MATSA RESOURCES LIMITED
ABN 48 106 732 487

ANNUAL REPORT
For the Year Ended
30 June 2012

MATSA RESOURCES LIMITED

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MATSA RESOURCES LIMITED

CHAIRMAN'S REPORT

Dear Shareholder,

2012 could well be remembered as the formative year for the Company.

It is in this year, after 2 years of negotiating with many international companies, that Matsa was finally able to lay the first building blocks as a foundation of its pathway to becoming a producer, whilst also providing significant future longevity by completing an agreement with such a well-regarded company as Panoramic Resources Ltd.

The agreement not only provided an injection of $14 million in cash and liquid assets but also for the immediate commencement of a Bankable Feasibility Study at no cost to Matsa. Matsa expects the feasibility study to provide the financial planning and development outline of a processing facility and mine producing approximately 100,000oz gold p.a. with potential by-product at our Mt Henry Gold Project. The Norseman Gold Project's name was changed to the Mt Henry Gold Project to recognise the importance and significance of the new Joint Venture.

During the year the Company was also able to expand its tenement portfolio and further develop its knowledge base of its assets which will provide for a strategic platform for the Company to grow its pipeline of projects in the near future.

It is also important to note that continuing on with several years of high volatility and difficult times within the world economic environment, it is heartening and a demonstration of the talent pool at Matsa, that it was able to forge such a strong position for itself and provide for its future in such a convincing way.

It is a testament to the dedication of the team at Matsa that keep their spirits high and tirelessly continue to pursue the strategy of transitioning from an explorer to a producer with multiple projects by developing and defining opportunities both in Australia and overseas. For this I thank all staff that work at Matsa in Australia and Thailand for their dedication and focus.

I further extend that gratitude to our loyal shareholder base. They provide the Company with continuing support and stability for the Company's board of directors which is crucial for any successful Company.

Together, we will realise the Company's aspirations and grow shareholder wealth.

PAUL POLI
EXECUTIVE CHAIRMAN

OPERATIONS REVIEW

INTRODUCTION

The year saw Matsa achieve the completion of a Joint Venture agreement with Panoramic Resources Limited on a 70/30 basis with regard to the Mt Henry Gold Project which was previously called the Norseman Gold Project.

The key terms of the Joint Venture are:

- Consideration of $5 million in cash and 14 million fully paid Panoramic shares;
- Immediate commencement of free carried and fully funded Bankable Feasibility Study (BFS);
- Safety net buyout arrangement of the remaining 30% for $6.5 million consideration with a $5 million royalty 180 days after completion of BFS and receiving of Government approvals if Matsa cannot contribute to mine establishment;
- Immediate commencement of new exploration programmes within The Mt Henry Gold Project area; and
- The establishment and management of ongoing JV activities.

The Joint Venture provides significant longevity and assets to the Company which ensures its financial viability for years to come.

The Company is unique in the Australian junior resources sector because it has accumulated a quality pipeline of assets and projects in Western Australia and Thailand.

A combination of strategic partnerships on favourable terms to shareholders and self-funding will enable Matsa to continue to develop large scale operations in Australia and Thailand with the potential to deliver significant value for shareholders and greater strategic outcomes for the Company.

COMPANY ACTIVITIES

The primary focus of activities in Matsa has been:

- To pursue the commencement of production of the Mt Henry Gold Project which contains indicated and inferred resources of 1.47 million ounces of gold with potential for a magnetite by-product ;
- Develop and explore the tenement package at Fraser Range particularly Symons Hill to unlock the Nickel potential;
- Continue drilling campaigns and further the exploration at the Dunnsville Gold Project;
- Continue to evaluate and develop the potential of the Dundas Iron Ore Project;
- Development of new regional exploration programmes; and
- Continue to pursue the granting of Special Prospecting License Applications in Thailand to enable commencement of exploration within the Paisali Iron Ore, Siam Copper and KT Gold Projects.

