MATSA RESOURCES

LIMITED
ABN 48 106 732 487

ASX Announcement

4th September 2014

Significant Nickel Intersection at Killaloe JV Project

Highlights

- ***0.55m @ 0.91% Ni*** *from 110.75m intersected in first drillhole 14KLDH02 of the 2nd diamond drillhole programme.*
- *Drillhole 14KLDH02 also includes* ***1.60m @ 0.55%Ni*** *from 109.7m and* ***1.6m @ 0.36%*** *Ni from 106.3m, separated by a 1.8m zone of unrecovered core due to drilling conditions.*
- *Mineralisation occurs at the base of a 5m (downhole depth) cloud of disseminated, laminated and blebby sulphides comprising pyrrhotite, pyrite and probable pentlandite mineralisation.*
- *Mineralisation represents enrichment at the base of a cumulate textured ultramafic flow within a thick sequence of multiple flows.*
- *The basal flow contact has not been intersected in this hole and Matsa will consider deepening the hole upon completion of petrographic analysis, down-hole EM (DHEM) surveys and receipt of all remaining assays.*
- *Final assay results from the 2nd and 3rd drillholes 14KLDH03 and 14KLDH04 remain outstanding.*

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Director

Frank Sibbel

Director & Company Secretary

Andrew Chapman

Shares on Issue

144.15 million

Unlisted Options

7.95 million @ $0.40 - $0.43

Top 20 shareholders

Hold 50.36%

Share Price on 3 September 2014

23.5 cents

Market Capitalisation

$33.88 million

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Killaloe Project (Matsa Resources 80%, Cullen Resources 20%)

Matsa is pleased to report significant nickel sulphide results of **0.55m @ 0.91% Ni** (from 110.75m) in drillhole 14KLDH02 from its first drillhole from the 2nd diamond drillhole programme at the Killaloe joint venture.

Drillhole 14KLDH02 was drilled 90m along strike from 14KLDH01 to follow up a previously reported intersection of 1.35m @ 0.54% Ni from 93.35m in drillhole KLDH01, at the interpreted basal contact between komatiite lava and underlying basalt (Figure 1).

Phase 2 Diamond Drilling Programme

The results under discussion relate to the first of three diamond drillholes completed during a second phase diamond drilling programme to follow up highly anomalous Ni sulphide results in drillhole 14KLDH01 as previously reported.

The phase 2 diamond programme comprised 3 holes which were designed to test strong EM conductors which were interpreted to reflect extensions to massive sulphide mineralisation associated with the anomalous Ni in 14KLDH01.

Drillhole collar locations are shown in Figure 1 and a summary is presented in Appendix 2.

Results to date have been received for drillhole KLDH02, while assays for the remaining two holes are still awaited.

Discussion on Results

These highly anomalous Ni results represent mineralisation within a shear zone at the base of a cumulate ultramafic layer within a thick sequence of several ultramafic flows. The highest grade intersection **(0.55m @ 0.91% Ni)** occurs with elevated Cu (1536ppm) and elevated Co (822ppm) at the base of a cloud of disseminated, laminated and blebby sulphide mineralisation dominated by pyrrhotite, pyrite and possible pentlandite that extends for 5m downhole from 106.3m.

There is 1.8m of unrecovered core from 107.9 -109.7m due to drilling conditions, which may mean that a significant part of the mineralised intersection was unable to be tested.

The drill hole did not intersect the basal contact between ultramafic komatiitic lavas and underlying basalt. It is this basal contact where the best mineralisation is expected and significant Ni mineralisation was recently intersected in drilling carried out by Sirius Resources at the nearby Taipan prospect.

Matsa will consider deepening 14KLDH02 to test this key contact once downhole surveys are complete and all remaining assays have been received.

Hole Id	M From	M To	Ni_ppm	Cu_ppm	Cr_ppm	Zn-ppm	Co_ppm	Ni Intersection
14KLDH02	106.3	107	4043	592	1145	58	249	1.6m @ 0.36%Ni
	107	107.9	3224	395	1240	61	211	
	107.9	109.7	No Recovery, Lost Core.					
	109.7	110.35	4744	1015	2844	79	352	1.6m @ 0.55%Ni Including **0.55m @ 0.91% Ni**
	110.35	110.75	1745	304	1390	80	161	
	110.75	**111.30**	**9100**	**1536**	**1130**	**83**	**822**	

