



ASX Announcement

14th April 2021

Devon Pit Scoping Study Delivers Excellent Results

Highlights

- Recently completed scoping study confirms near term open pit production potential at the Devon Pit located on a granted mining lease, currently under Care and Maintenance
- Scoping Study (based on Matsa owned processing plant) delivers highly positive results - indicates immediate commencement of Devon Pit feasibility study is warranted
 - Total operating cash surplus **A\$40.75M over 12 months**
 - Production of **~37,000 oz gold at 4.64g/t** from 264,000t with a **93% recovery**
 - Operating **cash cost of A\$1,144/oz gold**
 - Assumed average gold sale price of A\$2,250/oz
 - Production of ore commences from surface
- Mining grades compare favourably with the excellent historical mining grades reported by GME Resources Ltd (2015 and 2016) of 61kt @ 5.3g/t
- Total Indicated and Inferred Mineral Resource Estimate (MRE) at Devon Pit¹ stand at 614,000 tonnes @ 4.1g/t Au (80,000 oz Au)
- Follow up extensional drilling will commence shortly, aimed at increasing the resource base at Devon Pit and Olympic which remain open at depth with potential for offset strike extensions to be found to the north and south
- Exploration drilling at Devon's LIN1, HE1 and HE5 prospects is scheduled to commence within the next 2 to 4 weeks
- Matsa has identified a large number of additional gold prospects at Devon and several interpreted Sub-Audio Magnetism (SAM) geophysical targets that require further exploration

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Directors

Frank Sibbel

Pascal Blampain

Director & Company Secretary

Andrew Chapman

Shares on Issue

271.14 million

Unlisted Options

77.48 million @ \$0.17 - \$0.35

Top 20 shareholders

Hold 57.93%

Share Price on 13th April 2021

7.9 cents

Market Capitalisation

\$21.42 million

¹ ASX Announcement 8 April 2021 - Initial High Grade Resource at Devon Lake Carey Gold Project

Matsa Resources Limited (“Matsa” or “the Company” ASX: MAT) is pleased to report highly positive results from its recently completed Scoping Study for the Devon Pit mining operation at the Company’s Devon project within the 100% owned Lake Carey Gold Project in the Eastern Goldfields of Western Australia.

The study shows that a mining operation at the Devon Pit will produce attractive project economics with a potential cash surplus of **A\$40.75M over** an estimated mining period of **12 months**. A sensitivity review indicates that the project is robust with potential for improvement to the financial model as new optimisations come to hand and exploration progresses to potentially add additional ounces to the resource.

While the current scoping study of the Devon Pit is based on processing at Matsa’s proposed treatment facility, metallurgical test work indicates that Devon Pit ore is amenable for treatment at any of the nearby standard CIP/CIL processing facilities, having been previously mined by GME Resources in 2015 – 2016 and treated at Carosue Dam. Future mining is expected to deliver very good-to-excellent gold recoveries with no deleterious elements.

Matsa Executive Chairman Mr Paul Poli commented:

*“Based on the positive outcomes of the Scoping Study, we will now immediately move ahead with plans to complete the necessary studies and works to obtain mining approvals. The results of this scoping work make a fantastic addition to Matsa’s existing Fortitude and Red October mines. Recently, we released a conceptual processing study that demonstrated a positive cash flow of upwards of A\$50M at Fortitude and combined, **the Devon and Fortitude open pits alone could provide collective positive cash flows of A\$80-90M at an assumed A\$2,250 gold price.***

This study was completed using a conservative gold price of A\$2,000/oz for the optimisation, and at the current gold price, makes a fantastic return. The mine sits on an existing Mining Lease under care and maintenance, which allows the Company the option to rapidly bring the Devon Pit back into operation. The opportunity to generate early cash flow from this high grade deposit presents a compelling case. The Devon Pit appears well placed to deliver significant cash flows for the Company and great value for our shareholders.

