



## ASX Announcement

29<sup>th</sup> January 2021

## Quarterly Activities Report 31<sup>st</sup> December 2020

### Highlights

#### Red October Gold Mine

- There were no lost time injuries during the quarter
- Updated JORC 2012 underground resource is now **173,000 oz gold @ 5.8g/t** compared to Red October's previously reported underground JORC resource of 82,000 oz gold @ 13.2g/t
- Diamond drilling demonstrates strong potential for adding new gold ounces into the mine plan. Notably 21 holes intersected economic grades with 16 of these intersecting high-grade gold mineralisation.

#### Lionfish Lode

- **5.7m @ 27.94g/t Au**
- **1.0m @ 17.45g/t Au**
- **0.28m @ 161.50 g/t Au**
- **5.70m @ 27.94 g/t Au**
- **2.02m @ 9.30g/t Au**

#### Marlin 410 Lode

- **0.75m @ 61.2g/t Au**
- **1.30m @ 8.14g/t Au**
- **1.70m @ 51.68g/t Au**
- **0.75m @ 61.20g/t Au**

#### Dory and Smurfette

- **0.81m @ 22.00g/t Au**
- **7.00m @ 5.24g/t Au**
- **4.04m @ 4.62g/t Au**

#### MH Fault

- **3.80m @ 30.98g/t Au**
- **1.60m @ 5.94g/t Au** (Previously unidentified lode)

### CORPORATE SUMMARY

#### Executive Chairman

Paul Poli

#### Director

Frank Sibbel

#### Director & Company Secretary

Andrew Chapman

#### Shares on Issue

271.14 million

#### Unlisted Options

77.78 million @ \$0.17 - \$0.35

#### Top 20 shareholders

Hold 56.86%

#### Share Price on 29<sup>th</sup> January 2021

10.5 cents

#### Market Capitalisation

\$28.47 million

- Whilst higher grade ore was mined during the quarter as planned, overall tonnes mined were adversely impacted because of ongoing exploration and development work, including decline extension. **C1 cash costs were A\$1,259/oz and AISC was A\$2,272/oz**
- Total mine production of 11,940 tonnes @ 4.11 g/t Au for 1,576 ounces gold-equivalent before adjustments for processing
- Given Matsa's new strategy, exploration will become the highest priority at Red October to build a long term mining operation. Accordingly, ore production will wind down and any mining activities will focus on development to support drilling

## Devon

- RC drilling at Devon pit confirmed the presence of high grade gold mineralisation including shallow intercepts in the sparsely drilled Hanging Wall Lode. Key results include:

### Main Lode

- **4m @ 15.55 g/t Au** from 71m, incl **3m @ 19.6 g/t Au**
- **2m @ 8.23 g/t Au** from 65m, incl **1m @ 15.19 g/t Au**
- **3m @ 10.56 g/t Au** from 119m, incl **1m @ 25.93 g/t Au**
- **2m @ 11.3 g/t Au** from 95m, incl **1m @ 20.95 g/t Au**
- **5m @ 2.44 g/t Au** from 110m, incl **1m @ 9.1 g/t Au**

### Hanging Wall Lode

- **12m @ 8.97 g/t Au** from 14m, incl **2m @ 24.08 g/t Au** from 14m, incl **1m @ 50.39 g/t Au**
- **2m @ 6.56 g/t Au** from 72m, incl **1m @ 12.23 g/t Au**
- **1m @ 18.71 g/t Au** from 46m
- **3m @ 3.93 g/t Au** from 62m
- A 91-line km SAM survey was completed over Hill East during the quarter and results are currently being reviewed

## Lake Rebecca Gold Project

- An aircore drilling program targeted on the lake at Lake Rebecca commenced during the quarter and was completed on 15<sup>th</sup> January 2021
- The program was completed safely, on time and on budget

## Corporate

The Company appointed CPC Project Design to undertake an engineering concept study in relation to a 600,000tpa treatment plant as part of its long term strategy at Lake Carey Gold project

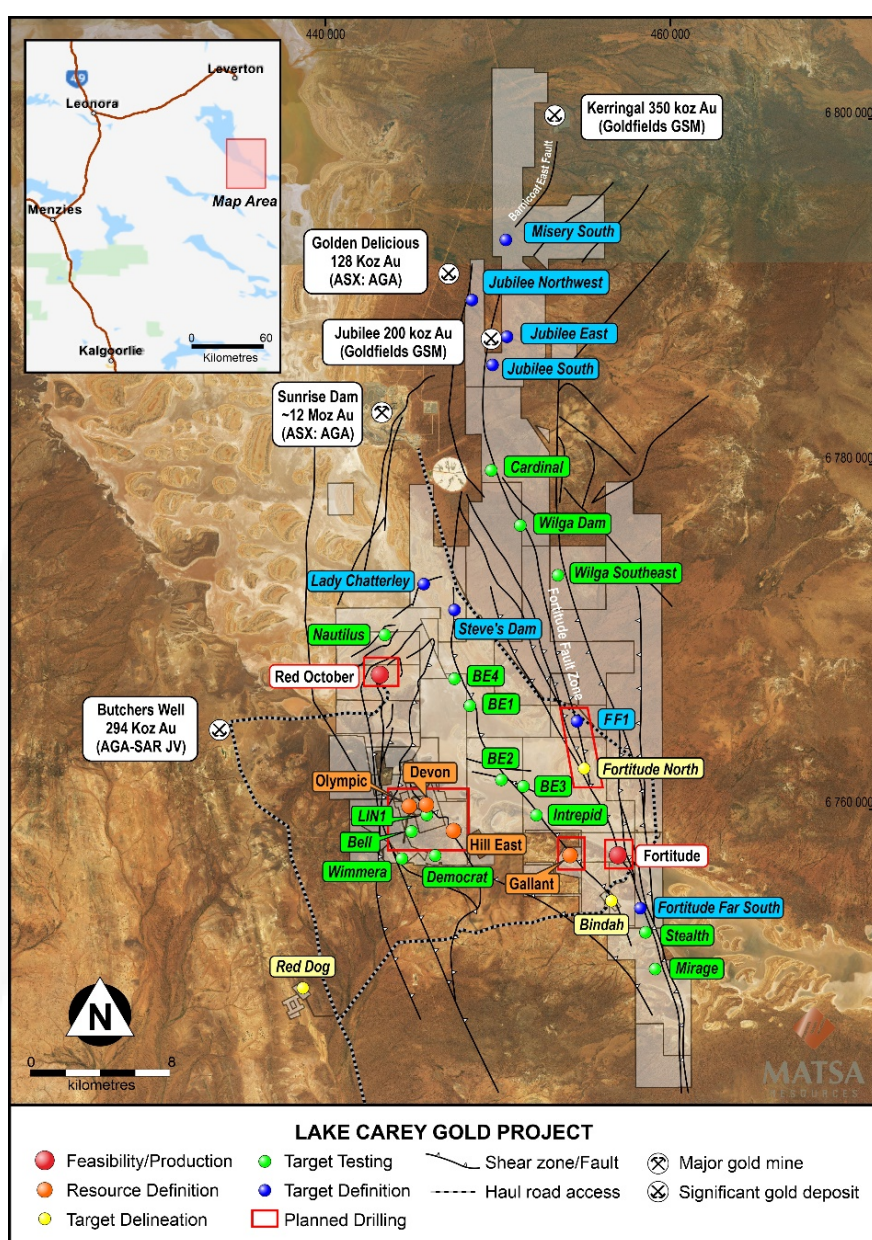
## INTRODUCTION

**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> December 2020.

## COMPANY ACTIVITIES

Activities during the quarter have been principally focused on the Company's 503km<sup>2</sup> Lake Carey Gold project (Figure 1) and comprised the following:

- Development and production from Red October underground gold mine
- Revised reportable Resource Estimate for Red October within existing block model
- Diamond drilling underground at Red October
- RC drilling Devon pit
- SAM ground geophysical survey at Hill East



**Figure 1: Lake Carey Gold project**

## RED OCTOBER

Mining continued during the quarter for a total of 289 metres of development and a total production of 11,940 tonnes @ 4.11 g/t Au for 1,576 ounces gold equivalent (Table 1).

