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RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Matsa Resources Limited (ASX:MAT)

August 2024

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Note: This report is based on information provided by the company to 1 August 2024

Investment Profile

Share Price (\$) at 1 Aug 2024	0.025
Issue Capital:	
Ordinary Shares (M)	565.3
Options (M)	84.6
Performance Rights (M)	0
Fully Diluted (M)	650.0
Market Capitalisation (\$M)	14.1
12 month L/H (\$)	0.024/0.04

Board

Paul Poli - Executive Chairman
Andrew Chapman – Executive Director & Company Secretary

Share Price Performance



Source: ASX

DEVELOPING WA GOLD, EXPLORING FOR THAI LITHIUM

Matsa has a gold Resource of 936Koz at 2.5g/t and is close to producing from the Devon gold mine and is finalising the mining and processing contracts and obtaining funding. Devon is small but material with cash flow likely to exceed the company’s current market capitalization, and a similar development model could be used for the company’s 100% owned Fortitude deposit. The forecast cash flow will strengthen the balance sheet and fund further exploration for Western Australian gold and drilling walk up targets in Thai lithium.

MATSA: PROJECT RICH, IN CONTROL OF ITS DESTINY

Our valuation range is A\$0.10/sh to A\$0.16/sh at a gold price of A\$3500 – Our base case valuation is A\$0.14/sh and assumes Devon developed as a 50% MAT JV, Fortitude 100% MAT to a toll processor with exploration upside valued at a conservative A\$10M. Currently, Matsa’s share price is equivalent to the NPV of 50% of Devon only.

Share price drivers are straightforward – Develop Devon, restore market confidence in Fortitude Scoping Study numbers and drill exploration holes that are successful – Matsa is now driving Devon development which was stalled waiting for the \$20M sale to Linden which fell through. Fortitude needs metallurgical test work to clarify recoveries.

Two development options available to Matsa – Matsa can adopt a low-risk strategy (our base case) where Devon is developed as a 50% joint venture with BML, generating sufficient cash to repay all current debt, develop the Fortitude mine for toll processing and still have spare cash for working capital and exploration. The alternate strategy is for Matsa to develop Devon as 100% owner, borrowing to do so, and generate sufficient cash to build a 600ktpa processing plant at Fortitude. The later strategy involves more debt, more risk, and delays the arrival of Fortitude cash flow, but provides a long-term lower unit cost processing solution for development of Matsa’s gold exploration properties.

As a mine operator Matsa’s track record is mixed– Whilst Fortitude Stage 1 open pit generated a disappointingly small surplus, Matsa learned from the experience and delivered a \$5M surplus from the Red Dog open pit in line with budget. The Red October underground was close to break even. The conclusion is that Matsa has learned how to deliver open pits in line with budgets and is likely to do so if it chooses to operate Devon and Fortitude projects.

As an explorer Matsa has delivered with very exciting upside at Fortitude North – Against its 2020 gold Exploration Targets the company has delivered within its published range on tonnes and ounces. Fortitude North has yet to deliver a Resource but remains on track to deliver within range, or possibly exceed it, because drilling at the north end is booking wide intersections well outside the Exploration Target geological model.

De-stress the balance sheet, reduce fixed costs and have more exploration dollars – Matsa had A\$5M debt at June 2024, requiring A\$0.5Mpa to service, and was paying A\$1.6Mpa to keep the Red October underground dewatered.

Cash on Hand A\$1.0M at June 2024.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change, which may affect our investment opinion.

OVERVIEW

Value add by backing Matsa’s strong exploration track record, funded by production

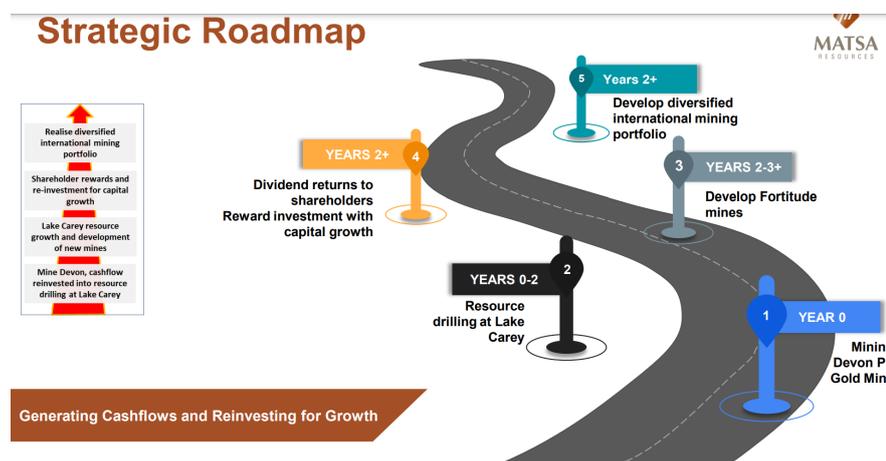
Matsa is seeking to add shareholder value through exploration for gold in Western Australia and lithium in Thailand and is planning to fund that exploration through campaigns of short term mining, starting with the Devon project (18 months life) followed by the Fortitude project (48 months life). Matsa has an excellent track record of value adding by exploration, when it has had the cash to do so (see pages 10 and 11) and has operated successfully in the past.

Company strategy is to use Devon cash to explore then build a processing plant at Fortitude

The company’s stated strategy (Figure 1) is to get Devon into production in the second half of 2024 with first cash flow by December 2024. That timeline is likely to slip in our view, and the initial nine months of operation do not generate much cash on our numbers.

The next step of the strategy is to explore, with the development of the Fortitude mines (ie Fortitude, Fortitude North and others, presumably with a processing plant at Fortitude, in two or three years time. Again, we expect that timeframe will slip, and the main reason would be that the Devon cash flow is not expected to be significant at A\$3500/oz gold until the September or December 2025 quarter (see Figure 4), which is when the real exploration spend would start.

Figure 1 Matsa’s current strategic plan



Source: MAT presentation 7 May 2024

The IIR base case is to develop Fortitude with Devon cash flow then explore

Valuing undiscovered ounces is highly speculative, and Matsa’s existing ounces in mine plans generates a valuation substantially above the current share price, so our valuation approach has been to value the existing ounces on two scenarios, one that minimises risk (ie partnering and toll processing) and one that includes more risk (no joint venturing, build own plant).

Our base case is not consistent with Matsa’s Strategic Roadmap in Figure 1 because it involves bringing Fortitude into production earlier (in the equivalent of Year 2) and uses toll processing, rather than preserving Fortitude to build life for the company’s own processing plant.

Risk mitigation by outsourcing if that is what Matsa choses to do

The Western Australian gold scene provides some unusual advantages. Mining activities can be contracted out to specialist mining contractors that bring with them underground and open pit operating skills including all the geological and engineering skills to deliver a successful mining operation. There are also a number of processing plants within trucking distance of Matsa that have a history of toll processing or purchasing ore from third parties, including from Matsa, which significantly reduces the risks of building and operating a processing plant.

Matsa has been pursuing a strategy of using an incoming Joint Venture party to provide the funding and accept all the risk, with Matsa receiving 50% of the operating cash flow. Originally, Linden was to be that partner but was unable to raise the funds. Contractor BML and Matsa have signed a heads of agreement where BML provides funding and accepts the project risk, but there were delays in converting that agreement into a binding contract. BML has an

excellent track record of delivering successfully on this kind of operation.

Our investment base case assumes:

- ◆ Devon is a 50% joint venture with BML generating around A\$20M in after tax cash which eliminates existing balance sheet debt and funds the A\$6M required to start mining at Fortitude.
- ◆ Fortitude is developed as 100% owned and operated by Matsa processing through Sunrise Dam (AngloAshanti) and achieving a 91% metallurgical recovery and is developed as soon as the Devon cash is available (ie not waiting for more exploration success).
- ◆ Matsa would not require any gold hedging during development, and mining at Fortitude could start as early as the March 2026 quarter.

Achieving these two objectives would value Matsa at A\$82.5m (A\$0.133/sh Table 4) and would be achieved with no further call on shareholders for issuance. Once Matsa is priced at that market capitalisation, it will have the cash flow to prove up additional Reserves and can revisit the question of building a processing plant close to its mining operations.

The alternate strategy is for Matsa to own 100% of Devon, borrow around A\$12M to fund its development which at A\$3500/oz gold price generates A\$33M of discretionary cash by June 2026, then build a processing plant at Fortitude for around A\$76M requiring another A\$40M in debt, the repayment of which will consume A\$10Mpa to A\$20Mpa of annual cash flow.

In this scenario, Matsa is worth only A\$0.045/sh because the 2.5Mt at Fortitude is not enough to recover the capital cost of the plant. A plant at Fortitude would make sense if additional Reserves were discovered, but we would fund that exploration from Fortitude cash.

If Fortitude was to be processed locally, mining would not start until the plant was constructed on this scenario which would be June 2027 at the earliest, a year later than our Base Case, with a corresponding delay in Reserve extensional exploration and related value addition.

Matsa's track record as a mine operator has wins and losses

Matsa may decide to retain 100% of Devon and accept the project risk while using a mining contractor, ore haulage contractor and processing contractor. As a corporation it has done so in the past and so should have the internal skills to execute successfully. Its previous operations include the Fortitude Stage 1 open pit, the Red Dog open pit and the Red October underground.

Of these, Fortitude Stage 1 was cash positive but disappointing. The Red Dog pit which was mined immediately after Fortitude performed the closest to expectations and generated A\$5.5m. The underground Red October mine was close to cash break even.

Table 1 Matsa's previous small open pit mining operations: Budget vs Actual

Previous Small Pits	Fortitude			Red Dog		
	Budget	Actual	Act/Budget	Budget	Actual	Act/Budget
Date	Feb-17	Dec-17		Jul-18	Dec-18	
Time Mths		11				
Waste kBCM	1100	944	-14.1%			
Waste kt	1980	1928	-2.6%	437	316	-27.7%
Strip Ratio	10.7	11.9	11.2%	2.4	1.7	-29.2%
Ore Mined kt	185.0	162.0	-12.4%	182.0	185.7	2.0%
Grade g/t	2.20	1.85	-15.9%	2.50	2.30	-8.0%
Contained Gold koz	13.09	9.64	-26.4%	14.63	13.74	-6.1%
Recovery	92.5%	98.8%	6.9%	91.6%	92.5%	1.0%
Produced Gold koz	12.10	9.52	-21.3%	13.40	12.70	-5.2%
ASIC A\$/oz	1140	1486	30.4%	1294	1288	-0.5%
ASIC A\$M	13.79	14.15	2.6%	17.34	16.36	-5.6%
Gold Price A\$/oz	1600	1560		1700	1721	
Revenue A\$M	19.4	14.9		22.7	21.9	
AISC A\$M	-15.4	-14.2		-17.3	-16.3	
Pre Prodn Capex A\$M	-1.2					
Cash Surplus A\$M	5.2	0.7	-86.5%	5.4	5.5	1.9%

Source: Fortitude releases Stage 1 Budget 22 February 2017, actual 31 July 2018, Red Dog budget 18 July 2018, results 11 January 2019

Going alone on Devon would require the raising of A\$12M in working capital on our estimates which our go alone case assumed is raised using debt. Raising A\$12M in equity would be a challenge at the company's current market capitalisation.

Should Matsa build a processing plant at Fortitude?

The short answer is not yet. The slightly longer short answer is that it depends on the cost and duration of any toll processing contracts that Matsa can negotiate, particularly with AngloAshanti.

A Fortitude processing plant would need over 4.4Mt ore

The company has indicated that it would achieve significant unit operating cost advantages by building a processing plant at Fortitude. The table below uses 2021 costs and Western Australia has seen around 30% increase in capital and operating costs since then, but we have used these numbers because they represent the company's most recently released data.

Table 2 2021 processing plant capital cost and operating cost savings suggest at least 4.4Mt of ore Reserves needed

	Tolling	Own Plant	Difference
Capital Cost A\$M	0	58.8	58.8
Processing cost A\$/t	55	38	-17
Haulage Cost A\$/t	6	2	-4
C1 cost combined A\$/t	61	40	-21
Sustaining capital for tailings dam		2	-2
AISC cost combined A\$/t	61	42	19
Tax	-18.3	-12.6	5.7
Costs after tax	42.7	29.4	-13.3
Ore required Mt			4.4

Source: MAT release 22 January 2021, IIR estimated for tailings dam sustaining capital

We would agree that a plant at Fortitude would achieve unit operating cost advantages, but on the company's numbers, and with the additional sustaining capital it would require for tailings dam capacity, building a processing plant at Fortitude would require a minimum of 4.4Mt in ore Reserves (Table 2) The current Fortitude 2021 mine plan is only 2.65Mt but would probably increase if a gold price closer to the current spot price was used.

These numbers would have changed with inflation, and the updated calculation would probably result in the need for more than 4.4Mt of ore.

The 19 August 2019 study used a processing cost of A\$45.6/t. The 22 January 2021 concept study quoted 2019 treatment costs of A\$55/t plus hauling of A\$6/t. We have assumed the A\$55/t is the most realistic estimate of tolling costs. The calculated 2021 processing cost was A\$33.40/t plus related overheads of A\$4.50/t for a total processing cost of A\$37.90/t.

Proving up extra Reserves may take time and cash

There is likely to be additional tonnes available from Fortitude North open pit/underground and the Red October underground, as well as small satellite deposits like Bindah, and a review of existing Resources using local processing costs and higher gold prices may increase tonnes and ounces but additional drilling is likely to be required before committing to plant construction.

Matsa's discretionary cash at June 2026 post Devon

Assuming Devon starts production in the March 2025 quarter and depending on the gold price and whether Matsa retains 50% or 100% of Devon, the available cash for discretionary use at June 2026 could be between A\$14M and A\$60M.

That range is also driven by whether the company's current outstanding options are exercised or not. The exercise prices are between 7cps and 9cps. Exercise of all options would raise A\$7.7M.

If the intention was to build a processing plant, then it would make sense to put in place an owners mining team and retain 100% of Devon, which if delivered to expectation, would generate A\$52M discretionary cash plus A\$8M if all existing options are exercised.

Table 3 Estimated discretionary cash available at June 2026 (post Devon) at various gold prices

Assumed Gold Price A\$/oz	3000	3500	4000
Excluding Options exercise			
Devon 50%	14.0	22.5	31.1
Devon 100%	26.2	40.3	52.3
Including Options Exercise			
Devon 50%	21.7	30.2	38.8
Devon 100%	33.9	48.0	60.0

Source: IIR estimates. Available cash = Cash on hand at June 2026 less that required to pay FY26 tax, FY27 operating cash deficit if any and outstanding debt in FY27.

We estimate that the 2021 costs for building a processing plant at Fortitude would have increased at least 30% to around A\$76M (see Table 17), funded by say A\$20-30M debt and A\$0-10M in new issuance equity plus cash from operations. Retaining 100% of Devon at A\$3500/oz gold price has the potential to generate the bulk of the equity required to build the plant without issuance.

Restoration of balance sheet health

The company needs to restore its balance sheet health, repaying its current borrowings of A\$5M and provide a cash buffer to pay current ongoing obligations of A\$5.6Mpa, comprising around A\$1Mpa for corporate overheads, A\$1.6Mpa for Red October care and maintenance (mainly dewatering), A\$2.4Mpa for satisfying tenement spend obligations and A\$0.6Mpa interest on the debt.

The Red October Care and Maintenance is now a discretionary item with the termination of the Linden sale process and the expiry of the option AngloAshanti had over the mine. Matsa could let the mine flood with water if it chose, saving it most of the A\$1.6M pa. The downside is that the mine would have to be dewatered before exploration could resume, and dewatering is a relatively slow process.

It is likely that the balance sheet will be loaded with more debt to develop cash generating operations, but whatever the strategy, the current level of debt is inappropriate for an exploration company with no cash flow, and this drives the need to develop Devon.

VALUATION AND EARNINGS FORECAST SUMMARY

Assuming a gold price of between A\$3000/oz and \$3500/oz, Matsa appears to have a valuation of between A\$0.084/sh and A\$0.158/sh at June 2024 and two pathways for delivering that value. We have ignored the low value in the last column, because on those economics, the processing plant at Fortitude will not be built. The second column valuation of 2.8cps shows that the current share price of around 2.8cps is reflecting the value of 50% of Devon only, suggesting that the market is placing no value on Fortitude or the exploration potential.

The variation in valuation is due to the gold price, Devon metallurgical recovery and management decisions on how the assets are to be developed and the level of risk its shareholders will be exposed to. Devon recovery depends on which plant the ore is sent to.

Table 4 Valuation Scenarios at gold prices of A\$3500/oz and A\$3000/oz

	At a Gold Price of A\$3500/oz						A Gold Price of A\$3000/oz				
	50%	50%	50%	100%	100%	100%	50%	50%	100%	100%	100%
Devon Ownership	50%	50%	50%	100%	100%	100%	50%	50%	100%	100%	100%
Devon Recovery	82%	82%	91%	82%	91%	91%	82%	91%	82%	91%	91%
Fortitude Processing	None	Sunrise	Sunrise	Sunrise	Sunrise	Fortitude	Sunrise	Sunrise	Sunrise	Sunrise	Fortitude
Devon	10.74	10.74	14.11	21.48	28.23	28.23	6.27	9.16	12.54	18.31	18.31
Fortitude	0.00	47.41	47.41	47.41	47.41	18.99	24.52	24.52	24.52	24.52	-5.98
Exploration	0.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Corporate Overhead	-2.40	-3.97	-3.97	-3.97	-3.97	-4.37	-3.97	-3.97	-3.97	-3.97	-4.37
Tax Benefit	10.92	10.92	10.92	10.92	10.92	10.92	10.92	10.92	10.92	10.92	10.92
Cash on hand	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94
Debt	-4.39	-4.39	-4.39	-4.39	-4.39	-4.39	-4.39	-4.39	-4.39	-4.39	-4.39
Net Working Capital	-1.88	-1.88	-1.88	-1.88	-1.88	-1.88	-1.88	-1.88	-1.88	-1.88	-1.88
Valuation	15.93	71.8	75.1	82.5	89.2	60.4	44.41	47.29	50.68	56.45	25.55
Issued Shares	565.29	565.3	565.3	565.3	565.3	565.3	565.29	565.29	565.29	565.29	565.29
Valuation A\$/sh	0.028	0.127	0.133	0.146	0.158	0.107	0.079	0.084	0.090	0.100	0.045

Source: IIR estimates, Base Case Scenario Columns 3 and 8, Alternative Scenario columns 6 and 11

Base Case Valuation: A\$0.13/sh at A\$3500/oz

Our base case scenario involves no calls on shareholders for funding and minimal risk, and involves the gold price remaining at A\$3500/oz and the following assumptions:

- ◆ Devon is a 50% joint venture with BML which is estimated to generate around A\$16.6M in after tax cash post the repayment of existing balance sheet debt which can fund the A\$8M required to start mining at Fortitude.