The exploration potential at Devon is significant and we’re about to embark on another 3,500m exploration drilling program that will seek to deliver new discoveries and, in time, add additional ounces to the resource. Devon is an integral cog in our strategy to build and operate our own mill at the Lake Carey project.”

Devon Pit Scoping Study Summary

Matsa has completed a study into an open pit mining operation at the Devon Pit gold deposit. The mining operation demonstrates a strong return in 12 months:

- Operating cash surplus of **A\$40.75M**
- Mined grade of **4.64g/t Au**
- Operating cash cost per ounce **A\$1,144**
- Assumed gold sale price of **A\$2,250**

- Production of 265kt @ 4.64g/t (~**37,000 oz produced**) using optimized pit shell at A\$2,000/oz
- Total movement of **6.8Mt**
- Waste to ore ratio **24.7:1**

Importantly, the Devon Pit sits within a granted Mining Lease with haulage road infrastructure in place. It is envisioned that existing studies can be rapidly updated to account for the proposed larger pit and waste rock landform requirements, additional dewatering needs and associated land studies to enable a smooth and short lead time approvals process to operational readiness.

Study Scope

An optimisation study has been completed for the Devon Pit MRE using a conventional open pit operation, with ore hauled and processed at a conceptual Matsa processing plant².

Key Assumptions	
Gold price	A\$2,000/oz
Mining Recovery & Dilution	95% rec, 10% Dil
Pit slope	45°
Metallurgical Recovery	95% Ox, 95% Tr, 93% Fr
Processing costs (\$/t)	\$29 Ox, \$31 Tr, \$35 Fr
Bench height	5m
Mining costs	\$4.5/t
Selling costs	\$70/oz
G&A	\$3/t
Whittle shells (RF 1.0 = base case)	0.3-2.0

Table 1: Key study assumptions

Three shells were assessed and compared that reflect step changes in a potential mining operation. The summary outcome for each of these three shells is tabulated below:

Shell	Gold Price	Ore (kt)	Grade Au g/t	Produced Oz ('000)	Strip ratio
18	1280	115	4.94	17.1	14.1
36	2000	264	4.64	36.7	24.7
48	2250	322	4.72	45.6	31.7

Table 2: Pit shell summary outcomes

The study does not account for setup costs and other capital requirements.

Cut-Off grade

The Devon Pit MRE³ has been reported at a cut-off grade of 1 g/t. This is reasonable considering the style of the deposit, the proximity to process facilities and to the selection of open cut mining equipment and methods used. It is quite possible that during operation a lower cut-off grade for mining will be economic. The scoping study has returned the following mining cut-off grades for the Devon Pit (at an optimised shell using A\$2,000/oz):

² ASX Announcements 22 January 2021 - Concept Study 600,000tpa Treatment Plant Lake Carey Project and 29 January 2021 - Transformational Exploration Strategy Lake Carey Project

³ ASX Announcement 8 April 2021 - Initial High Grade Resource at Devon Lake Carey Gold Project

Ore Type	Cut-off Grade
Oxide	0.54g/t
Transitional	0.58g/t
Fresh	0.67g/t

Table 3: Devon Pit mining cut-off grades (at an optimised shell using A\$2,000/oz)