### Underground Mining and Production

Total mine production for the quarter was **11,940 tonnes at 4.11 g/t Au** for **1,576 ounces** gold equivalent. Production came from a combination of jumbo development and long-hole stoping from the North Decline area and ore drive development from the South Decline Area. In total there was a total of 289 metres development. Recovered ounces sold at an assumed metallurgical recovery of 85% was 1,689 oz gold.

	2019-20 Actuals	September 2020 Quarter Actuals	December 2020 Quarter Actuals	2020-21 YTD 6 months
<b>Mine Production</b>				
Total Tonnes	55,076	28,308	11,940	40,247
Grade (g/t)	4.2	2.66	4.11	3.09
Production (oz equivalent)	7,431	2,421	1,576	3,996
Recovered (oz)	6,391	1,971	1,340	3,311
<b>Ore Sales</b>				
Tonnes	48,826	20,836	23,220	43,666
Grade (g/t)	4.11	3.86	2.66	3.22
Ore Sales (oz)	6,445	2,532	1,987	4,519
Met Recovery (%)	86%	81.4%	85%	82.98%
Recovered (oz)	5,560	2,061	1,689	3,750
Stockpiled Ore (oz)	-	700	259	259
Avg Gold Price (A\$/oz)	2,375	2,668	2,560	2,616
Cash (C1) Costs (A\$/oz)	N/A	1,781	1,259	1,627
AISC (A\$/oz equivalent)	2,051	2,821	2,272	2,686

**Table 1: Red October gold production summary**

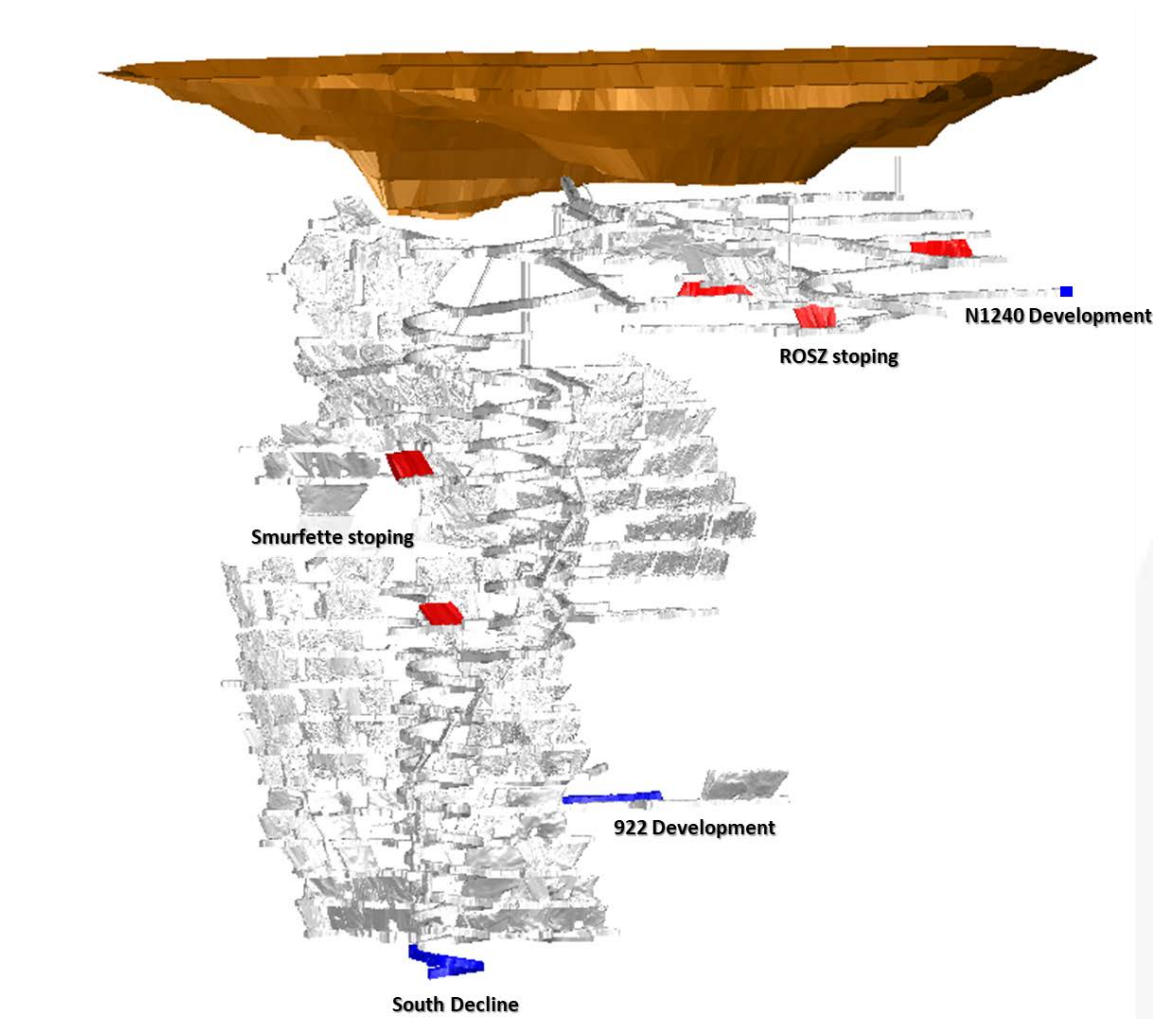
\* Previous published quarter results have been adjusted for subsequent receipt of updated tonnages, grades and/or metallurgical recoveries. Figures may not be precise due to rounding. Differences between production and sales represents ore mined and on the ROM pad at the end of each quarter

The Red October underground operations continued during the quarter with a focus on improving grades. While mined ore grades increased in accordance with mine plans, substantial decline and development drives were required during the quarter to access deeper parts of the mine for exploration and future mining. In line with Matsa's recently announced strategy, exploration will now be the key focus and mining activities will principally support exploration.

### Mining Activities – ROSZ North Production and Development

Production on the ROSZ lodes on the N1260, N1240 and N1225 levels continued (Figure 2) and stopes were taken on the Smurfette structures on the 1138 and 1042 levels.





