



ASX Announcement

17th May 2023

Strong Upside from Updated Scoping Study Devon Pit

HIGHLIGHTS

- The Devon Joint Venture has completed an updated Scoping Study on the potential restart of mining at the Devon Pit has delivered excellent results including:
 - Project cash flow surplus (pre-tax) up to **A\$50.4m over 16 months** (at A\$3,000/oz)
 - Production of **250kt at 5.25g/t Au** for a recovered **~39koz** (93% recovery)
 - All-in cash costs of A\$1,613/oz gold
 - Pre-tax **project IRR of +470%**
 - Mining of ore commences from surface
- Progressing to Definitive Feasibility Study (DFS) expected to be finalised by 31 August 2023, with proof of funding by 30 September 2023 and FID expected late 2023

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Directors

Pascal Blampain

Andrew Chapman

Shares on Issue

412.07 million

Unlisted Options

27.15 million @ \$0.08 - \$0.21

Top 20 shareholders

Hold 59.16%

Share Price on 16th May 2023

4.6 cents

Market Capitalisation

A\$18.96 million

Matsa Resources Limited ("Matsa", "Company") is pleased to advise the receipt the results of an updated Scoping Study conducted by Linden Gold Alliance Limited ("Linden") on the Devon Pit which is the subject of a joint venture agreement between Matsa and Linden.

The Devon Joint Venture ("Devon JV") is a 50/50 split Profit Share Joint Venture between Matsa Resources Ltd and Linden Gold Alliance Limited (Linden) with Linden being appointed the joint venture manager. Under the terms of the Devon JV, Matsa is free carried on a non-recourse basis for all costs associated with permitting, financing, development and mining of the Devon Pit with Linden required to meet certain milestones.

The Scoping Study demonstrates a strong financial outcome with potential to mine the Devon Pit over a 16-month mine life generating cash flows up to \$50.4M with a pre-tax project IRR of +470%.

Scoping Study - May 2023 (pre-tax)	Base Case (\$2,650/oz)	Upside Case (\$3,000/oz)
Mining inventory	250kt @ 5.25 g/t Au for 42,251 ounces (contained)	
Life of mine (LOM)	16 months	
LOM Revenue net royalties (\$M)	\$100.5M	\$113.8M
LOM CAPEX (\$M)	\$5.0M	\$5.0M
LOM OPEX (\$M)	\$58.4M	\$58.4M
LOM Project Free Cash Flow ¹ (\$M)	\$37.1M	\$50.4M
Internal rate of Return ¹ (IRR)	479%	787%
All-in cost per ounce (\$/oz)	\$1,613/oz	\$1,613/oz

Table 1: Summary of Scoping Study Financials

At an all-in cost of A\$1,613/oz, the Scoping Study indicates potential profit margins per ounce of +A\$1,380/oz (based on current spot prices).

Matsa Executive Chairman Mr Paul Poli commented:

"It is pleasing that the updated Scoping Study for the Devon Pit conducted by Linden illustrates delivery of strong margins for the Devon JV and improves on the April 2021 study conducted by Matsa. Encouragingly, the grades reported in the updated study of +5g/t compare favourably with the excellent historical grades reported by GME Resources in 2015 and 2016. Matsa now looks forward to the Devon JV progressing the DFS, due for completion by 31 August 2023."