- ◆ Fortitude is developed as 100% owned and operated by Matsa processing through Sunrise Dam (AngloAshanti) and achieving a 91% metallurgical recovery. We have used 91% recovery because that is our estimate of Sunrise Dam recovery. It is lower than the 93% quoted in Tables 13 and 16 which appears to be based on historical performance.
- ◆ Matsa would not require any gold hedging during this period, and mining at Fortitude could start as early as early 2026.
- ◆ This scenario assumes that the exploration portfolio, including Fortitude North, Red October and other gold targets as well as Thai lithium, is worth only A\$10M, which might be the value in a cashless moribund company but probably significantly understates the value in a cashed up, debt free producer with an ongoing cash flow.

Alternative Scenario: Valuation A\$0.10/sh at A\$3500/oz

The alternate strategy is for Matsa to own 100% of Devon, borrow around A\$12M to fund its development which at A\$3500/oz gold price is estimated to generate A\$31.4M of discretionary cash by June 2026, then build a processing plant at Fortitude for around A\$76M requiring another A\$30M in debt, the repayment of which will consume A\$10M to A\$20M of annual cash flow.

Note that this discretionary amount is not the cash on hand at June 2026. It is that cash less debt and any FY27 operating or tax payment outflows.

This scenario has a substantially lower value at A\$0.045/sh compared to the Base Case because the 2.65Mt of ore in the Fortitude 2021 Scoping Study is too small to recover the costs for plant construction relative to our estimated cost of toll processing (see Table 2).

However, if toll processing is unavailable, or is available at more than A\$80/t (vs our assumption of A\$60/t), then our Base Case valuation would be too high and Matsa would be incentivised to build its own plant. Also, if Matsa can find an additional 2Mt of Reserves, say at Fortitude North or Red October, then we believe a processing plant at Fortitude could be justified. These Reserves are not on the books at present and will require time and expenditure.

Mining at Fortitude would not start until the plant was constructed on this scenario which at the earliest would be in early 2027, a year later than the base case, with a corresponding delay in Reserve extensional exploration and related value addition.

This scenario also includes a value of A\$10M for the exploration.

Other valuation scenarios

The peak valuation of A\$0.158/sh on a gold price of A\$3500/oz is the scenario where Matsa retains 100% of Devon and develops Fortitude by tolling the ore through Sunrise Dam achieving a 91% recovery.

The other scenarios assume the Devon recoveries used in the Linden Definitive Feasibility Study (82% over Life of Mine). This was based on processing at the Gwalia plant of Genesis (ASX:GMD). Our 91% recovery is based on processing at Sunrise Dam which has a fine grind circuit that can recover gold from arsenopyrite.

FINANCIALS

Table 5 Profit & Loss for the Base Case (50% Devon 100% Fortitude tolled)

PROFIT & LOSS	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30
Revenue	1.0	18.9	88.3	97.1	97.1	97.1	97.1
Operating Costs	0.0	-15.9	-37.2	-69.8	-69.8	-69.8	-65.8
Corporate OH	-1.3	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Exploration	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Costs	-3.6	-17.4	-38.7	-71.3	-71.3	-71.3	-67.3
EBITDA	-2.6	1.5	49.7	25.9	25.9	25.9	29.8
D&A	-0.3	-1.5	-4.6	-2.5	-2.5	-2.5	-2.5
EBIT	-2.9	-0.1	45.1	23.4	23.4	23.4	27.4
Interest Costs	-0.5	-0.5	-0.2	0.5	0.5	0.6	0.7
PBT	-3.4	-0.5	44.8	23.9	23.9	24.0	28.0
Tax Expense	0.0	0.2	-2.5	-7.2	-7.2	-7.2	-8.4
NPAT	-3.4	-0.4	42.3	16.7	16.8	16.8	19.6
Dividend \$M	0.0	0.0	0.0	0.0	3.4	10.1	11.8
Franking	0%	0%	100%	100%	100%	100%	100%
Payout Ratio	0%	0%	0%	0%	20%	60%	60%
Shares on Issue	565	565	670	670	670	670	670
Diluted Shares on Issue	670	670	670	670	670	670	670
Adj EPS cps	-0.5	-0.1	6.3	2.5	2.5	2.5	2.9
Options on Issue M	104.7	104.7	0.0	0.0	0.0	0.0	0.0

Source: IIR estimates

Table 6 Cash Flow on Base Case (50% Devon 100% Fortitude tolling)

CASH FLOW	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30
Receipts From Customers	1.2	18.6	87.0	97.0	97.1	97.1	97.1
Payments to Suppliers	-2.5	-16.9	-32.4	-67.9	-71.0	-74.9	-70.4
Cash Flow from Operations	-1.3	1.6	54.6	29.0	26.1	22.2	26.8
Interest Received	0.0	0.0	0.0	0.5	0.5	0.6	0.7
Financing Costs	-0.5	-0.5	-0.2	0.0	0.0	0.0	0.0
Taxes Paid	0.0	0.0	0.0	-2.5	-7.2	-7.2	-7.2
Net Cash from Operations	-1.9	1.1	54.4	27.0	19.5	15.6	20.2
PP&E	0.0	0.0	-8.0	0.0	0.0	0.0	0.0
Mine Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investing Activity	-0.3	0.0	-8.0	0.0	0.0	0.0	0.0
Issue of Equity	4.6	0.0	7.7	0.0	0.0	0.0	0.0
Forward Contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	-3.4	-10.1
Net Borrowings	-0.2	-0.3	-4.0	0.0	0.0	0.0	0.0
Financing Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Activity	4.3	-0.3	3.6	0.0	0.0	-3.4	-10.1
FX Difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Increase in Cash	2.1	0.8	50.0	27.0	19.5	12.3	10.1
YE Cash on Hand	2.9	3.7	53.7	80.7	100.2	112.5	122.6

Source: IIR estimates

Table 7 Reconciliation of discretionary cash in Table 3 to cash at Jun 2026 in Table 7

	Devon 50%	Devon 100%
Cash Balance 6/26 including Fortitude cash flow	53.7	87.6
Fortitude Net Cash FY26	-20.8	-20.8
Cash Balance 6/26 from Devon only	32.9	66.8
FY27 Operating deficit	-2.7	-3.9
FY27 Tax paid	0.0	2.9
FY27 Debt repayment (funding of Devon)	0.0	-12.0
Funds raised by exercise of options in FY26	-7.7	-7.7
Discretionary Cash at June 2026	22.5	40.3

Source: IIR estimates

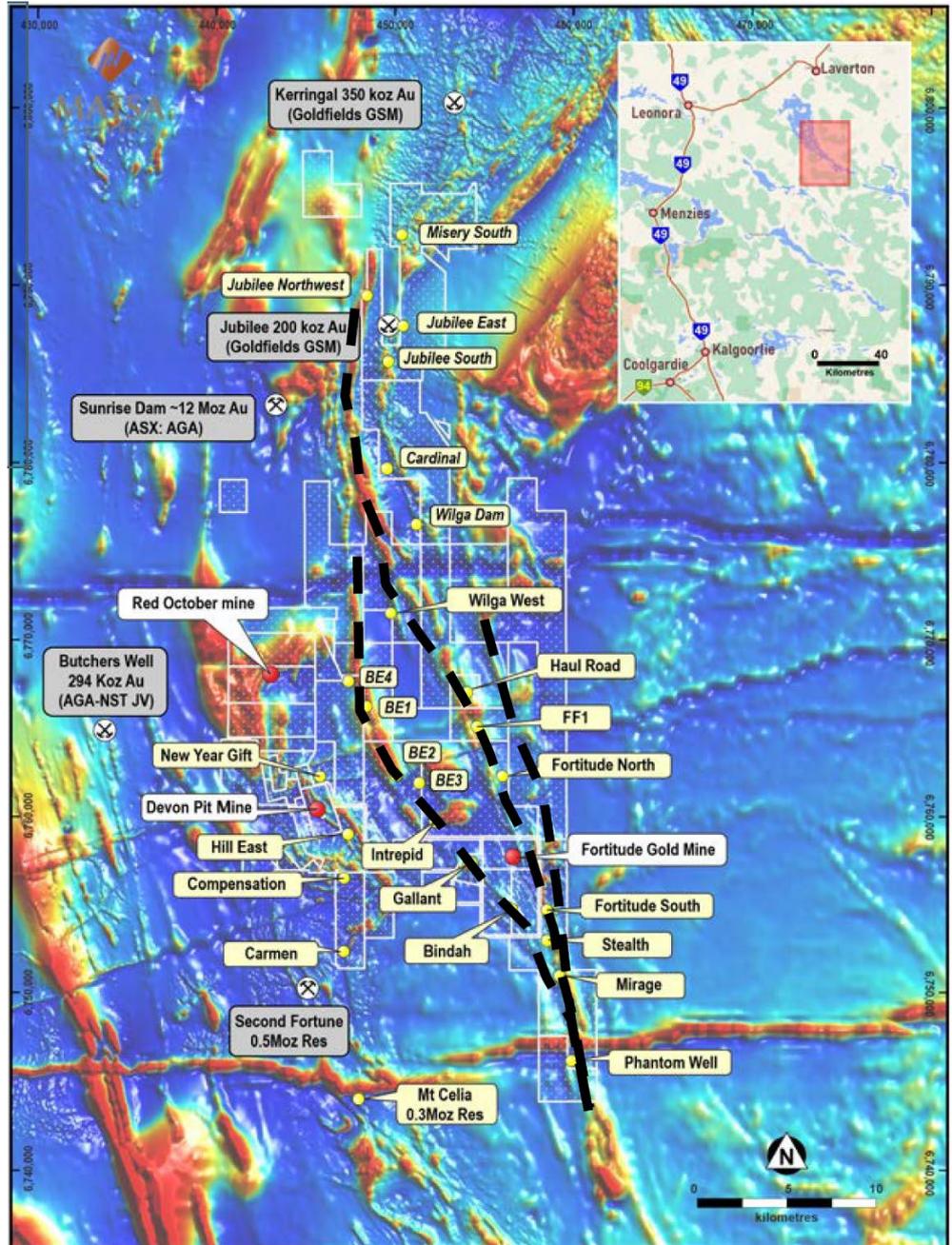
Table 8 Balance Sheet on Base Case (50% Devon 100% Fortitude tolling)

	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30
Cash	2.9	3.7	53.7	80.7	100.2	112.5	122.6
Receivables	0.0	0.4	1.7	1.9	1.9	1.9	1.9
Inventories	0.1	0.5	1.1	2.0	2.0	2.0	1.8
Prepaid Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Current Assets	3.2	4.7	56.6	84.7	104.2	116.5	126.5
Financial Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PP&E	0.0	-1.5	1.9	-0.6	-3.0	-5.5	-8.0
Expln & Mine Development	21.1	20.8	20.8	20.8	20.8	20.8	20.8
Deferred Tax Asset	1.0	1.2	1.2	1.2	1.2	1.2	1.2
Total Non Current Assets	22.8	21.1	24.5	22.1	19.6	17.1	14.7
Total Assets	26.0	25.8	81.1	106.8	123.8	133.6	141.1
Trade Payables	2.0	2.9	7.7	11.7	11.7	7.8	7.4
Prepaid Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowings	4.4	4.0	0.0	0.0	0.0	0.0	0.0
Current Tax Liabilities	0.0	0.0	2.5	7.2	7.2	7.2	8.4
Deferred Tax Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	2.8	2.8	4.9	5.1	8.7	15.7	14.6
Total Liabilities	10.8	11.3	16.6	25.5	29.1	32.2	31.9
Net Assets	15.2	14.5	64.5	81.2	94.7	101.4	109.2
Issued Capital	70.2	70.2	77.8	77.8	77.8	77.8	77.8
Reserves	10.3	10.3	10.3	10.3	10.3	10.3	10.3
Retained Profits	-65.7	-66.0	-23.7	-7.0	6.4	13.1	21.0
Shareholder Equity	14.8	14.5	64.4	81.2	94.6	101.3	109.1

Source: IIR estimates

GOLD PROJECTS

Figure 2 Location of Devon, Fortitude and Red October and Anglo Ashanti Sunrise Dam processing plant



Source: Google Earth, company reports

Matsa's key gold projects include:

- ◆ Devon Gold open pit project
- ◆ Fortitude Gold open pit project
- ◆ Fortitude North exploration project
- ◆ Red October underground mine
- ◆ Lake Carey processing plant (Proposed to be constructed at Fortitude)
- ◆ Numerous regional exploration targets some with Resources

Existing Resources

Table 9 Matsa Gold Resources

	Measured			Indicated			Inferred			Total		
	Kt	g/t	koz	Kt	g/t	koz	Kt	g/t	koz	Kt	g/t	koz
Red October UG	105	8.4	28	698	5.4	121	635	5.4	110	1348	5.6	244
Devon OP	18	4.4	3	434	4.6	64	16	6	3	467	4.6	69
Olympic OP							171	2.8	15	171	2.8	15
Hills East							748	2	48	748	2	48
Fortitude	127	2.2	9	2979	1.9	182	4943	1.9	302	8048	1.9	489
Gallant OP						0	341	2.1	23	341	2.1	23
Bindah				43	3.3	5	483	2.3	36	526	2.4	40
Stockpiles							191	1	6	191	1	6
Total	232	5	40	4063	2.7	372	7337	2.2	544	11840	2.5	936

Source: MAT release 14 March 2024

Matsa has done what it said it would do in terms of exploration.

In August 2020 Matsa set out a comprehensive set of Exploration Targets and has delivered within the Target range, with most of the outcomes being towards the low end of the range in terms of ounces, and usually below the expected grades (Table below). The exception was Hill East which reported higher tonnes, grade, and ounces than the upper Target estimate.

The Bindah discovery was not in the Target list and is approved for mining.

The major anomaly is Fortitude North which has yet to deliver a reported Resource. Fortitude is discussed in more depth below.

Table 10 Exploration Targets set 11 August 2020 and Actual outcome

	11-Nov-20	Low Case Target			High Case Target			Actual Discovered post June 2020			
		kt	g/t	koz	kt	g/t	koz	kt	g/t	koz	Reported
Red October		900	6.9	200	1740	6.1	340	1185	4.9	185	Jun-23
Devon		1040	3	100	2600	3	250	1247	2.8	114	Jun-21
Olympic		180	4	20	560	6	110	171	2.8	15	Jun-21
Hill East (HE 1)		60	1.7	3	120	1.7	6				
Hill East Exploration		252	1.7	13	470	1.7	26	748	2.0	48	Jun-22
Gallant		280	2.2	20	350	2.2	25	341	2.1	23	Jun-21
Subtotal		2712	4.1	356	5840	4.0	757	3692	3.2	385	
Fortitude North Supergene		1130	4.7	170	2020	4.7	310				
Fortitude North Primary		1350	3.2	140	2810	3.2	250				
Fortitude North Total		2480	3.9	310	4830	3.8	600				
Total		5192	4.0	666	15500	2.7	1350				

Source: MAT release 11 August 2020 and Resources reported in annual reports from 2020 to 2023

Since the June 2021 Resource statement, Matsa has changed the Devon cutoff grade and reduced the size of the Resource to focus on a smaller, higher-grade part of the deposit, hence the smaller tonnage and higher grade in Table 9.

Newer 2022 Exploration Target should therefore be taken seriously

In July 2022, the company released a new set of exploration targets (table below), still including Fortitude North, with additional Resources expected at Bindah and Gallant deposits, as well as a large number of additional targets. This time the company has provided tonnage targets without grade or contained ounce estimates.

The company has not had sufficient funds to progress most of these targets.

The 3mt target size for Fortitude North fits within the 2020 Target range of 2.48-4.83Mt suggesting the old Target is still valid. However, additional drilling suggests the structure at the northern end is larger.

The table below also includes the FF1 target of 2.5Mt. If Matsa does prove up 5.5Mt from Fortitude North and FF1 deposits, and if they are similar in grade to Fortitude (1.9g/t) that would add 300koz to the company's Resource base.

Table 11 Exploration Targets July 2022

Prospect	Target size ('000 t)	Drilling stage	Budget Required (\$k incl assays)	Drilling type	Aim /expected results of this drilling proposal
Fortitude North	3000	Advanced	425	Mix RC and DD	Confirm presence of HG shoots. Obtain structural data on orientation of lode structures
FF1	2500	Early stage	350	DD	Confirm economic grades below transported cover. Test strong magnetic response for gold mineralisation
Bindah	250	Advanced	450	DD	Extend known resource
Gallant	150	Early stage	70	DD	Confirm geological model
					Define potential to extend resource
Mirage	120	Advanced	100	Mix RC and DD	Test alternative lode orientation and presence of E-W structure Prove continuity of economic type grades, proof of concept
Stealth	120	Advanced	100	Mix RC and DD	Test alternative lode orientation and presence of E-W structure. Prove continuity of economic type grades, proof of concept
Carmen	90	Advanced	140	RC	Develop first pass resource along strike of historical shafts. Test adjacent magnetic anomalies for presence of mineralisation
Compensation	75	Advanced	-	Nil	Review, model existing drilling to determine potential
Carmen mag bullseye anomaly	Exploration target	Early stage	70	RC	Test strong magnetic response , no drilling completed to date
Wilga West	Exploration target	Reconnaissance	330	Air core	Test for bedrock gold anomaly, define new drilling target
Hacks Well	Exploration target	Reconnaissance	50	Air core	Test for bedrock gold anomaly, define new drilling target
NW7	Exploration target	Reconnaissance	210	Air core	Test for bedrock gold anomaly, define new drilling target
Steve's Dam	Exploration target	Reconnaissance	210	Air core	Test for bedrock gold anomaly, define new drilling target
Haul Road	Exploration target	Reconnaissance	40	Air core	Test for bedrock gold anomaly, define new drilling target
Devon North	Exploration target	Reconnaissance	110	Air core	Test for bedrock gold anomaly, define new drilling target
Fortitude Fault	Exploration target	Reconnaissance	730	Air core	Test for bedrock gold anomaly, define new drilling target
1812 South	Exploration target	Reconnaissance	100	Air core	Test for bedrock gold anomaly, define new drilling target
Fortitude East	Exploration target	Reconnaissance	74	Aircore	Test for bedrock gold anomaly, define new drilling target
Fortitude Far South	Exploration target	Reconnaissance	27	Air core	Test for bedrock gold anomaly, define new drilling target
BE2S	Exploration target	Reconnaissance	65	Air core	Test for bedrock gold anomaly, define new drilling target
Phantom Well	Exploration target	Reconnaissance	90	Air core	Test for bedrock gold anomaly, define new drilling target

Source: MAT presentation 20 July 2022

The total budget for this exploration in Table 11 above is A\$3.74M. Since July 2022, Matsa has spent A\$1.74M on exploration to December 2023, almost entirely focused on Devon infill drilling and Fortitude North, so these targets have yet to be seriously tested.