**Figure 2: Red October mine, oblique view from above looking west (Q4 production stopeing in red, new development in blue)**

ROSZ and Smurfette mining areas are the key production centres of the mine whilst new development (refer Mine Plan Extension section) is completed in the following areas:

- the South Decline is being developed to the next level in the Marlin Lode
- the 922 level to enable resource infill drilling and expose the north-central area of the Marlin lode
- north along the ROSZ (N1240) is extended to provide exploration and development opportunities in the Costello and Bruce exploration areas

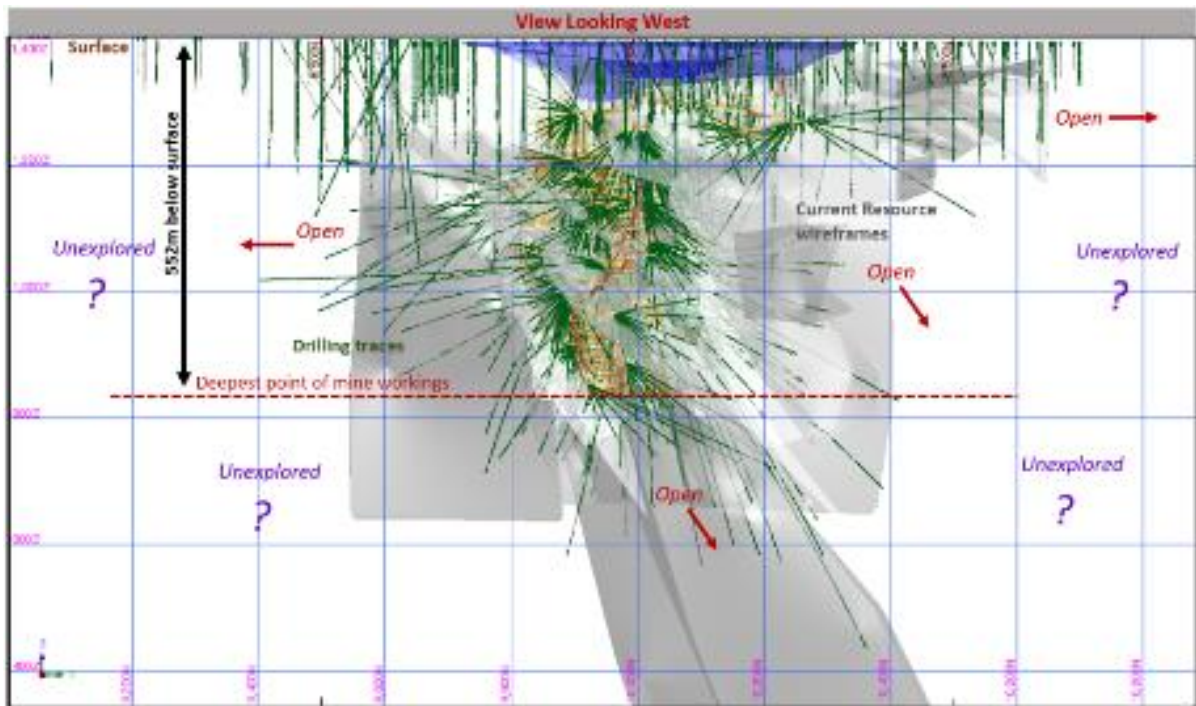
Following recently completed drilling, the Company has commenced extending the South Decline down to access lower 822 and 802 Levels to continue mining the Marlin 410 Lode. A crosscut into the Marlin Lode at the 822 was completed late in December 2020 and ore drives are currently being established. Upon completion of the 822 ore drive, stopes from the Marlin lode will be ready for mining.

### Red October Mine Plan Extension

Matsa considers that the Red October resource remains open and under-explored along strike and down-dip. There is evidence of high-grade gold intersections within the existing drilling dataset, both within and outside of the existing mine footprint. Recent drilling supports this view and additional drilling can add new ounces to the mine plan.

Existing drill data strongly supports the idea that potential exists to expand the resource for long term mining:

- Within the existing resource wireframes, adjacent to existing workings and further afield through additional resource definition drilling (Figure 3); and
- Outside the existing resource wireframes where potential is demonstrated by existing high-grade drill results >10 g/t Au (Figure 4) and requires further exploratory drilling

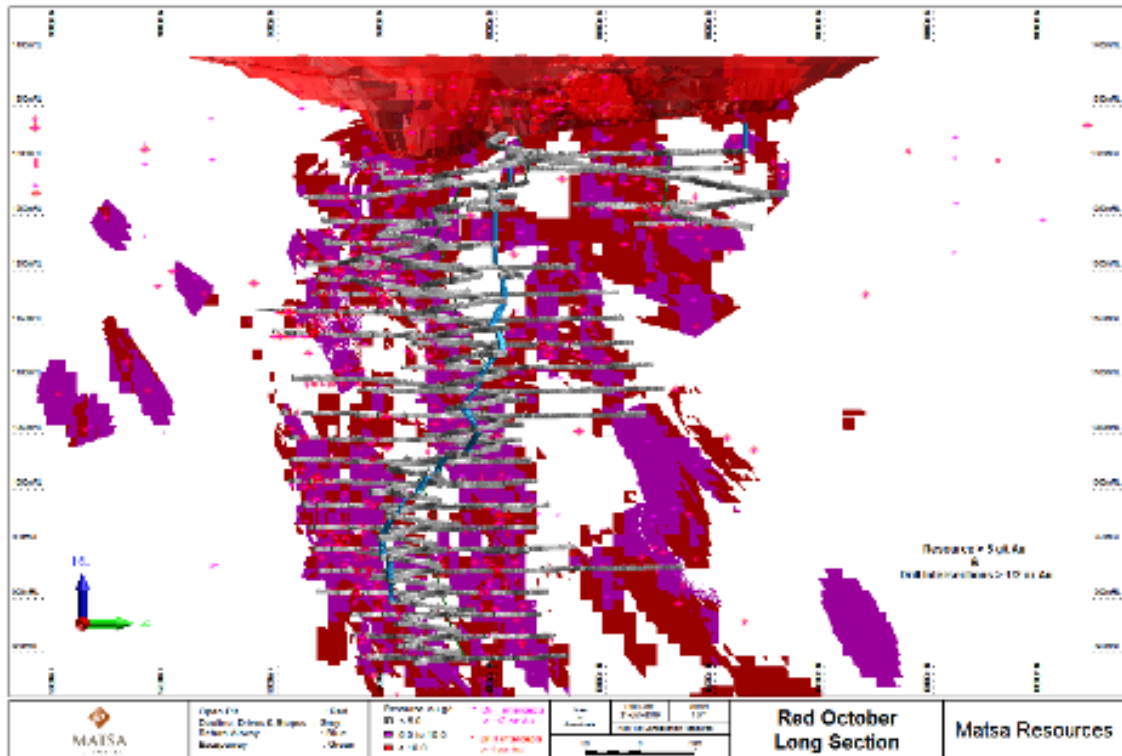


**Figure 3: Red October, longitudinal section showing existing Resource wireframes, drilling and mine workings (RO mine grid co-ordinates)**

