCabe North portion of the deposit and a the identification of a new anomalously mineralised area, called Copper Sunday. This large new prospect is located approximately 1.5 kilometres west of the existing McCabe resource.

Hole **MMXRC65** (See Figure 3) that was drilled in the **McCabe East** area reported spectacular intercepts of;

MMXRC65		**2m @**	**1.24 %Cu**	**from**	**80m**
	and	**5m @**	**0.71 %Cu**	**from**	**88m**
	and	**18m @**	**3.50 %Cu**	**from**	**99m**
	and	**9m @**	**1.04 %Cu**	**from**	**122m**

This drill hole tested an area approximately 30 metres down dip of a very significant intercept in drill hole **MMXRC18** this was reported in July 2005. That intercept as previously reported was:

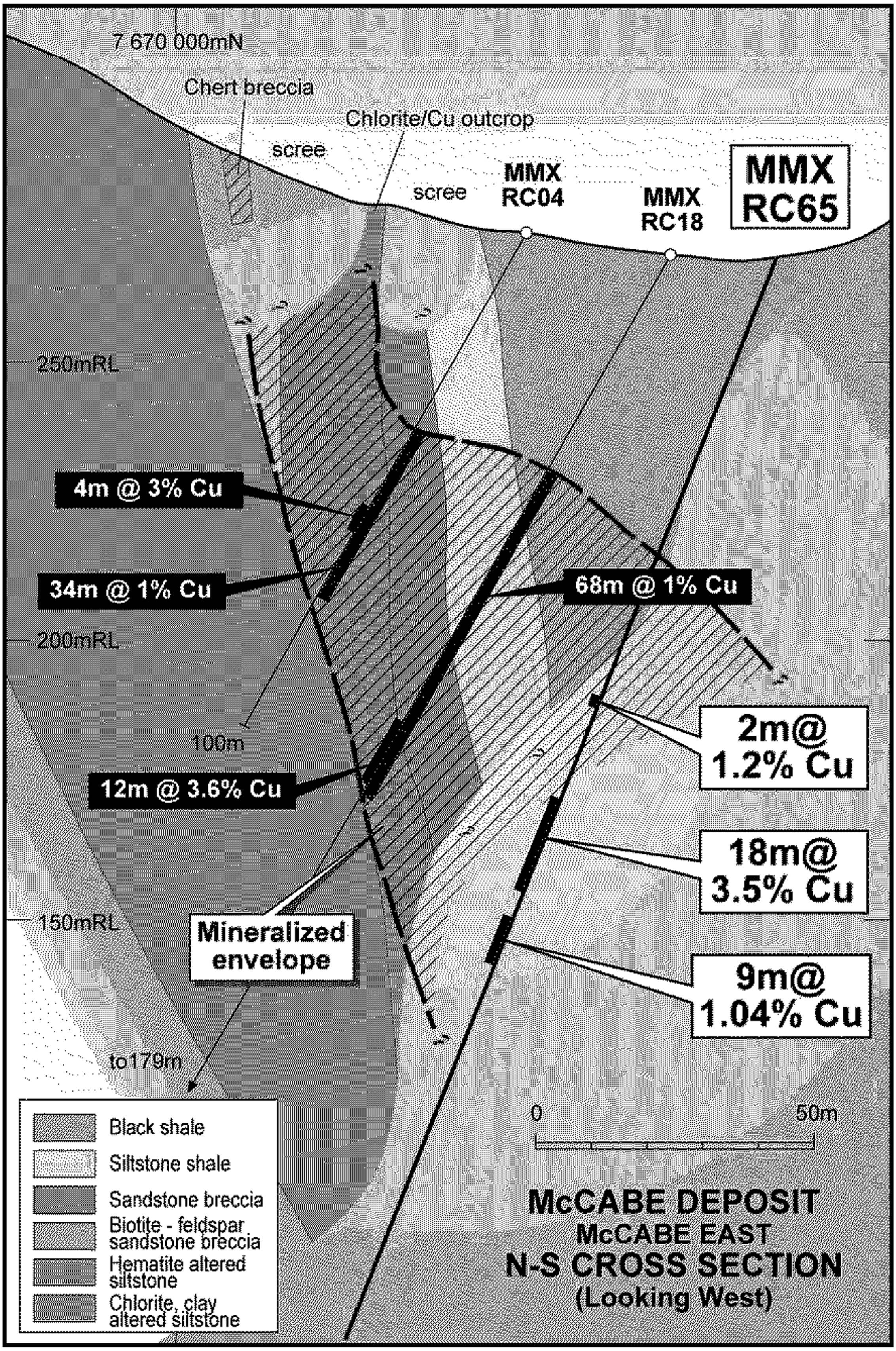
MMXRC18		**68m @**	**1.02 % Cu**	**from**	**46m**
	incl	**12m @**	**3.60 % Cu**	**from**	**98m**
	incl	**1m @**	**14.83 % Cu**	**from**	**103m**

