MATSA RESOURCES LIMITED
ABN 48 106 732 487

ASX Announcement **9th June 2017**

Stage 2 Aircore Drilling Commences
Lake Carey Gold Project

Highlights

- *Aircore drilling has commenced at BE 3, with further drilling also to be completed at BE 2 and BE 1*
- *At BE 3 drilling will test the extents of highly gold anomalous aircore results in previous drilling including **4m @ 0.89 g/t Au,** in altered dolerite which is a common host to gold mineralisation in the Eastern Goldfields*
- *Drilling at BE 2 will determine the extent of anomalous gold values including **1m @ 1.56 g/t Au** from earlier aircore drilling*
- *Drilling will also test the extents of anomalous gold values at BE 1 where **visible gold** was observed in Matsa's first diamond drill hole on the prospect, which remain open to the north and east*

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Director

Frank Sibbel

Director & Company Secretary

Andrew Chapman

Shares on Issue

144.70 million

Unlisted Options

17.02 million @ $0.25 - $0.30

Top 20 shareholders

Hold 54.68%

Share Price on 8th June 2017

28 cents

Market Capitalisation

$40.52 million

Head Office: Suite 11, 139 Newcastle Street, Perth Western Australia 6000 **Tel**: +61 8 9230 3555 **Fax:** +61 8 9227 0370
Bangkok Office: Unit 1808, Pacific Place 2, 142 Sukhumvit Road, Klongtoey, Bangkok 10110 **Tel**: +66 0 2653 0258 **Fax**: +66 0 2653 0258
reception@matsa.com.au www.matsa.com.au

Matsa Resources Limited ("Matsa" or "the Company" ASX: MAT) is pleased to advise that Stage 2 of the aircore drilling program at the Lake Carey gold project has commenced. Stage 1 of the aircore drilling which was focused on a 6km section of the Bindah Fault, called the Bindah Extended (BE) target, identified a number of significant gold anomalies in weathered basement rocks in Lake Carey, including three high priority exploration targets: BE 1, BE 2 and BE 3 *(MAT announcement to ASX 17th March 2017).*

As recently announced *(MAT announcement to ASX 23rd May 2017)* diamond drilling is currently underway at BE 1 with visible gold being intersected in the first drill hole of this programme.

Aircore drilling has re-commenced with the focus on infill drilling of the three previously defined high priority targets commencing at BE 3 and extending reconnaissance drilling to the north. A summary of the Bindah Extended target zone is shown in Figure 1.

The Bindah Extended Target Zone

The Bindah Extended (BE) target zone is a highly prospective 8km section of the Bindah Fault as interpreted from aeromagnetic and gravity data. The target zone is the extension of a structural and stratigraphic corridor which contains gold mineralisation at the Bindah, Intrepid and Galant deposits and passes within 5km of the Red October gold mine and within 15km of the Sunrise Dam gold mine. Most of the BE target zone is located in Lake Carey, in an area covered by lake sediments which are underlain by deeply weathered basement rocks. Reconnaissance aircore drilling to date has covered approximately 6km of the prospective target and targets defined by Matsa's recently completed high resolution aeromagnetic data remain to be tested. The current programme will extend drilling to the north to continue to explore this highly prospective corridor.

Target BE 3

This target is defined by a number of anomalous gold values including **5m @ 0.16 g/t Au** from 81m (16LCAC026). The target includes historic intersections by Dioro Exploration NL as previously announced, including **4m @ 0.87 g/t Au** from 40m (LCAC018). Anomalous gold values were intersected in a pervasively altered dolerite unit which has been almost completely replaced by an alteration assemblage made up mostly of silica, sericite, pyrite, leucoxene and possibly carbonate. The alteration assemblage and highly anomalous gold values compare favourably with a number of dolerite hosted gold deposits in the Eastern Goldfields of WA including the Golden Mile. The current aircore programme aims to define the source of anomalous gold and associated alteration.

Target BE 2

This target is defined by a number of highly anomalous gold values mostly in weathered dolerite with a best intercept of **1m @ 1.56 g/t Au** from 53m (16LCAC004). This intercept is located at the western end of aircore line 2, and the target remains open to the west. The current aircore programme is intended to follow up these anomalous intersections.

