



ASX Announcement

27<sup>th</sup> April 2018

## Quarterly Activities Report – 31<sup>st</sup> March 2018

### HIGHLIGHTS

#### **Fortitude Trial Mine**

- Gold ore production for the quarter was 79,287t @ 1.85g/t Au, of this 75,998t @ 1.83g/t Au was delivered to AngloGold Ashanti with payment of A\$4.79M received after processing costs
- C1 cost per ounce gold (eqv.) was reduced significantly from A\$1,928/oz in the December quarter to A\$1,182/oz this quarter
- Gold ore production increased from 47,314t to 79,287t due to reduced waste to ore ratio of 31:1 down to 4.6:1
- Mining studies ongoing to assess the feasibility of a longer-term mining operation, to be completed after trial mining ends

#### **Red October Gold Project**

- The acquisition of the Red October Gold Mine and associated infrastructure was settled with Saracen
- The current resource at the Red October Gold Mine is 99,000 oz. of gold at 6.9 g/t including 85,000 Oz. of gold at 13.5 g/t
- MOU executed with Pit N Portal with mine planning and resource definition underway to assess the potential to restart mining at Red October as soon as possible

#### **Red Dog Gold Project**

- Mine plan lodged with DMIRS and clearing permit received with mining targeted to commence in 3<sup>rd</sup> quarter of 2018
- Financial modelling and mining studies almost complete

#### **Lake Carey – Exploration**

- Planning for a 10,000m drill programme completed and set to commence
- A comprehensive review of the ~600km<sup>2</sup> Lake Carey project has identified 5 high priority targets for exploration

#### **Corporate**

- Cash and liquid investments as at 31 March 2018 ~ \$5.75 million

### CORPORATE SUMMARY

#### **Executive Chairman**

Paul Poli

#### **Director**

Frank Sibbel

#### **Director & Company Secretary**

Andrew Chapman

#### **Shares on Issue**

176.93 million

#### **Unlisted Options**

13.70 million @ \$0.25 - \$0.30

#### **Top 20 shareholders**

Hold 52.64%

#### **Share Price on 26<sup>th</sup> April 2018**

17 cents

#### **Market Capitalisation**

\$29.9 million

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## INTRODUCTION

Matsa Resources Limited (“Matsa” or “the Company” ASX: MAT) is pleased to report on its development, exploration and corporate activities for the quarter ended 31<sup>st</sup> March 2018.

## COMPANY ACTIVITIES

### LAKE CAREY GOLD PROJECT - FORTITUDE GOLD MINE

The quarter ending 31<sup>st</sup> March 2018 was the second full quarter of gold ore production at the Fortitude trial mine which commenced in July 2017. Delivery of gold ore to Sunrise Dam Gold Mine (SDGM) under the ore purchase agreement with AngloGold Ashanti Australia Limited (AGAA) continued successfully throughout the quarter.



**Figure 1: Lake Carey Gold Project – oblique view**

### Fortitude Production Summary

A total of 79,287 tonnes @ 1.85 g/t was mined during the quarter from the north and central pits at the Fortitude project with 75,998 tonnes @ 1.85 g/t Au delivered to SDGM realising A\$4.79M in revenue after SDGM processing costs, at a gold price of \$A1,694/ounce at 93% recovery. A total of 183,247 tonnes of waste was mined which achieved a waste / ore (stripping) ratio of 4.6:1 (by volume) which was in line with forecast schedules. This is a significant reduction on the average stripping ratio of >31:1 during the previous quarter.

Production and ore tonnes mined fell slightly below forecast schedules. The shortfall is mostly due to heavy rainfall associated with cyclone activity in northern Australia which affected the mine site from late January through February. Heavy local rains caused disruptions to production from the pits as well as disruptions to the ore haulage from site to SDGM.

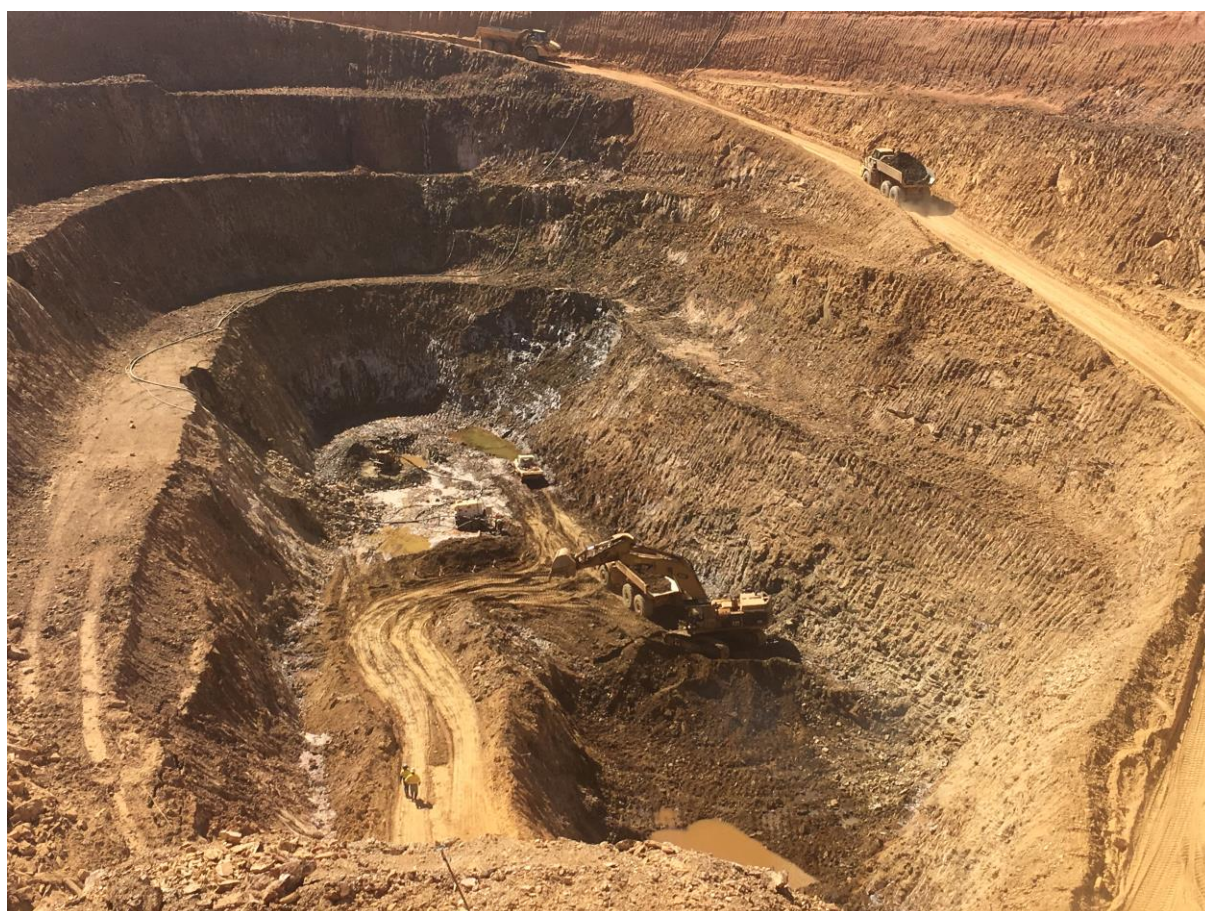
## Fortitude Key Results Quarter ending 31<sup>st</sup> March 2018