FIGURE 3

McCABE DEPOSIT

McCABE EAST

N-S CROSS SECTION



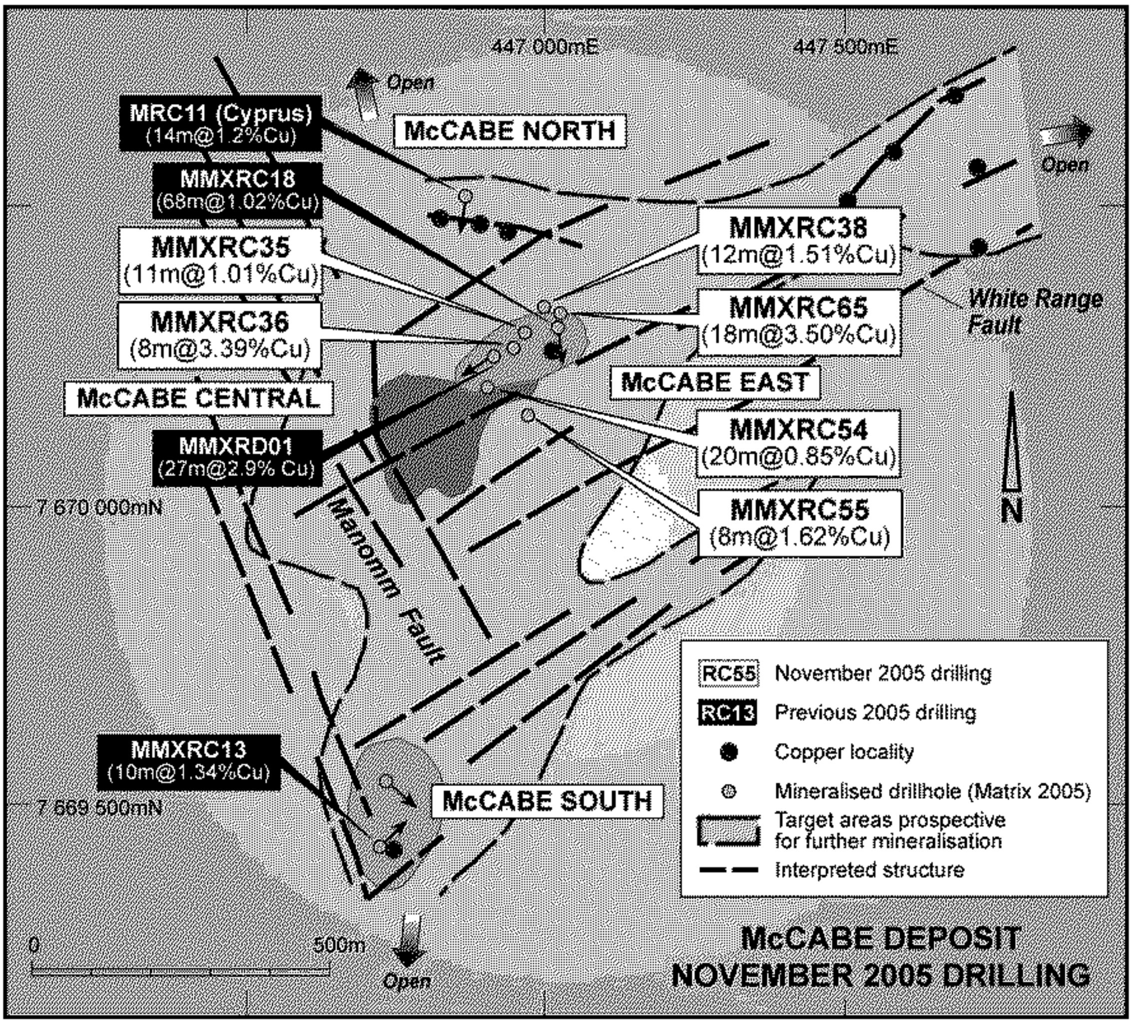
A number of other holes from the McCabe East area also reported copper values from highly altered and weathered shale. These form a consistent northerly dipping sheet of mineralisation, which predominately lies outside of the previously interpolated resource envelope and is now demonstrating significant size potential.

