



ASX Announcement

19th June 2018

Fortitude Trial Mine Final Results

Highlights

- *Mining at the Fortitude Trial Mine was completed at the end of April 2018 with last ore hauled to SDGM in early May 2018*
- *Total revenue from the Trial Mine was \$9.4 million with a positive operating cash flow achieved*
- *Gold mineralisation in transitional and fresh rock was better than expected with respect to both tonnes and grade when compared to the original exploration drilling results*
- *Mineralisation in supergene ore was lower than expected in both tonnes and grade compared to the original exploration drilling results*
- *The better than expected gold production in transitional and fresh ore in the North Pit augers well for the proposed Stage 2 mining operation which targets this type of mineralisation at depth*
- *The corporate relationship with AngloGold worked very well and paves the way for a continued future mutually beneficial partnership*
- *The results from the Trial Mine are being incorporated into the mining studies of the larger, longer-term mining operation at the Fortitude Gold Mine providing a much better understanding of the orebody and to minimise risk*

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 19th June 2018

16.5 cents

Market Capitalisation

\$29.19 million

Matsa Resources Limited (“Matsa” or “the Company” ASX: MAT) is pleased to advise of the results of its operations from the Fortitude Trial Mine which forms part of the Company’s Lake Carey Gold project.

The Trial Mine operations ceased at the end of April 2018 with last ore delivered to the Sunrise Dam Gold Mine (SDGM) under the ore purchase agreement with AngloGold Ashanti Australia Limited (AGAA) in early May 2018. There is approximately 10,000 tonnes of ore valued at over A\$600,000 that remains at SDGM and is currently being processed. Funds from the remaining ore are to be remitted by AGAA to Matsa in due course.

The key outcomes from the Trial Mine are shown in Table 1 below.

	Budget (as per Trial Mining Study Feb 2017)	Actual	% Achieved
Total Tonnes	185,000	162,003	87.57
Grade	2.16	1.83	84.72
Waste BCM	999,773	944,483	94.47
Total BCM	1,093,176	1,023,997	93.67
Strip Ratio	10.7	11.9	111.21
Grade (g/t)	2.16	1.83	84.72
Production (Oz)	12,100	9,522	78.69
AISC (AUD\$)	1,140	1,486	386*

* Absolute figure

The overall financial results illustrate that a positive operating cashflow of approximately A\$700,000 was achieved from operations despite the mining of lower tonnes at a lower overall grade than anticipated from the supergene zone.

The trial mining operation in the North Pit targeted a supergene zone of ore that was enriched by geological weathering processes. While the gold recovery from this zone was lower than anticipated the recovery from the underlying transitional ore was significantly better than expectations. The proposed Stage 2 mine targets transitional and fresh ore at depth in an ore zone that has achieved better gold recovery compared to the exploration results and Ore Reserve model.

As previously advised the forecast production from the North Pit was reduced as a result of a lower than expected gold grade in a section of supergene in the pit. Further to that, there was a shortfall in ore tonnes due to early termination of mining due to a wall failure in the east wall of the North Pit on 26th April, and since it was near to the end of trial mining operations, it was decided to leave that ore for the proposed Stage 2 mining operations.

As a result of the above mentioned decision a total of 7,914 tonnes of ore at 1.93g/t has been left in the floor of the North Pit valued at close to \$500,000.

In the early stages of the trial mining, the mine experienced delays due to the availability and reliability of the contractors' mining and haulage fleet and the unexpected requirement for blasting rather than free digging.

Mining and ore production improved considerably from January to April 2018 with rectification of the contractors' problems. Unfortunately, the lost production could not be made up resulting in increased fixed costs. Matsa will look for improved procedures in the proposed Stage 2 mining operation to prevent a reoccurrence of such events.

The Fortitude Trial Mine did not reconcile with respect to grade from exploration drilling over the life of the trial mine operations. This can be attributed to a number of factors:

1. The grade control process which allows for dilution did not suit ore blocks which are narrow, dipping or oblique to the grade control drill pattern. This particularly affected the realised grades in the Central and South Pits. As a result of this, the South Pit was not mined to the designed depth and the Central Pit was mined at a reduced grade.
2. The North Pit with wider vertical loads was substantially improved by the grade control process which meant a higher than expected production of gold ore.
3. The North Pit had a significant supergene zone. This supergene zone was not identified by the grade control drilling. A direct comparison of the reserve and grade control drilling in these benches showed a significant reduction in grade which was the principal reason that overall gold production for the North Pit was lower than forecast.
4. In direct contrast, the anticipated depletion zone in the transitional ore in the Reserve model for the North Pit did not exist and significantly higher tonnes and grades were achieved in this zone. It should be noted that this is a strong positive for the proposed Stage 2 mining operation as the bulk of the Stage 2 mining operation targets this type of ore.

While the overall results from the Trial Mine did not generate the budgeted expected operating surplus, it was still a positive outcome. Furthermore, it has provided significant knowledge of the orebody which will prove very valuable. This new found knowledge will be incorporated into the ongoing mining studies for the larger and longer term Stage 2 mining operation at Fortitude.

For further information please contact:

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