Production of 79,287 tonnes @ 1.85 g/t Au delivered to SDGM is summarised in Table 1.

	Quarter to Dec 17	Jan-18	Feb-18	Mar-18	2018 March Qtr	
					(t)	g/t Au
<b>Waste (t)</b>	1,478,756	195,686	94,592	76,216	366,494	
<b>Production (t)</b>	47,314	32,274	17,298	29,715	79,287	1.85
<b>Delivered (t)</b>	33,702	19,194	19,974	36,830	75,998	1.83
<b>Waste:Ore Ratio</b>	31.3	6.1	5.5	2.6	4.6	

**Table 1: Quarterly Mine Production to March 31<sup>st</sup> 2018**

- 75,998 ore tonnes @ 1.83g/t Au were delivered to SDGM. Payment has been received for this delivery as at the date of this report.
- A\$4.79M received from ore sales at an average price of A\$1,694/oz gold
- C1 operating cost during the quarter was A\$1,182/oz. gold, due in large measure to the pronounced fall in the stripping ratio from 31:1 in December 2017 quarter to 4.6:1 in the March 2018 quarter as expected. This is anticipated to reduce further for the remainder of the project to 1.6:1.
- Forecast production for the remainder of the project, which will now be completed by the end of April 2018. Completion of haulage is anticipated to cease shortly thereafter.



**Figure 2: Fortitude Trial Mine, North Pit March 2018**

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## Transition to Full Scale Mine at Fortitude

Studies into the economic viability of a full scale open pit mine continued during the quarter. Matsa remains confident that recent strong increases in gold price coupled with experience gained from the trial mine will positively impact on the economic viability of a full scale mining operation at Fortitude. All mining permits applicable to a larger operation are already in hand as part of the licencing for the trial mine.

## RED OCTOBER GOLD MINE

On 26<sup>th</sup> September 2017 Matsa announced it had entered into an Asset Sale and Purchase Agreement (“ASPA”) with Saracen Mineral Holdings Ltd (Saracen) to acquire the Red October Gold Project for a combination of cash and shares to the deemed value of \$2 million (*MAT announcement to ASX 26<sup>th</sup> September 2017*).

On 27<sup>th</sup> March 2018 Matsa settled the acquisition of the Red October Gold Mine and associated infrastructure with Saracen (*MAT announcement to ASX 28<sup>th</sup> March 2018*).

The acquisition was subject to a number of conditions which have now been met and Matsa has issued 4,545,000 fully paid ordinary shares at a deemed price of \$0.22 to Saracen as part consideration of the acquisition. A deferred and final consideration amount of A\$850,000 was due and payable to Saracen on 25th June 2018.

Three tenements (Capella Tenements) comprising ~20km<sup>2</sup> that were part of the original ASPA have not been able to be transferred at this time and as a result Matsa will withhold A\$450,000 until this matter can be resolved (Figure 1). Accordingly, a payment of A\$400,000 will be made to Saracen on 25<sup>th</sup> June 2018. The Capella tenements which are at the southern end of the Red October project area will have no impact on Matsa’s operation however they remain valuable exploration assets. Matsa is confident that the matter will be resolved and the Capella tenements will be added to the Lake Carey project in due course.

The project area (excluding the Capella tenements) covers 44 km<sup>2</sup> and consists of six granted Mining Leases (ML’s), an extensive well maintained underground mine, a 68-person camp, offices, workshops and exploration base, wet and dry messes, underground mine equipment and a JORC 2012 compliant Mineral Resource of ~99,000 oz of gold, which importantly includes 85,000 oz. @ 13.6g/t Au (Table 2). The camp was formerly a 128 person camp, and as such remains easily upgradeable to its former capacity.

## Red October Forward Work Strategy

The Red October mine is under care and maintenance and remains in excellent, dry condition. A number of areas are available for immediate mining and the interpretation and planning for recommencement of mining has already begun. To this end a Memorandum of Understanding (MOU) has been signed with Pit N Portal, who were the previous mining contractors at Red October for Saracen. Exploration for additional gold-ounces, both within and near the mine as well as over the tenement package is being planned in order to increase potential mine life longevity.

The exploration potential for extensions of known lodes and discovery of new lodes is considered to be excellent with a number of high quality exploration targets previously highlighted by Saracen.

## Red October Resource

The Red October mine is a structurally controlled gold deposit located in the Laverton Greenstone Belt (LGB) which hosts >25Moz. of gold and includes Sunrise Dam, Granny Smith, Wallaby, Lancefield, Chatterbox and Matsa's Fortitude Mine (Figure 1).

Currently in care and maintenance since June 2017, the Red October mine has produced a total of 1.7Mt at 6.1g/t Au for 342,000oz. gold. The Open Pit operation contributed 113,000oz. gold at 6.5g/t Au between 1999 and 2002 and the underground operation has produced 1.2Mt at 5.9g/t Au for 229,000oz. gold to a depth of 550m vertical metres between 2012 and 2017.

