



ASX Announcement

22nd November 2016

Drilling Commenced on New Exploration Targets Lake Carey Gold Project

Highlights

- *A drilling program comprising ~177 aircore drill holes for ~15,000m has commenced within the Lake Carey gold project*
- *Potential to complement Matsa's 385,300 oz (JORC 2012) Fortitude gold deposit*
- *Drilling is planned on targets over a previously untested 8km section of the Bindah fault*
- *This highly prospective structural and stratigraphic setting, is an extension of a gold mineralised corridor with mineralisation in a number of locations including the Bindah and Galant deposits*
- *Targets are concealed by Lake Carey and remain untested by previous drilling*

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Director

Frank Sibbel

Director & Company Secretary

Andrew Chapman

Shares on Issue

144.70 million

Unlisted Options

6.90 million @ \$0.25 - \$0.30

Top 20 shareholders

Hold 54.78%

Share Price on 21 November 2016

20 cents

Market Capitalisation

\$28.94 million

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Matsa is pleased to provide an update on its Lake Carey gold project where the Company has commenced a substantial aircore drilling program on Lake Carey. Drilling is located near to the Company's 385,300 oz (JORC 2012) * Fortitude gold deposit, where mining is planned to commence in early 2017. The program will cover exploration targets in and adjacent to Lake Carey which remain untested by previous drilling.

It is Matsa's strong belief that there is still significant potential for new discoveries in this highly prospective region which contains the world class Sunrise Dam, Granny Smith and Wallaby gold mines. The high prospectivity for substantial new and potentially stand-alone gold deposits in the Lake Carey region has been reinforced by recent announcements that AngloGold Ashanti Ltd and Saracen Mineral Holdings Ltd are to jointly explore the area along the western edge of Lake Carey (SAR ASX announcement 17th October 2016).

**Upgrade of gold resource to JORC 2012 status as announced MAT announcement to ASX 1st September 2016.*

Drilling follows a comprehensive review and targeting study based on Matsa's extensive database of past exploration data and drilling. Previous exploration data includes mostly shallow drill holes, aeromagnetic data and limited geochemical data.

The targets are located in and adjacent to Lake Carey, in an area of limited outcrop and extensive sand and lake cover. The review confirmed a number of targets which are highly prospective for significant gold mineralisation and with the potential to be a major economic benefit to the Fortitude gold deposit (Figure 1).

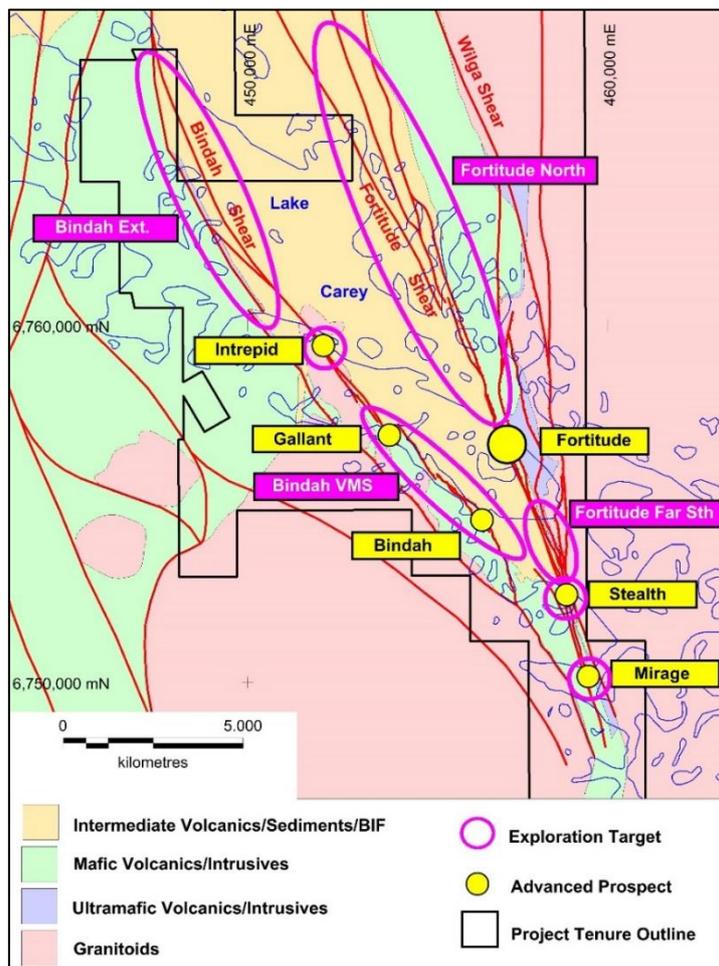


Figure 1: Lake Carey Gold Project, regional geology and exploration targets

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The Bindah Extended target area was one of a number of targets identified and has been prioritised for immediate drilling (Figure 1).