A listing of all significant intercepts from the McCabe East Program is presented below:

McCabe East Drilling Program Significant Intercepts

MMXRC32		**8m @ 1.04 %Cu from 69m**
	and	**9m @ 0.61 %Cu from 81m**
MMXRC33		**10m @ 0.74 %Cu from 36m**
	and	**2m @ 1.67 %Cu from 53m**
MMXRC35		**11m @ 1.01 %Cu from 6m**
MMXRC36		**6m @ 0.93 %Cu from 0m**
	and	**8m @ 3.39 %Cu from 37m**
MMXRC37		**2m @ 1.00 %Cu from 36m**
	and	**3m @ 1.74 %Cu from 51m**
MMXRC38		**7m @ 0.79 %Cu from 17m**
	and	**4m @ 0.72 %Cu from 42m**
	and	**9m @ 0.50 %Cu from 60m**
	and	**9m @ 0.81 %Cu from 94m**
	and	**12m @ 1.51 %Cu from 142m**
MMXRC52		**5m @ 0.92 %Cu from 13m**
MMXRC53		**4m @ 0.87 %Cu from 74m**
MMXRC54		**20m @ 0.85 %Cu from 13m**
MMXRC55		**5m @ 0.77 %Cu from 1m**
	and	**8m @ 1.62 %Cu from 154m**
MMXRC57		**5m @ 0.79 %Cu from 165m**
MMXRC64		**4m @ 1.15 %Cu from 48m**
MMXRC65		**2m @ 1.24 %Cu from 80m**
	and	**5m @ 0.71 %Cu from 88m**
	and	**18m @ 3.50 %Cu from 99m**
	and	**9m @ 1.04 %Cu from 122m**

FIGURE 4
McCABE DEPOSIT
NOVEMBER 2005 DRILLING



The **McCabe North** area was also drill tested, resulting in a number of significant mineralised intercepts. Notwithstanding the reporting of resource width and grade mineralisation, interpretation of the results indicates that the mineralisation dips steeply to the west, contrary to observations from surface exposure. Further drilling is planned to test this revised interpretation and to delineate further mineralisation supporting a resource estimate.

Significant Intercepts reported at McCabe North are presented below.

MMXRC23		**3m @ 1.13 %Cu from 10m**
	and	**3m @ 0.86 %Cu from 17m**
MMXRC25		**14m @ 0.76 %Cu from 116m**
MMXRC27		**2m @ 0.84 %Cu from 32m**
	and	**14m @ 0.70 %Cu from 40m**

At **Copper Sunday,** located west of McCabe in an area characterised by widespread copper staining, five scout holes were drilled into strongly pyritic rocks. With one hole confirming moderate grade mineralisation in the bottom of the hole, as detailed below. Further follow up geologic work is planned in this area to confirm the resource potential.

CSRC005		**5m @ 0.48% Cu from 141m**
	incl	**2m @ 0.78% Cu from 144m**

Leone Prospect

A reverse circulation drilling program was also completed at the previously un-drilled Leone Prospect, which is located approximately 1 kilometre north east of Greenmount. The program comprising of 24 holes for 2,109 metres, was designed to test for potential satellite resources for the White Range Project and was successful in locating wide and high grade chalcocite-enriched copper mineralisation indicating delineation of a resource at Leone is likely.