	Indicated			Inferred			Total		
	Tonnes t	Grade g/t Au	Gold ounces	Tonnes t	Grade g/t Au	Gold ounces	Tonnes t	Grade g/t Au	Gold ounces
Red October OP	251,000	1.7	14,000				251,000	1.7	14,000
Red October UG	89,000	12.1	35,000	106,000	14.6	50,000	195,000	13.6	85,000
<b>Total</b>	<b>340,000</b>	<b>4.5</b>	<b>49,000</b>	<b>106,000</b>	<b>14.7</b>	<b>50,000</b>	<b>446,000</b>	<b>6.9</b>	<b>99,000</b>

**Table 2: 30 June 2017 Red October Resource Estimate (ref SAR report to ASX 02/08/2017)**

*The Company confirms that it is not aware of any new information or data that materially affects the information included in the above resource estimate and that all material assumptions and technical parameters underpinning the above resource estimate continue to apply and have not materially changed.*

## RED DOG GOLD PROJECT

The Red Dog gold project is located some 25km west of Fortitude and located in close proximity to Matsa's Lake Carey gold project, Red October camp and associated infrastructure (Figure 1).

Results from RC drilling carried out during the December quarter defined gold mineralisation commencing 2m to 10m below surface, relatively flat lying and is a continuous zone of mineralisation between 1m and 14m thick extending over an area ~250m NS and ~150m EW. Mineralisation remains open in several directions. Gold mineralisation is associated with silica, hematite and pyrite within a hydrothermally altered basalt.

Red Dog is nearing completion of feasibility and regulatory approvals. Native Vegetation Clearing permit and miscellaneous licences have been granted. The Mining Proposal and Mine Closure Plan applications are being progressed with DMIRS. Optimisation work and mine design has been completed and metallurgical testing is underway with results expected within the coming weeks. Discussions with AngloGold Ashanti Australia to process the ore have commenced and are expected to be finalised shortly. The process of tendering for mining works has commenced and a short list of potential tenders has been compiled.

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The Red Dog Mineral Resource estimate totals 368,000 tonnes at 2.2g/t Au for 26,300oz. gold with the majority of ounces (94%) in the Indicated Category (Table 2). (Refer MAT announcement to ASX dated 18<sup>th</sup> January 2018).

Material	Indicated			Inferred			Total		
	Tonnes t	Grade g/t Au	Gold ounces	Tonnes t	Grade g/t Au	Gold ounces	Tonnes t	Grade g/t Au	Gold ounces
Oxide	2,000	1.3	100	2,000	0.9	100	5,000	1.1	200
Transitional/Fresh	330,000	2.3	24,700	33,000	1.4	1,500	363,000	2.2	26,200
<b>Total</b>	<b>333,000</b>	<b>2.3</b>	<b>24,800</b>	<b>35,000</b>	<b>1.4</b>	<b>1,500</b>	<b>368,000</b>	<b>2.2</b>	<b>26,300</b>

**Table 3: Red Dog Mineral Resource as at January 2018 – reported above an Au cut-off grade of 0.5g/t Au**

## LAKE CAREY EXPLORATION

Exploration was largely suspended during trial mining period at the Fortitude gold deposit for capital preservation purposes during this high-risk period. With trial mining nearing completion, exploration at Lake Carey is now set to commence with drilling in early May 2018.

Activities during the quarter included:

- Hyperspectral and geochemical study of fresh basement rocks from Matsa's recent 2017 aircore programme
- Targeting and prospectivity review of Matsa's entire ~600km<sup>2</sup> Lake Carey project

## Hyperspectral / Geochemistry Study

This study undertaken by CSA Global collected hyperspectral data from 412 bottom of hole rock chip samples. These results were integrated with Matsa's existing high quality litho-geochemistry assays over the same intervals with the following objectives:

- to detect hydrothermal alteration signatures based on published data from major gold deposits eg. Sunrise Dam. Alteration associated with major gold deposits typically has a much larger footprint than the associated gold orebody and is therefore more readily detectable in wide spaced drilling similar to Matsa's 400 x 100m 2017 lake aircore coverage
- to refine the geological interpretation of basement rocks and likely controls on mineralisation
- to determine whether Matsa's previously reported targets BE1, BE2, BE3 and BE4 have a hydrothermal alteration footprint as a guide to further drilling

Results identified 5 alteration areas where moderate to strong sericite alteration is associated with anomalous gold assays and highlights potential for significant gold mineralisation. The two highest priority areas of alteration are associated with Matsa's BE1 prospect, where Matsa previously announced the presence of visible gold in diamond drill core.

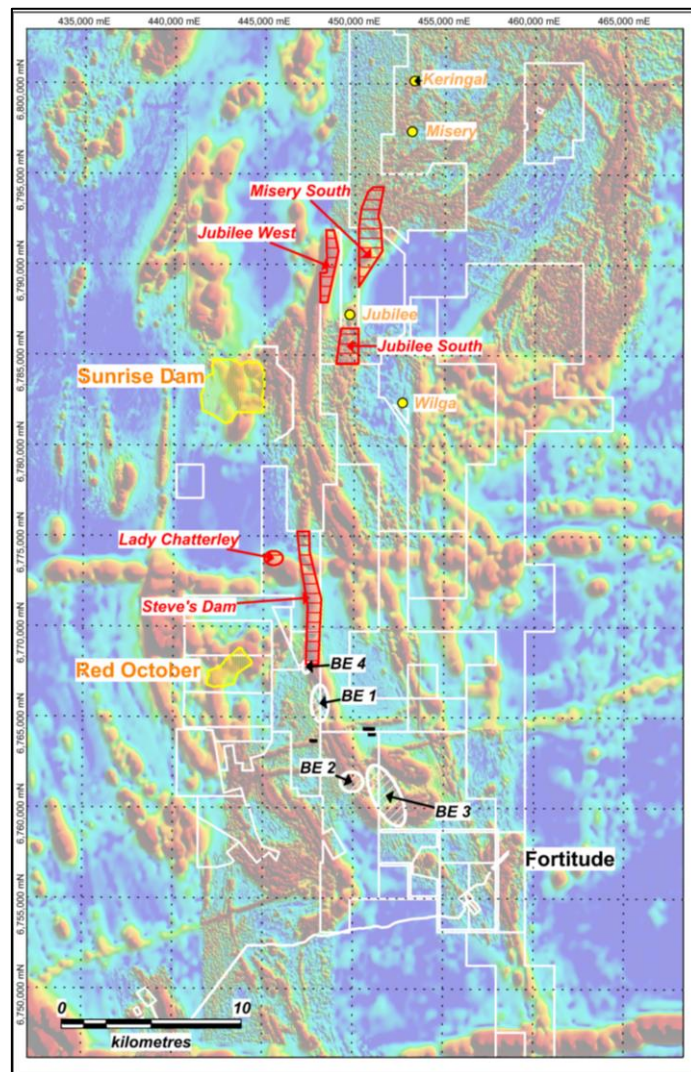
Matsa is currently planning a follow up drilling programme to further test these targets.