Apart from Fortitude North, work on the remainder of these targets has been limited, and the reported work is limited to the September 2022 quarter only:

- ◆ FF1 – Drill hole to 341.7m depth (1m @ 6.57g/t)
- ◆ Phantom Well and Wilga West – aircore program

There was no further commentary on the targets in any of the company's quarterlies, other than Fortitude North, which has received fairly continuous attention since mid 2022.

DEVON GOLD PROJECT

Key issues: Awaiting finalization of contracts

- ◆ **Mining Contract.** On 4 March 2024, Matsa announced that it had executed a binding Heads of Agreement with BML Ventures Pty Ltd where BML would fund and manage the mining of the Devon open pit project with the surplus cash flow split 50% Matsa, 50% BML after recovery of all costs. Matsa would bear no startup cost or funding risk. Mining was envisaged to start sometime in the December 2024 quarter. Formal agreement was anticipated within 21 days, but we are now in August and no binding contract has been signed as yet.
- ◆ **Funding.** While the base case is for Matsa to have a 50% free carried, risk free share of production cash flows, the delay in formalising the mining contract may mean that Matsa proceeds as the 100% owner, provides the startup funding and BML or another mining contractor provides normal contract mining services. If Matsa is going to retain 100% ownership, it will need to announce how the project will be funded. We estimate A\$12M would be required.
- ◆ **Processing contract.** While Devon has been successfully mined and toll processed in the past, production has been concentrated in the deposit's oxide zone. The company's announcements regarding metallurgical recoveries have focused on historical recovery ie in oxide, rather than on the likely performance of the fresh ore. In 2023, Matsa and Linden published two separate feasibility studies with the Linden Study assuming lower recoveries from the transition and fresh ore. We believe the reconciliation of these different views is that Linden was proposing to process at the Gwalia plant of Genesis, while Matsa was assuming processing at AngloAshanti's Sunrise Dam. The Sunrise Dam plant installed a fine grind circuit in 2018 which increased recoveries from around 85% to around 91% recovery from its own arsenopyritic ores. It is likely to achieve that level of recovery from the Matsa ores.
- ◆ **Approvals.** While the project has received its major approvals, there are a number of specific approvals that must be determined before production can start. We do not expect these approvals to be an issue. In March 2024, the company indicated that it expected all approvals will be in place by the end of the quarter. However, the contract with the ore processor has to be signed before the permit for ore haulage can be approved so that timeline could slip a little.
- ◆ **The cash flow from Devon comes from the last six months** of its 18 month operation (Figure 4) and is dependent on the higher grades at the base of the pit. If the mined grade is lower than the expected grade, the cash flow will be less. There has been a significant amount of infill drilling of that zone in the last two years, so the risk of a problem is likely to be low.

Description of the Devon Gold Project

The Devon Pit Gold Mine is a high-grade open pit development project which hosts a Mineral Resource of 467kt at 4.6g/t for 69koz Au with 82% of the Mineral Resource within the JORC (2012) Indicated category. The most recent mine plan extracts 265kt at 4.6g/t for 40koz contained.

Matsa is targeting a near-term restart of the mine (December 2024), which lies on a granted mining lease with existing road infrastructure in place from previous mining activities undertaken by GME Resources in 2015 and 2016.

Processing will be at a third party processing plant yet to be identified and contracted.

Pre-production capital will be A\$5M to A\$8M, most of which is open pit pre-stripping.

History

On 14 November 2018, Matsa acquired an option over Anova Metals Limited tenements surrounding the Devon Gold mine leases. Exercise of the option cost A\$200,000. Anova retains a 1% net smelter royalty over all gold production from the tenements.

On 13 December 2018, Matsa announced the purchase of the Devon tenements from what was then GME Resources Limited now Alliance Nickel Limited (ASX:AXN) for A\$50,000 in cash and A\$50,000 in shares. Alliance retains a 1% net smelter royalty over any gold produced from the Devon tenements.

On 29 December 2021, Matsa executed a binding agreement to sell the Red October and Devon gold projects to Linden Gold Pty Ltd (LGL) for A\$20M.

The sale was renegotiated in late 2022 with Red October reverting to 100% Matsa ownership, and the Devon joint venture subject to Linden delivering a Definitive Feasibility Study. Up to this point, Matsa had received A\$7M in cash and Linden had covered the care and maintenance costs at Red October.

On 8 December 2023, Matsa announced the agreement with Linden Gold that returned 100% ownership of the Devon project to Matsa. As part of the agreement, Linden is entitled to 50% of the profit from the Devon project up to A\$4 million. In the event of a Joint Venture with a new party, we assume that the \$4M is paid before the free cash flow is divided.

Table 12 Outstanding approvals at March 2024

Item	Purpose	Status	Comment
Tenements		Granted mining (and miscellaneous) leases	Valid to December 2034
Haulage	Allows ore haulage on public roads	Shire approvals obtained	Menzies and Leonora shires
Mining Proposal	Approval for construction of infrastructure and undertake mining activities	Lodged	Pending approval
Mine Closure Plan	Defines rehabilitation and closure prescriptions	Lodged	Pending approval
Clearing permit	Authorises clearing of native vegetation for project development	Lodged	Pending approval
Water abstraction licence	Enables extraction and use of water from project	Approved	Valid to 14 January 2030
Works approval	Permit to construct premises	Approved	Consent given July 2023
Operating licence	Licence to operate premises	In progress	To be submitted once dewatering commissioned
Mining Operations Notice	Allows mining of an operation	In progress	

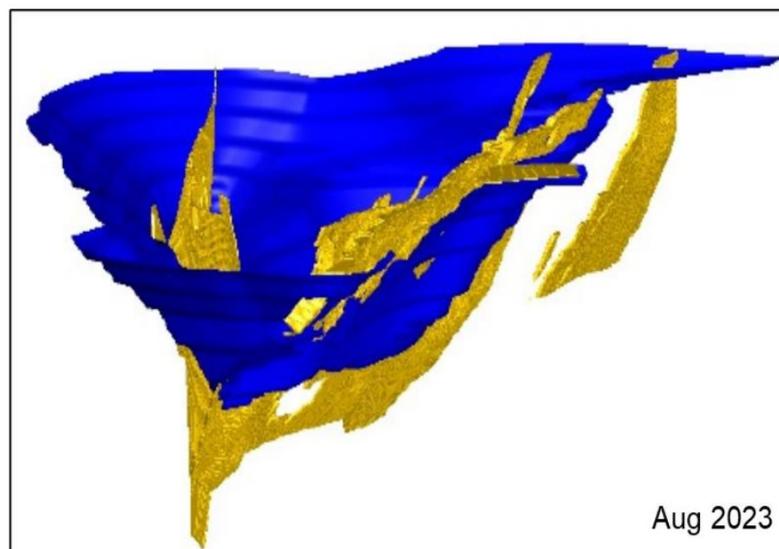
Source: MAT release 14 March 2024

Geology

Continuity of grade along strike and at depth is controlled by the presence / absence of the intensity of quartz veining, and the degree of chemical alteration the host rocks have undergone. Each of these characteristics may be traced between drillholes using visual characteristics.

The Devon Mineral Resource Estimate is contained within an area defined by a strike length of 750m and 150m across strike, along an azimuth of 350°. Most lodes dip at around 50° towards the south-west and the deposit is interpreted to a depth of 150m. Mineralisation remains open at depth.

Figure 3 Devon designed final pit showing Hanging Wall Lode, Main Lode and West Lode



Source: MAT presentation 7 May 2024

Devon Economics

Devon has been mined by GME Resources in two stages (Trial Mine and Stage 2). Matsa has reported two Scoping Studies and Linden published a Definitive Feasibility Study. The table below shows the data from each of those releases that has been published

Because the Linden study was the most detailed, it forms the basis for our financial modelling. Two Devon models have been run. One with the Linden recovery rates, probably based on processing at the Mt Morgans plant and the other with higher recoveries, based on processing through the Sunrise Dam plant.

Table 13 Devon Historical mining (GMS's Trial & Stage 2 pits, LG Stocks) and planned (Scoping and DFS)

	Trial Pit	Stage 2	LG Stocks	Matsa	Matsa	Linden
Date of Operations	May-16	Aug-16	Oct-16	Scoping	Scoping	DFS
Time Mths	1.5	6.0	1.0	12.0	16.0	14.0
Waste kBCM						
Waste kt				6545.5	8750	7670
Strip Ratio				24.7	35	29.5
Ore Mined kt	13.59	47.032		265	250	260
Grade g/t	5.36	5.3		4.64	5.25	4.6
Contained Gold koz	2.34	8.02		39.54	42.20	38.46
Recovery	93.7%	92.3%		93.0%	93.0%	84.0%
Produced Gold koz	2.20	7.40		36.77	39.25	32.30
ASIC A\$/oz	810	979		1144	1613	1775
ASIC A\$M	1.78	7.246		42.064	63.308	57.339
Gold Price A\$/oz	1595	1718		2250	3000	2750
Revenue A\$M	3.5	12.715		82.7	117.7	88.8
AISC A\$M	-1.78	-7.245		-42.0	-62.3	-57.3
Pre Prodn Capex A\$M	0	-1.427			-5	-8.1
Cash Surplus A\$M	1.72	4.043	0.34	40.75	50.40	23.4
Processing at:	Darlot	Carosue Dam		Sunrise Dam		Mt Morgans
Haulage Distance km		119	119		54	147
Unit costs						
Mining A\$/t moved				4.50	4.00	4.05
Grade Control A\$/t ore					1.50	6.71
Mining Total A\$/t ore	42.89	79.94		115.65	145.50	130.23
Haulage A\$/t ore	31.50	17.36		20.00	9.18	18.18
Haulage A\$/t/km						0.15
Processing A\$/t ore	50.00	50.00		50.00	50.00	42.51
Admin A\$/t ore				3.00	3.40	32.15
State Royalty	2.5%	2.5%			2.5%	2.5%
Vendor Royalty	0.0%	0.0%			1.0%	1.0%
Costs A\$M						
Mining	0.00	0.00		30.65	36.00	32.11
Grade Control	0.00	0.00		0.00	0.38	1.74
Mining Total	0.58	3.76		30.65	36.38	33.86
Haulage	0.43	0.82		5.30	2.30	4.73
Processing	0.68	2.35		13.25	12.50	11.05
Admin	0.00	0.00		0.80	0.85	8.36
Rehab						3.08
Royalties	0.09	0.32		0.00	4.12	3.11
Total	1.78	7.25		49.99	56.14	64.19
Source	GME 27 Nov 15	GME 18 Nov 16	GME 25 Jan 2017	MAT 14 Apr 21	MAT 17 May 23	Linden 6 Sep 23

Sources: As defined in the last line of the table

The historical mining has been in the oxide zone. The bulk of the remaining ore is in transition and fresh ore zones, so the costs and recovery in the earlier operations is not necessarily indicative of future costs and recoveries.

There is a difference in the estimated recoveries in the Linden DFS vs the Matsa Scoping Study of 2023 which is likely to be due to the choice of third party processing plant. The issue of metallurgy is considered in more detail in the section on Fortitude, and our valuations (Table 4) show the impact of the different recoveries on the Devon operation.

The selection of processing plant impacts recovery, tolling charge and haulage costs, so any future announcement of an actual tolling contract will be a very significant news release.

Devon Financial model for IIR valuation

Table 14 Devon financial model assuming processing at Sunrise Dam

	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Waste kt	2850	2290	1750	630	150
Ore Production kt	56.0	57.0	87.0	44.0	16.0
Grade g/t Au	2.9	3.6	5.0	6.6	7.0
Contained Gold Koz	5.2	6.6	13.9	9.4	3.6
Ore Processed Kt	51.5	60.8	71.5	56.0	20.3
Grade g/t Au	2.8	3.7	4.8	6.3	6.9
Contained Gold Koz	4.6	7.2	11.0	11.3	4.5
Gold Recovery	91%	91%	91%	91%	91%
Recovered Gold Koz	4.2	6.6	10.0	10.3	4.1
Revenue					
Gold Price US\$/oz	1950	1950	1950	1950	1950
Silver Price US\$/oz	19	19	19	19	19
AUDUSD	0.65	0.65	0.65	0.65	0.65
Gold Revenue A\$M	13	20	30	31	12
Operating Cost \$/t					
OP Mining A\$/t moved	4.05	4.05	4.05	4.05	4.05
Grade Control A\$/t ore	6.71	6.71	6.71	6.71	6.71
Haulage A\$/t ore	9.00	9.00	9.00	9.00	9.00
Processing	60.00	60.00	60.00	60.00	60.00
Admin	32.15	32.15	32.15	32.15	32.15
C1 Cost A\$/oz	2798	2771	1788	947	796
Operating Cost \$M					
Mining OP	12.1	9.9	8.0	3.0	0.8
Capitalised OP	-6.9	0.0	0.0	0.0	0.0
Mining OP to AISC	5.3	9.9	8.0	3.0	0.8
Ore Cartage	0.5	0.5	0.6	0.5	0.2
Processing	3.1	3.6	4.3	3.4	1.2
Admin	1.7	2.0	2.3	1.8	0.7
Total	10.5	16.0	15.3	8.7	2.8
State Royalty %	2.5%	2.5%	2.5%	2.5%	2.5%
Other Royalty %	1.0%	1.0%	1.0%	1.0%	1.0%
Linden Payment A\$m	0.9	1.5	1.6	0.0	0.0
Royalty	1.3	2.2	2.7	1.1	0.4
Production Costs	11.8	18.2	17.9	9.8	3.3
Financials					
Revenue	12.7	19.7	30.1	30.9	12.3
Costs	-11.8	-18.2	-17.9	-9.8	-3.3
EBITDA	0.9	1.5	12.2	21.2	9.0
Depn	-1.2	-1.9	-2.8	-2.9	-1.2
EBIT	-0.3	-0.3	9.3	18.3	7.9
Tax	0.1	0.1	-2.8	-5.5	-2.4
NPAT	-0.2	-0.2	6.5	12.8	5.5
Capex	6.9	0.0	0.0	0.0	3.1
Cash Flow pre Tax	-6.0	1.5	12.2	21.2	6.0

Source: IIR estimated based on Linden 2023 definitive feasibility study

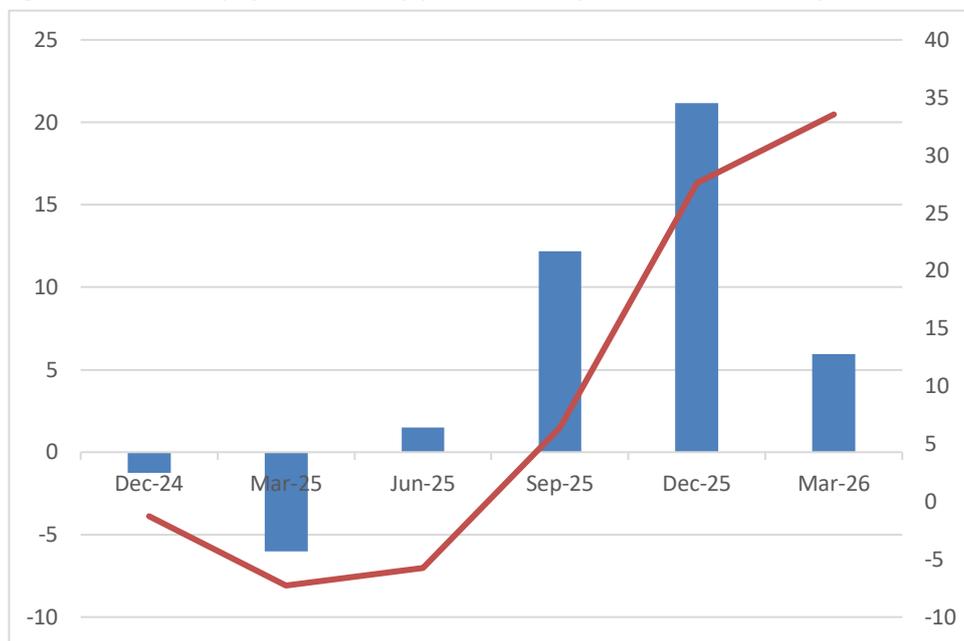
- ◆ The estimates and timing of waste and ore mined, and the gold grade come from the Linden Definitive Feasibility Study.
- ◆ The operating costs come from the 2023 Definitive Feasibility Study for Capricorn's Mt Gibson project and Astral's Mandala Scoping Study and the Linden 2023 Definitive Feasibility Study.
- ◆ The capital costs come from the Linden 2023 DFS.
- ◆ The recovery Base Case assumes processing at Sunrise Dam, as well as an alternate case of processing at Gwalia.
- ◆ Linden is to be repaid A\$4M out of Devon cash flow before the remaining profit is divided between BML and Matsa. The payment is contingent on Devon being cash positive. In our model, this is treated as a profit share royalty, so it is charged to the Devon operating costs and impacts profits on a pre-tax basis. On the model numbers, the full amount is paid out over two quarters.

Timing of cash flow

Assuming mining starts in the December 2024 quarter, the bulk of the cash flow to Matsa or a joint venture occurs in the September 2025 and December 2025 quarters. The limited cash flow in the June quarter is partly due to the requirement to pay A\$4M to Linden, which occurs in that quarter.

The cash flow shown is pre tax, and Matsa’s corporate tax loss position means that it will pay no tax on any Devon cash flow.

Figure 4 Devon 100% of project cash flows by quarter, with first positive cash flow in third quarter



Source: IIR estimates

FORTITUDE GOLD PROJECT

Location

Matsa's Fortitude deposit is located in the southern portion of the prolific Laverton Tectonic Zone. The deposit is located 32km by road south of AngloGold Ashanti Australia Ltd's Sunrise Dam Gold Mine (10Moz), 60km south of Gold Fields Ltd's Granny Smith Gold Mine (11.6Moz) and 12 km southeast of Matsa's Red October Gold Mine (0.342Moz).

Figure 5 Location of Fortitude and Fortitude North on private haul road to AngloAshanti's Sunrise Dam operation



Source: Google Maps

Ownership and History

The bulk of historic work was completed by Aurora and Midas who drilled 523 RC, AC and diamond drill holes into the deposit area. Also completed was a number of prefeasibility and feasibility studies into a heap-leach/dump leach operation and the viability of constructing a 600tpa CIL treatment plant.

The Fortitude deposit was discovered in 1998 during regional exploration by Aurora Gold Ltd. The project was acquired by Midas Resources Ltd in 2002 who divested it to Fortitude Gold Pty Ltd in 2014.