OPERATIONS REVIEW

MT HENRY GOLD JOINT VENTURE *(PANORAMIC RESOURCES 70% MATSA 30%)*

The Mt Henry tenement package lays in the southern part of the Norseman-Wiluna Greenstone belt in Western Australia. It contains an Indicated and Inferred Resource of 26.5 million tonnes at 1.7g/t gold for 1.47 million ounces of gold.

The Mt Henry Gold Project has a potential 100,000oz p.a. gold with a 300,000 tonne magnetite by-product p.a. operational mine. It is arguably one of Australia's largest undeveloped gold deposits ready for development.

Through the Joint Venture agreement, a Bankable Feasibility Study has commenced which includes a substantial drill programme to enhance the knowledge base of the resource. The BFS is funded and managed by Panoramic Resources through Mt Henry Gold Pty Ltd.

The resource is dominantly made up of three gold deposits, the two largest being Mt Henry and Selene, which are hosted within a Banded Iron Formation "BIF". The BIF is 16kms in length and the gold project lies on the southern 6kms of the BIF. The project site is well serviced by roads, railway, gas pipeline and the Port of Esperance 190km to the south.

Regional Geology The town of Norseman is the most southern gold mining centre of the Norseman-Wiluna gold belt which hosts an endowment of over 270 million ounces of gold. The Norseman region has been a major gold producer, with production in excess of 5.5 million ounces of gold since 1935. Although the greenstone rocks from the Norseman region can be broadly correlated with those of the Kalgoorlie-Kambalda region, they form a distinct terrain which is bounded on all sides by major regional shears. The Norseman Terrane has prominent BIFs which distinguishes it from the Kalgoorlie-Kambalda Terrane.

Stratigraphy The Mt Henry and Selene gold deposits are hosted in the Noganyer Formation which is a formation of distinct sedimentary sequence of siliclastic rocks, principally silicate facies BIF, chert, sandstones and shales. Intrusions of dolerite dykes and sills are common throughout.

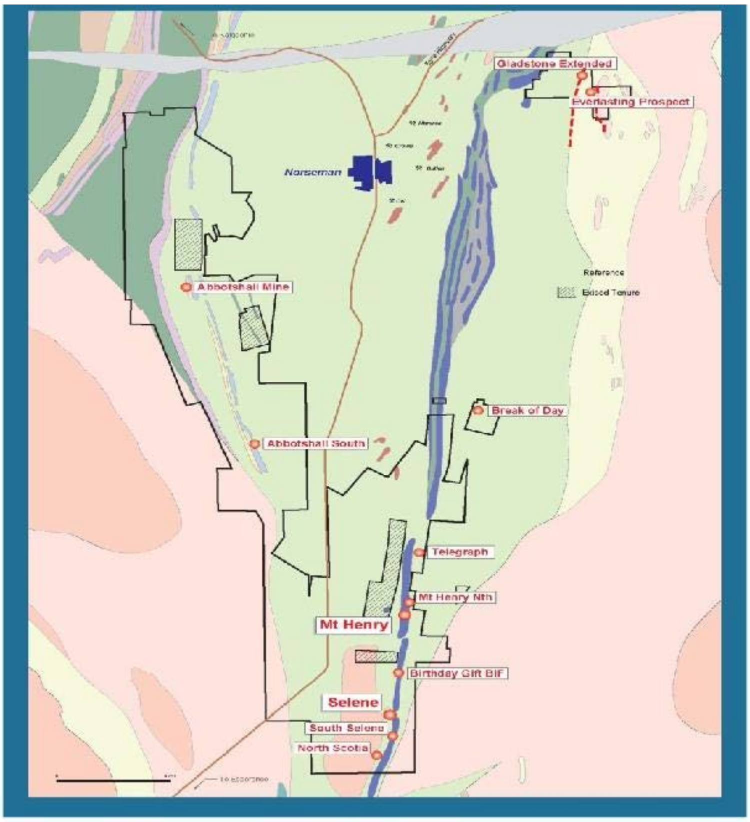

Figure 1: Mt Henry Gold Project, plan showing main deposits and Prospects

Historical drilling A drilling database has been maintained and upgraded over the life of the project commencing with Kinross through AGI/ASPMI to Matsa. There are now in excess of 2,719 holes in the database representing 153,496 metres of RAB, RC, diamond and aircore drilling (117,922m is RC and Diamond).