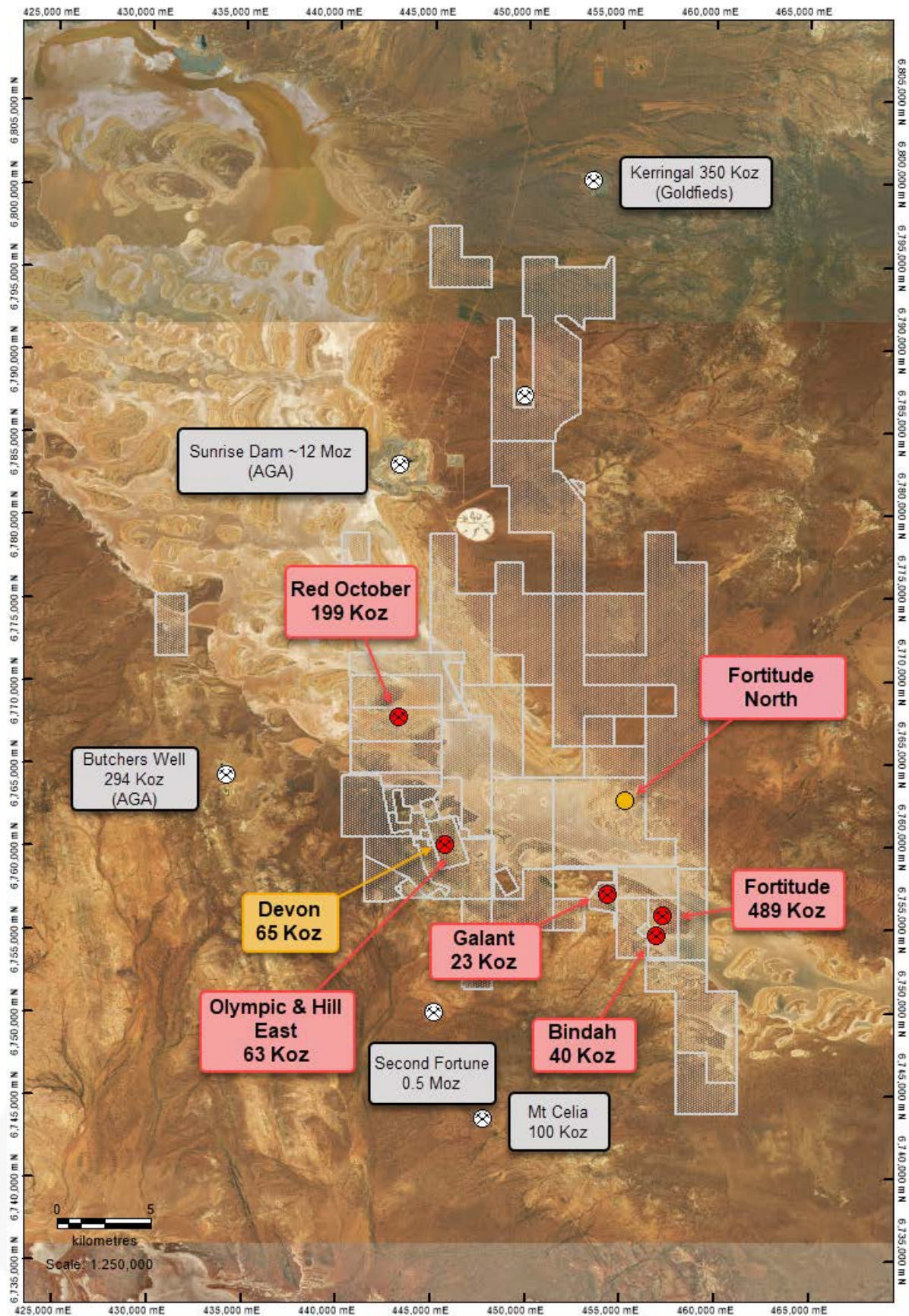


Figure 1: Location of Devon Pit within Matsa's Lake Carey Gold Project including other key prospects and deposits

Introduction

The Devon Pit is a high-grade development project which hosts a Mineral Resource of 443kt at 4.6g/t for 65koz Au with 82% of the Mineral Resource within the JORC (2012) Indicated category.

Linden, via its wholly owned subsidiary, Devon Gold Project Pty Ltd (“DGP”), is the manager of a 50:50 open pit joint venture pursuant to the Devon JV agreed between Matsa, Linden and DGP.

DGP is on track to deliver a Definitive Feasibility Study (“DFS”) by 31 August 2023, targeting a near-term restart of the Devon open pit, which lies on a granted mining lease with existing road infrastructure in place from previous mining activities. The Scoping Study updates the scoping study completed by Matsa in April 2021¹ (**2021 Study**) which identified a mining inventory of 264kt at 4.6g/t Au for 37koz Au over an initial 12-month period. This Scoping Study update builds on Matsa’s findings and establishes key items for further work and study in the DFS.

Matsa and Linden entered into the Devon JV in December 2022 and are jointly progressing the Devon Pit to a DFS by 31 August 2023, proof of funding by 30 September 2023 and a final investment decision (“FID”) in late CY2023. Under the Devon JV, DGP as manager has undertaken infill and resource extension drilling to increase the level of certainty of the resource and the potential to increase the mineable inventory and ultimately Ore Reserve upon delivery of the DFS.