Matsa purchased the Fortitude project from the receivers of Fortitude Gold Pty Ltd in 2016 (MAT announcement of 21st July 2016).

Matsa subsequently completed an audit of the Resource, and the Mineral Resource estimate was confirmed as a JORC 2012 compliant Mineral Resource (MAT release 1 September 2016). Matsa subsequently commenced a diamond drilling program to provide drill core for metallurgical, geotechnical and resource definition purposes (MAT releases on 15 November 2016 and 14 December 2016). Matsa has also previously completed the required heritage, hydrogeological, flora, fauna, community consultation and geotechnical studies which were included in the mining proposal at the trial mining stage which was approved by DMIR's in 2017.

Matsa mined the Stage 1 trial mine from 25 July 2017 to 30 April 2018 and completed ore deliveries to Sunrise Dam in June 2018.

A Scoping Study of Fortitude Stage 2 was completed, and a summary published on 21 Aug 2019, evaluating the financial and technical viability of mining the remaining and larger part of the gold deposit using a conventional open pit operation. The Study has a confidence level of +/-20%. The Study assumed processing at Sunrise Dam.

On 22 January 2021, the company announced the results of a concept study for a 600ktpa processing plant servicing Red October and Fortitude, with Fortitude determined as the

preferred location, which is discussed in more detail on Page 21.

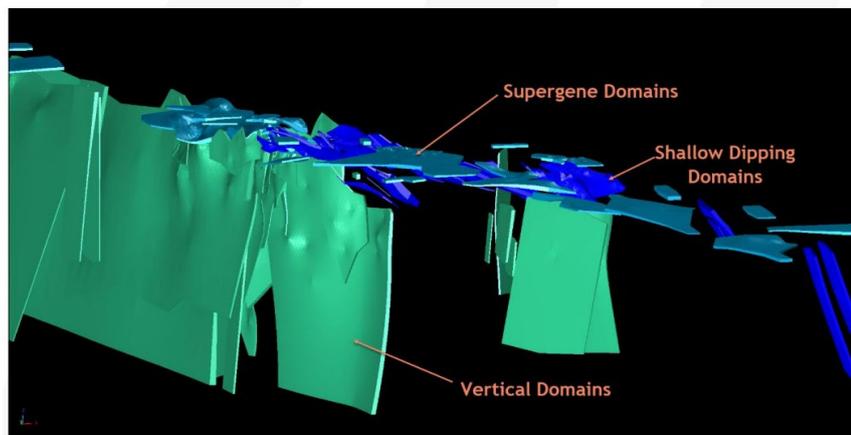
A revised Scoping Study on the development of Fortitude assuming processing at Fortitude was released on 6 October 2021. This Study involved a complete remodeling of the deposit with new wire frames that resulted in an increase in pre tax cash surplus from A\$21.8M in the 2019 Study to A\$95M in 2021, of which A\$31M was the result of using a higher gold price and the balance was from producing 128% more gold at an All In Sustaining Cost of A\$1570/oz vs the 2019 cost of A\$1628/oz. While the 2021 grade is lower, the big cost savings were the fall in stripping ratio from 14.4:1 in 2019 to 8:1 in 2021 and lower processing costs from a plant at Fortitude.

Geology

Gold mineralisation at Fortitude is associated with the Fortitude Shear Zone, a north-northwest striking shear which extends the length of the project. Ductile shearing and mineralisation are focused within an intermediate volcanic unit adjacent to relatively undeformed mafic rocks.

Gold mineralisation forms continuous steeply dipping quartz lodes along the Fortitude Shear and is accompanied by pervasive wallrock siderite-sericite-silica alteration and vein quartz (locally +/- carbonate) with pyrite +/- arsenopyrite in the deeper sulphide zones. Vein intensity, siderite/sericite alteration and sulphide minerals are indicative of better gold grade.

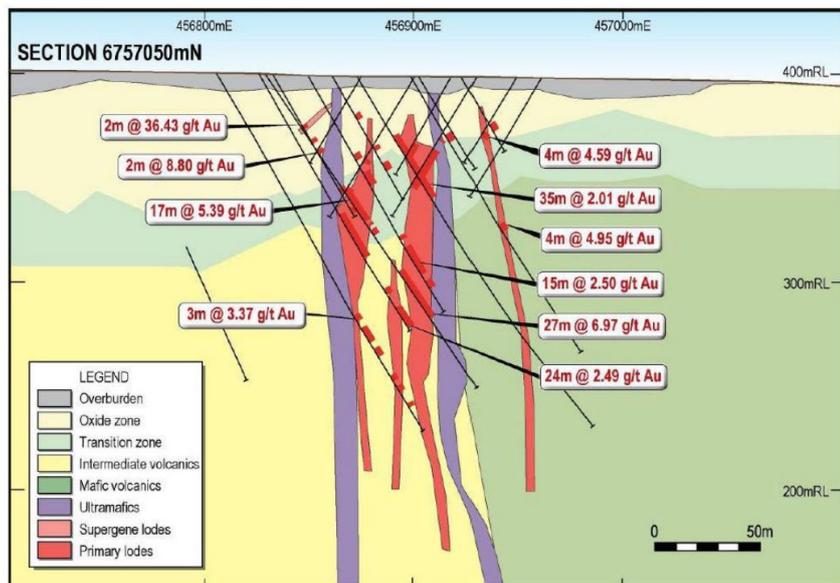
Figure 6 Structural model of the Fortitude 2021 Resource



Source: MAT release 2 September 2021

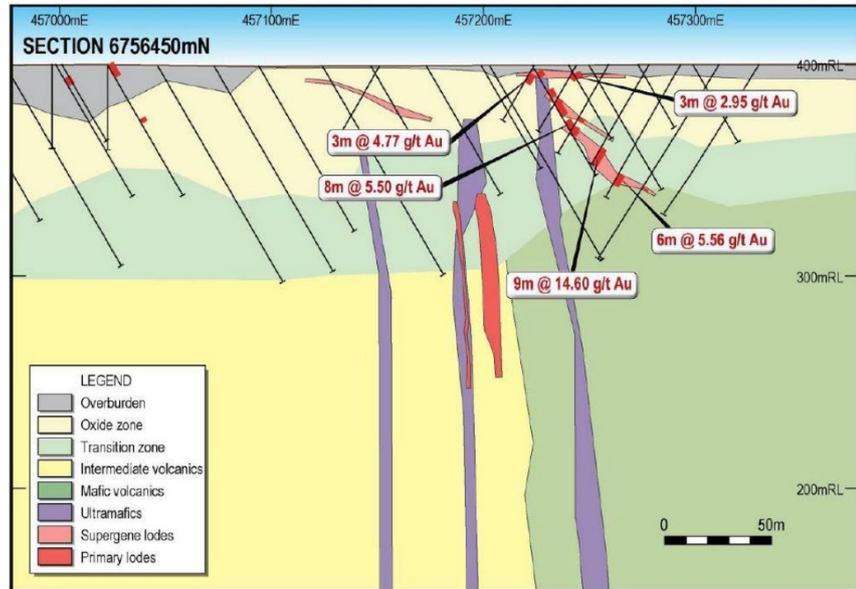
The 2016 Resource was 2.76Mt at 1.9g/t Indicated and 6.29Mt at 1.9g/t total, before the mining of the Stage 1 pit, compared to the 2019 Resource of 2.95Mt at 1.8g/t Indicated and 5.45Mt at 2.0g/t total, so the sections below remain relevant for the 2019 and 2021 Resources, but with the inclusion of the interpreted shallow dipping domains.

Figure 7 Cross Section looking north of 2016 Resource



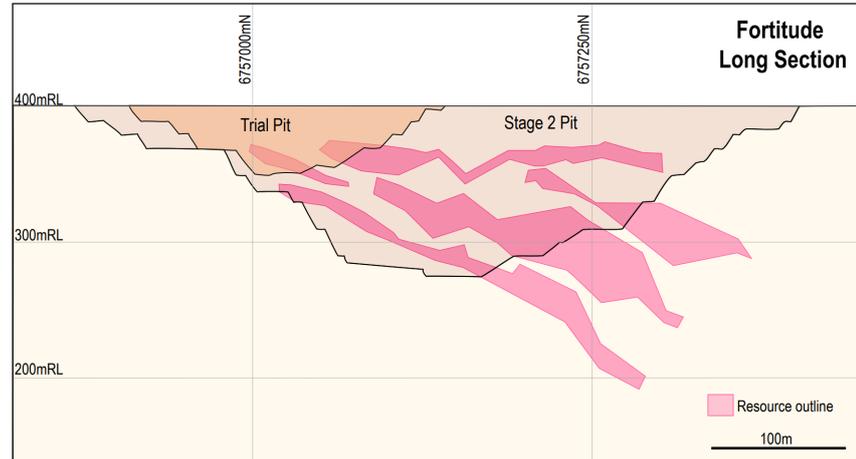
Source: MAT release 1 September 2016

Figure 8 Cross Section looking north of 2016 Resource



Source: MAT release 1 September 2016

Figure 9 Fortitude long section looking West of the 2016 Resource which was amended 22 February 2017



Source: MAT release 21 February 2018

Table 15 Measured and Indicated Resources vs 2019 Reserves and 2021 Mine Plan

	Measured & Indicated Resources			Reserves/Mine Plan			Conversion		
	kt	g/t	koz	kt	g/t	koz	kt	g/t	koz
2019									
Oxide	222	1.9	13.6	141	1.8	8.2	63.5%	94.7%	60.2%
Transition	377	1.8	21.8	277	1.64	14.6	73.5%	91.1%	66.9%
Saprock	227	1.9	13.9			0.0	0.0%	0.0%	0.0%
Fresh	2119	1.8	122.6	611	1.8	35.4	28.8%	100.0%	28.8%
Total	2945	1.82	171.9	1029	1.76	58.1	34.9%	96.7%	33.8%
2021									
Oxide	409	1.7	22.4						
Transition	173	1.9	10.6						
Saprock	210	1.9	12.8						
Fresh	2314	2.0	148.8						
Total	3106	1.95	194.6	2650	1.55	132.0	85.3%	79.5%	67.8%

Source: MAT releases 6 October 2021 and 21 August 2019 Conversion is the ration of Reserves or Mine Plan to the Measued and Indicated Resource

2021 Mine Plan recovers ~65% of M&I ounces vs 33.8% in 2019 Plan

The 2021 Resource involved a full re-interpretation of the mineralised lodes, incorporating the new grade control drilling and geological knowledge gained from the mining of Stage 1.

During the trial mining, it was noted that grade control drilling returned higher grades in the fresh ore compared to the mining reserve model.

The geomorphology of the resource remains largely the same, albeit with slightly steeper dips of the main north striking lodes (refer Figure 6). The resource also comprises minor supergene ores.

The 2021 Scoping Study reports that 124koz of gold is recovered split 118koz from Measured and Indicated and 6koz comes from Inferred Reserves. Assuming 93% recovery, the 118koz becomes 127koz contained in ore mined, and the conversion of Measured and Indicated ounces into the Mine Plan is more accurately stated as 65% vs the 67.8% in the table above.

Table 16 Fortitude Stage 1 Budget v Actual and various versions of Stage 2

	Stage 1	Stage 1	Stage 2	Stage 2	Stage 2 +	Stage 2
	Budget	Actual	Scoping	Scoping	Scoping	Estimate
Nature of Data	Budget	Actual	Scoping	Scoping	Scoping	Estimate
Processing at	Sunrise	Sunrise	Sunrise	Fortitude	Fortitude	Sunrise
Time Mths		9	22	48	48	48
Waste kt	1980	1928	14810	21200	21200	21200
Strip Ratio	10.8	11.9	14.4	8	8	14.4
Ore Mined kt	185	162	1029	2650	2650	2650
Grade g/t	2.16	1.85	1.76	1.57	1.57	1.57
Contained Gold koz	13.09	9.64	58.08	133.35	133.35	133.35
Recovery	92.5%	98.8%	93.7%	93.0%	93.0%	93.0%
Produced Gold koz	12.11	9.52	54.40	124.00	124.00	124.02
ASIC A\$/oz	1140	1486	1628	1570	1570	2078
ASIC A\$/t ore	74.61	87.37	86.07	73.46	73.46	97.23
ASIC A\$M	13.8	14.2	88.6	194.7	194.7	257.7
Revenue						
Gold Price A\$/oz	1600	1560	2150	2400	2400	3500
Revenue A\$M	19.4	14.9	117.0	297.6	297.6	434.1
AISC A\$M	-12.4	-14.2	-88.6	-202.6	-202.6	-260.7
Pre Prodn Capex A\$M	-1.8		-6.6		52.2	-8.0
Cash Surplus A\$M	5.2	0.7	21.8	95.0	29.6	165.4
Haulage Distance km	32	32	32	0	0	32
Unit Costs						
Mining A\$/t moved	3.15	2.73	2.73	4.29	4.29	3.88
Grade Control A\$/t ore						6.00
Mining Total A\$/t ore	33.58	35.24	37.09	38.65	38.65	38.69
Haulage A\$/t ore	4.80	4.80	4.80	0.00	0.00	5.44
Haulage A\$/t/km						
Processing A\$/t ore	25.89	41.47	41.47	32.00	32.00	45.00
Admin A\$/t ore				3.00	3.00	4.00
State Royalty	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Vendor Royalty not triggered	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Costs A\$M						
Mining	6.81		43.26			92.64
Less Capitalised	-0.6		-5.1			-6.00
Mining	6.21	5.71	38.16	102.41	102.41	86.64
Grade Control	0.00	0.00	0.00	0.00	0.00	15.90
Mining Total	6.21	5.71	38.16	102.41	102.41	102.54
Haulage	0.89	0.78	4.94	0.00	0.00	14.42
Processing	4.79	6.72	42.68	84.80	84.80	119.25
Admin	0.00	0.00	0.00	7.95	7.95	10.60
Rehab						
Royalties	0.48	0.37	2.92	7.44	7.44	10.85
Total	12.37	13.58	88.70	202.60	202.60	257.66
Sustaining Capex						3.00
AISC A\$M	12.37	14.16	88.56	202.60	202.60	260.66
Source	22-Feb-17	31-Jul-18	22-Aug-19	6-Oct-21	22-Jan-21	

Source: MAT releases on dates detailed in the last line of the table

The 2021 Study resulted in an increase in pre tax cash surplus from A\$21.8M in the 2019 Study to A\$95M in 2021, of which A\$31M was the result of using a higher gold price and the balance, A\$64M was from producing 128% more gold at an All In Sustaining Cost of A\$1570/oz vs the 2019 cost of A\$1628/oz. From various releases, IIR has attempted to isolate where the A\$64M remaining increase in value has come from.

The key sources appear to be:

- ◆ lower haulage and processing costs as a result of processing at Fortitude (~A\$37M), and
- ◆ lower stripping ratio (waste tonnes: ore tonnes) from 14.4:1 in 2019 to 8:1 in 2021 (A\$27M combined impact of lower grade and lower stripping ratio).

FORTITUDE STAGE 1 TRIAL MINE

The trial mining operation at Fortitude commenced production in July 2017 and was completed at the end of April 2018 with last ore delivered to the Sunrise Dam Gold Mine under the ore purchase agreement with AngloGold Ashanti Australia Limited (AGAA) in early May 2018.

A stockpile of approximately 10,000 tonnes of gold ore remained at completion of the trial mine and was subsequently processed at Sunrise Dam in late May and June with proceeds received after 30th June 2018.

Mining was carried out in three open pit developments, namely North, Central and South pits. Mining was delayed at times during the period to December 2017 due to:

- ◆ availability of contract mining and haulage fleet during start-up and first few months of production. These equipment issues were resolved by the contractor; and
- ◆ unexpected requirement for blasting rather than free digging in the central pit due to the presence of a hard cap horizon which was not previously identified.

Overall results illustrate that the project returned a positive operating cash flow of approximately A\$700,000 from mining operations despite the mining of lower tonnes at a lower overall grade than anticipated from the supergene-enriched zone. While the gold recovery from this zone was lower than anticipated, the recovery from the underlying transitional ore was better than expected. This provides significant encouragement for the proposed Stage 2 mine which targets transitional and fresh ore at depth.

FORTITUDE STAGE 2

All approvals necessary for the 2019 Stage 2 mining project are in place:

- ◆ 5C License to take water – Department of Water – Approved
- ◆ 26D License to construct wells – Department of Water – Approved
- ◆ Native Vegetation Clearing Permit – Department of Environmental Regulation – Approved
- ◆ License to discharge water – Department of Environmental Regulation – Approved
- ◆ Mining Proposal – Department of Mines and Petroleum – Approved
- ◆ Works approval – Department of Environmental Regulation – Approved

Proposed Fortitude Processing Plant

The Scoping study for a proposed Matsa owned and operated processing plant was released on 22 January 2021. Matsa appointed CPC Project Design (CPC) to undertake an Engineering Concept Study ("Study") on a 600,000 tonnes per annum gold-ore treatment plant and highlighted a positive impact on the economics and operating costs of the Red October underground gold mine and Fortitude open pit project.

However all these benefits have to be measured against the cost of building the plant which study indicated would cost between A\$49M and A\$58.8M in 2021, plus the additional risk that Matsa shareholders would be exposed to during construction and debt repayment periods.

Table 17 Matsa's estimated cost of a Fortitude 600ktpa processing plant in 2021 updated by IIR to 2024

Plant	Cost	Contingency	Total	2024 +30%
Processing	35.4	7.1	42.5	55.3
Site Works	13.6	2.7	16.3	21.2
Capex A\$M	49	9.8	58.8	76.4
Opex A\$/t	32.60	5.54	38.14	49.6

Source: MAT release 22 January 2021, IIR inflation estimates based on operating cost inflation experienced by selected companies in the WA Goldfields. The same inflation rate has been used for the capital cost estimates.

The IIR financial model of the Fortitude Stage 2 with its own processing plant assumes a capital cost of A\$76M and an operating cost of A\$49/t plus an additional \$2/t sustaining capital for tailings.

Metallurgical Test-work Results

From the limited metallurgical commentary published by the company we can see that there appears to be some internal conflict with the 2020 excerpt suggesting the presence of gold locked in sulphide, and the 2019 excerpt suggesting the ore can be processed by carbon in leach only. We also have the Linden assessment of Devon (gold locked in sulphide). The company needs to clarify this issue to derisk the Fortitude project. In the meantime, we believe that Sunrise Dam would achieve 91% recovery from gold in sulphide, if that is the case.