Resource width and grade mineralisation was confirmed in holes GRCM145, GRCM153, and GRCM154 with a number of other holes also reporting anomalous copper values from highly silicified and altered shale. The most promising results are from holes GRCM154 and GRCM153, which were drilled 180 metres north-west of GRCM128, at the northern end of the Leopard Line of copper mineralisation (as reported in April 2005) where an intersection of 11 metres @ 0.87% Cu was previously reported.

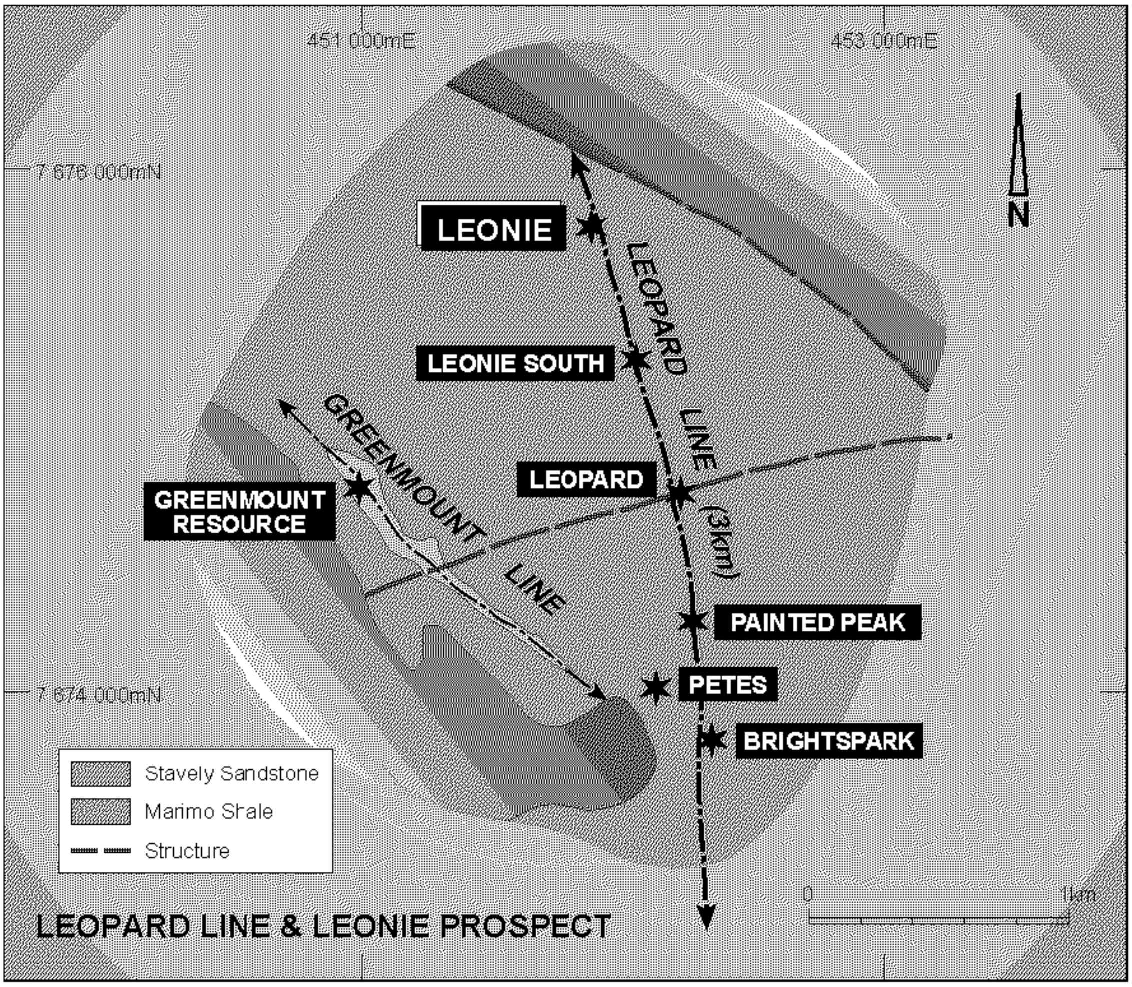
Significant Intercepts from the Leone drilling are presented below.