Mt Henry Deposit (Figure 2) The Mt Henry deposit extends along a strike length of 1.9 km. It has been drilled out on 25 and 20 metre sections. The host rock is predominantly silicate facies BIF with minor meta-basalts and dolerites.

The main lode is an elongated ore body that is 1.9 km long, 6-10 metres wide and dips at 65 degrees towards the west. It generally occurs as a mineralised shear along the hanging wall contact of the BIF.

Mineralisation is pervasive within the sheared BIF throughout the entire length of the deposit. However there are discrete zones (or shoots) that contain higher grades and thicker intervals of mineralisation that plunge to the north-northwest. The mineralisation has a special relationship with the hanging wall of the BIF. The mineralisation can occur along the contacts and into the overlying chert and dolerites of the Woolyeenyer Formation as well as underlying dolerite sills where they occur.

The shear that hosts the mineralisation within the BIF strikes north-south and dips 60 degrees towards the west, paralleling the stratigraphy. Late pegmatite dykes cut across all previous geology and deplete mineralisation when they cross the lodes. Apart from the main lode, there are several minor footwall lodes and two discrete supergene lodes.

Selene Deposit (Figure 3) The Selene deposit extends along a strike length of 1.3 km. Drilling has generally been completed on 40 metre sections in the central part of the deposit and 80 metre sections on the northern and southern fringes, 40 metre sections have been considered adequate for an Indicated Resource at Selene. Hole spacing along each section vary from 20 to 75 metres.

The Selene deposit is similar in many respects to the Mt Henry deposit. It is a BIF hosted deposit that is entirely hosted in the Noganyer Formation. The host lithology is a quartz magnetite BIF which is intruded by numerous doleritic sills. The footwall contact is characterised by metamorphic sedimentary schist and the hanging wall by the overlying dolerites of the Woolyeenyer Formation.

The Selene mineralisation extends along a strike of 1.3 km and 550 metres and has been modelled to down-dip and is open down dip at a shallow angle of around 20 degrees. The lode thickens in the central part of the deposit up to a true thickness of 35 to 40 metres. It appears to thicken in this central area with depth and continues to do so to the extent of the identified mineralisation. Pegmatite dykes and sills cut through the BIF and deplete the mineralisation when they cross cut the lodes.

The main difference between the Selene Deposit and the Mt Henry Deposit is that the mineralisation at Selene occurs in zones throughout the BIF package whereas at Mt Henry the mineralisation is dominantly hosted in a shear on the hanging wall contact of the BIF. In contrast to the Mt Henry deposit, there is no significant supergene mineralisation at Selene.