***Table 1:* 14KLDH02 Significant Assays**

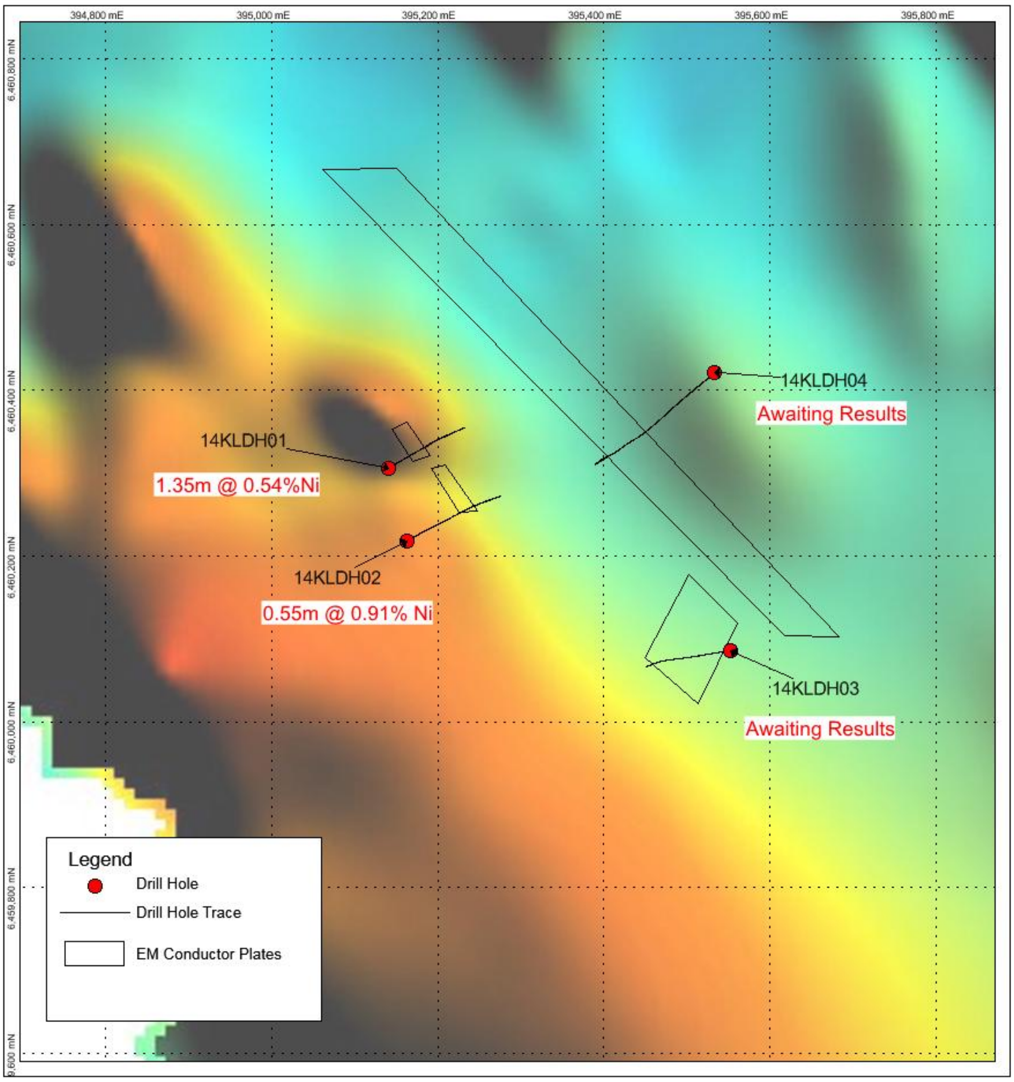

***Figure 2:* Killaloe JV Project Drill Hole Location**

Planned Activities

The following program is:

1. Submit core for petrographic analysis.
2. Resubmit samples for PGE analysis.
3. Conduct down-hole EM (DHEM) surveys on selected drill holes once all final assay results for all holes are received.
4. Consider deepening drillhole 14KLDH02 to intersect the basal contact following DHEM survey.

The Killaloe Project is a joint venture between Matsa 80% and Cullen Resources Limited 20%. Exploration under the joint venture is managed by Matsa.