The company's 2020 annual report stated; "The Fortitude Stage 2 metallurgical test-work programme was developed using representative processing protocols for transitional sulphide/oxide and primary sulphide ore types. Composite samples were obtained from approximately 130kg of HQ diamond drill core. Results of the metallurgical test work are summarised as follows:

- ◆ "Comminution characterisation test-work confirmed a low Bond Ball Mill Work Index demonstrating no grinding issues with Fortitude transitional and fresh ore types.
- ◆ "Gravity Au recovery demonstrated gold extraction between 23% and 51%.
- ◆ "Flotation tests were conducted with consistent gold recoveries between 39% and 56% to the flotation concentrates
- ◆ "Gravity-and cyanidation tests showed material responded well to low cyanide levels.
- ◆ "Combined gravity and flotation concentrate recoveries are seen to be between 81% and 94%, which is an excellent result and in agreement with feasibility study assumptions."

The 2019 Fortitude Stage 2 Scoping Study stated: "The test work programme scope included detailed head assays, basic comminution characterisation testing and gravity-cyanidation testing under conditions encompassing the potential treatment plants, including cyanidation testing under a range of applicable grind sizes. Test work was undertaken on composite samples derived from part diamond drill core intervals selected to spatially represent the ore types and from the experience of the trial mining.

In general, the outcomes of the programme results received to date are very encouraging and include:

- ◆ "Detailed head assays demonstrated no significant levels of potentially deleterious elements and relatively low sulphide contents
- ◆ "Comminution characterisation test work demonstrated relatively soft to moderate competency, hardness and abrasiveness characteristics including Bond Ball Mill Work Index values ranging from 8.6 kWh/t to 14.6 kWh/t
- ◆ Slurry rheology testing was undertaken on the oxide ore type samples and indicated that no viscosity issues are expected from these samples under the tested conditions
- ◆ Gravity Au recovery at the tested 180 µm P80 grind size demonstrated good (27%) to high (57%) Au extraction to intensive cyanidation solution under the tested conditions
- ◆ Cyanidation of the combined gravity tail samples exhibited very good (89.8%) to excellent (98.2%) Au recoveries (including gravity) at 36 hours and excellent Au extraction kinetics which allowed for similar 24 hour Au recoveries (including gravity) which ranged between very good (89.8%) and excellent (97.5%) values for all tested ore types
- ◆ Moderate cyanide consumption and typical lime addition values were reported

Sunrise Dam processing plant can handle high pyrite ores

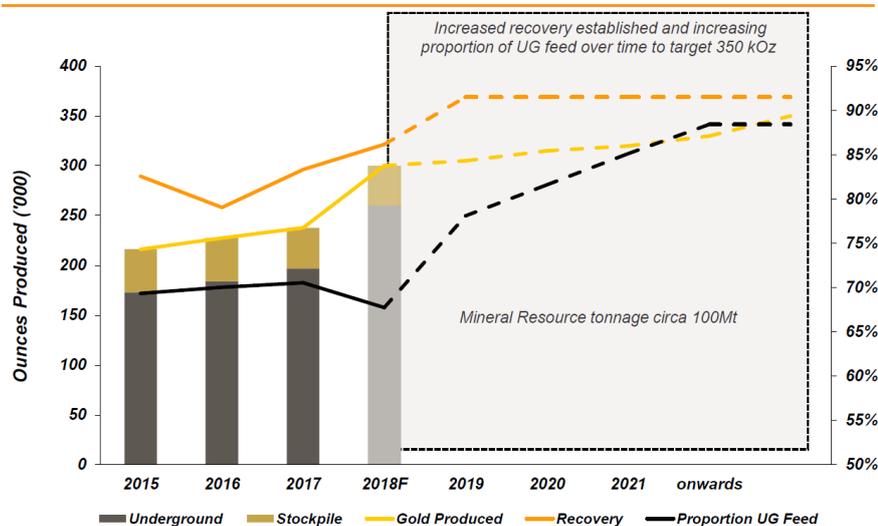
Processing at Sunrise Dam is via a conventional three-stage crushing / two-stage milling, CIL circuit, with a pyrite flotation and ultrafine grinding circuit commissioned in 2018. The gravity circuit recovers approximately 30 percent of the gold, with the CIL circuit, Acacia™ reactor and Anglo American Research Laboratories ("AARL") elution used to recover the remainder. Electrowinning recovers gold from the Acacia reactor and is eluted to produce gold doré. Plant throughput at Sunrise Dam is approximately 4.1Mtpa (Source: AngloAshanti 20F p122)

From the 4.1Mtpa of ore, the plant produces 400ktpa of flotation concentrate which is reground to 80% passing 10 microns allowing an 83% recovery in 2018 and may have improved since then (Source: [https://www.metso.com/insights/case-studies/mining-and-metals/higmill-increases-gold-recovery-for-sunrise-dam-gold-mine/#:~:text=Conclusion,operated%20with%20minimal%20operator%20input\).](https://www.metso.com/insights/case-studies/mining-and-metals/higmill-increases-gold-recovery-for-sunrise-dam-gold-mine/#:~:text=Conclusion,operated%20with%20minimal%20operator%20input).)

The total gold recovery is a function of the combined recoveries of the gravity circuit and the flotation regrind and on a 2018 site visit to Sunrise Dam, AngloAshanti indicated expected recoveries would rise from 85% in 2018 to 91% as a result of the fine grinding project. 91% recovery is consistent with 30% of the gold is recovered by gravity, and 86% of the remaining 70% recovered in the fine grind circuit.

AngloAshanti do not publish recovery data for their operations on a quarterly or annual basis, so we cannot see the actual Sunrise Dam recovery performance.

Figure 10 AngloAshanti Sunrise Dam metallurgical recovery in 2018 and expected improvement



Source: AngloAshanti Sunrise Dam Site Visit presentation July 2018

We were unable to locate any data on Sunrise Dam’s processing cost, but regrinding 10% of the raw ore at 60kWhr/tonne feed would add additional cost which we estimate to be of the order of A\$5-10/t.

Kanowna Belle can also process complex ores

An alternative processing plant for handling complex ores is the Kanowna Belle plant of Northern Star some 240km by road to the south, which has a capacity of 2mtpa and appears to be operating at less than full capacity. It has processed third party ores from time to time.

Table 18 Fortitude IIR Base Case Toll Processing Financial Model

	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30
Waste kt	0.0	2510.0	4920.0	4920.0	4920.0	3930.0
Ore Production kt	0.0	250.0	600.0	600.0	600.0	600.0
Grade g/t Au	0.0	1.7	1.5	1.5	1.5	1.5
Contained Gold Koz	0.0	14.0	29.8	29.8	29.8	29.8
Ore Processed Kt	0.0	250.0	600.0	600.0	600.0	600.0
Grade g/t Au	0.0	1.7	1.5	1.5	1.5	1.5
Contained Gold Koz	0.0	14.0	29.8	29.8	29.8	29.8
Gold Recovery	0.0	91%	91%	91%	91%	91%
Recovered Gold Koz	0.0	13.0	27.8	27.8	27.8	27.8
Revenue						
Gold Price US\$/oz	0	1950	1950	1950	1950	1950
AUDUSD	0.65	0.65	0.65	0.65	0.65	0.65
Revenue A\$M	0.0	39.0	83.3	83.3	83.3	83.3
Operating Cost \$/t						
OP Mining A\$/t moved	0.0	3.5	4.7	4.7	4.7	4.8
Grade Control A\$/t ore	0.0	0.0	0.0	0.0	0.0	0.0
OP Mining A\$/t moved	0.0	0.0	0.0	0.0	0.0	0.0
Haulage A\$/t ore	0.0	5.4	5.4	5.4	5.4	5.4
Processing	0.0	60.0	60.0	60.0	60.0	60.0
Admin	0.0	4.0	4.0	4.0	4.0	4.0
Operating Cost \$M						
Mining OP	0.0	9.8	25.7	25.7	25.7	21.7
Capitalised OP	0.0	-6.0	0.0	0.0	0.0	0.0
Mining OP to AISC	0.0	3.8	25.7	25.7	25.7	21.7
Ore Cartage	0.0	1.4	3.3	3.3	3.3	3.3
Processing	0.0	15.0	36.0	36.0	36.0	36.0
Admin	0.0	1.0	2.4	2.4	2.4	2.4
Total	0.0	21.1	67.3	67.3	67.3	63.4
State Royalty %	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other Royalty %	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Royalty	0.0	1.0	2.1	2.1	2.1	2.1
ASIC A\$/oz		1700	2502	2502	2502	2359
Financials						
Revenue	0.0	39.0	83.3	83.3	83.3	83.3
Costs	0.0	-22.1	-69.4	-69.4	-69.4	-65.5
EBITDA	0.0	16.9	13.8	13.8	13.8	17.8
Depn	0.0	-1.2	-2.5	-2.5	-2.5	-2.5
EBIT	0.0	15.8	11.4	11.4	11.4	15.3
Tax	0.0	-4.7	-3.4	-3.4	-3.4	-1.7
NPAT	0.0	11.0	8.0	8.0	8.0	13.6
Capex	0.0	8.0	0.0	0.0	0.0	3.0
Cash Flow pre Tax	0.0	8.9	13.8	13.8	13.8	14.8
Cashflow Post Tax	0.0	4.2	10.4	10.4	10.4	13.1

Source: IIR estimates

The IIR Base Case and Own Plant Case includes mining costs Grade Control Costs of A\$6/t, and waste and ore movement costs of A\$3/t in the early oxide years then A\$4/t in the fresh ore for a weighted average of A\$3.88/t. These costs compare to the Devon (Linden) estimates of A\$6.71/t ore for grade control and A\$4.05/t material mined in Table 13. They are the same as the costs used for the 2023 Mt Gibson Preliminary Feasibility Study of Capricorn Metals (ASX:CMM release 19 April 2023).

The processing and haulage costs in the IIR Base Case model are A\$60/t and A\$5.44/t with the ore being trucked to AngloAshanti's Sunrise Dam processing plant.

For the IIR Own Plant Case, the processing costs are A\$49/t vs the assumed Matsa Costs of A\$32/t based on data in Table 16, plus A\$2/t sustaining capital for tailings dam construction.

This option is available to the company at any stage, even as it pursues its grow through exploration strategy, so we believe it should be the basis of our valuation.

A major risk is our assumption of A\$60/t tolling cost. Devon's processing cost when it is announced may be a guide.

FORTITUDE NORTH EXPLORATION PROJECT REPRESENTS UPSIDE POTENTIAL

IIR first pass estimate of north end discovery; 100koz so far and open

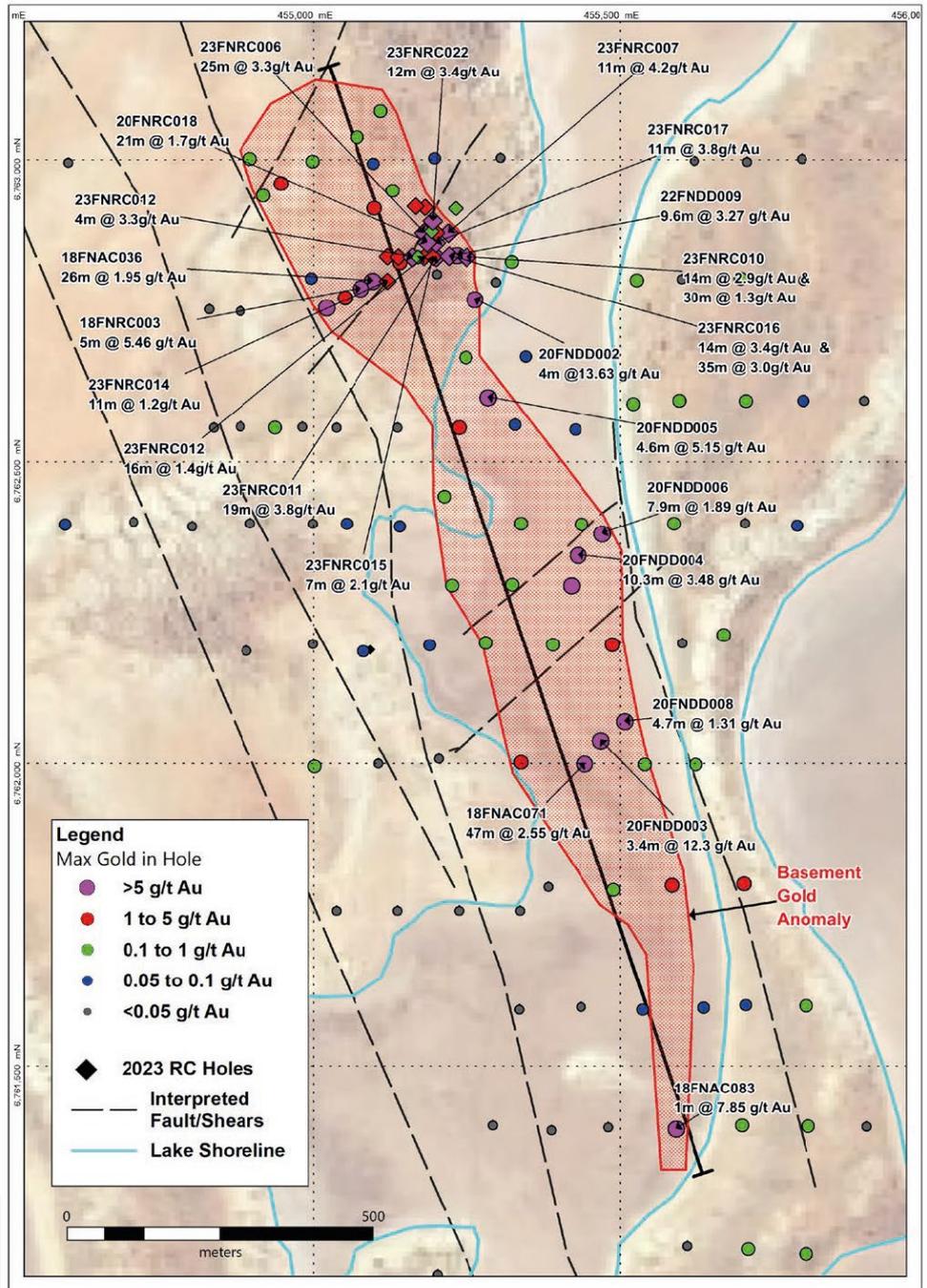
The northern end of Fortitude North is essentially a new target with considerable density of drilling as can be seen in the plan below. The average grade of the reported intersections in this area so far is 2.9g/t without allowing for dilution. Based on the cross section in Figure 12 and the long section in Figure 13, the company is looking at mineralization that runs 200m down plunge, with a cross section of 60m high and 50m wide starting 70m below surface.

At a density of 2.5 tonne per square metre, this translated to 1.5mt of mineralization in a compact space suitable for bulk mining, and at a diluted grade of say 2g/t would contain 100koz. As an open pit, the stripping ratio would be high at 8-10 tonnes of waste to one tonne of ore, but that would be economic at a grade of 2g/t. The mineralisation is open and there is potential for repeated shoots.

The bulk of the deposit is in fresh rock and may be partly in arsenopyrite so more processing may be required that the standard Western Australian gold deposit, so metallurgical test work will be important.

Geology of Fortitude North

Figure 11 Fortitude North showing 60% of its interpreted strike length is under lake sediments (blue line)



Source: MAT 2023 annual report p13

2020 Exploration Target still has validity

The 2020 Exploration Target for Fortitude North remains 2.48-4.3Mt containing 310-600koz at 3.8-3.9g/t grade. The project has yet to produce a Resource, which given the lapsed time would normally suggest the deposit is not living up to expectations but in this case is due to

- ◆ The bulk of the target is under lake sediments (Fig 11), and that requires a specialised and more expensive drilling rig.
- ◆ Such rigs are in limited supply and those that are available are committed to long term contracts with cashed up major gold producers.
- ◆ Matsa has been short of cash since 2020 and has not been able to compete for the few rigs that are available.

More recently, drilling of the northern off lake end of the deposit has added a significant high grade target at depth, which would be in addition to the historical target. The company has yet to provide an Exploration Target for any mineralization that might be below the existing Target.

Fortitude North is under around 50m of unmineralized transported cover before reaching the oxide zone which is also around 50m thick.

Geological interpretation of Fortitude North at time of Exploration Target (2020)

The lithologic package which hosts the several stages of gold + quartz + sulphide stockwork vein and vein breccia styles of gold mineralization at Fortitude North, are comprised of variably hydrothermally altered sheared to massive basalts, dolerites and thin grey to black pyritic argillites invaded by late granodioritic to dacitic feldspar porphyry or micro-granitoid dykes. The latter vary from a few tens of centimetres up to two metres in width.

Both the drill core and RC cuttings testify to the nature of the structural architecture of Fortitude North, with this being comprised of multiple discrete to continuous shear zones developed on lithologic boundaries between basaltic lavas, tuffs, dolerite dykes and sills and thin folded units of grey to black argillites.

Matsa believes that the interplay between low angle thrust / shears and moderately to steeply dipping structures likely relate to or give rise to high grade ore shoots.

Three key features of the Fortitude North mineralisation are:

- ◆ The paucity of lithologies displaying intense shearing compared to those displaying brittle fracture tectonics
- ◆ Dominance by stockwork veining and vein breccias
- ◆ The unusual dominance of gold mineralised zones by two or even three phases of stockwork veining and / or brecciation of massive fine to medium grained rocks characterised by intense to extreme pervasive albitisation and aphanitic silicification.

Revised interpretation of the north end of Fortitude North (2023)

Drill hole section 6762840N (Figure 12) displays the recent results from holes 23FNRC015 and 23FNRC016 extending the known mineralisation approximately 70 metres towards the east with improved grades and thicknesses.

There has been a substantial volume increase in mineralisation now wireframed (red shape) when comparing the 2021 Fortitude North exploration model (blue shape) and the model update following new drilling results. It is evident there are multiple lode structures and potential brittle offsets within Fortitude North.

The key observation here is that much of the past drilling has been oriented from NE to SW which may have been ineffective due to the drilling being parallel to potential NE trending structure.