GRCM154		**17m**	**@**	**1.01 % Cu from 43m**
	incl.	**10m**	**@**	**1.26 % Cu from 43m**
GRCM153		**6m**	**@**	**0.87 % Cu from 11m**
GRCM145		**4m**	**@**	**1.31 % Cu from 37m**
	and	**6m**	**@**	**1.14 % Cu from 53m**
	and	**4m**	**@**	**1.26% Cu from 85m**
GRCM146		**2m**	**@**	**1.19 % Cu from 3m**

The drill programme tested 750 metres of strike length at Leone that had presented intermittent visible surface copper mineralisation. The initial results are significant in the confirmation of high grade leachable copper mineralisation extending north of Greenmount and of the Leopard Line, and hosted by the same lithology's as the Greenmount deposit.

Figure 5 presents details of the Leone Prospect and its location relative to Greenmount and other nearby prospects.

FIGURE 5
LEONE PROSPECT
LOCATION DETAILS



Vulcan Deposit

A reverse circulation drilling program was completed to the north west of the Vulcan Prospect. The program, that comprised 8 holes for 880 metres, was designed to test a +400ppm Cu in soil anomaly as part of a wider program targeting additional resources for the White Range Project.

This program was a follow on to the 50% increase in the Vulcan coper resource reported in the September 2005 Quarterly Report. The program was successful in locating flat lying and high grade chalcocite mineralisation, approximately 300 metres north west of the Vulcan Resource.

Resource width and grade mineralisation was confirmed in holes VRCM40 and GRCM41, which have discovered a large new zone of flat lying and improving mineralisation (both in grade and width). The new zone extends east from anomalous holes that were drilled in 2004 as part of a program investigating water resources for the White Range Feasibility Study. The discovery of this extension area is encouraging due to the fact that flat lying mineralisation often gives scant surface evidence of its presence and therefore significant amounts of mineralisation could lie undetected in this new area.

The high grade intercepts at Vulcan are presented below.

VRCM40		**13m**	**@ 1.34 % Cu from 49m**
VRCM41		**6m**	**@ 1.02 % Cu from 42m**
	and	**4m**	**@ 1.01 % Cu from 52m**

It is considered that a drill out of this new zone of mineralisation at Vulcan will result in further resource upgrades.

Additional Drilling

Drilling is planned to further evaluate the extended zones of mineralisation identified at all prospects tested including further work at McCabe, Vulcan, Leone and at the newly discovered Copper Sunday Prospect.

3.3 Mt Watson Region Exploration

Exploration activities continued in the Mt Watson region in the form of mapping and sampling around existing deposits, as well as the commencement of more regionally focused exploration.

4.0 WHITE RANGE PROJECT UPDATE

In November 2005 the Company provided an update on the White Range Project advising the following:

- **Alternative funding options were under negotiation for the White Range Project.**
- **Power supply from the local grid was under negotiation offering potential significant operating cost reductions.**
- **Sustained supply deficits and consequential high copper price offers support to enhanced Project economics.**

Specifically the following was reported:

The Company has been progressing towards the development of the White Range Project and is in the process of completing optimisation work on the Bankable Feasibility Study ("BFS").

The BFS now incorporates an upgraded resource estimate of 13.87 million tonnes @ 1.1% copper with resource delineation drilling programs at various prospects continuing. The recent increase in the McCabe resource (1.7 mt @ 1.24% Cu) is yet to be incorporated into the BFS.

In an environment of prevailing world wide copper supply deficits resulting in rising copper prices, the Company has been working through a range of optimisation studies including the incorporation of grid power rather than a site based power generation option as well assessing alternative funding opportunities for the Project.

In this regard the Company advises the following:

- Alternative Project funding options are the subject of negotiations with various product end users and off-take parties who have expressed strong interest in supporting the funding of the Project.
- Negotiations for the Project to be supplied with power from the local grid are ongoing, with indications being that a significant reduction in power costs from those assumed in the initial BFS results as reported in January 2005 may be achievable.
- Since the reporting of the initial BFS results in January 2005, copper price has risen a further 40% to all time highs of almost US$2.00 per pound. Matrix believes that this is now a significant factor in regard to the funding potential of the Project.
- Various other optimisation activities are ongoing, including a review of various other key cost components of the Project including earthworks capital costs, mining costs, acid supply costs and modifications to the Project site layout and access routes.