## Exploration Review and Targeting Study

A review of past exploration within Matsa's ~600km<sup>2</sup> tenement area was carried out to:

- assess the extent and effectiveness of past exploration
- develop new exploration targets for gold including near mine
- rank exploration targets as a focus for near term drilling

The project is located in an area which has been the focus of past exploration by both major companies and junior explorers particularly since the discovery of the Granny Smith deposit in 1979, Sunrise Dam deposits in late 1988 and the Wallaby deposit in 1998. The favourable litho-structural geological setting of these deposits extends into Matsa's Lake Carey project, which consequently remains highly prospective for major new gold discoveries.



**Figure 3: Lake Carey Project Exploration Targets**

Exploration in the district has been hampered by a complex history of deep weathering of prospective rocks followed by burial of parts of the area by 20m - 60m of younger alluvial and lacustrine cover. Previous exploration has tended to be much less effective in areas of younger cover. In particular, the salt lakes in the project area remain mostly untested by drilling, due to difficulties at the time that previous work was carried out.

Matsa's initial exploration programme in 2017 was focused on a 9km long previously untested section of the Bindah Fault corridor in Lake Carey and led to discovery of 4 new gold occurrences BE1-4 under 20 - 60m of mostly lacustrine clay.

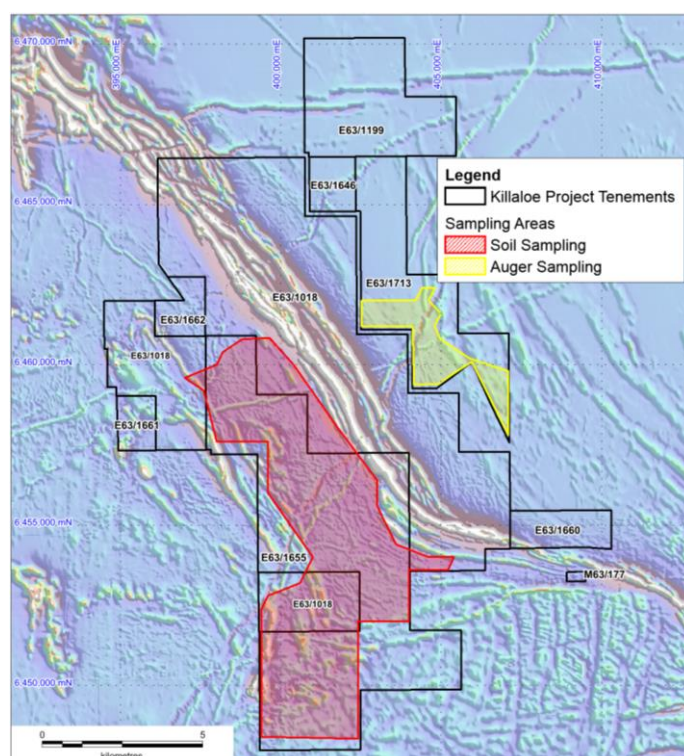
A significant number of targets have recently been identified with an initial five targets highlighted by a first pass review of historical exploration data over the entire project area. These new targets are now named Steve's Dam, Lady Chatterley, Jubilee South, Jubilee West and Misery South (Figure 3). This review process is being continuing and further prospective targets are expected to be identified.

Three of the Targets (Steve's Dam, Misery South and Lady Chatterley) are under moderate (30-50m) to deep (+80m) transported cover. Two targets Jubilee West and Jubilee South are in a background of deeply weathered basement cut by narrow alluvium filled palaeo-channels feeding west into Lake Carey.

## KILLALOE PROJECT

Work during the quarter comprised (Figure 4):

- Collection of 281 Soil samples in an area of minimal previous exploration
- Collection of 165 auger samples to follow up anomalous soil gold values by previous explorers



**Figure 4: Killaloe Project Soil and Auger Sampling**

### Soil Sampling

A total of 281 soil samples on a 400m x 400m staggered grid were collected in the southern part of the Killaloe project area. The sampling was carried out north of and along the margins of the Buldania granite which has had minimal previous exploration due to its generally bland aeromagnetic signature and sparse outcrop. The area is interpreted to be underlain by Archaean greenstones, mostly gabbro, dolerite and basalt. Potential was seen for gold mineralisation in underlying greenstones as well as

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lithium bearing pegmatites in greenstone roof pendants above the Buldania granite. (Discovery of lithium-bearing pegmatites associated with Buldania granite ~ 10km to east was recently announced by Liontown Resources LTR announcement to ASX 18<sup>th</sup> March 2018).

No significantly anomalous gold or Li assays were returned.

## Auger Sampling

An auger sampling program over the southern half of E63/1713 was carried out in the first quarter of 2018 to follow up anomalous gold values up to 20ppb Au in soils as reported by Avoca Resources in 2010 (Figure 5).

Matsa undertook follow up auger sampling targeting a reasonably well-developed calcrete layer in mixed residual and transported soils along the margin of Lake Cowan.