DGP has agreed to non-binding MoUs with St Barbara Limited (**SBM**) and Odell Resources Pty Ltd (**Odell**) to process and haul Devon ore, respectively. SBM’s Gwalia processing facility is currently where Linden processes its ore from the Second Fortune underground operation.



Figure 1: Devon Open Pit

¹ ASX Announcement 14 April 2021 – Devon Pit Scoping Study Delivers Excellent Results

Devon Pit Scoping Study Summary

A Scoping Study was completed for a restart of the open pit mining operation at the Devon Pit. The mining operation demonstrates a strong return over a 16 month period:

- Project cash flow surplus (pre-tax) up to **A\$50.4M** over 16 months (at spot A\$3,000/oz)
- Production of 250kt at **5.25g/t Au** for ~39koz (93% recovery)
- All-in cash costs of A\$1,613/oz gold
- Pre-tax project **IRR of +470%**
- Mining of ore commences from surface
- Total movement of 8.9Mt including ore

The Devon pit sits within a granted Mining Lease with haulage road infrastructure in place.

Study Scope

A pit optimisation study was completed for the Devon Pit using the last Mineral Resource model prepared by Matsa for a traditional open pit operation, with ore processed at the St Barbara owned Gwalia processing plant in Leonora. Linden used its known cost parameters for operations at the nearby Second Fortune mine to optimise the study.

Pit shell element	Value
Gold price (pit shell optimisation)	\$2,500 AUD
Gold price (revenue generation)	\$2,650 & \$3,000 AUD
Royalty	3.5% (2.5% government, 1.0% other)
Mining recovery	95%
Dilution	20%
Pit slope	Oxide 50° Transitional 60° Fresh 70°
Metallurgical recovery	93%
Bench Height	10m
Processing Costs (\$/t ore)	\$50
Mining Costs (\$/t material)	\$3.40
Royalties (%)	3.5%
G&A / Tech services (\$/t ore)	\$3.40

Table 2: Inputs of Pit Optimisation Study

Key outputs of the pit optimisation study are shown below:

Gold Price (optimisation)	Ore (kt)	Grade Au (g/t)	Produced Oz (koz)	Strip Ratio
\$2,500	250	5.25	42.3	35:1