Target BE 1

Gold mineralisation is associated with a granitic (monzo-diorite) intrusion ~1km x 0.7km in extent. The monzodiorite intrudes a suite of intermediate volcanic rocks and volcanoclastic sediments at a location which is interpreted to be a structurally favourable dilational site along the Bindah fault. Anomalous gold values appear to be associated with quartz veining within and along the margins of the intrusion and appear to reflect structurally controlled gold bearing quartz veins formed in response to brittle fracture of the intrusion by movement along the Bindah Fault.

Diamond Drilling

Visible gold mineralisation was observed in the first diamond hole at BE 1 which was targeted on aircore drill hole 17LCAC230 which intersected ***21m @ 1.84 g/t*** Au from 87m including ***7m @ 5.17 g/t*** Au including ***1m @ 17.2 g/t*** Au.

The current aircore drilling programme will be extended to BE 1 to define the extents of highly anomalous gold values which were not closed off by the previous aircore drilling programme.

Gold mineralisation at these and other targets in the project area has strong potential to be a major economic benefit to Matsa where trial mining is set to commence at the Fortitude gold deposit in mid-2017.

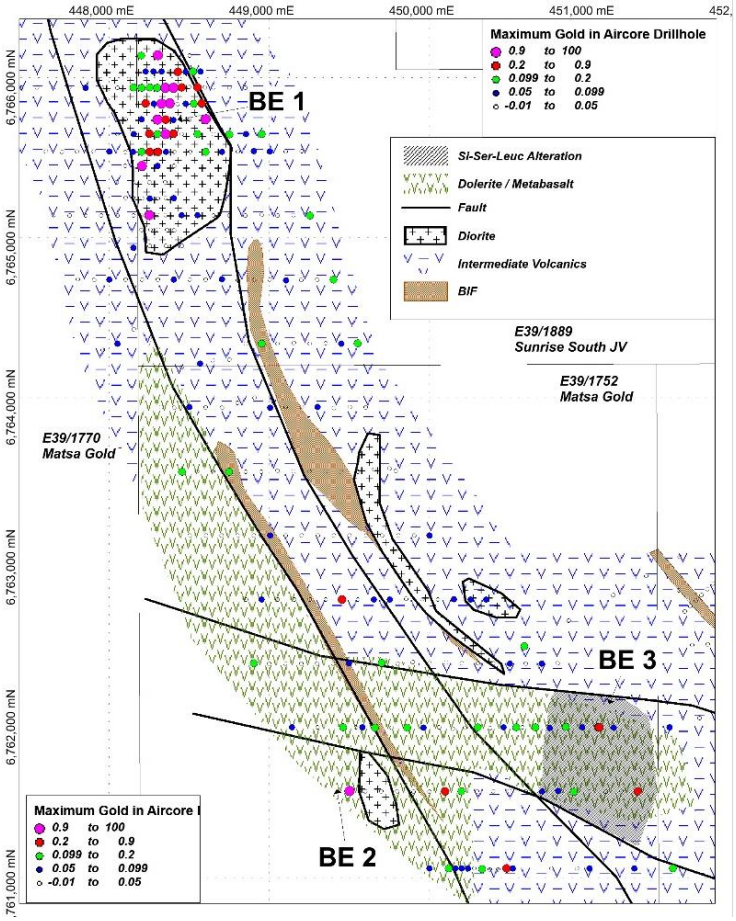

***Figure 1:** Bindah Extended Targets for Aircore Drilling*

For further information please contact:

Paul Poli
Executive Chairman

Phone +61 8 9230 3555
Fax +61 8 9227 0370
Email reception@matsa.com.au
Web www.matsa.com.au