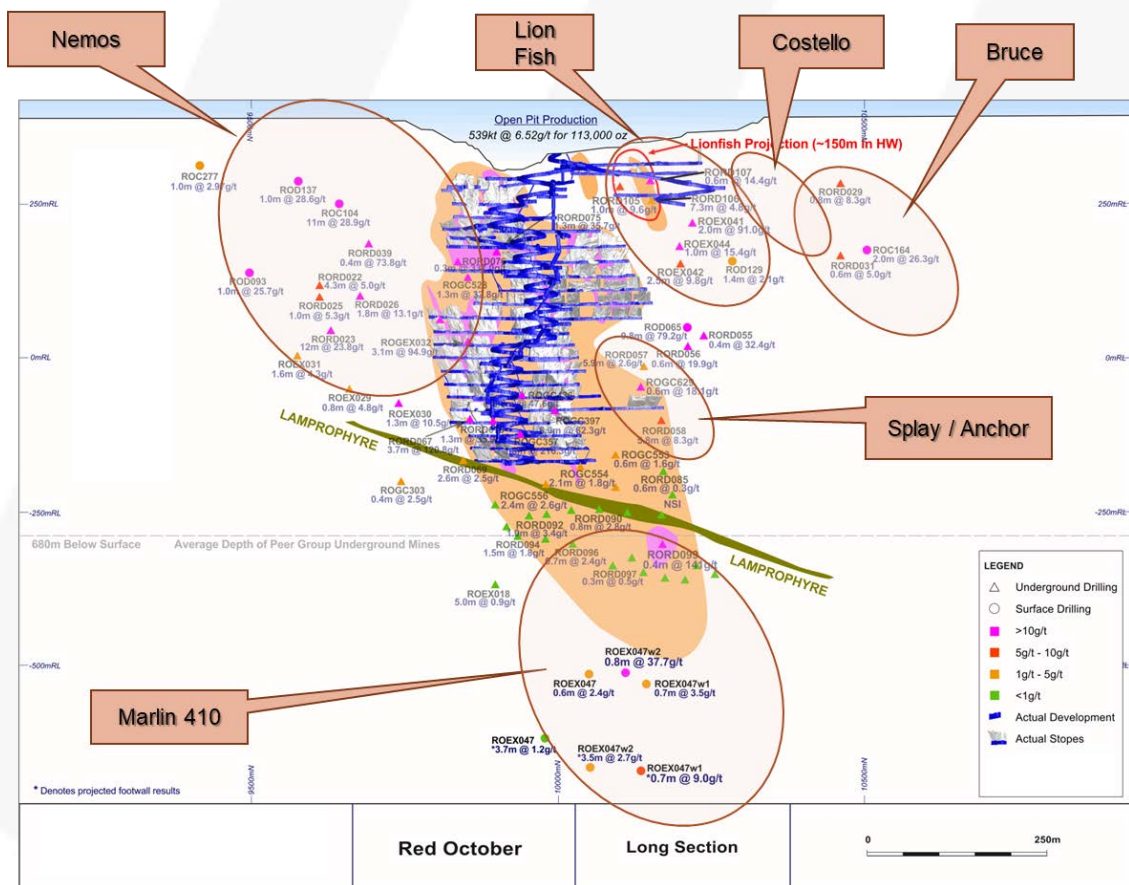
In December 2020, Matsa announced a revised Resource of 173,000oz<sup>1</sup> that forms the basis of a new resource and reserve growth strategy to develop a long term mining plan. Significant opportunities at Red October exists through ongoing work including:

- Initial mine designs centered on the existing 173,000oz Resource base
- Resource conversion through definition drilling of the 81,000oz Inferred Resource
- Optimisation work on existing database to assist with mine planning and grade control drilling
- Detailed mine designs to establish Red October reserves
- Extending key development headings to provide drill platforms along strike of the main Red October Shear and Marlin lodes to test both northern and southern potential extensions
- Resource growth through exploratory drilling along strike and at depth
- Drill testing potential continuity of historical high grade intercepts (refer Figure 5) that have had limited follow up drilling
- Study works on a potential integrated mining and processing scenario for Red October, Devon and Fortitude mines

<sup>1</sup> ASX Announcement dated 14<sup>th</sup> December 2020 - High Grade Results and Resource Review Red October



**Figure 4: Red October, longitudinal projection with summary of high-grade gold mineralisation >5g/t Au (RO mine grid co-ordinates) (June 2016 Saracen Resource Model)**



**Figure 5: Long section looking west showing planned target drilling areas for 2021-2022 drilling (Results relate to historical drilling pre-Matsa)**



## Red October Diamond Drilling

Diamond drilling continued during the quarter with a further 5 drillholes completed for a total of 937m. Whilst more drilling was initially planned, it was decided to temporarily halt drilling activities whilst results were fully assessed against both long term mine plans, including the Red October Mine Plan extension. It also enabled commencement of a global resource potential review to help prioritise grade control, resource development and exploration drilling requirements. Locations for the recent drilling are summarised in Figure 6.

Assays include very strong results from the Lionfish and Marlin 410 areas and overall provide encouraging insights into the potential for Lionfish, Marlin 410 and Dory targets (Figure 6) to add meaningful ounces to the mine plan, with all of the targets close to existing workings<sup>2 3</sup>.

Assay results received during the quarter have been released in previous announcements. All assays have been received and updated to new grade control models which will form the basis of the mine plan.

The drilling has also identified additional new focus areas, such as MH Fault and Splay, and previously unrecognised mineralisation. Further drilling has the potential to provide additional mineable ounces and offer increased flexibility enabling production from multiple mining fronts.

Drill assays include:

ROGC747: **0.70m @ 137.50g/t Au** from 29.50m – Lionfish HW 357

ROGC747: **0.90m @ 11.25g/t Au** from 79.56m – Lionfish HW 356

ROGC749: **1.59m @ 5.04g/t Au** from 24.65m – Lionfish HW 357

ROGC749: **2.00m @ 16.14g/t Au** from 56.00m – Lionfish Splay 555

ROGC750: **3.00m @ 3.50g/t Au** from 63.40m – Lionfish HW 356

ROGC751: **0.28m @ 161.50g/t Au** from 37.50m – Lionfish HW 356

ROGC752: **2.30m @ 2.75g/t Au** from 28.3m - Marlin 410

ROGC753: **2.81m @ 3.63g/t Au** from 21.0m - ROSZ/Marlin 410

ROGC755: **0.75m @ 61.2g/t Au** from 73.4m - Marlin 410

ROGC767: **5.50m @ 5.60g/t Au** from 70.0m - Lionfish HW 356

ROGC768: **2.02m @ 9.30g/t Au** from 45.0m - Lionfish HW 356

ROGC769: **0.38m @ 15.05g/t Au** from 20.22m - Lionfish HW 357

ROGC770: **5.7m @ 27.94g/t Au** from 50.3m - Lionfish Splay 555

ROGC771: **0.6m @ 25.7g/t Au** from 23.57m - Lionfish HW 357

ROGC773: **0.20m @ 10.35g/t Au** from 140.8m - Nemo 202

and **6.45m @ 2.44g/t Au** from 191m - ROSZ

ROGC774: **2.0m @ 3.11g/t Au** from 3.0m - Smurfette 320

ROGC794: **1.0m @ 17.45g/t Au** from 48.1m – Lionfish Splay 555

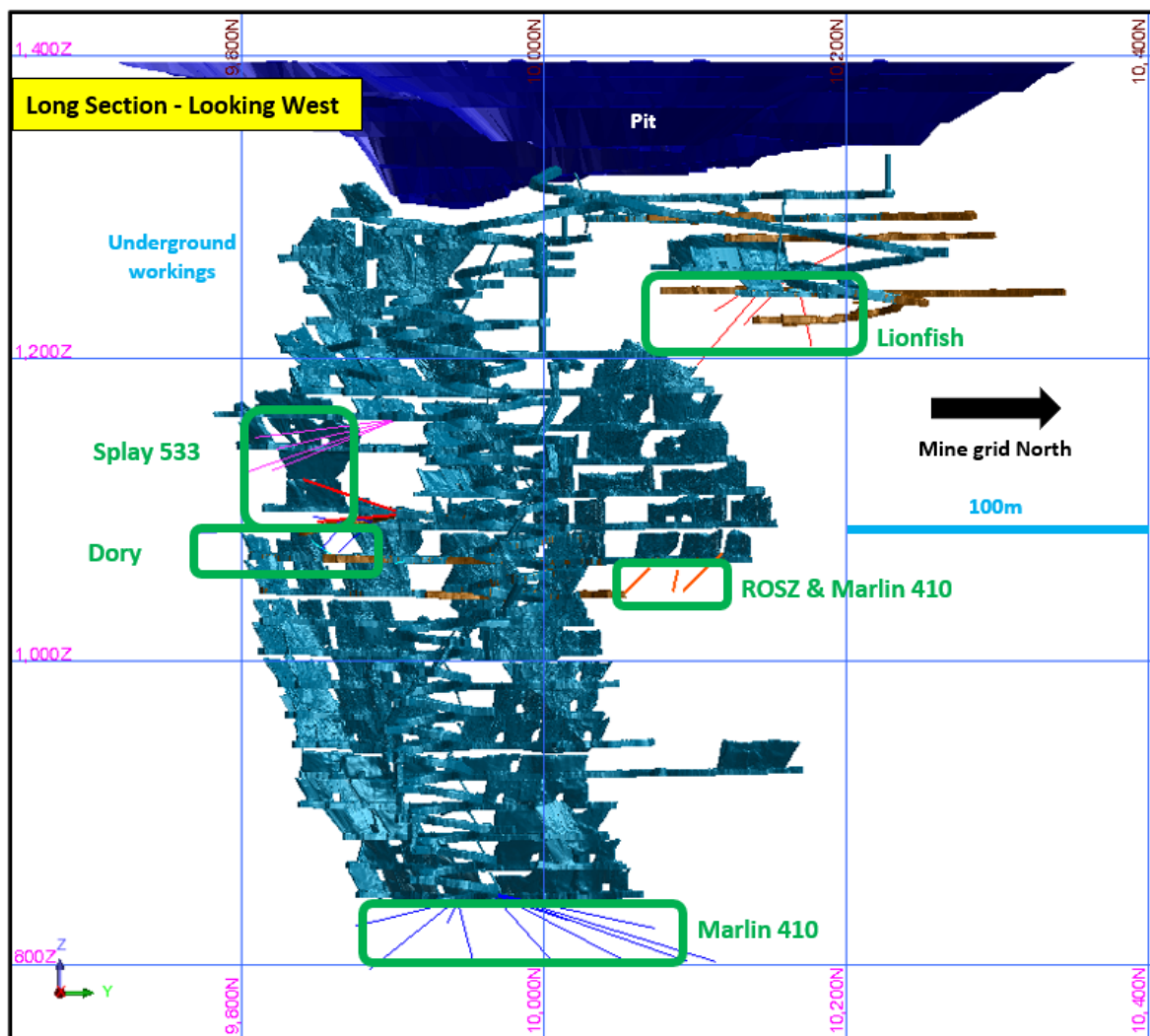
<sup>2</sup> ASX Announcement dated 7<sup>th</sup> October 2020 - Excellent Early Results Red October Gold Project

<sup>3</sup> ASX Announcement dated 9<sup>th</sup> November 2020 - Further Outstanding High Grade Results at Red October



ROGC796: **2.67m @ 5.23g/t Au** from 78.85m - new lode

These results confirm the potential for adding gold ounces into the mine plan. With a clear objective of developing a LTP (long-term mine plan) following the recent work done on both the resource and recent drilling, a two year exploration and resource drill out program has been developed. Matsa is expecting to commence this drilling during 2021 and expects to be in a position to report new reserves going forward.



**Figure 6: Long section looking west – Q3/Q4 drilling areas**

## FORTITUDE

Fortitude Gold Mine Stage 2, as previously announced, is a 22-month open pit project, which is expected to produce 54,400 ounces of gold. All permits required to commence Stage 2 mining are in place.

The Fortitude Stage 2 pit will significantly benefit from the outcomes of the CPC study into a Matsa owned and operated 600,000tpa treatment plant.

## LAKE CAREY EXPLORATION

The following activities were carried out during the quarter at Devon:

- RC drilling at Devon pit with 35 holes for 3,973m for a program total of 5,075m of drilling<sup>4</sup>
- RC drilling completed at Olympic with 12 holes for 1,437m
- RC drilling completed at Democrat with 10 holes for 446m
- A Sub Audio Magnetics (SAM) survey was completed at Hill East immediately south of Devon pit, for a total of 91-line kilometres and covering an area of ~4km<sup>2</sup>

### Devon Pit RC Drilling Program

RC drilling program at the Devon pit was designed to test an Exploration Target\* of between 100,000 and 250,000 ounces of gold as previously announced<sup>5</sup>. Drilling was designed to test the gold grades, continuity and depth and strike extents of the moderately SW dipping Main Lode and the adjacent more steeply dipping Hanging Wall Lode (Figure 7).

Drilling results has shown gold mineralisation remains open down plunge and at depth within both the Main Lode and Hanging Wall Lodes. Assays for 1m split samples for holes 20DVR034, and 30DVR044 – 20DVR051 which were not available at time of the announcement are listed in Appendix 2. Sampling and assay protocols remain unchanged from those quoted in that announcement.

Key intercepts based on 1m split assays are listed below and summarised in Figure 7:

#### Main Lode Zone Intercepts

20DVR016: **5m @ 2.13 g/t Au** from 75m incl **1m @ 8.43 g/t Au**

20DVR028: **1m @ 22.07 g/t Au** from 70m

20DVR031: **4m @ 15.5 g/t Au** from 71m, incl **3m @ 19.6 g/t Au**

20DVR033: **2m @ 8.23 g/t Au** from 65m, incl **1m @ 15.19 g/t Au**

20DVR034: **2m @ 11.9 g/t Au** from 59m, incl **1m @ 21.71 g/t Au** from 59m

20DVR036: **3m @ 10.56 g/t Au** from 119m, incl **1m @ 25.93 g/t Au**

20DVR037: **2m @ 11.3 g/t Au** from 95m, incl **1m @ 20.95 g/t Au**

20DVR039: **5m @ 2.44 g/t Au** from 110m, incl **1m @ 9.1 g/t Au**

#### Hanging Wall Lode Intercepts

20DVR020: **1m @ 18.71 g/t Au** from 46m

20DVR022: **12m @ 8.97 g/t Au** from 14m, incl **2m @ 24.08 g/t Au & 1m @ 50.39 g/t Au**

20DVR032: **2m @ 6.56 g/t Au** from 72m, incl **1m @ 12.23 g/t Au**

20DVR050: **3m @ 3.93 g/t Au** from 62m

<sup>4</sup> ASX Announcement 7<sup>th</sup> December 2020 - High Grade Gold Results Enhances Devon

<sup>5</sup> ASX Announcement 18<sup>th</sup> August 2020 - Significant Gold Potential Lake Carey Gold Project

\*The Exploration Target is based on available information to guide exploration and prioritise drill hole planning. The potential quantity and grade of an Exploration Target is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Interpretation and comments on drilling results can be summarised as follows:

- Mineralisation in the Main Lode appears to plunge at a shallow angle to the north and remains open and next phase drilling is planned to more fully define the mineralisation
- Drilling confirms the complex structural nature of both the Main and the Hanging Wall lodes
- High grade gold mineralisation in the Hanging Wall Lode including very shallow intersections in the weathering profile in 20DVR022 (**12m @ 8.97 g/t Au** from 14m) and in previous Matsa drill hole 19DVR003 (**15m @ 20.78 g/t Au** from 23m), and remains open to the north and at depth (Figure 3)
- The Hanging Wall Lode, which does not outcrop at surface and with no historic mining, remains very sparsely drilled. Future drilling will seek to test the shallow depth potential and extensions to mineralisation to the north which remains open



**Figure 7: Devon RC drilling summary**

## Next Steps

New drilling results are currently being integrated into an updated Devon pit geological model as a basis for a resource optimisation to drive priorities and design of the next stage of drilling to progress Devon pit as a mining project.

Down-hole optical televiewer surveys providing oriented structural and lithological data were successfully completed in many of the recent RC drill holes. Analysis of this data is planned to be carried out in order to more accurately define structure, geological contacts and mineralisation.