For further Information please contact:

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Exploration results

The information in this report that relates to Exploration results, is based on information compiled by Richard Breyley, who is a Member of the Australasian Institute of Mining and Metallurgy. Richard Breyley is a full time employee of Matsa Resources Limited. Richard Breyley 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'. Richard Breyley 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 - Matsa Resources Limited - Killaloe JV Project

Section 1 Sampling Techniques and Data

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

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *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.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *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.*	• XRF Analysis on HQ core using a handheld Olympus Innovx Delta Premium (DP4000C model) XRF analyser. Measurements were taken on surface of the core and depth intervals recorded. • Core was quartered and sampled to lithological boundaries within the areas of interest, otherwise 4m composites were sampled and submitted to laboratory for analysis.
Drilling techniques	• *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).*	• Core drilling carried out by Frontline drilling using a track-mounted Desco 7000 diamond drill rig. HQ triple tube was drilled from surface till competent rock was encountered, the the hole were completed with NQ. Core is oriented using Reflex ACT II RD digital core orientation tool.

Criteria	JORC Code explanation	Commentary
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *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.*	• Core was lithologically and structurally logged.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• Geologic and geotechnical logging carried out on the core. Logging recorded as qualitative description of colour, lithological type, grain size, structures, minerals and alteration. • All cores are photographed using a digital camera.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *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.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Cores were sawn and quarter split prior to sampling and submitted to the lab.
Quality of assay data and laboratory	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF*	• Olympus Innovx Delta Premium (DP4000C model) handheld XRF analyser. • Reading times employed was 90 sec/beam for a total of 270 sec using Soil Mode.

Criteria	JORC Code explanation	Commentary
tests	*instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *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.*	• Handheld XRF QAQC includes duplicates, standards and blanks.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Not carried out because laboratory QA QC procedures are regarded as sufficient. • Data entry carried out by field personnel thus minimizing transcription or other errors. Trial plots in field and rigorous database procedures ensure that field and assay data are merged accurately.
Location of data points	• *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.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Drill collars are surveyed by modern hand held GPS units with accuracy of 5m which is sufficient accuracy for the purpose of compiling and interpreting results. • Topographic control 2-5m accuracy using published maps or Shuttle Radar data is sufficient to evaluate topographic effects on assay distribution.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *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.* • *Whether sample compositing has been applied.*	• Not known at this stage.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *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.*	• Diamond drill hole is oriented perpendicular to target and at a high angle to the modeled EM conductor.

Criteria	JORC Code explanation	Commentary
Sample security	• *The measures taken to ensure sample security.*	• Sampling intervals marked up on core accompanied by separate printed cutting interval sheet. Core trays to be secured with straps on a pallet for transport to the core cutting contractor.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• N/A

Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *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.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.*	• Cullen Exploration owns the tenements and Matsa has farmed in to the Killaloe Project and has earned 80% interest in the project after spending $500,000 in exploration costs. • The project consists of 2 ELs and 4 Prospecting licenses. • The Project is Located on Vacant Crown Land. • The project is located within Native Title Claim No. 99/002 by the Ngadju people. • A heritage agreement has been signed and exploration is carried out within the terms of that agreement. • At the time of writing these licenses expire between 14th June 2013 and 8th July 2017.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Significant past work has been carried out by other parties for both Ni and Au exploration including, surface geochemical sampling, ground electromagnetic surveys, RAB, AC, RC and DD drilling.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Target is Kambalda style Ni hosted in ultramafic rocks within the project.
Drill hole	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following*	• Co ordinates and other attributes of diamond drillholes are included in Appendix 2.

Criteria	JORC Code explanation	Commentary
Information	*information for all Material drill holes:* ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *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.*	
Data aggregation methods	• *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.* • *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.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• Exploration results are weight average where applicable, no cut-off grade applied.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *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').*	• All intercepts reported are measured in down hole metres.
Diagrams	• *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*	• Suitable summary plans have been included in the body of the report.

Criteria	JORC Code explanation	Commentary
	views.	
Balanced reporting	• *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.*	• Not required at this stage.
Other substantive exploration data	• *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 method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Ni sulphides (1.35m @ 0.54% Ni from 93.35m 14KLD01; 3m @ 0.49% Ni from 88m – includes 1m @ 0.65% Ni and 1m @ 0.52% Ni from 99m) reported in previous RC drill hole (KLC21) nearby. No DHTEM reported.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Down hole TEM (DHTEM) is proposed. • Further DD drilling to define continuity of nickel sulphide mineralization within the komatiite host rock pending results of the DHTEM.

Appendix 2 – Drill Hole Location Data

Hole_ID	NAT_East	NAT_North	NAT_RL	Max_Depth	Dip	Azimuth
14KLDH01	395140	6460305	302	198.5	-60	55
14KLDH02	395163	6460218	312	230	-58	57
14KLDH03	395552	6460086	307	349	-72	260
14KLDH04	395533	6460421	297	447.7	-65	230