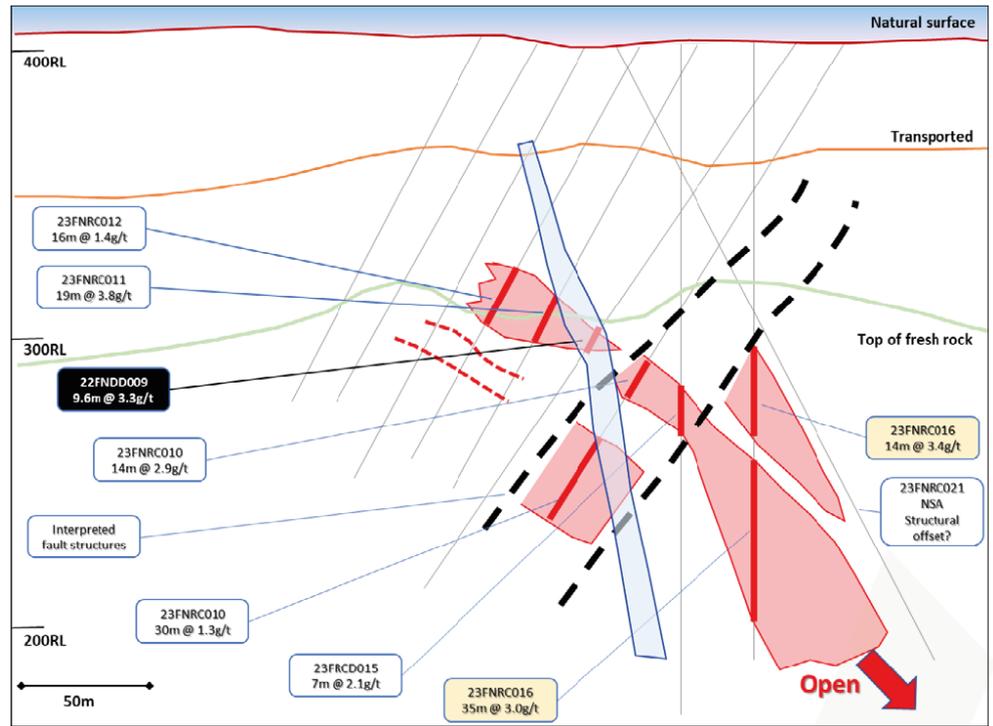
Two separate mineralisation episodes proposed (MAT release 2 June 2023)

Detailed observations of mineralisation in diamond drill core and RC chips by Nigel Maund has been focused on gangue and ore mineralogy of mineralised vein types, timing relationships between veins and vein breccias and distinctive hydrothermal alteration associated with each of them. The study concluded that Fortitude North is made up of two broadly different episodes of mineralised veins and vein breccias within which, there is evidence of further overprinting relationships between individual veins sets resulting in a multi episodic gold forming geological environment.

The earliest stage comprises "ribbon" pyritic quartz veins (Type 1 veins) is characterised by ductile textures such as folds (ptygmatic folds) and pinch and swell shapes (boudinage) which are restricted to zones of intense shearing. Gold grades tend to vary from 0.8 to +4 g/t Au depending on the density of veining. Higher gold grades are typically accompanied by the presence of arsenopyrite and carbonate.

Later mineralisation (Type 2 Veins) characterised by predominantly brittle deformation with development of pyritic quartz crackle veins and breccias with clear overprinting relationships between them into strongly silicified and bleached (albite altered) mafic volcanics. These findings are taken as evidence that gold mineralisation at Fortitude North is the product of multiple stages of deformation and intense hydrothermal activity which were active over a long period of time.

Figure 12 Interpreted drill section at 6762840N showing the best mineralisation is open at depth, note volume change between blue shape (Exploration Target model) and new drilling results (red shapes)

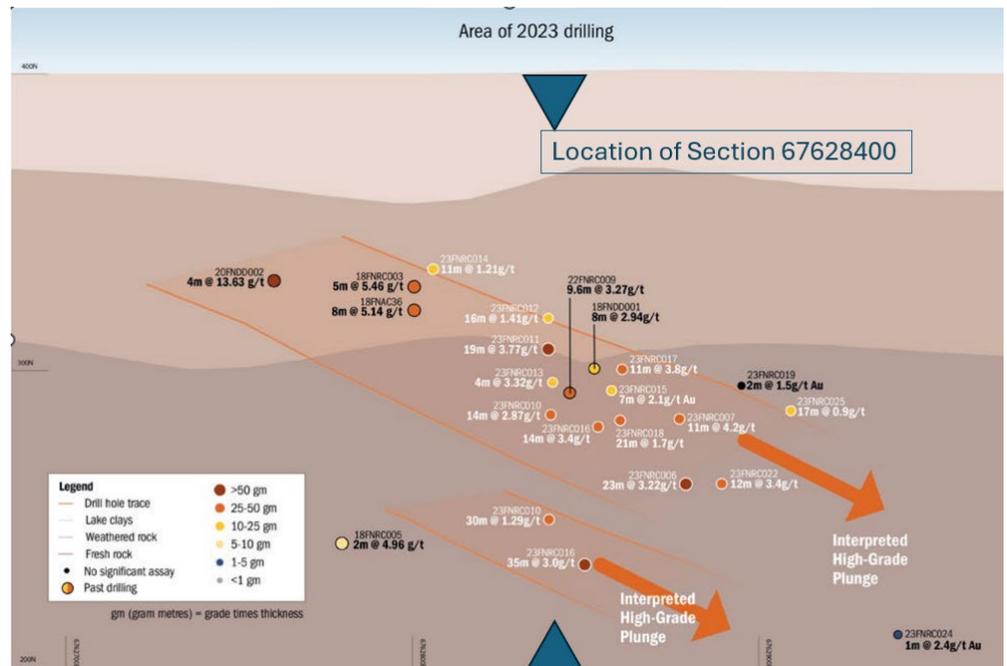


Source: MAT 2023 annual report p13

All 2023 drilling results are presented on long section (Figure 13) that highlights interpreted high grade shoot geometry. The long section in the figure is only 200m in length, and open in both directions, with potential for repeats of the down plunging shoots.

The blue outline represents the basis of the 2020 Fortitude North Exploration Target, with this ~5m wide cross section assumed to extend 1.7km to south. Drilling has discovered much wider zones (~50m) of mineralization and if this were to extend 1.7km to the south, Fortitude North would be a very large body of gold mineralisation.

Figure 13 Longitudinal projection of Fortitude North with new drilling showing interpreted high grade plunging shoots (The northing at the base of the diagram from left to right are 6762700, 6762800 and 6762900)



Source: MAT 2023 annual report p13

Matsa is planning additional diamond drilling to obtain important structural information as well as test for extensions to these thick lode intercepts. The drilling is expected to test the interpreted stacked lode interpretation shown in Figure 13.

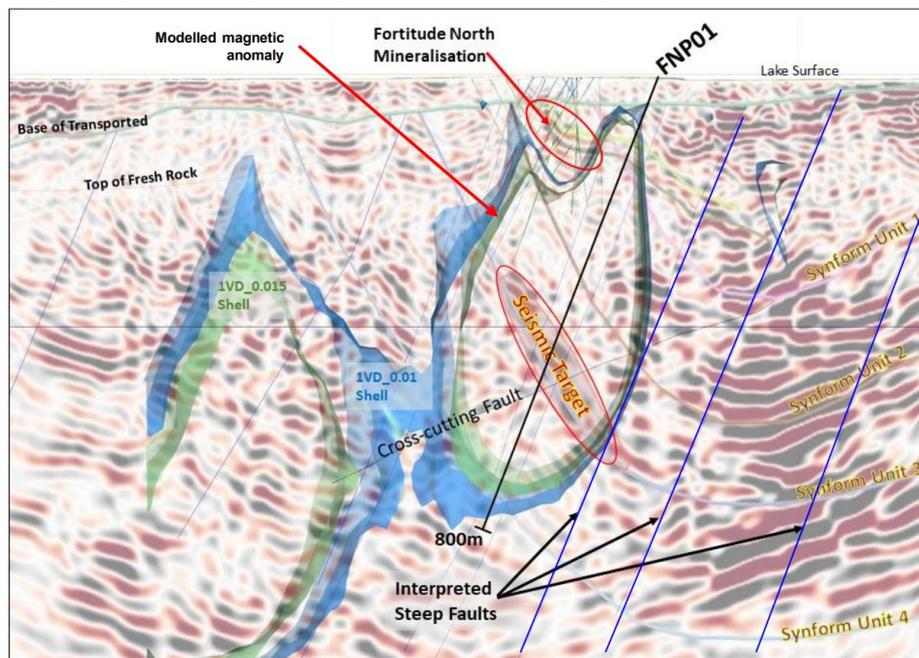
800m diamond drill hole 50% funded by WA Government EIS program

The drilling will also test conclusions from 3D Magnetic Inversion modelling, that hypothesises a key magnetic unit associated with gold mineralisation (the blue and green skin in figure below) and apparent NE structural controls (from the seismic survey) that are discordant to the dominant regional NNW trending magnetic feature.

This kind of drilling is high risk, high reward and rarely result in new discoveries. They generally produce very high quality structural and mineralogical data and could be used for down hole ElectroMagnetic testing which could be a valuable tool for targeting future drilling.

Risks aside, the hole could result in a major new discovery, because it is targeting an environment that is believed to be similar to that of the known Fortitude North mineralisation.

Figure 14 Regional structure around Fortitude North showing the magnetic high (blue and green) and seismic interpreted synclinal folding and steep faults which will be tested by the EIS funded diamond drill hole.



Source: MAT presentation 7 May 2024

RED OCTOBER GOLD PROJECT

History

On 26th September 2017 Matsa announced it had entered into an Asset Sale and Purchase Agreement (“ASPA”) with Saracen Mineral Holdings Ltd (Saracen) to acquire the Red October Gold Project for a combination of cash and shares to the deemed value of \$2 million (MAT announcement to ASX 26th September 2017).

On 27th March 2018 Matsa settled the acquisition of the Red October Gold Mine and associated infrastructure including a 72 person camp with Saracen (MAT announcement to ASX 28th March 2018). The acquisition was subject to a number of conditions which have now been met and Matsa has issued 4,545,000 fully paid ordinary shares at a deemed price of \$0.22 to Saracen as part consideration of the acquisition. A deferred and final consideration amount of A\$850,000 was due and payable to Saracen on 25th June 2018.

At that time, Red October had produced 342koz gold at an average grade of 6.1g/t and had an Open Pit Resource of 251kt at 1.7g/t for 14koz and an Underground Resource of 195kt at 13.6g/t for 85koz.

On 6th April 2018 Matsa entered into a Memorandum of Understanding (“MOU”) with Pit N Portal Mining Services Pty Ltd (“PNP”) whereby PNP were to undertake a two-staged approach to conducting underground studies and development of Mineral Resources at the Red October gold project. Stage 1 of the MOU was an initial mining design and high level financial model, and was expected to be completed by the end of April 2018. However, preliminary results were encouraging, with a significant number of opportunities identified. Accordingly, it was decided to increase the scope of Stage 1 to investigate these opportunities in more detail. Matsa evaluated the results of this study prior to commencing small scale mining.

The mine started operation on 18 July 2019 and wound down in the June 2021 quarter. The operating history is shown in Table 15. Since mid 2021, the mine has been on care and maintenance at a cost of around A\$1.6M pa. The bulk of the costs are to pump water to maintain access for exploration, and later because the asset was under option to sell, or under an option for due diligence.

On 20 December 2021, Matsa announced the sale of Red October and Devon to Linden Gold for A\$15M and a deferred payment of A\$5M. The sale was contingent on Linden achieving an ASX listing, which did not occur and on 8 December 2023, the sale process was terminated, and Red October remained 100% owned by Matsa.

On 31 July 2023, Matsa announced that it had entered into an agreement with AngloAshanti to conduct three months of due diligence potentially leading to a transaction. AngloAshanti paid A\$0.5M for the three month option.

Geology

Red October gold mine is situated within an Archaean greenstone belt of the Laverton Tectonic Zone.

The stratigraphic sequence consists of footwall tholeiitic basalts, mineralised shale (containing ductile textures defined by pyrite mineralisation) and a hanging wall dominated by ultramafic flows interbedded with high-Mg basalts. Prehnite- pumpellyite facies are evident within both the tholeiitic basalts and komatiite flows.

Sulphide mineralisation is hypothesised to have been caused from interaction with an auriferous quartz vein, which has caused the intense pyrite-defined ductile textures of the shale in the upper levels. The fluid is believed to have been sourced from the intruding granitoid to the south of the deposit.

Mineralisation at Red October occurs over 900m along strike and to a depth of 700m and is hosted in vertical quartz breccia zones as well as where they intersect the primary host of graphitic black shales sitting on a Mafic/ultramafic contact.

Inside the primary ore zone ore is seen as nuggetty visible gold and moving away from these zones mineralization is patchy with continuity along strike of between 5-20m and lower grade outside the zones of silica flooding/brecciation.

Grade continuity is affected by both structural and lithological controls. Higher grades (nuggetty gold) are associated with vertical N-S striking quartz breccia structures plunging along the northern contacts of NE dipping fault zones.

Where these zones interact with the main shale contact, high grade shoots tend to occur with steep northerly plunges internal of the shale contact. Structurally the quartz breccia and shale units are offset by the NE dipping fault zones.

Metallurgy

Red October has a variable metallurgical recovery in certain zones dependent on the mineralized host.

The lowest recoveries are in domain 110, which has a high refractory component with most ore locked in arsenopyrite, and in the unbrecciated primary shale unit which has recorded up to 2% active carbon causing it to have a preg robbing nature. Both are between 45-65% recovery.

The quartz breccia has a high gravity gold component and most mineralization hosted in pyrite with recoveries varying between 80-93%. The average recovery applied to Red October and seen through the Carosue Dam mill is 84%.

Red October ore was sold to AngloAshanti and processed at Sunrise Dam. AngloAshanti paid Matsa an interim payment of the value of the ore based on 85% recovery less a processing fee, with true up payments to actual recovery some months later on completion of reconciliations.

Red October operating history

Matsa operated the Red October underground from September 2019 quarter to wind down in the June 2021 quarter. Over the period, the operation generated a small surplus (Table 19).

This production was sourced almost entirely from the ROSZ North Zone shown in Figure 15, with additional tonnage from stopes near the top of the underground including South 120, Splay 539, Central 130, Flo 110 and Smurfette 322.

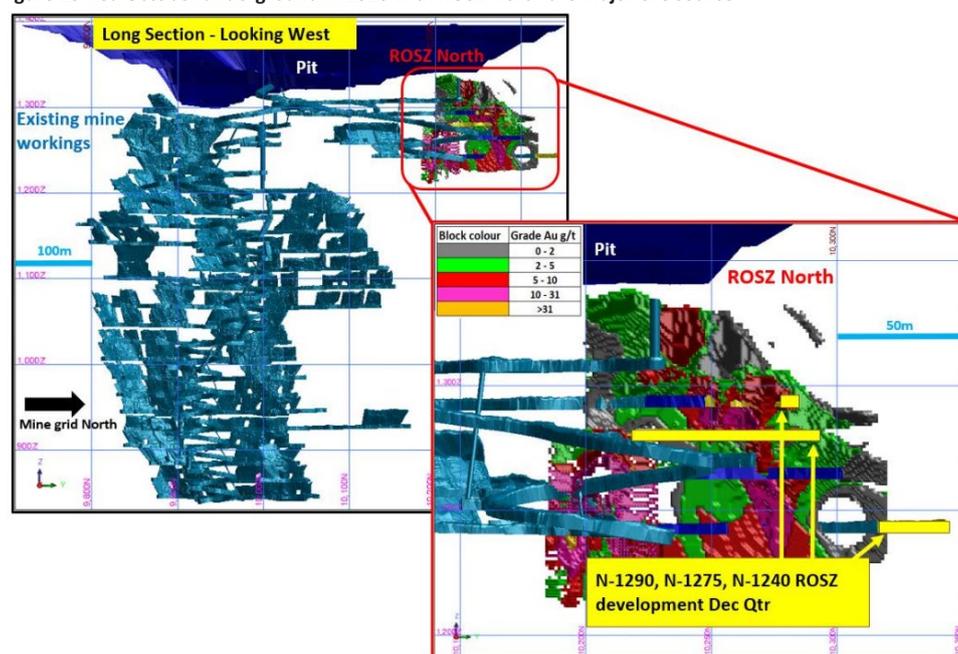
Matsa's original plan was to mine 10.2koz over 7 months at A\$1307/oz All in Sustaining Cost which translates to A\$1.9M/month. The actual history produced 11.7koz but over a period of 21 months and at an All in Sustaining Cost of A\$2300/oz or A\$1.3M/month.

Table 19 Matsa's Red October operating history

Red October	LOM	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Ore Mined kt	128.3	11.14	4.58	16.04	23.32	28.31	13.86	21.14	9.89
Grade g/t	3.40	5.40	4.07	3.36	4.22	2.69	3.39	2.59	2.77
Contained koz	14.0	1.94	0.60	1.73	3.16	2.44	1.51	1.76	0.88
Ore Sales kt	122.8	3.87	10.82	8.12	25.99	20.39	23.22	21.02	9.34
Grade g/t	3.49	6.59	4.46	2.86	3.97	3.86	2.63	3.00	2.72
Contained koz	13.8	0.82	1.56	0.75	3.32	2.53	1.96	2.03	0.82
Recovery	84.8%	85.0%	86.0%	85.0%	87.0%	81.4%	85.0%	85.0%	85.0%
Recovered koz	11.7	0.68	1.34	0.64	2.89	2.06	1.67	1.72	0.69
Ore Stockpiled koz					0.88	0.70	0.26	0.04	0.05
Ave Gold Price A\$/oz	2474	2183	2149	2478	2621	2668	2560	2326	2357
C1 Costs A\$/oz				1969	1458	1781	1259	1382	2612
AISC A\$/oz	2300	1277	3122	2372	2145	1781	2272	2431	3583
AISC A\$/t ore sold		-224	-386	-186	-238	-180	-163	-199	-266
Financial Summary									
Revenue A\$M	28.9	1.48	2.88	1.58	7.57	5.50	4.27	4.01	1.64
AISC A\$M	-26.9	-0.87	-4.18	-1.51	-6.20	-3.67	-3.79	-4.19	-2.49
Margin A\$M	2.0	0.62	-1.30	0.07	1.38	1.83	0.48	-0.18	-0.85

Source: MAT quarterly activities statements. LOM means Life of Mine. In the September 2021 quarter Matsa incurred A\$2.56M in wind down costs, and in the December 2021 quarter A\$151k was received from sale of remaining ore stockpiles, neither of which are included in the Life of Mine totals.

Figure 15 Red October underground in 2020 with ROSZ North the major ore source



Source: MAT release 31 January 2020

At time of acquisition, the Saracen Underground Resource was 85koz at 13.6g/t. If Figure 15 is compared to Figure 16, the 5-10g/t areas in the ROSZ North areas appear to match up, but the very high grade areas immediately below it have not been touched.

Red October Resource Growth since closure

At the time of purchase, Red October has 85koz or resource at a 5g/t cutoff which is shown in Figure 16 below. On 14 December 2020, the cutoff was changed to 2g/t, was presumably adjusted for the 4koz of mining depletion and included the addition of 21koz at Lionfish.