Multi-element check assays are planned over selected intervals in order to examine potential pathfinder and alteration signatures to gold mineralisation.

Diamond drilling to obtain oriented drill core is planned once all assays have been received and a complete assessment of results has been carried out.

## Olympic RC Drilling Program

The RC drilling program at Olympic comprised a total of 12 holes (20ODRC009-20ODRC020) for 1,437m of drilling.

Drilling was designed to test the Olympic Exploration Target\* estimated to be between 20,000 and 110,000 ounces of gold based on historic drilling and on the more recent drilling conducted by Matsa in 2020<sup>6</sup>.

In particular, drilling was focused on the continuity and strike extent of gold mineralisation and in particular, domains of thicker and/or higher grade mineralisation. Drill results were received subsequent to the end of the quarter, have confirmed continuity of gold mineralisation over a distance of 500m which remains open at depth.

## Democrat RC Drilling

RC drilling was designed to test for extensions of high-grade mineralisation away from the historic Democrat workings. The position of the historic lode, mined to a vertical depth of ~ 200m was established using detailed mine survey plans. Drilling comprised 10 shallow drill holes for 446m of drilling to test for potential strike extents away from the old workings. Results from composite 3m samples were disappointing with no significant assays returned.

## Sub Audio Magnetic Survey Hill East

The survey was carried out over a large part of Devon, which includes the structurally complex deeply weathered area hosting Hill East. The survey area includes a discrete 1km long soil geochemical anomaly over the Hill East targets made up of a number of high grade auriferous quartz veins with historic workings. Matsa carried out RC drilling in early 2020 to evaluate the resource potential of Hill East targets HE1-HE4. An Exploration Target has been estimated of between 13,000 and 26,000 oz gold\* based on highly encouraging drilling results from this program<sup>7</sup>. To date drilling at Hill East has targeted shallow supergene mineralisation in deeply weathered basaltic volcanics which is interpreted to be underlain by a zone of gold depletion. Consequently, most drilling is shallow (<50m).

\*The Exploration Target is based on available information to guide exploration and prioritise drill hole planning. The potential quantity and grade of an Exploration Target is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource uncertain if further exploration will result in the estimation of a Mineral Resource.

<sup>6</sup> ASX Announcement 20th January 2021 – Olympic High Grade Results Enhances Devon Gold Project

<sup>7</sup> ASX Announcement 28<sup>th</sup> April 2020 - Further High Grade Gold Near Devon Hill East Lake Carey Gold Project



The objective of the SAM survey was to map potential mineralised structures concealed by deep weathering as a guide for further drilling for both supergene mineralisation, and for potential deeper primary mineralisation below the zone of gold depletion in the weathering profile.

The SAM technique was considered to be potentially more effective than either conventional electromagnetic (EM) or induced polarisation surveys because of the proximity to Lake Carey and its highly conductive saline groundwater and clays.

The survey area comprised an area of approximately 4km<sup>2</sup> for a total of 91 line-kilometres.

SAM data has been integrated with existing drill hole data and interpretation and target selection are in progress.

## **FRASER RANGE NICKEL PROJECT**

### **Symons Hill Project (Matsa 100%; IGO Earning 80%)**

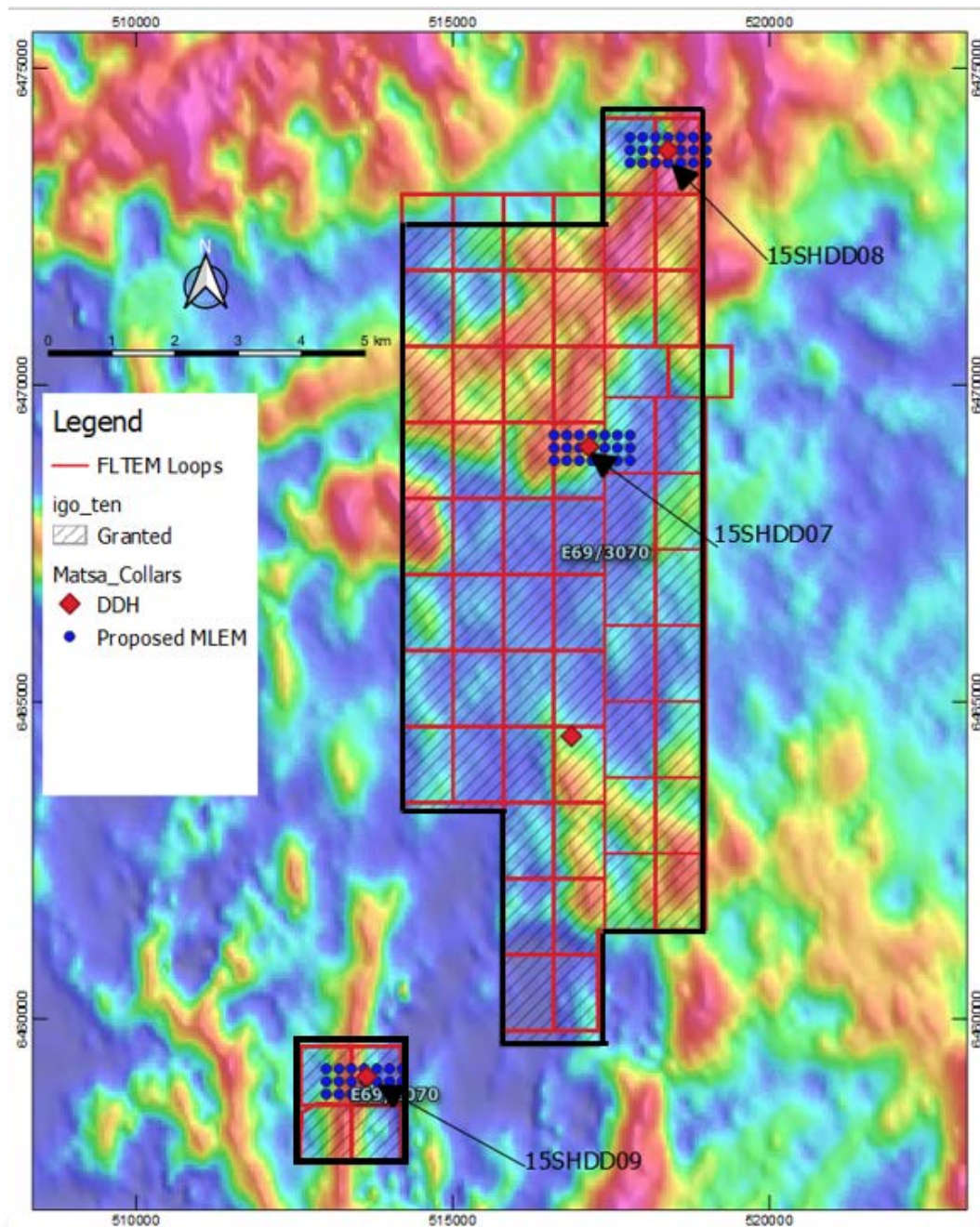
During the December 2020 quarter the following exploration activities were completed by IGO Limited (IGO) within tenement E69/3070, which is subject to an Option Agreement between IGO and Matsa:

- Data review and interpretation of previous drilling programs and geophysical surveys to help plan future exploration activities
- Database integration: combining previous soil sample results, VTEM stations, aircore drilling results, diamond drill results, petrology reports and 2D seismic results, into IGO database

Proposed Moving Loop Electromagnetic Survey (MLEM) surveys were delayed due to bushfire season.