A total of 165 auger soils samples were collected on a 200m x 200m staggered grid pattern using a vehicle mounted auger drill rig. Drill depth is between 0.2 to 2.5 m with ~ 90% of samples being consistently calcareous. The samples were submitted to ALS Laboratory in Perth and analysed for gold only using Au-TL43 method (trace level gold, aqua regia digest and measured with ICP-MS).

The results of the auger sampling validated earlier soil sampling with peak values up to 14 ppb Au. Auger and soil sampling data were combined with 5 anomalies highlighted over a NS distance of ~3km (Figure 5). Anomalous values appear to be associated with a distinctive magnetic feature which has been disrupted by faulting. This magnetic feature may reflect a magnetic dolerite unit in a background of mafic volcanics or sediments and thereby potentially represents a favourable litho-structural setting for gold mineralisation. Follow up aircore drilling is currently being planned.

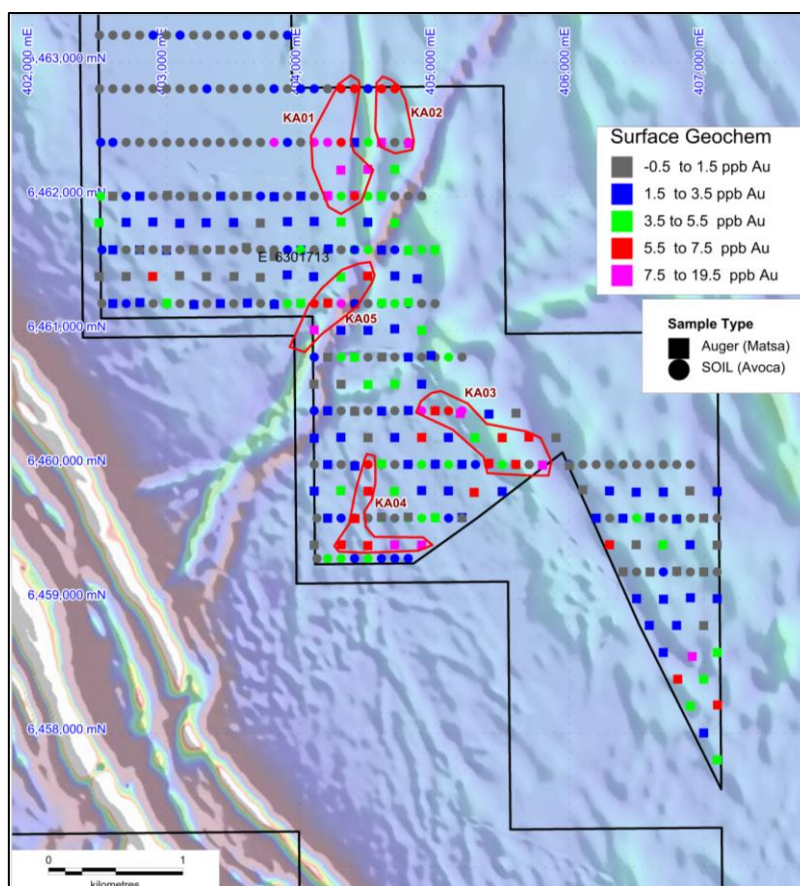


Figure 5: Killaloe summary auger and soil results

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THAILAND EXPLORATION

Matsa continues to work with the ALRO to finalise land access agreements and allow more intensive exploration and mining activities. Matsa is in final approval stages with the Forestry Department to access Forestry Land for exploration and potential mining at the Siam 1, Siam 2 and Siam 5 projects. Access to Forestry held land in the Siam 2 and Siam 5 project areas was granted during the quarter and access to Forestry Land in the Siam 1 project areas is anticipated early in the upcoming quarter

Matsa completed a review of tenement holdings and rationalised granted tenure to areas of higher prospectivity including the Siam 1, Siam 2, Siam 5 and Chang prospects, thereby reducing tenement expenditure obligations. New exploration licence applications have been lodged to cover areas of interest which Matsa believes to be prospective. The tenement package now totals 687km<sup>2</sup> in area.

