MATSA RESOURCES LIMITED
ABN 48 106 732 487

ASX Announcement **3 March 2017**

Trial Mining Study Fortitude Gold Project

Additional Information

On 22 February 2017 Matsa Resources Limited ("Matsa" or "the Company" ASX: MAT) made an ASX announcement entitled "Trial Mining Study Fortitude Gold Project" which included both and updated JORC 2012 Mineral Resource Statement for the Fortitude Gold Project and an Ore Reserve Statement for the proposed trail mining scenario.

The Ore Reserve Estimate data, economic evaluation and Trial Mining Study has been comprehensively reviewed by Matsa senior management.

Attached is additional information pertaining to both the Mineral Resource and Ore Reserve that was included in Appendix 1 of the above release but not sufficiently disclosed in the ASX release itself.

This additional information should be read in conjunction with the earlier release for completeness.

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Director

Frank Sibbel

Director & Company Secretary

Andrew Chapman

Shares on Issue

144.7 million

Unlisted Options

17.02 million @ $0.25 - $0.30

Top 20 shareholders

Hold 54.34%

Share Price on 3 March 2017

21 cents

Market Capitalisation

$30.39 million

Matsa provides below additional information in relation to the JORC 2012 Mineral Resource Statement for the Fortitude Gold Project and the Ore Reserve Statement stated in the ASX announcement entitled "Trial Mining Study Fortitude Gold Project" released on 22 February 2016.

The reported Ore Reserve estimations are considered representative on a global scale.

Mineral Resource Statement (Additional Information)

Sampling Techniques

The diamond core was marked up for orientation and then for assay sample selection. The core was marked up for sampling, to a maximum of 1m intervals as well as for shorter intervals which targeted visual geology. The core was then cut length wise to produce half core in a manner to protect the orientation markings. Sampling was completed from one half of the core.

The samples were placed into pre-numbered calico bags and sent off for assay.

Sample Analysis Method

The half core sent for assay sampling was crushed and riffle split and pulverised to produce a 30-50gm sample for fire assay.

Cut-Off grade

The Mineral Resource has been reported at a cut-off grade of 1 g/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.

Ore Reserve Statement (Additional Information)

Material Mining Assumptions

The output from this study carries a confidence level of +/- 20%.

An allowance as been made for in pit grade control and is applied on a cost per tonne of ore mined basis.

Classification Criteria

The 2017 Fortitude Mineral Resource estimate was used to determine the trial mine ore reserves. The Ore Reserves have been calculated from the ore classified as indicated only, there has been no Inferred ore included in the trial mine Ore Reserves. This classifies the Ore Reserve as Probable.

Mining Method

Due to the small nature of the optimised shells, the mining method selected for this study is based on a small scale operation involving approximately (60 tonne) backhoe excavators and (40 tonne) articulated (6 wheel drive) trucks. All mining will take place in the oxide horizon of the resource. It is anticipated that there will be no drill and blast required for this trial operation. A minimum mining width of 15 metres has been used for pit design. This reflects the selection of the small scale equipment used in this study.

The mining dilution parameters applied in this study are 115% for mining dilution and 99% recovery. These factors are in line with the ability to free dig the ore and to the small scale mining equipment selected.

All ore mined will be hauled from a local ROM to an external treatment facility using standard triple/quad road-trains along a privately held haul road.

A waste rock characterisation study has been completed to determine the suitability of the waste rock to resist erosion as well as to determine that the waste rock is classified as non-acid forming (NAF).

The study was based on a FIFO workforce working on double shift, which will be accommodated at the nearby Laverton accommodation village and commuting on a shift basis between the village and the minesite.

Market Assessment

The study was completed using a gold price of A$1,600/oz which is consistent with the average Australian dollar gold price during the first quarter of 2017. There is a transparent quoted liquid market for the sale of gold in Australia.

Economic Factors

The total cost of the trial mining study to Matsa is $8.3M and consists of:

- Startup cost of $1.8M
- LOM Operating cost of $6.5M

The revenue factor is based on an ore sales agreement and on the delivery of 185,000 ore tonnes at 2.2g/t to an external ore treatment facility. This equates to an All In Sustainability Cost (AISC) to Matsa of A$1,140/oz for the life of the trial mining project.

Due to the short Life of Mine (approximately 12 months), there are no ongoing sustaining capital costs to include in the AISC after the startup costs.

Processing Method

The ore will be processed at one of three nearby ore treatment facilities. The selection of ore treatment facility is a commercially sensitive matter as negotiations are underway with all parties at this stage.

The current metallurgical test work indicates that the Fortitude ore is amenable for treatment at any of the facilities and that there are no deleterious elements in the ore. Historical and current recovery data indicates that recovery for Fortitude oxide material is between 90% and 98%. For this study, the metallurgy recovery of 94% has been used.

Cut-Off Grade

The Ore Reserve has been reported at a cut-off grade of 1g/t. This was calculated using a gold price of $1,600/oz, selection of mining equipment, no blasting is required and the proximity of nearby treatment facilities.

For further information please contact:

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