Competent Person

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 - *Matsa Resources Limited – Lake Carey 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.*	Aircore samples hand sampled at 1m intervals direct from container placed under the cyclone. Three sample categories are collected. 1m samples are placed in numbered bag ~2-3kg in weight and retained until composite assays are completed. Composites Samples are incrementally collected from 4 successive 1m samples and submitted for gold only assay. A bottom of hole sample representing the least weathered part of the drilled profile is collected submitted immediately for a multi-element suite of assays. 1m chip samples are submitted selectively based on results from composite samples and on presence of visually interesting cuttings. Diamond core through saprolite with comparatively poor recovery of friable clays. Visual observations only carried out at this preliminary stage. Intended to halve very soft sections using a paint scraper to provide representative half core sample
	• *Measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.*	**Hand scoop, comparatively poor sample:** The nature of the regolith encountered in lake aircore drilling being mostly sticky clays, prevents use of a splitter, so all samples are hand scooped.
	• *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.*	Aircore drilling was sampled at 1m, these were hand composited to 4m samples approx. 3kg in weight. Composite Samples and follow up 1m splits for anomalous composites submitted to ALS Laboratories Kalgoorlie for Fire Assay with AA finish. Detection limit 0.01ppm Au. No special measures were taken to account for coarse gold. Bottom of hole samples submitted for multi-element suite of assays:

Criteria	JORC Code explanation	Commentary
		ANALYTICAL PROCEDURES

ALS CODE	DESCRIPTION	INSTRUMENT
ME- ICP06	Whole Rock Package - ICP- AES	ICP- AES
C- IR07	Total Carbon (Leco)	LECO
S- IR08	Total Sulphur (Leco)	LECO
ME- MS81	Lithium Borate Fusion ICP- MS	ICP- MS
ME- MS42	Up to 34 elements by ICP- MS	ICP- MS
TOT- ICP06	Total Calculation for ICP06	ICP- AES
ME- 4ACD81	Base Metals by 4- acid dig.	ICP- AES
ME- GRA05	H2O/LOI by TGA furnace	TGA
Au- AA25	Ore Grade Au 30g FA AA finish	AAS

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).*	Drilling was carried out using a lake aircore drilling rig in the area close to the Bindah Extended target. All drill holes are vertical. Diamond drilling carried out using specially designed lake diamond drill rig. Upper section of drill hole to date has been drilled using HQ (5cm) core barrel.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.*	Sample recovery problematic in sticky clay sections with quite variable sample size. Diamond: very poor core recovery in saprolite
	• *Measures taken to maximise sample recovery and ensure representative nature of the samples.*	Every effort made to blast sample system clear at least at the end of each 3m rod. Significant effort made to clean cyclone and containers to avoid contamination. Diamond: short core runs were used to maximise recovery.
	• *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.*	Not determined.
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.*	Simple qualitative geological logs using standard geological coding sheets.
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.*	Logging is qualitative in nature.
	• *The total length and percentage of the relevant intersections logged.*	Logging was carried out on all cuttings produced by aircore.

Criteria	JORC Code explanation	Commentary
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.*	Aircore samples were as scooped or "grab" sampled from the containers at the cyclone with bulk residues discarded. Diamond: half or quarter core for assay.
	• *For all sample types, the nature, quality and appropriateness of the sample preparation technique.*	Sample prep in Lab is standard for all assay procedures.
	• *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples*	Anomalous composites repeated with individual 1m splits. Selected splits on the basis of 5% of composite samples submitted.
	• *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*	Splits are in effect field duplicates of composites. Diamond: ¼ core splits to be submitted on 1 sample in 20
	• *Whether sample sizes are appropriate to the grain size of the material being sampled.*	Sample weights of ~3kg documented are adequate for fine gold. Evidence of coarse gold suggests that special screen fire assays may be appropriate in some sections
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	Samples were dispatched for low level gold determination by Fire Assay, which is an industry standard process. Assay accuracy determined by laboratory QACQ process. Where coarse gold is expected particularly in the weathered zone, results may be checked by screened fire assays.
	• *For geophysical tools, spectrometers, handheld XRF 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.*	Not recorded.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.*	Composites validated by individual 1m splits. All assay and sampling procedures verified by company personnel.
	• *The use of twinned holes.*	No twinned holes carried out.
	• *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*	Geological and sampling data recorded on Toughbook in the field to minimise transcription errors. Hole locations recorded on GPS and compared prior to upload to database.