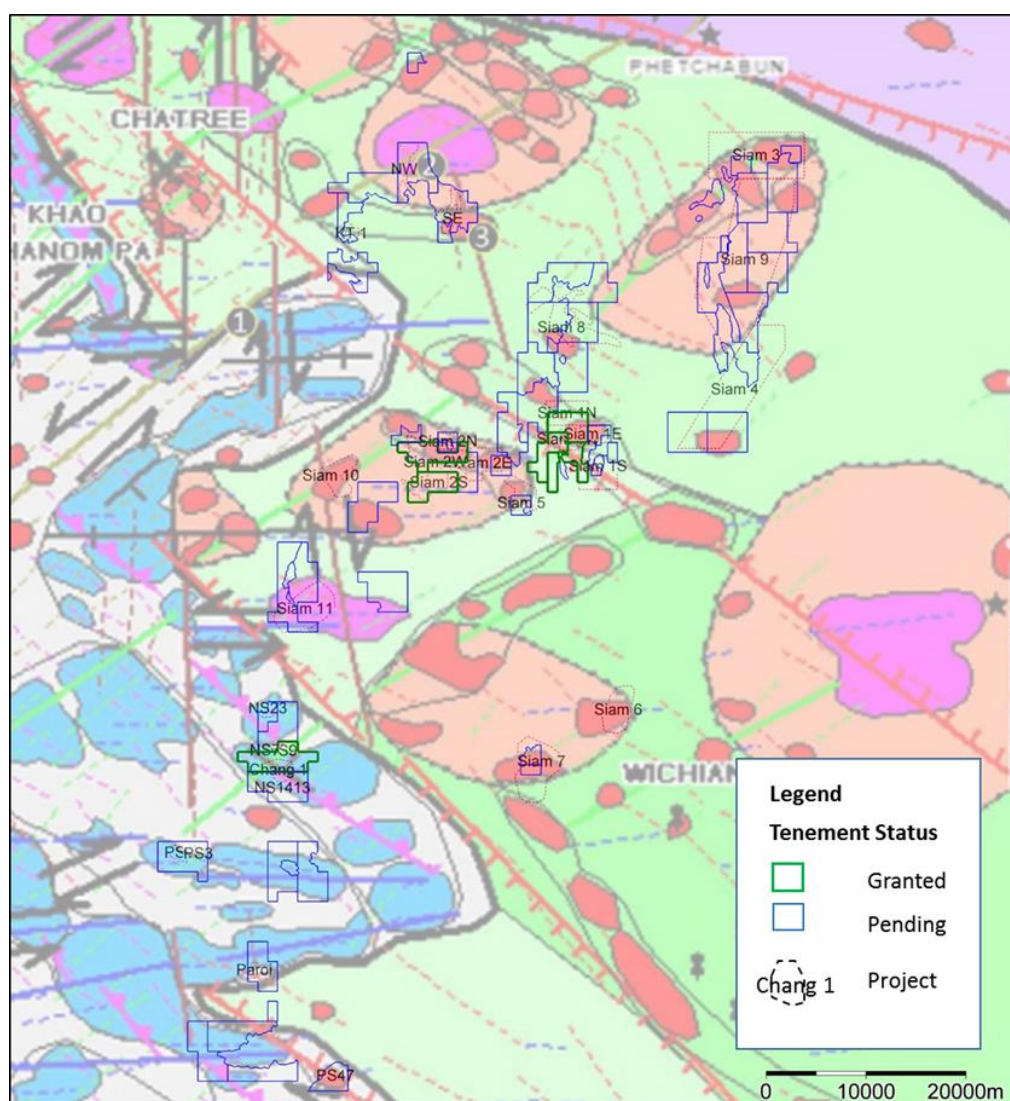


Figure 6: Thailand current Tenements over tectonic domains (Sangsomphong et al, 2015)

Field work during the quarter comprised 72 line kms of ground magnetic work to the west of Siam 1. The work highlighted regional NW trending structures which will be the focus of further activity as they present potential fault systems and fluid pathways.

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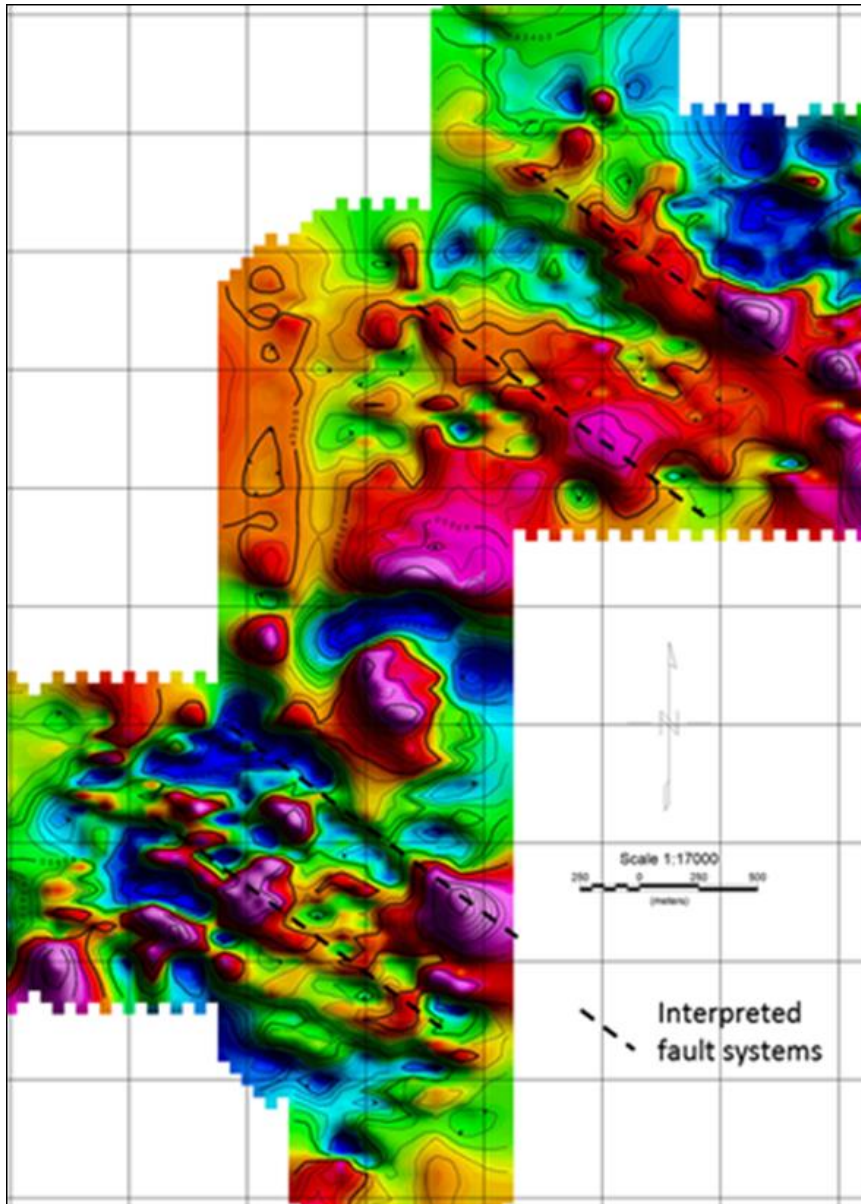


Figure 7: Total field magnetic data processing image map of tenement SPL44/2558.

**CORPORATE**

Cash and liquid assets total approximately \$5.75 million as at 31<sup>st</sup> March 2018. Subsequent to the end of the quarter Matsa negotiated with its lenders to extend the repayment date for the A\$3M loan for a further 12 months to 31 July 2019, with no changes to the current terms and conditions. Please refer to Appendix 5B for further details.