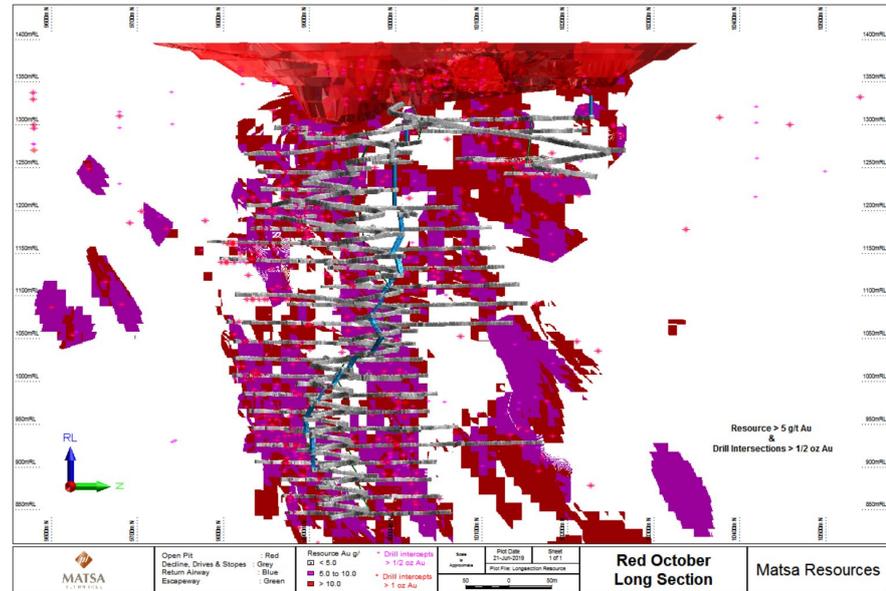
Matsa blamed some difficulty in exploring Lionfish because Saracen, the previous owner, had used the Lionfish access drive as a cheap place to dump mine waste, frustrating access.

In the following year Lionfish was increased by 33koz to 54koz, and in the 2023 financial year, Costello was drilled out and added 45koz to the Resource.

We do not have a good understanding of the dimensions or mineability of these Resources, but Red October clearly has potential to add additional ounces in close proximity to the surface and existing mine workings.

The details of these movements is shown in Table 20.

Figure 16 Location of Red October Resources in 2019 with purple being 5-10g/t and red being over 10g/t. Note the reported Saracen Resources of 195kt @ 13.6g/t for 85koz (all underground) was calculated on a 2g/t cutoff.



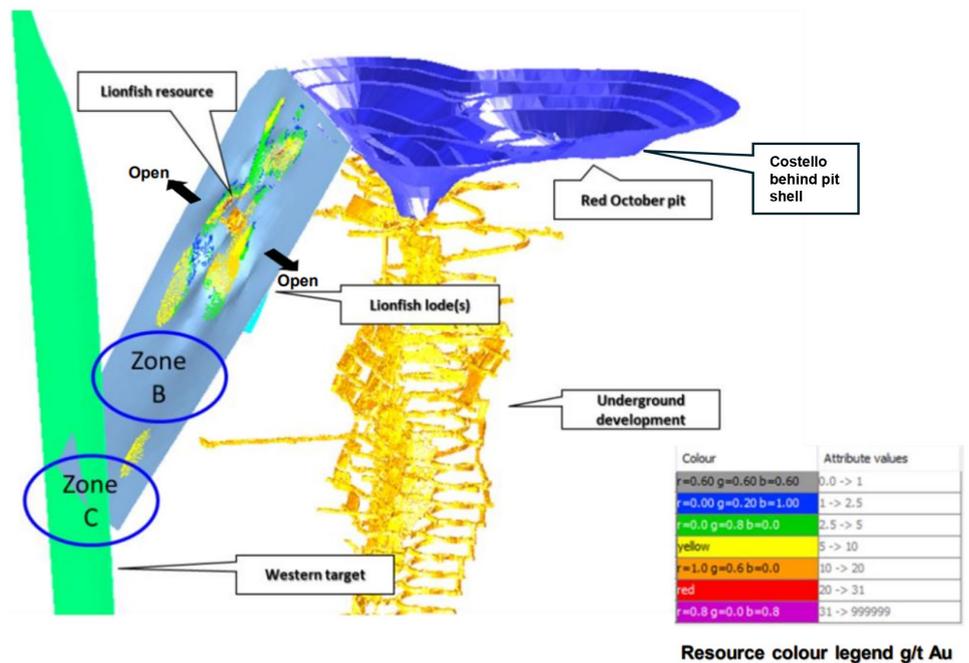
Source: MAT presentation 19 February 2020

Table 20 Change in Red October Resources including addition of Lionfish and Costello

Red October Resource	Cutoff g/t	Measured			Indicated			Inferred			Total		
		kt	g/t	koz	kt	g/t	koz	kt	g/t	koz	kt	g/t	koz
Saracen 30 June 2016	5.0				89	12.1	35	106	14.6	50	195	13.6	85
Matsa 17 September 2017	5.0				89	12.1	35	106	14.6	50	195	13.6	85
Matsa 14 December 2020	2.0	71	8.8	20.0	445	5	72	416	6.1	81	932	5.8	173
Lionfish Increased		34	7.6	8	74	9.0	21	5	26.6	4	113	9.1	33
Matsa 1 September 2021	2.0	105	8.4	28	519	5.6	93	421	6.3	85	1045	6.1	206
Mining Depletion					-36	4.3	-5	-10	6.3	-2	-46	4.7	-7
Matsa 2022 Annual Report	2.0	105	8.4	28	483	5.7	88	411	6.3	83	999	6.2	199
Costello Lode drilling					125	4.2	17	224	3.7	27	349	4.0	45
Matsa 2023 Annual Report	2.0	105	8.4	28	608	5.4	106	635	5.4	110	1348	5.6	244

Source: MAT releases as stated in column 1

Figure 17 Red October exploration targets including Lionfish and Costello Red October oblique view looking (grid) NE



Source: MAT presentation 7 May 2024

In the June 2023 quarterly, Matsa reported the addition of 45koz in the Costello Zone (see Figure 17) to the Red October Resource.

In the December 2023 quarterly, the company indicated that it was completing a review of pillars in the existing mine which could be mined without impacting the mine’s long term potential. We have not seen this reflected in the Red October reported Resources yet.

Future targets (Figure 17) include:

- ◆ Lionfish strike extensions (open in both directions)
- ◆ Lionfish resource gap infill (zone B)
- ◆ Intersection of Lionfish and Western target (zone C)
- ◆ Nemo (southern extension of mine to SW)
- ◆ Costello & Bruce (northern extension of mine to NE)

OTHER GOLD EXPLORATION TARGETS

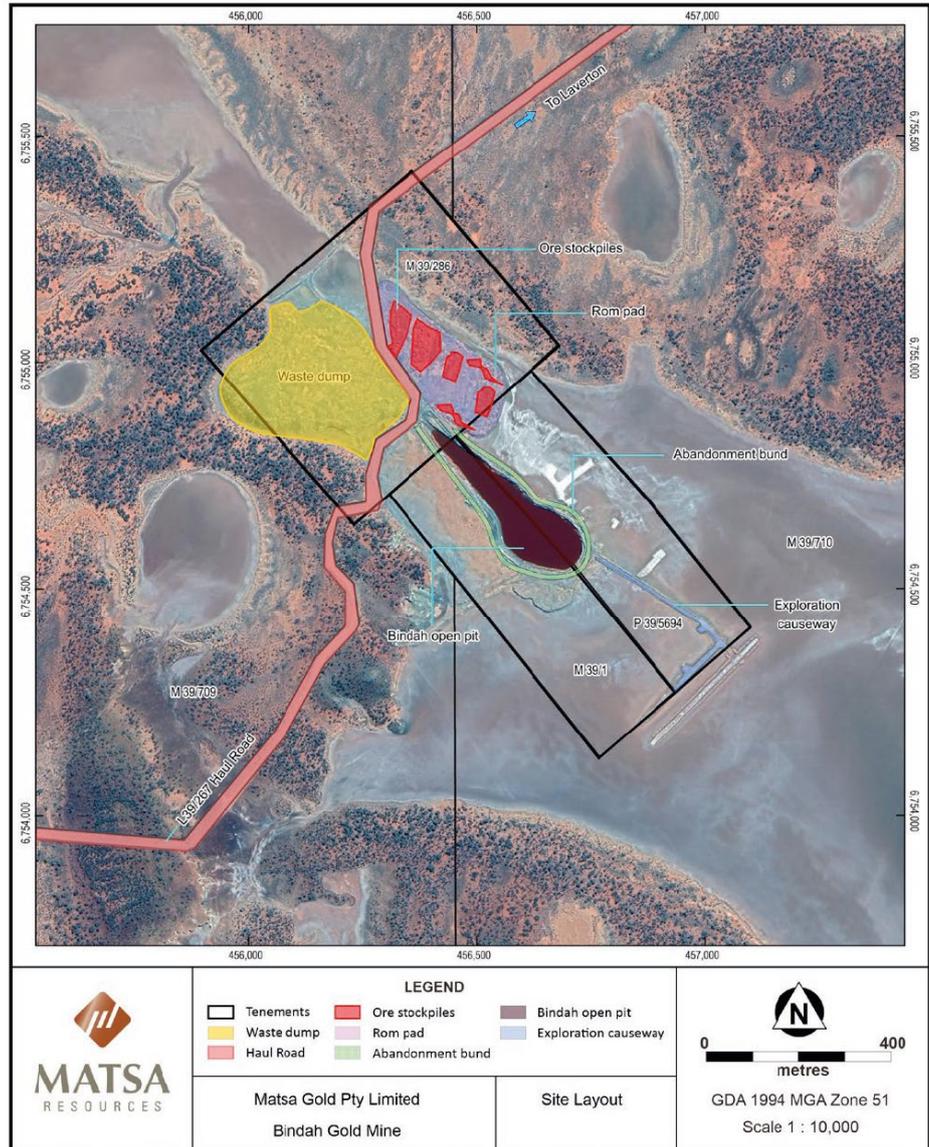
For readers interested in Matsa’s other gold exploration targets, please refer to Table 11. For more detail, refer to MAT release on 2 December 2019 – “Significant exploration programme to commence”.

Bindah open pit approved for mining

A Mining Proposal (under a small operations plan) to haul and process stockpiled ore from the Bindah Pit was approved by DMIRS (source: 2023 annual report p 17).

Bindah has existing ore stockpiled on a ROM pad. This were being evaluated with a view to monetization (Source: MAT December 2023 quarterly)

Figure 18 Bindah open pit



Source: MAT 2023 annual report

FF1 exploration target

The FF1 prospect is defined by a large gold in basement anomaly situated over a magnetic high along the Fortitude Fault and is located approximately 1km north of Fortitude North and 6km to the northwest of Fortitude Gold Mine.

Past aircore drilling has defined a wide (200 - 300m) basement anomaly, however there is no drilling to any significant depth to provide sufficient geological information to interpret the geological context of the identified gold anomalism.

A maiden diamond drill hole (22FFDD001) was drilled to evaluate the basement gold intercept below aircore refusal identified in Matsa's 2020 aircore drilling. The lithologies intersected include strongly sheared and variably altered dolerite and basalt with distinct zones of chlorite carbonate veining. Logging indicates a thick sequence of basalt/mafic rocks cut by numerous minor narrow bodies of feldspar porphyry.

Logging has identified a number of zones of alteration typically associated with gold mineralisation. Assay results have returned anomalous gold grades including:

- ◆ 10m @ 0.83 g/t Au from 123m, incl 3m @ 1.43g/t from 123m
- ◆ 1.0m @ 6.57 g/t Au from 148m

EXPLORATION IN THAILAND

Matsa has been exploring in Thailand for some years, initially for copper and gold, more recently for lithium, and in the June 2024 quarter, the company reported good grades of rare earths.

LITHIUM THE MAIN FOCUS

The rationale for Matsa's involvement in exploration for lithium in Thailand is based on the following:

- ◆ Lithium exploration is relatively cheap in terms of tonnes delineated per drilling dollar, so is attractive for a small capitalisation company seeking to discover a material deposit using limited funds. The low cost is the result of the target deposits being close to surface.
- ◆ Lithium demand growth is likely to be very strong with industry expert Benchmark Minerals forecasting lithium battery production will need to increase from 1.1TWh in 2023 to 15TWh in 2050, implying a compound 10%pa growth rate. While current prices for lithium commodities are too low to incentivise that level of production growth, this is an ideal time to be exploring to have a Resource ready to benefit from the next price cycle.
- ◆ Thailand is aggressively seeking to attract electrical vehicle manufacturing capacity to the country to maintain its place as one of the major South East Asian vehicle production centres. To do that it is encouraging lithium battery production and would like domestic sourced lithium to assist in this program.
- ◆ The lithium deposits in Thailand typically comprise lepidolite, a lithium rich mica which is the basis of the recent expansion in Chinese lithium production. While lepidolite is not a common target for Western explorers, the Chinese have demonstrated that it is a legitimate lithium source.

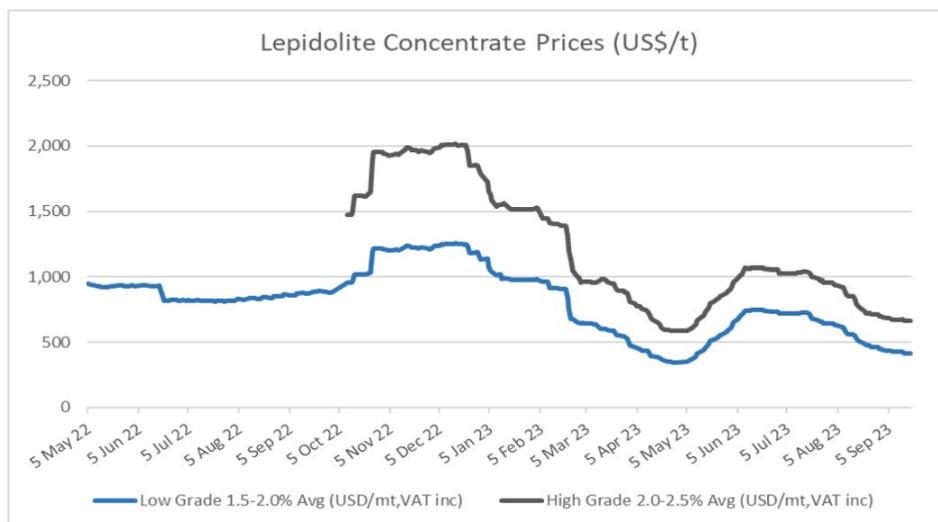
OUTLOOK FOR LITHIUM MICA CONCENTRATE PRICES

A market for lithium mica concentrates developed in 2022 following expansion of lithium mica processing in China. While the term "lepidolite" is extensively used for such concentrates, the reality is that the actual underlying mineralisation invariably encompasses a range of lithium mica minerals that may include zinnwaldite, polyolithionite and lithian muscovite, as well as possibly lepidolite.

Shanghai Metals Market (SMM) started quoting prices for lithium mica concentrate in May 2022 (see chart below) with a grade range of 1.5-2.0% Li₂O. In October 2022 a quote for higher specification concentrates of 2.0-2.5% Li₂O was also introduced. Prices generally track lithium carbonate (LCE) and spodumene concentrate (SP6) prices.

Lithium micas are now an established mainstream source of lithium. Lithium micas represent 44% of Chinese domestically sourced lithium, versus 45% from brine and just 11% from spodumene. Anecdotal evidence suggests that the average grade of lithium mica concentrates in China is now less than 2.0% Li₂O.

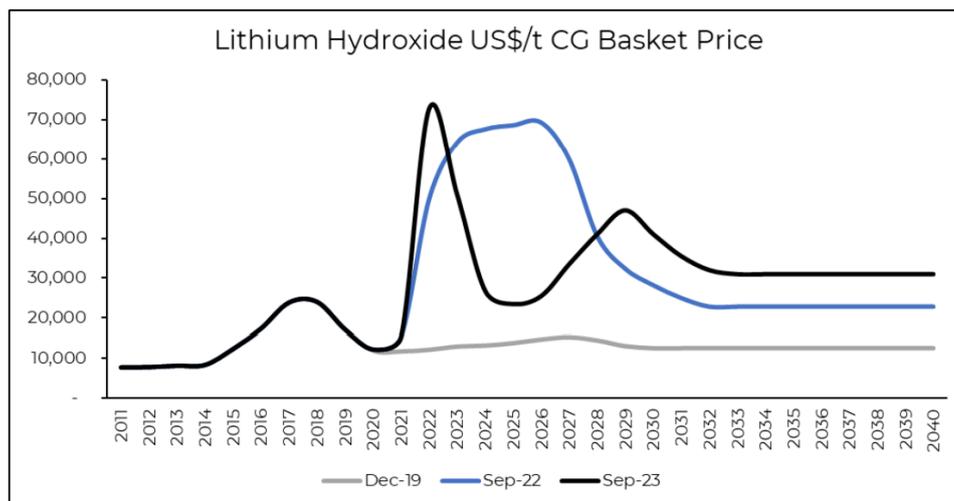
Figure 19 Lepidolite or Lithium Mica Concentrate price history



Source: Shanghai Metals Markets quoted in Lepidico release 30 October 2023

The concentrate price is likely to follow the lithium hydroxide price. That price is particularly volatile and the price forecasts are also particularly volatile as shown below, but the current forecast by leading industry expert Benchmark Mineral Intelligence is for prices to appreciate from current lows and the equivalent concentrate price to the 2030 peak in the figure below would be around US\$1500/t, up from the October level of US\$700/t for the over 2% concentrate.

Figure 20 Lithium Hydroxide long term price forecasts made in December 2019, September 2022 and September 2023



Source: Benchmark Minerals price forecasts quoted in Lepidico release 30 October 2023

The long term price outlook for Lithium Hydroxide has ranged between US\$10,000/t to US\$38,000/t in recent years and has settled at US\$29,000/t for now, which another price spike starting in 2026 and peaking in 2029.

THAI POLICIES SUPPORT FOR ELECTRIC VEHICLE SUPPLY CHAIN

Thailand is already a major motor vehicle manufacturing centre, and as the world switches from Internal Combustion to Electric Vehicles, Thailand must make sure its role as a vehicle maker survives the transition.

Building Thailand’s place in the global Electric Vehicle industry

Thailand is aiming to become a global hub for the production and supply of electric vehicles (EVs). The country has undertaken several policy initiatives aimed at boosting the supply chain of EV production, providing fiscal incentives for the adoption and operation of electric buses, and encouraging local bus providers to establish and promote e-bus manufacturing. Overall, Thailand plans to invest US\$12.08 billion to support the production of 1.2 million EVs and charging stations by 2036. This includes cars, two-wheelers, buses, and freight vehicles. In the public transit sector, the incentives focus on private and publicly operated electric buses. The government plans to develop, deploy, and operate 40,000 electric buses in the next 10 years in the country.