Table 3: Outputs of Pit Optimisation Study

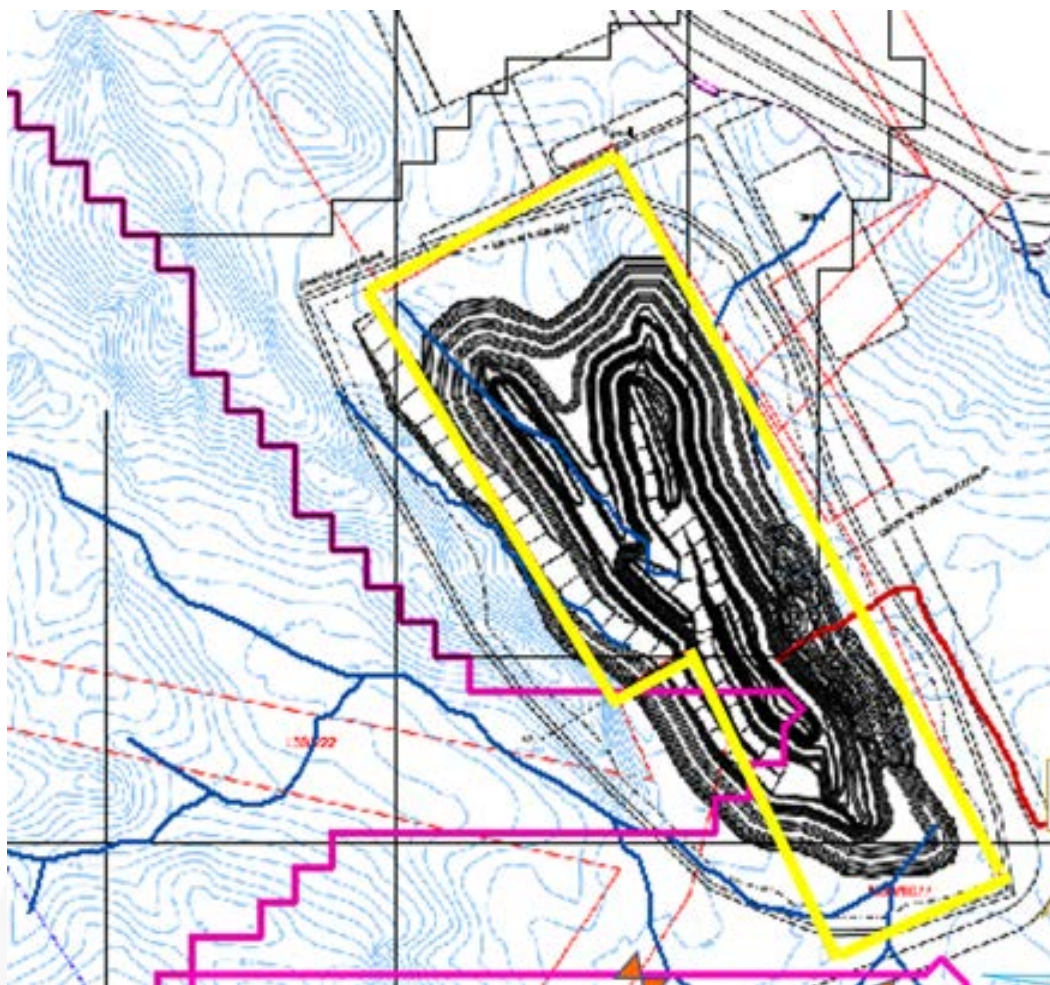


Figure 2: Proposed Pit Design Devon Pit

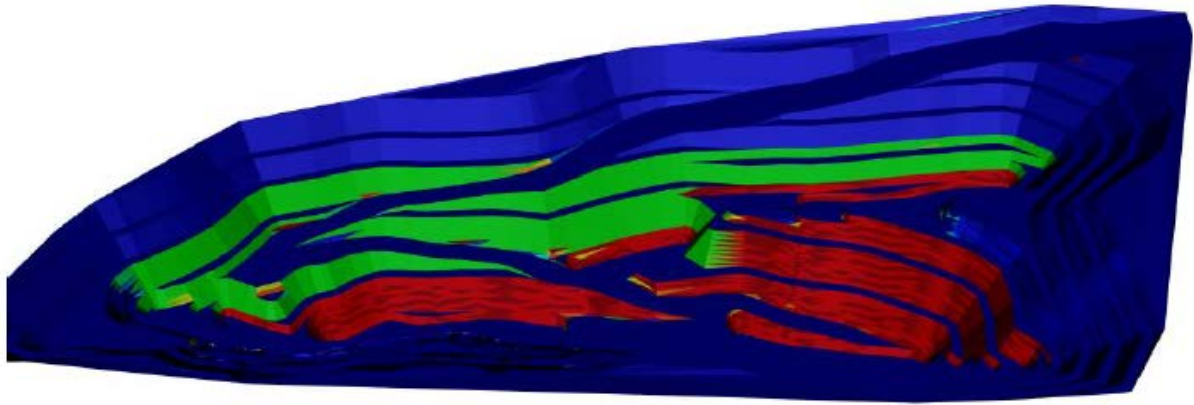


Figure 3: Oblique View of Proposed Pit Design Devon

Cut-Off grade

The Devon Pit MRE² has been reported at a cut-off grade of 1g/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.

Metallurgy and Processing

The Devon Pit was 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 Report.

As part of the Devon JV's Definitive Feasibility study, additional testwork is currently being completed at ALS Metallurgy laboratories.

Infrastructure

Haulage roads are already established at Devon with the Devon Pit having been previously mined in 2015 and 2016 and the Linden Second Fortune accommodation village is readily accessible being only 10km south by dirt road.

Linden operates a 2km length airstrip, suitable for 19-seater aircraft, at their Second Fortune mine, 10km to the south. The Second Fortune accommodation village and airstrip are proposed to house and transport personnel for the Devon Project.

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. An

² Refer MAT ASX announcement 8 April 2021 - Initial High Grade Resource at Devon Lake Carey Gold Project

onsite workshop, washbay and fuel facility will be established at Devon and requisite approvals are being sought as part of the DFS.

Environment and Community

The area 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.

Comparison to the 2021 Study

The 2021 Study identified a mining inventory of 265kt at 4.64g/t for ~37koz. Since then, additional drilling has been completed including Linden's diamond drilling program in 2022 and the Devon JV RC program in March 2023. A comparison of key outcomes of the Scoping Study relative to the 2021 Study is tabled below.