For further Information please contact:

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## **Competent Person Statement**

*The information in the report to which this statement is attached that relates to Exploration Results and Mineral Resources related to the Red October Resource Estimate is based upon information compiled by Mr Daniel Howe, a Competent Person who is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Daniel Howe is a full-time employee of Saracen Mineral Holdings Limited. Daniel Howe has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Daniel Howe consents to the inclusion in the report of matters based on his information in the form and context in which it appears.*

### **Exploration results**

*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.*

### **Competent Person – Red Dog Gold Project**

*The information in this report that relates to Exploration results is based on information compiled by Mark Csar, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mark Csar is a full time employee of Matsa Resources Limited. Mark Csar 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'. Mark Csar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The information contained in this ASX release relating to Mineral Resources has been compiled by Susan Havlin of Optiro Ltd. Susan Havlin is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she 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". Susan Havlin consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.*

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Appendix 1 - Matsa Resources Limited

JORC Code, 2012 Edition – Table 1 report

Section 1 Sampling Techniques and Data

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

Criteria	JORC Code explanation	Commentary
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Soil sampling carried out at Killaloe Samples of -2mm fraction B/C soil horizon material excavated from around 10-15cm depth.</li> <li>Auger sampling at Killaloe included samples of calcareous lower soil horizon typical at a depth of 0.2-2.5m. This horizon is selected both for consistency of sampling medium and for the reason that gold has been shown to accumulate in calcareous material. -2mm fraction is submitted for assay by Aqua Regia digest ICP MS determination</li> </ul>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>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).</li> </ul>	<ul style="list-style-type: none"> <li>Auger sampling at Killaloe used vehicle mounted mechanical auger capable of up to 3m depth</li> </ul>
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>OK</li> </ul>
<b>Logging</b>	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and</li> </ul>	<ul style="list-style-type: none"> <li>Visual assessment of soil profile</li> </ul>

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Criteria	JORC Code explanation	Commentary
	<p><i>geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></p> <ul style="list-style-type: none"> <li>• <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i></li> <li>• <i>The total length and percentage of the relevant intersections logged.</i></li> </ul>	
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li>• <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></li> <li>• <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></li> <li>• <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li>• <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> <li>• <i>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.</i></li> <li>• <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Auger sampling comprised only calcareous interval with remainder discarded.</li> </ul>
<b>Quality of assay data and laboratory tests</b>	<ul style="list-style-type: none"> <li>• <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li>• <i>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.</i></li> <li>• <i>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.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Laboratory QA QC only</li> </ul>
<b>Verification of sampling and assaying</b>	<ul style="list-style-type: none"> <li>• <i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li>• <i>The use of twinned holes.</i></li> <li>• <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> <li>• <i>Discuss any adjustment to assay data.</i></li> </ul>	<ul style="list-style-type: none"> <li>• None carried out</li> </ul>
<b>Location of data points</b>	<ul style="list-style-type: none"> <li>• <i>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.</i></li> <li>• <i>Specification of the grid system used.</i></li> <li>• <i>Quality and adequacy of topographic control.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Hand held GPS employed with notional accuracy of 5m.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>Data spacing for reporting of Exploration Results.</li> <li>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.</li> <li>Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>Variable and in line with likely target. Soils 400m staggered grid, Augers 200m staggered grid</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Sampling carried out on a regular grid laid out as far as possible to be right angles to geological strike or as close as possible</li> </ul>
<b>Sample security</b>	<ul style="list-style-type: none"> <li>The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>No special measres</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>None carried out</li> </ul>

## Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>Shown in accompanying schedule of tenements</li> </ul>
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed where applicable eg previous sampling by Avoca at Killaloe</li> </ul>
<b>Geology</b>	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>The principal target is orogenic gold associated stratigraphic contacts associated with major faults.</li> <li>In Thailand the target is base metal mineralisation associated with major boundary between the Indian and Chinese plates which was active in permo Triassic times.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li>• 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"> <li>○ easting and northing of the drill hole collar</li> <li>○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>○ dip and azimuth of the hole</li> <li>○ down hole length and interception depth</li> <li>○ hole length.</li> </ul> </li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• No drilling information referred to</li> </ul>
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>• None used</li> </ul>
<b>Relationship between mineralisation widths and intercept lengths</b>	<ul style="list-style-type: none"> <li>• These relationships are particularly important in the reporting of Exploration Results.</li> <li>• If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>• 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').</li> </ul>	<ul style="list-style-type: none"> <li>• All geometrical relationships have been validated by the appropriate competent person. This is relevant to Red Dog and Red October</li> </ul>
<b>Diagrams</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriate diagrams are included in the body of the report.</li> </ul>
<b>Balanced reporting</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Matsa has not included any mineralised intercepts in this report</li> </ul>
<b>Other substantive</b>	<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Significant use is made of geophysical datasets, particularly aeromagnetics.</li> </ul>



Criteria	JORC Code explanation	Commentary
<b>exploration data</b>	<i>method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	
<b>Further work</b>	<ul style="list-style-type: none"> <li><i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul>	<ul style="list-style-type: none"> <li>Comments on likely outcomes for future exploration is fully accounted for.</li> </ul>

**MATSA RESOURCES LIMITED**  
**SCHEDULE OF TENEMENTS HELD AT 31 MARCH**  
**2018**

<b>Tenement</b>	<b>Project</b>	<b>Interest at Beginning of Quarter</b>	<b>Interest at End of Quarter</b>	<b>Change During Quarter</b>
M 63/177	Buldania Rocks	100%	100%	
E 15/1380	Dunnsville	100%	100%	
E 15/1381		100%	100%	
E 16/294		100%	100%	
E 16/389		100%	100%	
E 16/390		100%	100%	
E16/443		100%	0%	Surrendered
E 69/3070		Symons Hill	100%	100%
E 63/1018	Killaloe	80% <sup>1</sup>	80% <sup>1</sup>	
E 63/1199		80% <sup>1</sup>	80% <sup>1</sup>	
E 63/1646		100%	100%	
E 63/1655		100%	100%	
E 63/1660		100%	100%	
E 63/1661		100%	100%	
E 63/1662		100%	100%	
E 63/1713		100%	100%	
E 09/2162	Glenburg	100%	100%	
E 52/3339		100%	100%	
E 28/2600	Lake Rebecca	100%	100%	
E 28/2635		100%	100%	
E 38/2948	Mount Weld	100%	100%	
E 38/2949		100%	100%	
E 38/3102		100%	100%	
E 39/1287	Lake Carey	100%	100%	
E 39/1837		100%	100%	
E 39/1863		100%	100%	
E 39/1864		100%	100%	
E 39/1957		100%	100%	
E 39/1958		100%	100%	
E 39/1980		100%	100%	
E 39/1981		100%	100%	
P 39/5652		100%	100%	
E 38/2938		90% <sup>3</sup>	90% <sup>3</sup>	
E 39/1796		90% <sup>3</sup>	90% <sup>3</sup>	
E 39/1752		100%	100%	
E 39/1770		100%	100%	
E 39/1803		100%	100%	