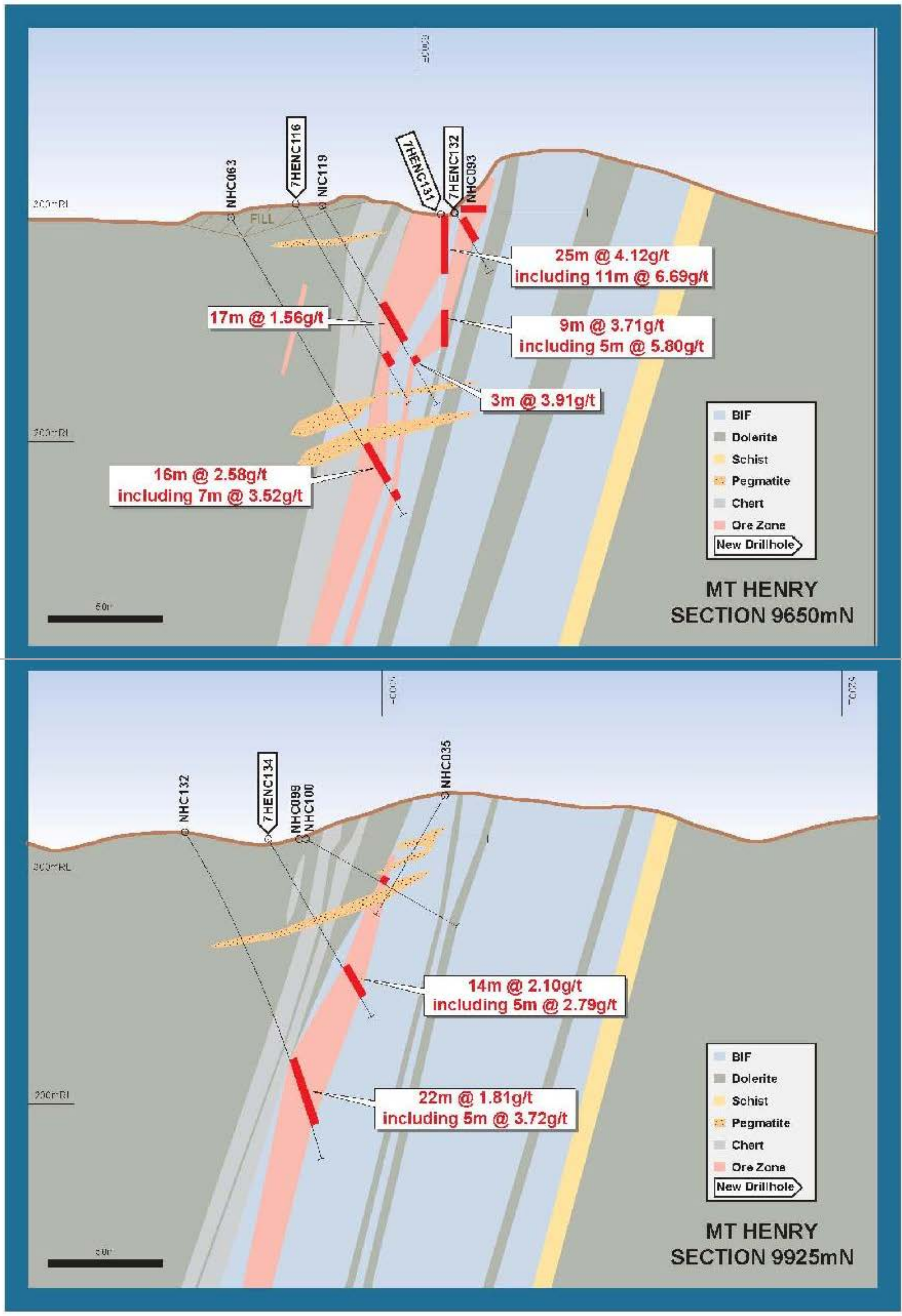

Figure 2: Mt Henry Summary assay and geology Cross Sections 9925mN and 9650mN

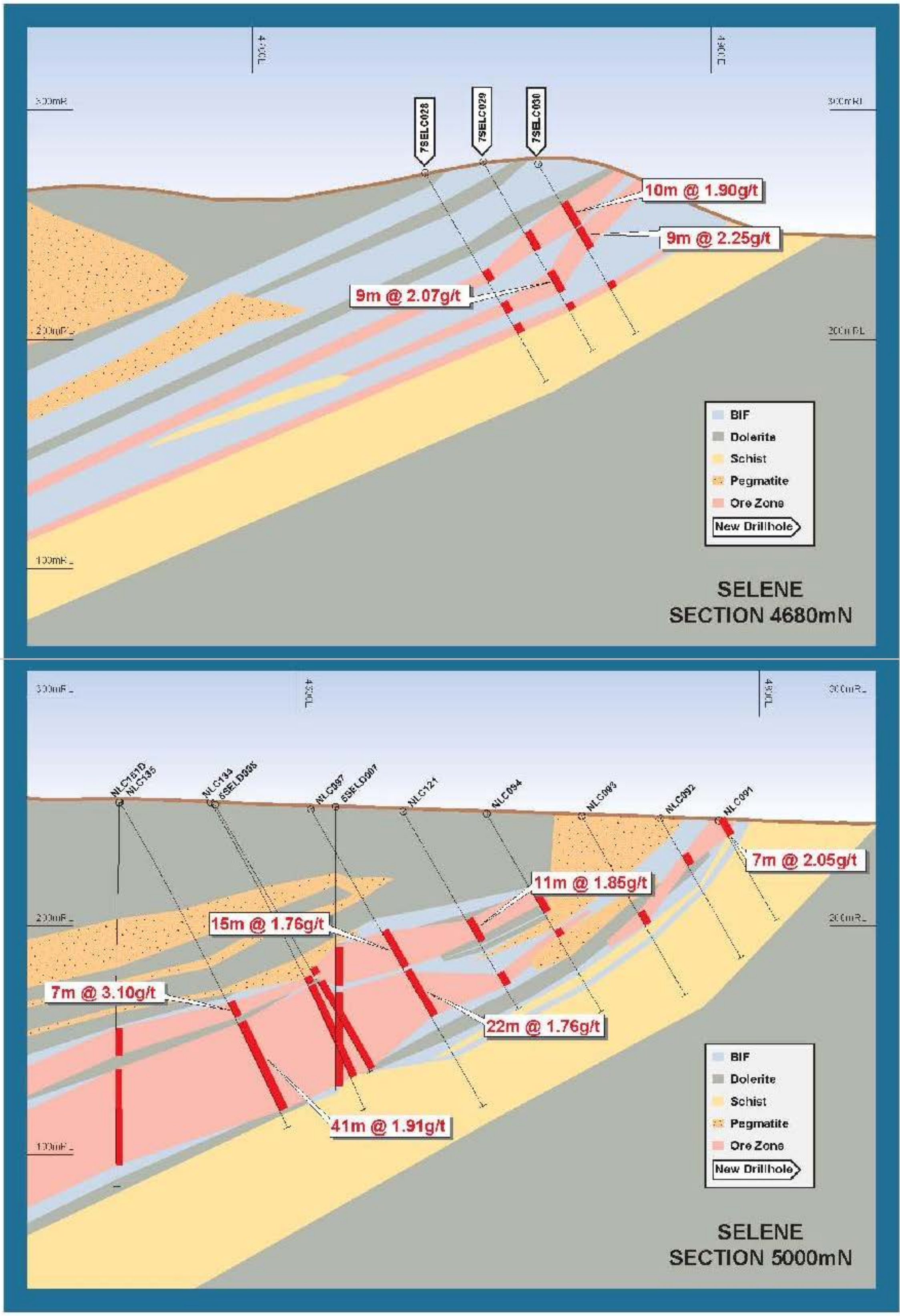

Figure 3: Selene Deposit Summary assay and geology cross sections 5000mN and 4680mN

OPERATIONS REVIEW

The North Scotia deposit This deposit covers a strike length of 600 metres within Archean mafics of the Woolyeenyer Formation. The Woolyeenyer Formation is host to the auriferous quartz veins that have been mined in the Norseman district continuously for 80 years.

This deposit is west of the Noganyer Formation BIF and nuggetty gold mineralisation is contained in quartz veins. Mineralisation is disseminated throughout 1 to 5 metres wide laminated quartz veins that dip at around 70 degrees towards the west. Sulphides present include pyrite and galena.

The North Scotia deposit comprises a number of steeply plunging mineralised shoots which remain open at depth.