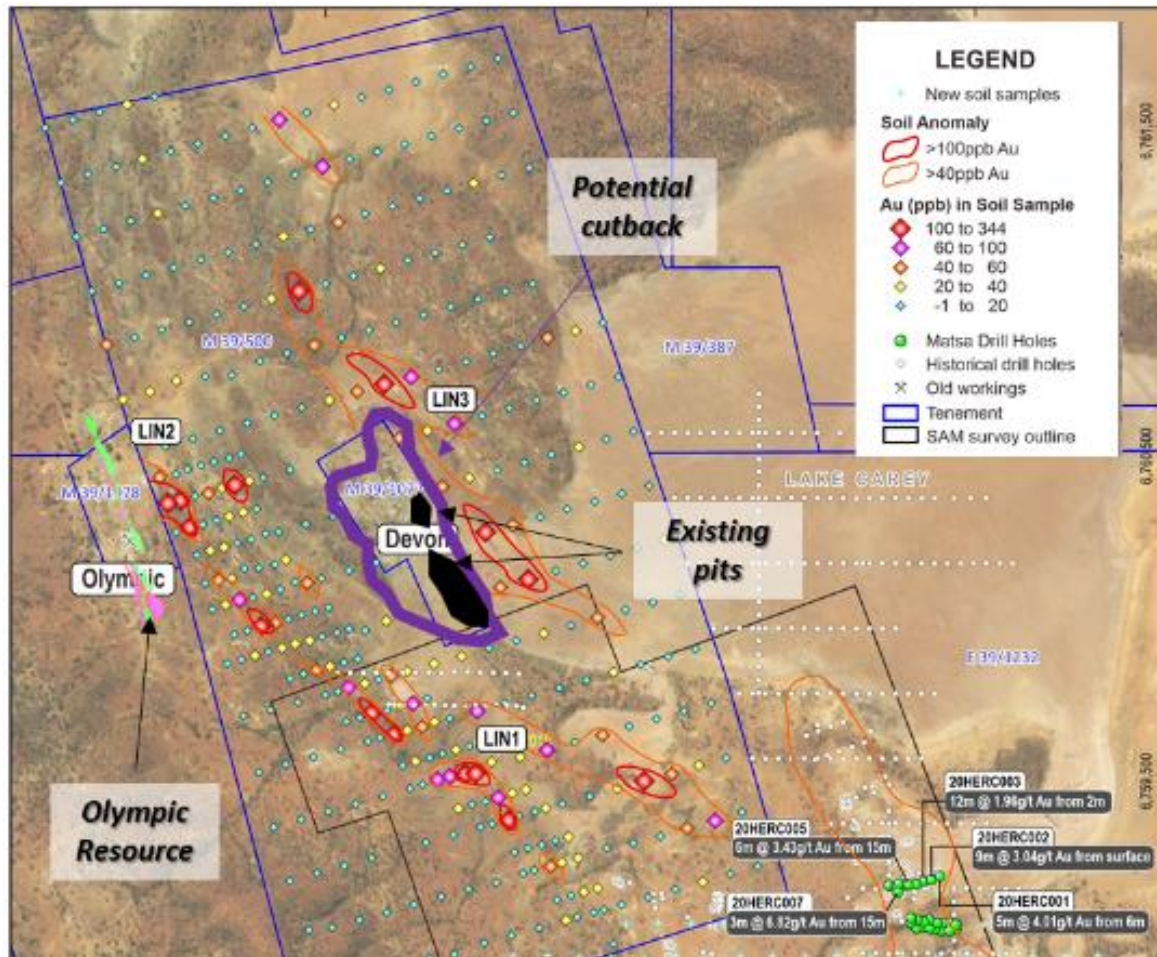


Figure 1: Devon Pit prospect and optimised shell outline

Metallurgy and processing

The Devon Pit has been mined during 2015 and 2016 by GME Resources Ltd ("GME"). Metallurgical testwork completed in 2016 by ALS Metallurgy laboratories indicate excellent recoveries ranging 91% to 96%. The results of a 2015 test also returned similar results up to 96% recovery. No reports of metallurgical issues were reported in either of GME's annual reports at the time of mining. GME reported a Plant recovery of 93.8% for the operation in their 2015 Annual Report⁴.

Infrastructure

Haulage roads are already established at Devon with the Devon Pit having been previously mined in 2015 and 2016 and the Red October accommodation village is readily accessible being only 25km by dirt road. Matsa has an operating landing strip for small aircraft at Linden which is currently in use to transport Red October mine staff to site.

⁴ GME Resources Annual Report 2015

Power will need to be established via portable generators. Water availability is not expected to be an issue due to proximity to Lake Carey and it is likely that dewatering of the operation will be an ongoing requirement with dewatering generating surplus water volumes that will need to be discharged.