Project Financial Modelling

Remodelling of the Project economics, taking into account these various changes in circumstances presents an enhanced financial outcome for the Project. The remodelling adopts the basic cost structures that applied in the January 2005 financial analysis, but incorporates the reduced power costs that are indicated as achievable and applies the effects of the updated copper prices structures.

Table 2 below presents a summary of the enhanced Project economics at a range of copper price and exchange rates.

TABLE 2

WHITE RANGE PROJECT

UPDATED PROJECT FINANCIAL ANALYSIS

	Column 1 *Base Case Model*	*Column 2* *YTD A$ Cu Price*	*Column 3* *Spot A$ Cu Price*
Production Rate	*15,000 tpa*	*15,000 tpa*	*15,000 tpa*
Copper Cathode Produced	*87,081 tonnes*	*87,081 tonnes*	*87,081 tonnes*
LOM Capital Costs	*A$ 59m*	*A$ 59m*	*A$ 59m*
Operating cost /lb	*USD 0.72c*	*USD 0.78c*	*USD 0.75c*
USD/AUD Exchange rate	*0.70c*	*0.76c*	*0.73c*
USD Copper Price	*Hedging Curves then $1.10*	*$1.54 flat*	*$1.94 flat*
EBITDA	*A$130m*	*A$188m*	*A$305m*
EBIT	*A$71m*	*A$129m*	*A$246m*
NPV @ 8% Disc.	*A$43m*	*A$86m*	*A$175m*
IRR	*39%*	*60%*	*122%*

Column 1 in the table presents the Project economics adopting the current copper price backwardation curves settling at a base of USD$1.10 per pound of copper, nominated as the **Base Case** model.

Column 2 presents the economics of the Project modelled at the year to date average copper price, nominated as the **YTD A$ Cu Price** model.

Column 3 models the Project at the current spot copper price, nominated as the **Spot A$ Cu Price** model.

Notwithstanding the inherent merit of the Base case model, the latter two scenarios demonstrate the further upside potential of the Project.

Modelling Criteria and Assumptions:

- Discount Rate of 8%.
- Base Case Copper Price model adopts the current copper backwardation curve reducing to a flat US$1.10 at a $0.70 AUD/USD exchange rate.
- The backwardation curve assumes production commences in early 2007.
- Year to Date Price adopts the moving average copper price for the 2005 year of US$1.56 at a 76 cent AUD.
- Spot Copper Price model adopts a price of US$1.90 with a 73 cent AUD.
- Power costs assume grid power at currently indicated tariff rates.
- Modelling cost structured as per the January 2005 BFS assessment unless otherwise noted.

Longer Term Supply/Demand Pressures Provide New Funding Options

As a result of the continuing world wide supply deficit situation, copper price has risen a further 40% to all time highs in January 2006 of more than US$2.00 per pound. Matrix believes that the supply/demand pressures are a significant factor in regard to the funding potential of the Project.

Various sections of the market now perceive an outlook of sustained high copper price with this outlook offering Matrix a new range of alternative funding options for the Project. These opportunities relate to the copper supply deficit situation being projected to continue and hence, copper end users and off-take parties are seeking to secure long term supplies of the commodity at source.

Matrix has been assessing and negotiating these opportunities throughout the year with groups from Japan, USA, Europe and China, and now believes the opportunity exists to develop a funding package for the Project.

Negotiations have continued in January 2006 with number of parties.

Resource Growth and Additional Prospects Proven

As a key component of the ongoing Project work, a number of drilling programs have been completed during 2005 with these programs confirming the resource growth potential of the White Range Project area. Drilling at the McCabe, Vulcan and Leone prospects have confirmed large new zones of copper mineralisation with step out and resource delineation drilling programs continuing at this time. A 135% increase in the McCabe resource was reported in January 2006 and a 50% increase in the Vulcan resource was reported on 16 September 2005.

The updated White Range Project leachable copper resource inventory is presented in Table 3 below. The inventory includes the Stuart Deposit (located approximately 45 kilometres south of Kuridala) which was not included in the BFS as previously reported nor is it in the projections in this announcement, however Matrix considers that higher copper prices should now provide for this significant leachable copper resource to be economic and hence be included in the Project.