Planned work for March 2021 quarter includes (Figure 8):

- MLEM surveys following up on three previously drilled targets to confirm effectiveness of FLEM surveys. Surveys will be undertaken once the highest risk for bushfire season has passed
- Interpretation of potential field data inversions and previous drilling results to generate drill targets.



**Figure 8: Proposed follow-up MLEM stations (blue dots) on E69/3070 overlain on EM conductivity image (Spectrum Late Tau X)**

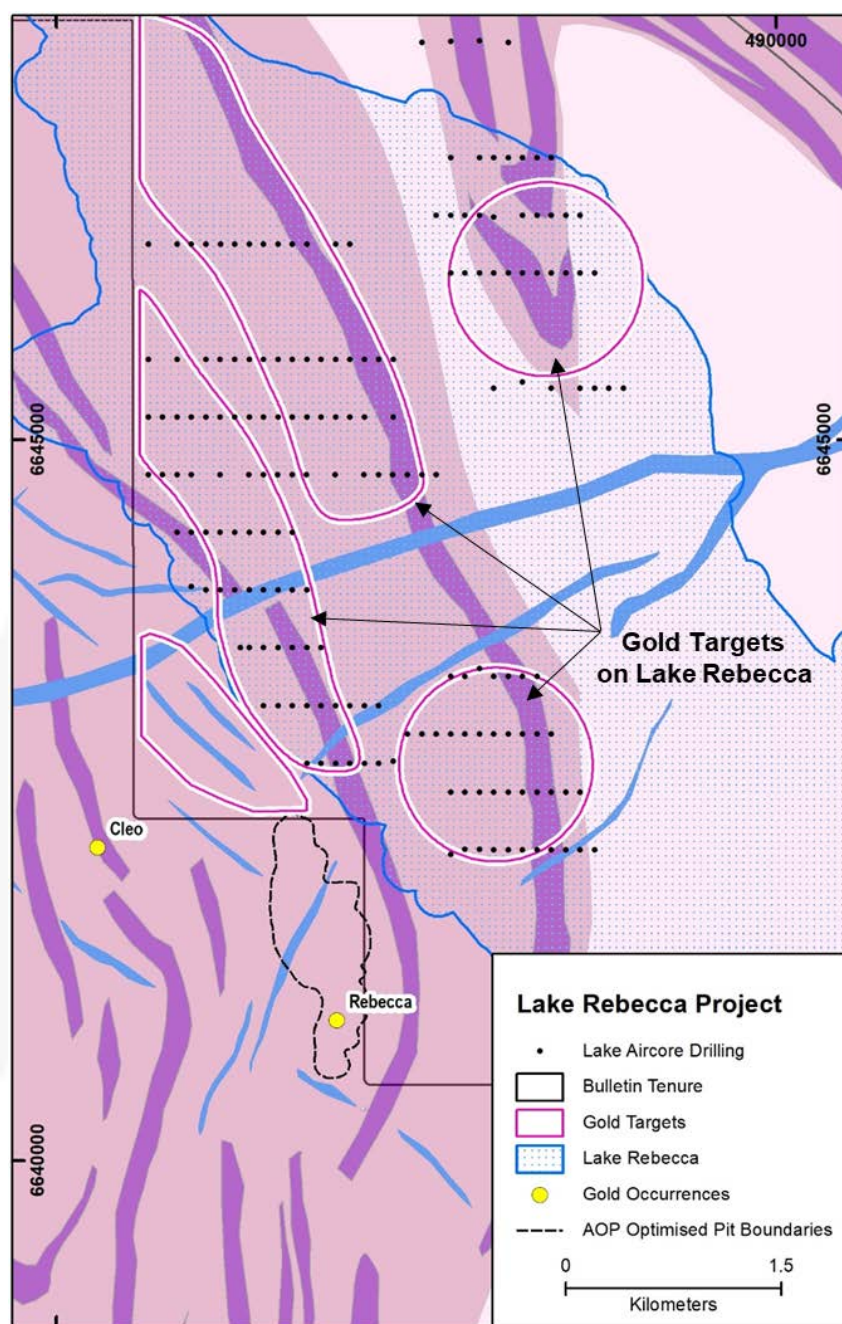
#### LAKE REBECCA GOLD PROJECT (80% BNR; 20% MAT)

The 576km<sup>2</sup> Lake Rebecca project is located 150km east north-east of Kalgoorlie, Western Australia and is immediately along strike of Apollo Consolidated Limited's ("Apollo"; ASX: AOP) 1.03M oz Rebecca gold project. Matsa holds a 20% free carried interest in two tenements totalling 172km<sup>2</sup>.

During the quarter, Bulletin Resources Limited commenced a new major aircore drilling program focused on the lake at Lake Rebecca targeting prospective areas within the salt lake. The drilling program concluded on the 15th January 2021 and totalled 182 holes for 7,307m. The program was completed safely, on time and on budget. All samples have been submitted to the laboratory in Kalgoorlie and results are expected in the coming weeks.

The lake aircore drill program tested folds and other structural features of the Rebecca Complex beneath the lake that are considered prospective for gold (Figure 9).

Drilling has shown that the western portion of the salt lake overlies a typical Yilgarn saprolite or weathered basement profile averaging 20m thickness beneath a shallow 10m lake cover. Average depth to fresh basement in the west of the lake is approximately 30m. The eastern edge of the salt lake is dominated by a paleo-channel or ancient river sediments that has largely eroded the saprolite profile. The paleo-channel has an average depth of 58m and consists of several fining-up sequences of gravels, sands and clays. The paleo-channel appears to deepen to the north indicating that the present day salt lake position may be south of the ancient river system when it was most active. Paleo-channels may host alluvial gold that has been transported from nearby weathered deposits.



**Figure 9: Priority gold targets and Aircore drilling on Lake Rebecca**





**Figure 10: Drilling on Lake Rebecca**

## CORPORATE

During the quarter the Company appointed CPC Project Design to undertake an engineering concept study in relation to a 600,000tpa treatment plant as part of its long term strategy at Lake Carey. The outcomes and details of that study were released to the ASX on 22 January 2021<sup>8</sup>.

## Financial Commentary

An overview of the Company's financial activities for the quarter ending 31 December 2020 (Appendix 5B) notes that:

- Receipts from customers from the sale of gold ore from Red October gold mine was \$2.14M for the quarter after deduction of processing costs. Costs of production for the quarter amounted to \$1.76M with capitalised development of \$2.33M. This resulted in a negative cashflow for the quarter of \$1.95M
- Exploration expenditure for the quarter at the Lake Carey gold project was \$1.1M. The total amount paid to directors of the entity and their associates in the period (Item 6.1 of the Appendix 5B) was \$164,000 and includes salary, director's fees, consulting fees and superannuation
- Cash and listed shares total approximately A\$5.38M as at 31 December 2020
- A loan facility of A\$5M drawn down to A\$4M is available to the Company

<sup>8</sup> ASX Announcement 22<sup>nd</sup> January 2021 – Concept Study 600,000tpa Treatment Plant Lake Carey Project



## 2020 DECEMBER QUARTER - ASX ANNOUNCEMENTS

This Quarterly Activities Report contains information extracted from ASX market announcements reported in accordance with the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (“2012 JORC Code”). Further details (including 2012 JORC Code reporting tables where applicable) of exploration results referred to in this Quarterly Activities Report can be found in the following announcements lodged on the ASX:

18-Dec-20	Amended High Grade Results and Resource Review Red October
14-Dec-20	High Grade Results and Resource Review Red October
07-Dec-20	High Grade Gold Results Enhances Devon
09-Nov-20	Further Outstanding High Grade Results at Red October
07-Oct-20	Excellent Early Results Red October Gold Project
01-Oct-20	Drilling Commences at Devon Gold Mine

These announcements are available for viewing on the Company’s website under the Investors centre tab under ASX Announcements. The Company confirms that it is not aware of any new information or data that materially affects the information included in any original ASX announcement.