Environment and community

Devon has a long history of mining activities dating back to the late 19th century. As such the area is heavily disturbed and is 115km from the nearest residential community being the town of Laverton to the north.

Planning and approvals

Devon Pit is located within a granted mining lease and associated infrastructure leases under care and maintenance. Key works required to advance the project for final approvals include:

- Updated Heritage study (from 2015 data)
- Submission of Mining Proposal, Project Management Plan and Environmental Compliance Report
- Application for Works Approval
- Application for Clearing Permit

Next steps

- Commencement of a Feasibility study and related mining study requirements
- Conduct Environment, Heritage and other studies to advance the project through statutory approvals process
- The deposit remains open in multiple directions. An extensive infill and extensional drilling program will continue through 2021 to both upgrade and expand the MRE
- Complete potential underground mining evaluation to complement an initial open pit cutback

The study is classified as a Scoping study with a confidence level of +/-40%.

Risks

A key number of risks that are normal for this type of operation have been identified, such as:

- Reduction in the \$A gold price will negatively impact on revenue
- Confidence in the geological model
- Achieving the assumed unit cost mining rates as used in the study
- Geotechnical stability of the pit walls
- The processing plant is a conceptual study and therefore there is no guarantee that a Matsa owned and operated plant will be realised

Cautionary Statement

This announcement is expressed in good faith and believed to have a reasonable basis.

The Scoping Study referred to in this announcement is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

This announcement includes information and graphics relating to a conceptual mining study, completed Mineral Resource estimate and a scoping study and includes “forward looking statements” which include, without limitation, estimates of gold production based on mineral resources that are currently being evaluated.

While the Company has a reasonable basis on which to express these estimates, any forward looking statement is subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

Risks include, without limitation, gold metal prices, foreign exchange rate movements, project funding capacity and estimates of future capital and operating costs.

The Company does not undertake to release publicly any revisions to forward looking statements included in this report to reflect events or results after the date of this presentation, except as may be required under applicable securities regulations.

Any potential investor should refer to publicly available reports on the ASX website and seek independent advice before considering investing in the Company.

Devon Project Background

Devon, within the Lake Carey Gold project (Figures 2), is located 7km south of Matsa’s Red October Mine and contains a significant number of historic gold workings. Recent successful drilling by Matsa has been focused on the Devon Pit, Olympic, and Hill East prospects.

The shallow high grade nature of mineralisation at Devon Pit (Figure 1) in particular, lends itself to a potential cutback mining scenario with minimal pre strip requirements, early access to ore and mining studies have commenced. The grade and mineralisation are expected to be amenable to both open pit and underground mining methods and may provide a logical add-on to the established mining plan at Fortitude Stage 2.

The Devon Pit and Olympic prospects were both mined in the early 1900s via shaft and level development. It was also mined during 2015 and 2016 by GME who reported production of approximately 61kt @ 5.3g/t for 10.4koz from the Devon Pit.

Devon was acquired by Matsa in November 2018⁵ which removed multiple tenement ownership impediments to exploration and at the time of acquisition, no resource was reported.

Both Devon Pit and Olympic resources remain open at depth and potential for offset/strike extensions to the north and south remain. Historical mapping for the region has highlighted brittle deformation pointing to potential offsets of the lode structures.

⁵ ASX Announcement 14 November 2018 - Matsa Expands Lake Carey Gold Project

In addition to known structural offsets, the soil sampling conducted by Matsa over the past 6 months has highlighted a number of gold in soil anomalies that are yet to be drill tested.

In the near future, the Company expects to extend its SAM coverage to the north of previously completed surveys, encompassing the entire Devon prospect that could assist in defining further drill targets.