TABLE 3

WHITE RANGE PROJECT

LEACHABLE COPPER RESOURCE ESTIMATE
DECEMBER 2005

Competent Persons Attributions – As per the 2005 Annual Report

DEPOSIT	MEAS'D TONNES	% Cu	INDIC'D TONNES	% Cu	INFER'D TONNES	% Cu	TOTAL TONNES	% Cu	CUT OFF % Cu	COMPETENT PERSON ATTRIB'N
Greenm't	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
TOTAL	3,290,000	1.2	7,163,000	1.1	4,389,000	1.0	14,842,000	1.1	N/A	

1 Mr R. W. Dennis: - Matrix Metals
2 Mr P. Frank: - Matrix Metals
3 Mr A. Richmond: - Golder Associates
4 Mr J. Horton: - Golder Associates

Conclusion and Outlook

Matrix believes the opportunity now exists to develop a funding package for the development of the White Range Project. This belief is based on the revised Project economics that incorporate the potential for negotiating significantly reduced Project power costs, together with the effects of the outlook for sustained high copper prices and the pursuit of long term supplies of copper at source by end users and off-take parties.

5.0 EXPENDITURE REPORT

Expenditure on exploration and feasibility activities during the quarter totalled $1,650,240.

Expenditure on production activities was $42,714. No production occurred during the quarter, with the expenditure relating to care and maintenance activities at Mt Cuthbert.

6.0 OUTLOOK FOR THE MARCH 2006 QUARTER

Key activities planned for the March 2006 Quarter will include:

- Continuation with negotiation of a funding package for the White Range Project.
- Continuation of negotiation of a grid power supply for the White Range Project.
- Remodelling of the White Range Project economics incorporating the new resources, updated costs, higher copper prices and a range of other project enhancement and variations that have been developed for the Project.
- Preparation of the various construction and operational tender and contract documents for the White Range Project.
- Resource delineation drilling at McCabe, Leone and Vulcan.
- Continuation of LAG and soil sampling programs across the greater White Range Project area.
- Implementation of a uranium value adding strategy.
- Continuation of the regional exploration programs in the greater Mt Watson region.

Yours Faithfully

Andrew Chapman
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Tony Alston and Bob Dennis. Mr Alston and Mr Bob Dennis are both Members of the Australasian Institute of Mining and Metallurgy and are full-time employees of the Company. Messrs Alston and Dennis have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they 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". Messrs Alston and Dennis, each consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

7.0 COMPANY INFORMATION

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Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Matrix Metals Limited

ABN	Quarter ended ("current quarter")
42 082 593 235	31 December 2005

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(1,929)	(2,791)
	(b) development		
	(c) production	35	(300)
	(d) administration	(401)	(740)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	181	357
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(2,114)	(3,474)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments		
	(c)other fixed assets	(17)	(34)
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)	-	(2)
	Net investing cash flows	(17)	(36)
1.13	Total operating and investing cash flows (carried forward)	(2,131)	(3,510)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,131)	(3,510)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(2,131)	(3,510)
1.20	Cash at beginning of quarter/year to date	11,369	12,748
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	9,238	9,238

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	136
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	1,000
4.2	Development	
	Total	**1,000**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	378	419
5.2	Deposits at call	8,860	10,950
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	9,238	11,369

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	575,387,509	575,387,509		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options**			*Exercise price*	*Expiry date*
	MRXAM	200,000	-	12 cents	30 June 2008
	MRXAO	2,250,000	-	15 cents	14 June 2006
	MRXAQ	612,500	-	15 cents	31 January 2007
	MRXAS	750,000	-	10 cents	30 June 2006
	MRXAS	750,000	-	10 cents	30 June 2007
	MRXAS	75,000	-	10 cents	30 January 2007
	MRXAU	9,999,999	-	18 cents	30 June 2008
	MRXAY	2,650,000	-	7 cents	30 November 2008
7.8	Issued during quarter	2,650,000	-	7 cents	30 November 2008
7.9	Exercised during quarter	-	-		

+ See chapter 19 for defined terms.

7.10	Expired during quarter	-	-	*Exercise Price*	*Expiry Date*
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Print name: Shane McBride.
Company Secretary

Date: 25 January 2006

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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