**MATSA RESOURCES LIMITED**  
**SCHEDULE OF TENEMENTS HELD AT 31 MARCH**  
**2018**

<b>Tenement</b>	<b>Project</b>	<b>Interest at Beginning of Quarter</b>	<b>Interest at End of Quarter</b>	<b>Change During Quarter</b>	
E 39/1812		100%	100%		
E 39/1819		100%	100%		
E 39/1834		100%	100%		
E 39/1840		100%	100%		
E 39/1889		90% <sup>2</sup>	90% <sup>2</sup>		
E 39/2015		100%	100%		
L 39/247		100%	100%		
M 39/1		100%	100%		
M 39/1065		100%	100%		
M 39/1089		100%	100%		
M 39/286		100%	100%		
M 39/709		100%	100%		
M 39/710		100%	100%		
P 39/5293		100%	100%		
P 39/5669		100%	100%		
P 39/5670		100%	100%		
P 39/5694		100%	100%		
P 39/5841		0%	100%	Granted	
E47/3518		Paraburdoo	0%	100%	Granted
SPL 17/2558		Siam Project	100%	0%	Surrendered
SPL 19/2558	100%		0%	Surrendered	
SPL 20/2558	100%		0%	Surrendered	
SPL 22/2558	100%		100%		
SPL 23/2558	100%		100%		
SPL 27/2553	100%		0%	Surrendered	
SPL 30/2553	100%		0%	Surrendered	
SPL 34/2558	100%		0%	Surrendered	
SPL 37/2558	100%		0%	Surrendered	
SPL 38/2558	100%		0%	Surrendered	
SPL 39/2558	100%		100%		
SPL 40/2558	100%		0%	Surrendered	
SPL 41/2558	100%		100%		
SPL 43/2558	100%		0%	Surrendered	
SPL 44/2558	100%		100%		
SPL 45/2558	100%		0%	Surrendered	
SPL 48/2558	100%		0%	Surrendered	
SPL 51/2558	100%		0%	Surrendered	
SPL 52/2558	100%		100%		

**MATSA RESOURCES LIMITED**  
**SCHEDULE OF TENEMENTS HELD AT 31 MARCH**  
**2018**

<b>Tenement</b>	<b>Project</b>	<b>Interest at Beginning of Quarter</b>	<b>Interest at End of Quarter</b>	<b>Change During Quarter</b>
SPL 53/2558		100%	0%	Surrendered
SPL 80/2558		100%	100%	

All tenements are located in Western Australia apart from the Siam Project which is located in Thailand.

<sup>1</sup> = Joint Venture with Cullen Resources Limited

<sup>2</sup> = Joint venture with Raven Resources Pty Ltd

<sup>3</sup> = Joint venture with Bruce Legendre

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## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

MATSA RESOURCES LIMITED

### ABN

48 106 732 487

### Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,256	4,191
1.2 Payments for		
(a) exploration & evaluation	(329)	(2,219)
(b) development	-	(554)
(c) production	(3,599)	(7,071)
(d) staff costs	(177)	(587)
(e) administration and corporate costs	(139)	(857)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	22
1.5 Interest and other costs of finance paid	(80)	(296)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	19	54
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,042)</b>	<b>(7,317)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(64)	(108)
(b) tenements (see item 10)	(50)	(175)
(c) investments	(258)	(258)
(d) other non-current assets	-	-

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	221	1,872
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Deposit on acquisition of Red October	-	(150)
	- Bond Deposits	(31)	(44)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(182)</b>	<b>1,137</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	2,548
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	375
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(182)
3.5	Proceeds from borrowings	-	3,037
3.6	Repayment of borrowings	(22)	(63)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(22)</b>	<b>5,715</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,848	2,067
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,042)	(7,317)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(182)	1,137
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(22)	5,715
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,602</b>	<b>1,602</b>

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5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,443	2,362
5.2 Call deposits	159	486
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,602</b>	<b>2,848</b>
Shares held in listed investments*	4,152	3,502
<b>Total cash and liquid investments at end of quarter</b>	<b>5,752</b>	<b>6,350</b>

\* Market value at 31 March 2018 (Previous quarter 31 December 2017)

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	182
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	4,000	3,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 8 August 2017 Matsa entered into a secured \$4M loan facility split equally between two separate parties. The loan attracts a 12% per annum interest rate and is repayable by 31 July 2019. At 31 March 2018 the Company had drawn down \$3M of the facility.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	1,045
9.2 Development	-
9.3 Production	2,035
9.4 Staff costs	281
9.5 Administration and corporate costs	336
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>3,696</b>

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## Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	<u>Dunnsville (WA)</u> E16/294	Direct	100%	0%
		<u>Siam Project (Thailand)</u> SPL17/2558	Direct	100%	0%
		SPL19/2558	Direct	100%	0%
		SPL20/2558	Direct	100%	0%
		SPL27/2558	Direct	100%	0%
		SPL30/2558	Direct	100%	0%
		SPL34/2558	Direct	100%	0%
		SPL37/2558	Direct	100%	0%
		SPL38/2558	Direct	100%	0%
		SPL40/2558	Direct	100%	0%
		SPL43/2558	Direct	100%	0%
		SPL45/2558	Direct	100%	0%
		SPL48/2558	Direct	100%	0%
		SPL51/2558	Direct	100%	0%
	SPL53/2558	Direct	100%	0%	
10.2	Interests in mining tenements and petroleum tenements acquired or increased	<u>Paraburdoo (WA)</u> E47/3518	Direct	0%	100%
		<u>Lake Carey (WA)</u> P39/5841	Direct	0%	100%

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....

(Director/Company secretary)

Date: 27 April 2018

Print name: Andrew Chapman

**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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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