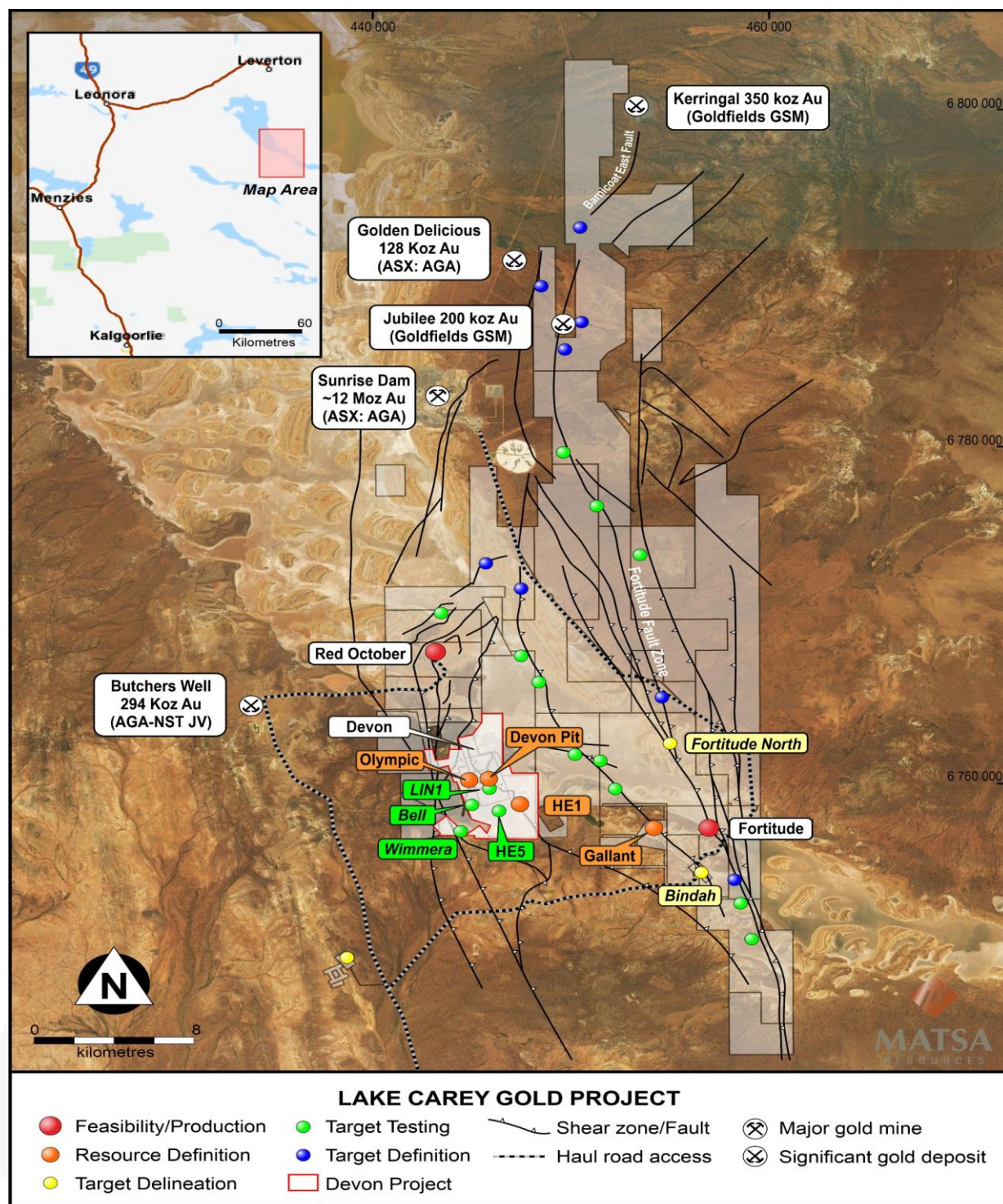


Figure 2: Lake Carey Gold Project

This ASX announcement is authorised for release by the Board of Matsa Resources Limited.

For further information please contact:

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Competent Person

The information in this report is based on information compiled by Pascal Blampain, who is a Member of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Pascal Blampain is a full time employee, and serves on the Board, of Matsa Resources Limited and 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'. Mr Blampain consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.