Item	Matsa 2021 Scoping Study	Base Case	Net changes to 2021	Upside Case	Net Changes to 2021
Gold price (AUD)	\$2,250/oz	\$2,650/oz	+\$400/oz	\$3,000/oz	+\$750/oz
Mined grade (g/t)	4.64g/t	5.25g/t	+0.61g/t	5.25g/t	+0.61g/t
LOM Revenue net royalties (\$M)	\$80.3M	\$100.5M	+\$20.1M	\$113.8M	+\$33.4M
Total opex (\$M)	\$39.6M	\$58.4M	+\$18.8M	\$58.4M	+\$18.8M
Total opex per ounce (\$/oz)	\$1,144/oz	\$1,486/oz	+\$342/oz	\$1,486/oz	+\$342/oz
Operating cash surplus	\$40.8M	\$42.1M	+\$1.3M	\$55.4M	+\$14.6M
Total capex (\$M)	-	\$5.0M	+\$5.0M	\$5.0M	+\$5.0M
Total capex per ounce (\$/oz)	-	\$127/oz	+\$127/oz	\$127/oz	+\$127/oz
Project cash flow surplus (pre-tax)		\$37.1M	-	\$50.4M	-
Project IRR % (pre-tax)	-	479%	-	787%	-
All-in cost per ounce (\$/oz)	-	\$1,613/oz	-	\$1,613/oz	-
Payback period (months)	-	9 months	-	7 months	-

Table 3: Comparison to the 2021 Study

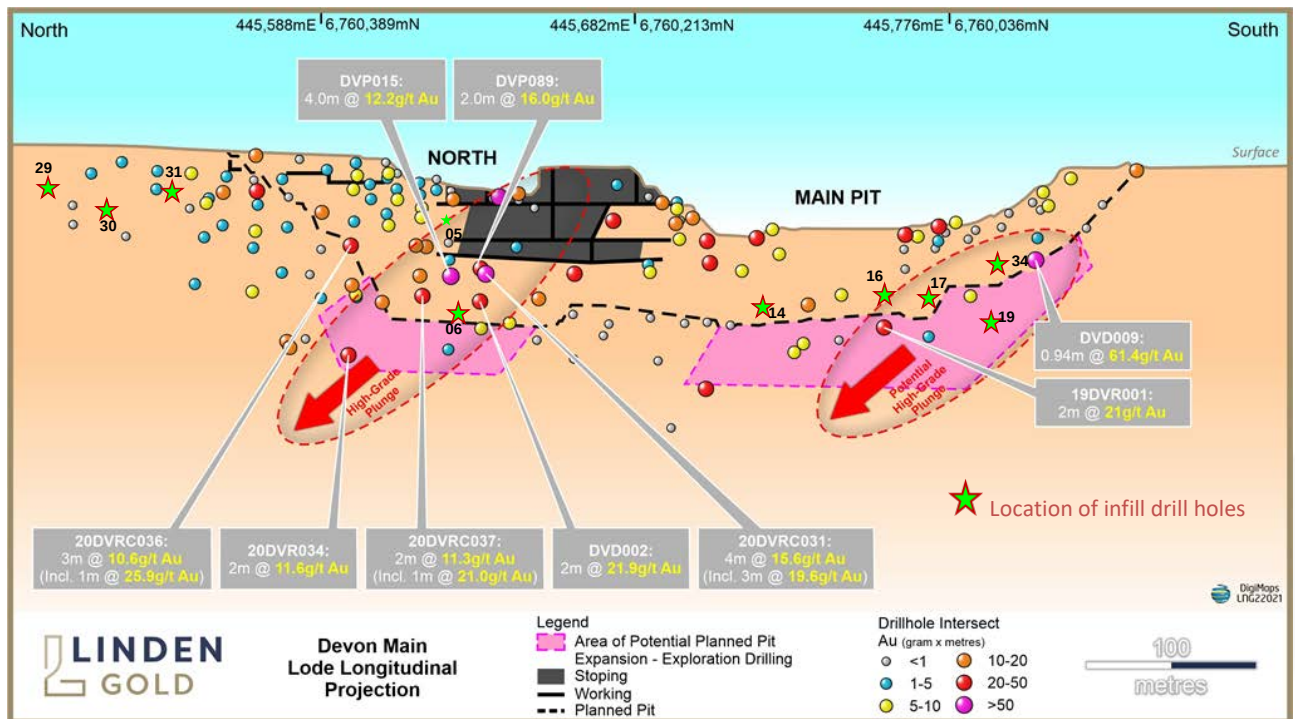


Figure 4: Long Section of Devon Pit Showing Location of Infill Drilling

Planning and Approvals

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

- Submission of Mining Proposal (expected to submit end of May 2023)
- Submission of Clearing Permit (expected to submit end of May 2023)
- Application for Works Approval (Submitted April 2023)
- Application for amendment to 5C Water Licence (Submitted April 2023)
- Submission of Project Management Plan