<https://southeastasiainfra.com/electric-vehicle-policy-initiatives-in-thailand-focus-on-buses/#:~:text=Thailand's%20National%20Electric%20Vehicle%20Policy,cent%20EV%20sales%20by%202035.>

Thai Government support for lithium mining

Industry Minister Pimphattra Wichaikul said the Department of Primary Industries and Mines (DPIM) had been tasked with speeding up the exploration of potential lithium resources in Thailand.

"This move aims to build stability and prepare Thailand for becoming an EV production base," Pimphattra said, "It is also in line with the Industry Ministry's policy to develop a comprehensive EV supply chain."

Meanwhile, DPIM deputy director-general Aditad Vasinonta said two resources — Reung Kiet and Bang E Tum — in Phang Nga province's Takua Thung district had the potential for lithium mining.

"If Thailand has sufficient lithium resource, it would attract investors to set up their battery plants, as well as positive sentiment about the country's EV industry and supply chain," Aditad said.

He vowed to accelerate licence requests to explore more lithium resources across Thailand, as well as licence approvals to set up mines to support the Thai EV industry.

<https://insightplus.bakermckenzie.com/bm/industrials-manufacturing-transportation/thailand-new-ev35-incentive-package-approved-by-the-cabinet>

MATSA'S EXPLORATION SO FAR

Exploration prospect identification

Matsa has been in Thailand for some years exploring for copper and gold, and more recently for lithium.

Figure 21 Matsa's current portfolio of lithium exploration targets



Source: MAT presentation 7 May 2024

In February 2023, Matsa advised that it had discovered two new lithium provinces hosting widespread lithium bearing pegmatite outcrops and float at Kanchanaburi (Pink Panther and Black Panther) and Ratchaburi (Spotted Panther) in western Thailand (Figure 21), in addition to a previous lepidolite discovery in the Phang Nga province some 600km to the south.

The discoveries are the result of interpretation of historical exploration and geological data and geophysical techniques including ground based magnetic and radiometric surveys, with the radiometric data being the more useful. The specific targets were identified by chip sampling with samples returning up to 7.05% Li₂O.

The company has applied for the grant of Special Prospecting Leases and Exploration Prospecting Licenses, totalling 1684 square km, that will enable drilling operations at Phang Nga and Kanchanaburi. On 15 January 2024, the first two Special Prospecting Licenses were granted by Thailand's Department of Primary Industry and Mines. The granted tenements are located in the Ratchaburi province where Matsa has discovered the Spotted Panther prospect.

Once the Special Prospecting Licenses have been granted, Matsa intends to drill the Kanchanaburi and Ratchaburi lithium projects where it has discovered seven separate lithium bearing pegmatite projects that require initial exploration drilling to determine the extent of mineralisation.

Metallurgy testing (Source:MAT release 4 April 2023)

Matsa has already begun metallurgical testing of the samples to determine if there is a pathway to commercialisation. It has formed a working relationship with Chinese lepidolite processor Yongxing Special Materials Co, Limited, which has conducted testwork. The conclusion at this stage is that ore and concentrate of lepidolite and polyolithionite are feasible to process. Yongxing currently process 0.44% Li₂O ore.

Table 21 Results of metallurgical test work

	Grade Li ₂ O	Leaching Solution Li ₂ Og/L	Recovery %	Remark
Raw 1 (DSO) Lepidolite	1.65%	9.82	94.5%	Feasible
Raw 2 (DSO) Lepidolite	2.44%	12.34	91.8%	Feasible
Concentrate 1 Lepidolite	4.04%	16.40	94.8%	Feasible
Concentrate 2 Polyolithionite	0.68%	1.98	55.3%	Grade too low
Concentrate 3 Polyolithionite	2.06%	8.49	85.6%	Feasible
Concentrate 4 Lepidolite	5.91%	23.58	97.3%	Feasible

Source: MAT release 4 April 2023

Table 22 Chemical content of lithium bearing minerals compared (note commercial spodumene concentrates are usually 5-6% Li₂O)

	Spodumene	Lepidolite	Polyolithite
Li ₂ O	8.03%	7.70%	6.46%
Lithium	3.73%	3.58%	3.00%
Aluminium	14.50%	6.95%	6.86%
Silicon	30.18%	28.93%	28.58%
Oxygen	51.59%	45.32%	44.77%
Hydrogen		0.26%	0.26%
Potassium		10.07%	9.95%
Sodium			1.75%
Fluorine		4.89%	4.83%
Total	100.00%	100.00%	100.00%

Source: MAT 2023 annual report

Four samples (2 lepidolite and 2 polyolithionite) were selected for the testwork from Matsa's Pink Panther and Rose Panther (lepidolite), Black Panther and Spotted Panther (polyolithionite) prospects.

Matsa provided four samples of 20kg each from key prospects that would enable Yongxing to test both lepidolite and polyolithionite raw materials for lithium extraction. The samples were delivered to Yongxing's Jiangxi lepidolite processing plant in late February 2023, with testwork completed during March 2023.

The lithium samples were crushed, put through an 8-mesh sieve (2.5mm), prepared into sample weights of 200g, 100ml of water added then subjected to 15 minutes of ball milling and drying. After drying, the sample was put through a 200-mesh sieve (0.075mm) and underwent gravimetric, volumetric, spectrophotometric, flame photometry and atomic absorption spectrometry methods, in order to analyse chemical components of the samples.

The lithium oxide content of samples 1 and 4 was greater than 1.5% and these were directly crushed and milled separately (0.2mm pass rate ≥80%), and pressed into 50m brick cake and placed in a muffle furnace for roasting experiments. All four concentrates are lithium mica concentrates obtained after flotation of the corresponding raw ore.

Following roasting, the clinker is taken out and cooled naturally to below 100 °C. The sample was then manually crushed through a 20 mesh screen. The liquid-solid ratio is set to 1:1 (using pure water) for leaching, stirring 3-5 minutes, and then filtered to obtain the leachate, and the leachate was sampled for lithium oxide.

The lithium oxide content of DSO raw ore 1 and 4 is ≥1.65%, which can be directly crushed and milled without using the flotation process with leaching rates of lithium above 90%. After flotation of the raw ores, lithium oxide content of lepidolite concentrate 1 and 4 was very high being 4.04% and 5.91% respectively, whilst 2 and 3 were lower, being 0.68% and 2.06% respectively.

According to the ratio of mixture roasting, the leaching rates of 1, 2, 3 and 4 were 94.78%, 55.30%, 85.64% and 97.32% respectively, indicating that the higher the lithium oxide content in the concentrate, the higher the leaching rate of lithium after roasting, and the colour of clinker and leaching slag is white; Conversely, the lower the leaching rate, the clinker and leaching residue are yellow-brown.

Key points regarding the test work include:

- ◆ Pink Panther “mined grade” of 1.65% Li₂O produced a concentrate grading 4.04% Li₂O (via flotation)
- ◆ Rose Panther “mined grade” of 2.44% Li₂O produced a concentrate grading 5.91% Li₂O (via flotation) which compares favourably to typical commercial spodumene concentrates
- ◆ Spotted Panther returned extraction rates of 86%, which is still positive because the chemistry and processing reagent ratios were the same as for processing the lepidolite and were not optimised for the difference in chemical composition of polyolithionite, which contains sodium.

Introducing Matsa’s potential Chinese offtake partner

Yongxing Special Materials Co. Ltd (Yongxing) has been producing lithium carbonate from lepidolite since 2019. The plant has been processing 1.2Mtpa of locally sourced lepidolite ore running at 0.6% lithium oxide and for the 2022 calendar year, generated sales of almost A\$3.26B and a net profit of almost A\$1.33B. Yongxing is upgrading the processing facilities to lift output to above 30ktpa of lithium carbonate. This upgrade will require a feed rate of 3.6Mtpa of lepidolite ore. Yongxing Materials has developed its own low-temperature roasting technology using composite salts, together with advanced fluorine fixation technology, to greatly reduce equipment corrosion as well as reduce costs.

The company also created a “one-step” battery-grade lithium carbonate production line, instead of upgrading industrial grade carbonates, as most smelters would do. This has shortened the production period and further reduced costs. Current carbonate production costs from lepidolite are around RMB35,000/t, which is competitive with the average cost of producing lithium carbonate from spodumene.

FINANCIAL STRUCTURE

Equity

Table 23 Equity Structure at 6 May 2024 plus options and shares planned to be issued

Capital on Issue	Million	Exercise A\$/sh	Raise A\$M
Issued shares (incl to be issued at 17 June 2024)	565.293		
Options			
30 Nov 2025 A\$0.09/sh	6.000	0.09	0.540
30 Nov 2025 A\$0.09/sh	3.000	0.09	0.270
30 Nov 2025 A\$0.08/sh	15.000	0.08	1.200
30 Nov 2025 A\$0.07/sh	31.833	0.07	2.228
31 Dec 2025 A\$0.07/sh (to be issued)	28.823	0.07	2.018
Total Options	84.656		6.256
Fully Diluted	649.950		

Source: MAT release 6 May 2024, Annual Report 2023

The shareholder’s meeting on 25 July 2024 ratified the issue of 71.651M new shares, approved the issue of 23.884M new options to participants of the share issue, approved the issue of 10.818M new shares and 3.606M new options, and approved the issue of 4m new shares and 1.333M new options to directors. The issue of these shares and options have been assumed in the table above and are detailed in Table 25 below.

The meeting also approved the issue of 150,000 new shares, presumably to debt providers, and up to 10m contractor shares which have not been included in Tables 23 or 25.

On 17 June 2024, the company decided to increase the March issue by 14.818M shares and 4.939M options which at time of writing have yet to be issued but have been included in the table above.

Table 24 Substantial shareholders at 2 September 2023 updated for issuance to 6 May 2024

Substantial Shareholders	Shares M	%
Deutsche Balaton	94.562	17.2%
BNP Paribas Nominees		
BNP Nominees - Clearstream	62.631	11.4%
BNP Nominees - UOBKH	37.699	6.8%
Paul Poli Interests	13.900	2.5%
Total Issued	550.475	

Source: MAT release 6 May 2024, Annual Report 2023

Table 25 History of share issuance and planned issuance to 17 June 2024

Issued	Reason	Shares M	A\$/sh	A\$M	Shares on Issue M
1-Oct-19	Placement	40.000	0.150	6.000	216.917
5-Mar-20	Placement	10.000	0.155	1.550	226.917
5-Jun-20		0.150	0.117	0.018	227.067
10-Sep-20		44.079	0.150	6.612	271.147
23-Apr-21	Entitlement	27.115	0.080	2.169	298.261
23-Apr-21	Placement	15.500	0.080	1.240	313.761
14-May-21		2.050	0.080	0.164	315.811
4-Jun-21		0.150	0.080	0.012	315.961
9-Jun-21		0.001	0.170	0.000	315.963
22-Jul-21		42.192	0.080	3.375	358.155
12-Jan-22	Pay for Tenement	0.800	0.057	0.046	358.955
1-Sep-22		52.000	0.038	1.976	410.955
12-Oct-22	Pay for Tenement	0.900	0.038	0.034	411.855
9-Dec-22	Loan extension	0.150	0.040	0.006	412.005
2-May-23		0.003	0.170	0.000	412.007
30-Aug-23	Placement	63.667	0.030	1.910	475.674
29-Nov-23	Placement	3.000	0.030	0.090	478.674
12-Jan-24	Loan extension	0.150	0.027	0.004	478.824
29-Apr-24	Placement	71.651	0.030	2.150	550.475
17 June 2024	Placement to be done	14.818	0.030	0.445	565.414

Source: MAT releases dated as shown in Column 1

Debt

Unusually for an exploration company, Matsa has debt obligations which it has been rolling forward since 12 April 2018, which have grown to A\$5M costing A\$0.5M pa in interest.

Table 26 Debt structure and estimated cash balance at 30 June 2024

Debt	Principal A\$M	Interest Rate %pa	Interest A\$Mpa	Payable	Security
Two independent lenders	3.993	12%	-0.479	25-Nov-25	Fortitude
Existing Lender	1.000	12%	-0.088	24-Jun-24	Fortitude
Total	4.993		-0.567		

Source: MAT Accounts to 13 December 2023, June 2024 quarterly activities statement

On 8 August 2017 Matsa entered into loan agreements with two separate parties for a \$4M facility with the funds being predominantly used as a working capital facility to ensure smooth operations of the trial mine at the Fortitude Gold Stage 1 Project and to conduct further exploration at Lake Carey.

The Fortitude Trial Project ran for around six months to December 2017 and was budgeted to produce A\$5.2M cash surplus but produced only A\$0.7M, the difference in timing of outgoings vs revenue receipts resulted in a peak funding per the quarterlies of around A\$3.5M at 31 March 2018. Matsa was not able to repay the debt as expected.

The repayment date was initially 31 July 2018 but was extended by mutual consent on 12 April 2018 to 31 July 2019. The key terms of the finance facility were as follows:

- ◆ Principal Amount: \$4,000,000 (\$3M immediately and \$1M any time if required)
- ◆ Interest Rate: 12% per annum paid monthly in arrears (penalty rate of 18% if Matsa is in default)
- ◆ Term: Repayable by 31 July 2019
- ◆ Security: The loan facility was secured by a mortgage over the Fortitude gold project, the Symons Hill project and a Deed of Charge over the Company's shareholdings in Bulletin Resources Limited and Panoramic Resources Limited

In addition to the above Matsa agreed to issue a total of 1 million options in the Company, split equally amongst the parties, with an exercise price of \$0.20 each with a two year life from the date of issue. The principal loan balance of \$3M has been offset by the value of the options issued. At the end of the period the carrying value of the loan was \$2,937,521. There were additional debt repayment extensions.

On 1 December 2022, the Company executed new loan agreements with its existing two independent lenders who have each provided a \$2M facility. The key terms of the finance facility are as follows:

- ◆ Principal Amount: \$4,000,000
- ◆ Interest Rate: 12% per annum paid monthly in arrears
- ◆ Term: \$4,000,000 repayable by 30 November 2025
- ◆ Security: The loan facility is secured by a mortgage over the Fortitude gold project tenements. Fee: Issue of 150,000 fully paid ordinary shares at the commencement date and each anniversary date of the loan advance while it remains outstanding.

On 28 June 2023, the Company entered into a short-term loan agreement with an existing lender for an additional \$750,000 loan advance of which \$500,000 was drawn down from the advance as at 30 June 2023. The advance was fully drawn down on 12 July 2023.

The \$750,000 short-term loan advance which was initially repayable by 30 September 2023 was extended for a further three months to 31 December 2023 on 28 September 2023.

On 2 October 2023, the Company made a repayment of \$250,000 towards the short-term loan advance.

On 15 December 2023, the repayment date for the remaining \$500,000 loan advance was extended to 30 June 2024.

On 15 December 2023, the Company entered into a short-term loan agreement with an existing lender for a second additional \$500,000 loan advance. All other key terms of the short-term loan include:

- ◆ Interest Rate: 12% per annum paid monthly in arrears
- ◆ Security: The short-term loan facility is secured by a mortgage over the Fortitude gold project tenements
- ◆ Term: The \$500,000 short-term loan advance is repayable by 30 June 2024

Contingent Devon Liability

As part of the terms of the termination of the joint venture with Linden Gold (now Brightstar Resources ASX:BTR) a net profit share in the Devon Pit Gold Mine to a maximum of \$4M, which is payable from future mining operations at (or the sale of) the Devon Open Pit Gold Mine has been granted to Linden. There is no immediate cash consideration payable.

BOARD AND MANAGEMENT

Paul Poli - Executive Chairman (BCom FCPA DFP)

Mr Poli is a fellow of the Australian Society of Certified Practising Accountants and a former registered Securities Trader. He was the founder and managing partner of a taxation and business advisory firm for 19 years prior to founding and heading Matsa Resources Ltd from 2009 to date.

He is well versed in all aspects of business, particularly financial management through both his previous consulting roles and through his personal ownership of private companies in Western Australia, the Northern Territory and South East Asia.

Mr Poli led the negotiations for several significant transactions for Matsa including the \$14M Norseman sale to Panoramic, \$6M minority interest sale to Westgold, and \$7M Symons Hill IGO joint venture. Mr Poli, in his capacity as Chairman of Bulletin Resources also negotiated the sale of Halls Creek for \$12M to Pantoro, and the \$5.7M Apollo transaction.

He has been chairman of Matsa Resources Limited for over 10 years and a significant investor in the mining industry, Mr Poli is particularly well qualified to drive the creation of a significant mining and exploration company.

Mr Poli is also Chairman of the Bulletin Resources Limited and the West-Sure group of companies.

Andrew Chapman - Executive Director and Company Secretary (BBus CA F Fin GAICD)

Mr Chapman is a chartered accountant with 25 years' experience in publicly listed companies in the mineral resources, oil and gas and technology sectors.

He has held Board positions as well as other senior roles including Director, Company Secretary and Chief Financial Officer. Mr Chapman has vast experience in the areas of corporate acquisitions, divestments and capital raisings. He has developed specialist knowledge of dealing with ASX and other corporate regulatory bodies, financial institutions and other advisory groups.

Mr Chapman is an associate member of the Chartered Accountants Australia and New Zealand (CAANZ), a Fellow of the Financial Services Institute of Australasia (Finsia) and a graduate of the Australian Institute of Company Directors (AICD).

Mr Pascal Blampain – Executive Director (BSc, MAusIMM, MAIG)

Pascal Blampain is a geologist with over 27 years' experience across Australia and Papua New Guinea having held senior positions with global miners including Barrick Gold and Goldfields Australia.

Mr Blampain's roles have spanned regional and near-mine exploration, operational geology, long-term strategic planning and resource development. He has a strong track record of delivering Resource and Reserve growth in gold during his time working at world-class deposits such as Plutonic, Wallaby (Granny Smith) and Lawlers (now Lawlers-Agnew).

Before joining Matsa, Mr Blampain spent the previous nine years serving as Chief Geologist/Geology Manager roles at Plutonic (Superior Gold), Mount Monger-Mt Belches (Silverlake Resources), Darlot (Goldfields Australia) and Lawlers (Barrick Gold).

Ratha Kheowkhamsaeng – Thailand Executive Director (BA USA)

Mr. Kheowkhamsaeng has 20 years management experience in Thailand, having been a director of 5 Thai and Thai/Japanese companies, mainly in the manufacturing and industrial sectors. He is well versed in local customs and culture and has vast experience in the law and business principles of Thailand.

Mr Kheowkhamsaeng has been the Managing Director of Matsa's Thailand subsidiaries since 2010 and is responsible for dealing with the Thailand government and managing all aspects of Matsa's operations in Thailand.

He brings extensive Thai business knowledge and contacts.

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