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

### For further information please contact:

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### Competent Person Statement

#### 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.*

**Appendix 1 – Devon 1m split assays not included in ASX Announcement 7<sup>th</sup> December 2020**

HOLE ID	SAMPLE ID	FROM	TO	Au ppm
20DVRC034	176143	5	6	0.71
20DVRC034	176183	43	44	1.26
20DVRC034	176184	44	45	0.14
20DVRC034	176185	45	46	0.19
20DVRC034	176186	46	47	1.65
20DVRC034	176187	47	48	0.18
20DVRC034	176199	59	60	21.71
20DVRC034	176201	60	61	1.47
20DVRC034	176202	61	62	0.36
20DVRC034	176203	62	63	0.28
20DVRC034	176204	63	64	0.11
20DVRC034	176205	64	65	0.11
20DVRC034	176206	65	66	0.27
20DVRC045	177474	95	96	3.34
20DVRC045	177475	96	97	0.32
20DVRC045	177476	97	98	0.28
20DVRC045	177485	105	106	0.16
20DVRC045	177486	106	107	0.13
20DVRC045	177493	113	114	2
20DVRC045	177494	114	115	0.1
20DVRC045	177514	133	134	0.47
20DVRC046	177661	135	136	0.12
20DVRC046	177662	136	137	0.14
20DVRC046	177665	139	140	0.18
20DVRC046	177668	142	143	0.88
20DVRC046	177669	143	144	1.36
20DVRC046	177670	144	145	0.26
20DVRC050	178198	56	57	0.12
20DVRC050	178199	57	58	0.31
20DVRC050	178205	62	63	3.76
20DVRC050	178206	63	64	2.61
20DVRC050	178207	64	65	5.43
20DVRC050	178210	67	68	0.23
20DVRC050	178214	71	72	0.89
20DVRC050	178215	72	73	0.14
20DVRC051	178221	0	1	0.44
20DVRC051	178222	1	2	0.1
20DVRC051	178223	2	3	0.13
20DVRC051	178224	3	4	0.28
HOLE ID	SAMPLE ID	FROM	TO	Au ppm

20DVRC051	178225	4	5	0.16
20DVRC051	178227	6	7	0.27
20DVRC051	178228	7	8	0.24
20DVRC051	178229	8	9	0.11
20DVRC051	178231	10	11	0.2
20DVRC051	178232	11	12	0.32
20DVRC051	178233	12	13	0.67
20DVRC051	178234	13	14	0.36

**MATSA RESOURCES LIMITED**

**SCHEDULE OF TENEMENTS HELD AT 31 DECEMBER 2020**

<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 69/3070	Symons Hill	100%	100%	
E 28/2916		100%	100%	
E 52/3339	Glenburg	100%	100%	
E 28/2600	Lake Rebecca <sup>3</sup>	20%	20%	
E 28/2635		20%	20%	
E38/2945	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 39/1796		90% <sup>2</sup>	90% <sup>2</sup>	
E 39/1752		100%	100%	
E 39/1770		100%	100%	
E 39/1803		100%	100%	
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>1</sup>	90% <sup>1</sup>	
E 39/2015		100%	100%	
L 39/247		100%	100%	
L 39/260		1000%	100%	
L 39/267		100%	100%	
L 39/268		100%	100%	
L 39/291		100%	100%	
M 39/1		100%	100%	
M39/1099		100%	100%	
M39/1100		100%	100%	
M39/38		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%	



**MATSA RESOURCES LIMITED**

**SCHEDULE OF TENEMENTS HELD AT 31 DECEMBER 2020**

<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>
P 39/5293		100%	100%	
P 39/5669		100%	100%	
P 39/5670		100%	100%	
P 39/5694		100%	100%	
P 39/5841		100%	100%	
E 47/3518	Paraburdoo	100%	100%	
E 39/1760	Devon	100%	100%	
E 39/1232		100%	100%	
L39/222		100%	100%	
L 39/235		100%	100%	
L 39/237		100%	100%	
M 39/386		100%	100%	
M 39/387		100%	100%	
M 39/500		100%	100%	
M 39/629		100%	100%	
M 39/1077		100%	100%	
M 39/1078		100%	100%	
P 39/6116		100%	100%	
P 39/6117		100%	100%	
L 39/217	Red October	0%	100%	Acquired
L 39/273		100%	100%	
M 39/411		100%	100%	
M 39/412		100%	100%	
M 39/413		100%	100%	
M 39/599		100%	100%	
M 39/600		100%	100%	
M 39/609		100%	100%	
M 39/610		100%	100%	
M 39/611		100%	100%	
M 39/721		100%	100%	
SPL 80/2558	Siam Project	100%	0%	Surrendered

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

<sup>1</sup> = Joint venture with Raven Resources Pty Ltd

<sup>2</sup> = Joint venture with Bruce Legendre

<sup>3</sup> = Joint venture with Bulletin Resources Limited

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

**Name of entity**

MATSA RESOURCES LIMITED

**ABN**

48 106 732 487

**Quarter ended ("current quarter")**

31 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	2,139	6,606
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	(2,336)	(2,336)
	(c) production	(1,776)	(6,478)
	(d) staff costs	(383)	(745)
	(e) administration and corporate costs	(438)	(979)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	17	17
1.5	Interest and other costs of finance paid	(121)	(205)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other – Other Income	69	104
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(2,829)</b>	<b>(4,016)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(228)	(769)
	(d) exploration & evaluation (if capitalised)	(1,128)	(1,970)
	(e) investments	-	-
	(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	304	304
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Bond Deposits	1	3
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,051)</b>	<b>(2,432)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,612
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(42)	(418)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(68)	(161)
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>(110)</b>	<b>6,033</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	5,372	1,797
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,829)	(4,016)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,051)	(2,432)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(110)	6,033

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	1,382	1,382

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	1,332	5,322
5.2 Call deposits	50	50
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>1,382</b>	<b>5,372</b>
Shares held in listed investments*	4,001	3,715
<b>Total cash and liquid investments at end of quarter</b>	<b>5,383</b>	<b>9,087</b>

\*Market value at 31 December 2020 (previous quarter 30 September 2020)

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
164
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments to directors and related parties are included in Item 1



## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	5,000	4,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	5,000	4,000
7.5 <b>Unused financing facilities available at quarter end</b>		1,000
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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 2022. On 6 May 2019 a variation to the loan increased the facility to \$5M. At 30 June 2020 the Company had drawn down \$4M of the facility.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,829)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,128)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,957)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,382
8.5 Unused finance facilities available at quarter end (Item 7.5)	1,000
8.6 Total available funding (Item 8.4 + Item 8.5)	2,382*
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	0.60

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Net operating cash flows are expected to decrease significantly due to a decision to wind down production at Red October resulting in minimal development expenditure and a reduction in exploration expenditure

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company has \$4M in liquid investments at 31 December 2020 available to it to provide further cash to fund its operations. The winding down of production at Red October will result in lower expenditure and proceeds from the sale of ore will continue over the March 2021 quarter. The Company is also considering a capital raising to provide ongoing funding.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes – as noted above the Company will be winding down mining at Red October with a strategic focus on exploration going forward.

\*The Company has \$4M in liquid investments not included in its total available funding

### **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.

Date: 29 January 2021

Authorised by: .....By the Board.....  
(Name of body or officer authorising release – see note 4)

### **Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.