Criteria	JORC Code explanation	Commentary
	• *Discuss any adjustment to assay data.*	
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.*	Data accuracy has been taken as +-2.5m for the purposes of designing follow up exploration.
	• *Specification of the grid system used.*	GDA94 UTM co-ordinate system Zone 51.
	• *Quality and adequacy of topographic control.*	+-10m from AHD has been assumed for regional exploration holes used in designing the follow up programme.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.*	Aircore at Bindah Extended is of a reconnaissance nature only and on approximately 400m x 100m centres. Follow up and step out drilling at BE 1 on approximately 100m x 100m intervals and selectively 50m x 100m intervals is intended to provide mineralised boundaries for deeper diamond drilling.
	• *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.*	Drill hole spacing too large to confidently assign continuity of anomalous values.
	• *Whether sample compositing has been applied.*	Compositing of aircore samples from 1m to a maximum of 4m was carried out on all targets.
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.*	Drilling carried out on EW lines with which was adequate to address the interpreted orientation of geology. Vertical holes not ideal for steeply dipping rocks but selected to minimize drilling difficulties in deep clays. Diamond drilling using oriented core is designed to provide robust structural data to guide further drilling. First pass diamond holes oriented either NW or SE which is interpreted to be normal to the strike of in-situ mineralised zone.
	• *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.*	Drilling too wide spaced for bias to be a problem. Orientation of continuous in-situ mineralisation yet to be determined.
Sample security	• *The measures taken to ensure sample security.*	1m splits retained in the field at least until composite assays are received. Core is held in Matsa field facility and removed from drill site at the end of each shift.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	No audit carried out yet.

Section 2 Reporting of Exploration Results

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

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td>Mineral tenement and land tenure status</td><td>• 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.</td><td>Exploration is proposed over the following tenements:
<table><tr><td>Tenement</td><td>Status</td><td>Holder</td><td>Granted</td><td>Area</td><td>Units</td></tr><tr><td>E 39/1770*</td><td>LIVE</td><td>Matsa Gold Pty Limited</td><td>20140701</td><td>6</td><td>BL.</td></tr><tr><td>E 39/1752*</td><td>LIVE</td><td>Matsa Gold Pty Limited</td><td>20140206</td><td>11</td><td>BL.</td></tr><tr><td>E 39/1889**</td><td>LIVE</td><td>RAVEN RESOURCES PTY LTD</td><td>20160308</td><td>16</td><td>BL.</td></tr></table>
*Transfer of two tenements to Matsa Gold Pty Ltd as announced to ASX 7th October 2016.
**JV tenement held by Raven Resources and explored under farm in and JV agreement E39/1889.</td></tr>
<tr><td>Exploration done by other parties</td><td>• Acknowledgment and appraisal of exploration by other parties.</td><td>Work in the vicinity of the Bindah Extended target was previously carried out by Dioro Exploration.</td></tr>
<tr><td>Geology</td><td>• Deposit type, geological setting and style of mineralisation.</td><td>The deposit types being sought at Bindah extended are orogenic syntectonic gold mineralisation similar to Fortitude and VMS related gold (+base metals) mineralisation typical of Bindah and Galant.</td></tr>
<tr><td>Drill hole Information</td><td>• A summary of all information material to the understanding of the exploration results including a tabulation of the following 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.</td><td>Refer previous announcements.

No significant information was excluded deliberately.</td></tr>
</table>

Criteria	JORC Code explanation	Commentary
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.*	Quoted intercepts refer either to individual composite samples or subsequent 1m splits. Aggregates are reported as simple averages of individual assay results, with higher grade intervals reported as "including…"
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 quoted relate to downhole depth and true width is unknown. Not known. Intercepts in aircore drill holes are expressed in downhole 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 views.*	Diagrams have been included in the text
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.*	Information from past drilling has been used to determine exploration targets.
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.*	The review made use of publically available aeromagnetics and gravity, past drilling by Dioro Exploration and in-house data acquired with purchase of the Lake Carey Fortitude project.
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.*	The planned drilling is intended to test hypotheses regarding stratigraphic and structural targets Lake Carey.