The Bindah Extended target area is located over a highly prospective 8km section of the Bindah Shear with favourable rock types including Banded Iron Formation (BIF) and ultramafics which are highly prospective as potential hosts for gold mineralisation. The target area represents an extension of the gold bearing structural and stratigraphic corridor containing the Bindah, Galant and Intrepid gold deposits. A review of available open file reports indicates minimal previous exploration within the Bindah Extended target area. Limited aircore drilling at the southern end of the target returned highly anomalous gold intercepts in 4 drill holes including **4m @ 0.87 g/t Au**. This target is located only 8km SE of Saracen's Red October gold mine (Appendix 1, Appendix 2).

Drilling Programme

The ~177 drill hole aircore programme has commenced at the Bindah Extended target area, for an estimated total of ~15,000m. Planned drill holes are located entirely on the bed of Lake Carey and will be completed using drilling equipment which is specially designed to operate in salt lakes (Figure 2).

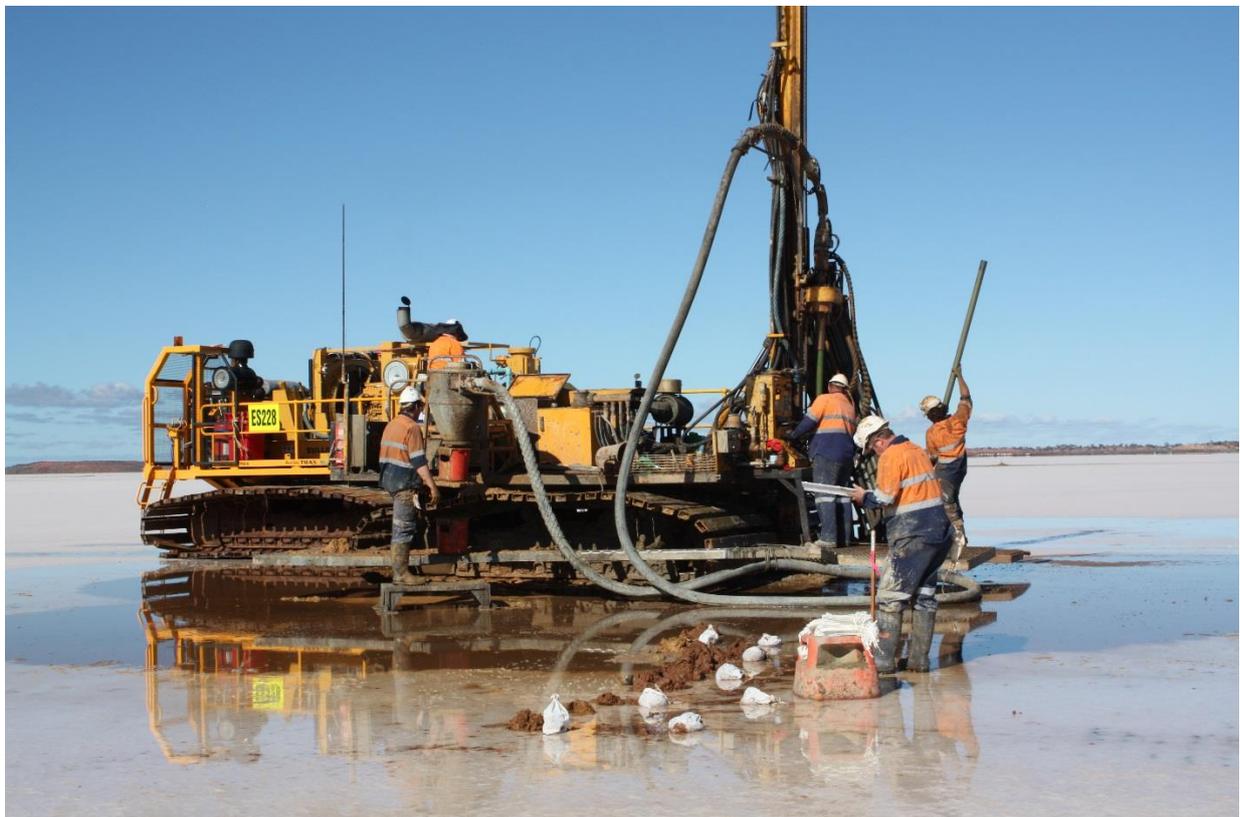


Figure 2: Lake Aircore drilling rig

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For further information please contact:

Paul Poli
Executive Chairman

Phone +61 8 9230 3555
Fax +61 8 9227 0370
Email reception@matsa.com.au
Web www.matsa.com.au

Competent Person

The information in this report that relates to Exploration results, is based on information compiled by David Fielding, who is a Fellow of the Australasian Institute of Mining and Metallurgy. David Fielding is a full time employee of Matsa Resources Limited. David Fielding has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David Fielding consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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Appendix 1 - Matsa Resources Limited – Lake Carey Project

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<p>Very limited drilling at the southern end of the Bindah extended target was carried out by Dioro Exploration (Dioro) between 2007 and 2010. Dioro Aircore drilling carried out from onboard cyclone with 4m composite samples grab sampled from individual metre samples.</p> <p>Not documented.</p> <p>Aircore drilling was sampled at 1m, these were hand composited to 4m samples approx. 3kg in weight. Sample submitted to Ultratrace Laboratories for aqua regia digest and low level gold analysis. No special measures were taken to account for coarse gold.</p>
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<p>Drilling comprised a Lake Aircore Drilling Rig in the area close to the Bindah Extended target. Drilling was carried out to refusal with a hole declination at -60 degreeest towards an azimuth of 270.</p>
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. 	<p>Sample recovery not reported for aircore Dioro. Sample recovery for aircore is not usually an issue because it is a pure RC system and does not pressurise surrounding strata, sampling issues are related to drilling conditions and usually lead to hole termination.</p> <p>Not detailed.</p>

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Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	Not detailed.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<p>Simple qualitative geological logs using standard geological coding sheets.</p> <p>Logging is qualitative in nature.</p> <p>Logging was carried out on all cuttings produced by aircore and RC and on entire length of diamond core.</p>
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling Whether sample sizes are appropriate to the grain size of the material being sampled. 	<p>Aircore sampling done by Dioro was described as “grab” sampled from the bulk residues at the cyclone.</p> <p>Not reported.</p> <p>Not reported.</p> <p>Sampling at cyclone carried out on individual metres retained and subsequently composited with 4m composite samples being submitted for assay.</p> <p>Sample weights of ~3kg documented by Dioro quite adequate for fine gold.</p>
Quality of assay data and	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. 	Samples were dispatched to UltraTrace Laboratory Perth for assay by ICP MS for Au (Aqua Regia 1ppb detection), As (1ppm detection), Cu (0.01ppm detection), Ni (0.01ppm detection) and Cr (0.01ppm detection).

Criteria	JORC Code explanation	Commentary
<i>laboratory tests</i>	<ul style="list-style-type: none"> For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<p>No record of geophysical tools or hand held XRF.</p> <p>Not recorded.</p>
<i>Verification of sampling and assaying</i>	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<p>No verification reported</p> <p>No twinned holes carried out</p> <p>Presented in digital form, actual data entry process not documented.</p>
<i>Location of data points</i>	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<p>Data accuracy has been taken as +-25m for the purposes of designing follow up exploration.</p> <p>Dioro employed GDA94 UTM co ordinate system Zone51.</p> <p>+10m from AHD has been assumed for regional exploration holes used in designing the follow up programme</p>
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<p>Dioro aircore at Bindah Extended is of a reconnaissance nature only and on approximately 400m centres.</p> <p>Drill hole spacings were far too large to gain any idea of continuity of anomalous values.</p> <p>Compositing of aircore samples from 1m to 4m was carried out on all targets.</p>
<i>Orientation of data in relation</i>	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. 	<p>Drilling carried out on EW lines with drill holes facing -60 towards the west which was adequate to address the interpreted orientation of geology.</p>

