



ASX Announcement

2 May 2018

Plan to Restart Mining Update Red October Gold Project

Highlights

- *Geological review by Pit N Portal highlights areas within the existing 85,000 oz @ 13.6 g/t underground resource model as potentially mineable*
- *High level mine planning and financial analysis of these areas is underway with initial results expected shortly*
- *New targets outside the known resource exist with further potential for near term mining identified*
- *Pit N Portal studies set to continue with successful first pass work resulting in*
 - *a framework to release a scoping study for mining*
 - *mine design and scheduling*
 - *financial models and budgets*

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 51.68%

Share Price on 2nd May 2018

16.5 cents

Market Capitalisation

\$29.19 million

Matsa Resources Limited (“Matsa” or “the Company” ASX: MAT) announced on 6th April 2018 that it had entered into a Memorandum of Understanding (“MOU”) with Pit N Portal Mining Services Pty Ltd (“PNP”) whereby PNP will undertake a two staged approach to conducting underground studies and development of mineral resources at the Red October gold project (*MAT announcement to ASX 6th April 2018*). The goal is for PNP to commence mining at the Red October Gold Mine for Matsa as soon as possible.

Stage 1 of the MOU was expected to be completed by 20th April. However, the preliminary results of the initial mining design and high level financial model is highly encouraging with a significant number of opportunities identified in the geological review. Matsa has decided to increase the scope of this first study to incorporate the new findings. Results of the expanded study are expected shortly.

Areas for near term underground mining have been identified based on confidence levels of the mineral resource, distance from existing infrastructure and exploration requirements.

An initial 15 areas within the existing 85,000 oz @ 13.6 g/t underground resource model (Table 1) have been identified as near term potential mining areas and are currently being investigated further for mine planning and financial analysis (Figure 1). Another 12, near mine areas outside the existing resource model have also been identified for further drilling as high priority drill targets.

| | Indicated | | | Inferred | | | Total | | |
|----------------|-----------|------|--------|----------|------|--------|---------|------|--------|
| | tonnes | g/t | Oz Au | tonnes | g/t | Oz Au | tonnes | g/t | Oz Au |
| June 30 2017 | | | | | | | | | |
| Red October OP | 251,000 | 17 | 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 |
| Total | 340,000 | 4.5 | 49,000 | 106,000 | 14.7 | 50,000 | 446,000 | 6.9 | 99,000 |

Table 1: 30 June 2017 Red October Resource Estimate (ref ASX: SAR 02/08/2017)

The initial mining areas identified for further work referred to in this announcement have been undertaken as part of a process to determine a decision to resume mining at Red October. It is a preliminary technical and economic study of the potential viability of the Red October underground mine. It is based on low level technical and economic assessments which are not sufficient as of yet to support the estimation of ore reserves. Further exploration and evaluation work and appropriate studies are required before Matsa will be in a position to estimate ore reserves or to provide any assurance of an economic development case. Given the uncertainty involved, investors should not make any investment decisions based solely on the results in this announcement.

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.

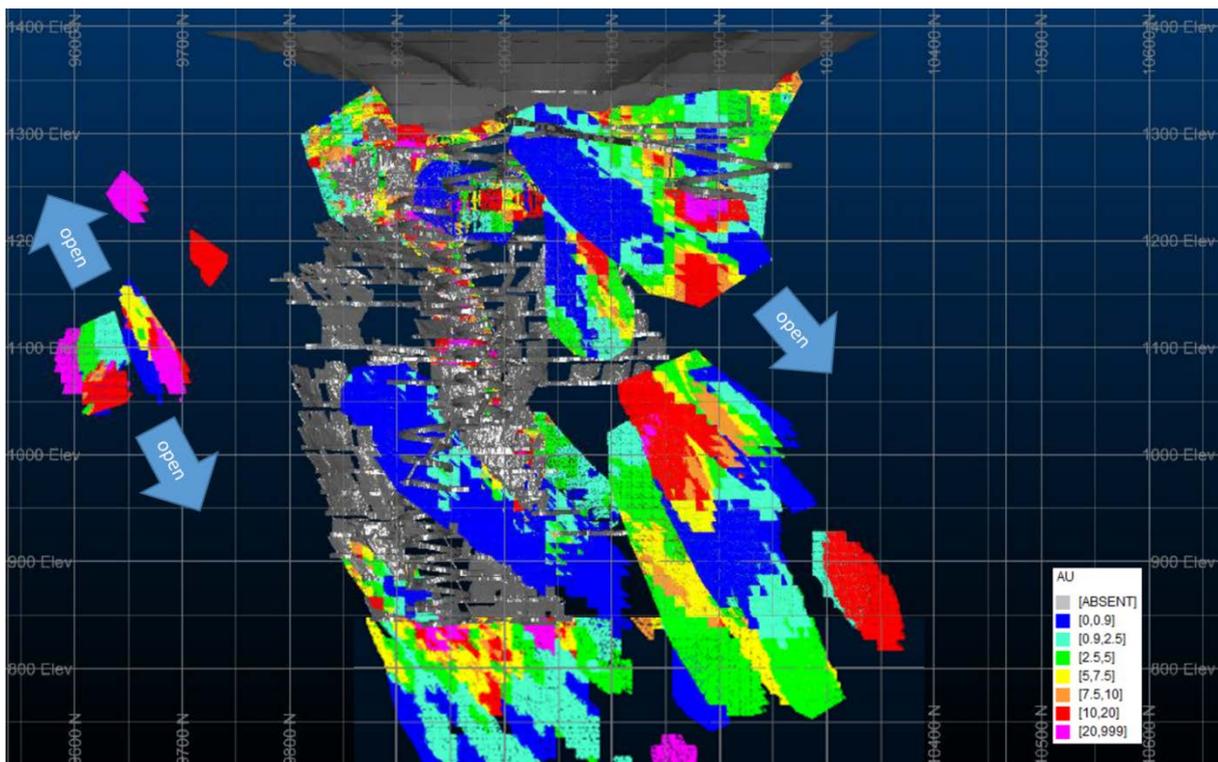


Figure 1: Long Section (looking west) showing selected resource model domains under investigation and existing development

In addition to areas within the resource model, 12 other areas have also been identified as having near mine potential and require further exploration and evaluation work (Figure 1). Subject to further positive Stage 1 results, Matsa intends to move into Stage 2 which will involve a more detailed continuation of the Stage 1 work, as well as obtaining all necessary permits and approvals, attending to tenders and contracts and the establishment of a mining reserve. The studies will also include mining plans and schedules.

Matsa’s Executive Chairman Mr Paul Poli said *“I am delighted that the initial geological review provides substantial encouragement to continue investigations towards mining in the near term. I continue to look forward to working with PNP over the coming months to commence mining at Red October.”*

Disclaimer and Forward Looking Statement

Information included in this release constitutes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue” and “guidance” or other similar words, and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities

or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate environmental conditions including extreme weather conditions, staffing and litigation Forward looking statements are based on the company and its management's assumptions made in good faith relating to the financial, market, regulatory and other relevant environments that exist and effect the company's business operations in the future. Readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements are only current and relevant for the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward looking statements or advise of any change in events, conditions or circumstances on which such statement is based.

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 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.