Next Steps

The Devon JV recently completed RC drilling at Devon Pit and intends to continue progressing the DFS, due for completion by 31 August 2023.

Risks

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

- Reduction in the \$A price will negatively impact on revenue
- Confidence in geological model
- Achieving the same unit costs as the study
- Geotechnical stability of the pit walls
- The ongoing effects of COVID19 on the proposed workforce and ability to procure personnel competent in open pit mining works

- The metallurgy of the Devon ore, of which the Devon JV is currently completing metallurgical testwork
- Reliance on processing at the St Barbara Gwalia Processing Plant, of which Linden has a signed a non-binding MOU for processing the Devon ore tonnes but no binding offer has been finalised

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

The Devon Pit is located within Matsa’s Lake Carey Gold project and is located 15km west of Matsa’s Fortitude Gold Mine and contains a significant number of historic gold workings.

The shallow high-grade nature of mineralisation at the Devon Pit in particular, lends itself to a potential cutback mining scenario with early access to ore. The grade and mineralisation is expected to be amenable to both open pit and underground mining methods.

The Devon Pit and nearby Olympic prospects were both mined in the early 1900’s via shaft and level development. The Devon Pit was also mined during 2015 and 2016 by GME, which reported production of approximately 61kt @ 5.3g/t for 10.4koz from the Devon Pit. In November 2022, Linden signed a binding conditional JVA with Matsa covering the Devon Pit located 10km north of the Second Fortune

Gold Mine. Under the terms of the Devon JV, Linden was granted a 50% interest in Devon subject to certain milestones being met and was appointed JV Manager.

	Cutoff	Measured		Indicated		Inferred		Total Resource		
	g/t Au	('000t)	g/t Au	('000t)	g/t Au	('000t)	g/t Au	('000t)	g/t Au	('000 oz)
Red October										
Red October UG	2.0	105	8	483	5.7	411	6.3	999	6.2	199
Red October Subtotal		105	8.4	483	5.7	411	6.3	999	6.2	199
Devon										
Devon Pit (OP)	1.0	-	-	341	4.8	102	3.6	443	4.6	65
Olympic (OP)	1.0	-	-	-	-	171	2.8	171	2.8	15
Hill East (OP)	1.0	-	-	-	-	748	2.0	748	2.0	48
Devon Subtotal		-	-	341	4.8	1021	2.3	1362	2.9	128
Fortitude										
Fortitude	1.0	127	2.2	2,979	1.9	4,943	1.9	8,048	1.9	489
Gallant (OP)	1.0	-	-	-	-	341	2.1	341	2.1	23
Bindah (OP)	1.0	-	-	43	3.3	483	2.3	526	2.4	40
Fortitude Subtotal		127	2.2	3021	2.0	5,767	1.9	8,915	1.9	553
Stockpiles		-	-	-	-	191	1.0	191	1.0	6
Total		232	5.0	3,845	2.7	7,199	2.2	11,467	2.4	886

Table 4: Lake Carey Resource*

*Matsa confirms that it is not aware of any new information or data that materially affects the Resource as stated. All material assumptions and technical parameters underpinning the Mineral Resource estimate continue to apply and have not changed since the last release.

***Special note:** The Resources of the Devon Pit project, representing 65koz, are subject to the profit share Joint Venture Agreement announced on 23 December 2022³.

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

For further information please contact:

Paul Poli
Executive Chairman
T 08 9230 3555
E reception@matsa.com.au

Competent Person Statement

The information in this report is based on information compiled by Andrew Rich, who is a Member of the Australasian Institute of Mining and Metallurgy. Andrew Rich is a full time employee, and serves on the Board, of Linden Gold Alliance 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 Rich consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

³ ASX Announcement 23rd December 2022-Settlement of Devon Pit JVA With Linden - Devon Gold Project