Criteria	JORC Code explanation	Commentary
to geological structure	<ul style="list-style-type: none"> If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	Drilling too wide spaced for bias to be a problem.
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	Not recorded.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary																																			
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area. 	<p>Exploration is proposed over the following tenements</p> <table border="1"> <thead> <tr> <th>TENID</th> <th>TYPE</th> <th>TENST</th> <th>HOLDER1</th> <th>Grant</th> <th>Area</th> <th>Unit:</th> </tr> </thead> <tbody> <tr> <td>E 3901770</td> <td>EXPLORATION LICENCE</td> <td>LIVE</td> <td>FORTITUDE GOLD</td> <td>20140701</td> <td>6</td> <td>BL.</td> </tr> <tr> <td>E 3901752</td> <td>EXPLORATION LICENCE</td> <td>LIVE</td> <td>FORTITUDE GOLD</td> <td>20140206</td> <td>11</td> <td>BL.</td> </tr> <tr> <td>E 3901287</td> <td>EXPLORATION LICENCE</td> <td>LIVE</td> <td>FORTITUDE GOLD</td> <td>20081112</td> <td>3</td> <td>BL.</td> </tr> <tr> <td>M 3901089</td> <td>MINING LEASE</td> <td>LIVE</td> <td>FORTITUDE GOLD</td> <td>20140718</td> <td>226</td> <td>HA.</td> </tr> </tbody> </table> <p>Tenements have been transferred to Matsa Gold Pty Ltd as announced to ASX 7th October 2016. Tenements predate requirement for heritage agreements.</p>	TENID	TYPE	TENST	HOLDER1	Grant	Area	Unit:	E 3901770	EXPLORATION LICENCE	LIVE	FORTITUDE GOLD	20140701	6	BL.	E 3901752	EXPLORATION LICENCE	LIVE	FORTITUDE GOLD	20140206	11	BL.	E 3901287	EXPLORATION LICENCE	LIVE	FORTITUDE GOLD	20081112	3	BL.	M 3901089	MINING LEASE	LIVE	FORTITUDE GOLD	20140718	226	HA.
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Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	Work in the vicinity of the Bindah Extended target was carried out by Dioro Exploration.																																			
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	The deposit types being sought at Bindah extended are orogenic syntectonic gold mineralisation similar to Fortitude and VMS related gold (+base metals) mineralisation typical of Bindah and Galant.																																			

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Drill hole Information	<ul style="list-style-type: none"> • A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all material drill holes: <ul style="list-style-type: none"> ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. • If the exclusion of this information is justified on the basis that the information is not material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	Drilling by previous explorers at the Galant deposit is summarized in Appendix 2.
Data aggregation methods	<ul style="list-style-type: none"> • In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated. 	Quoted intercepts refer to individual composite samples and data has not been aggregated.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg ‘down hole length, true width not known’). 	<p>All intercepts quoted relate to downhole depth and true width is unknown.</p> <p>Not known.</p> <p>Intercepts in Dioro aircore drillholes are expressed in downhole metres.</p>
Diagrams	<ul style="list-style-type: none"> • Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	Diagrams have been included in the text.

Criteria	JORC Code explanation	Commentary
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	Information from past drilling has been used to determine exploration targets only.
Other substantive exploration data	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	The review made use of publically available aeromagnetics and gravity as well as in-house data acquired with the project.
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	The planned drilling is intended to test hypotheses regarding stratigraphic and structural targets at Bindah extended and regarding potential for shallow gold resources at Galant.

Appendix 2 - Matsa Resources Limited – Lake Carey Project

Dioro Exploration Drilling Summary Bindah Extended.

Location of Drillholes with > 0.1 g/t Au

SITE_ID	Max Depth	GDA_E	GDA_N	MGIH
LCAC007	106	450480	6761060	0.69
LCAC018	90	451060	6761940	0.87
LCAC020	87	450592	6762448	0.14
LCAC026	84	449460	6761940	0.17
LCAC029	117	450540	6761940	0.13

Intercepts >0.1 g/t Au

LCAC018 40m-44m 4m @ 0.87g/t Au

LCAC007 12m-16m 4m @ 0.69g/t Au

LCAC026 56m-60m 4m @ 0.17g/t Au

LCAC020 60m-64m 4m @ 0.14g/t Au

LCAC029 108m-115m 7m @ 0.13g/t Au and up to 207ppm arsenic

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