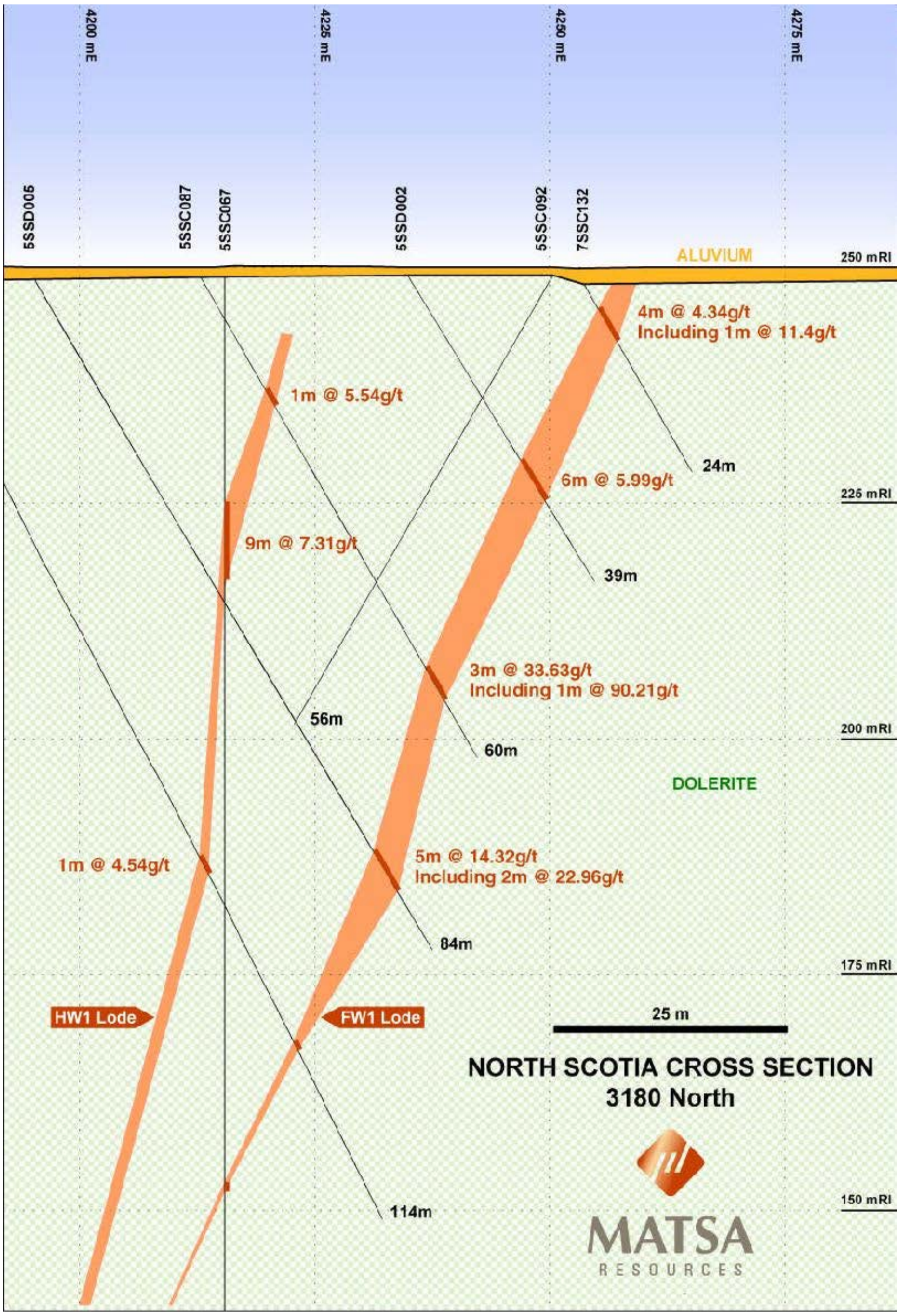

Figure 4: North Scotia Deposit Summary assay and geology Cross Section 3180mN

OPERATIONS REVIEW

Resource Estimation The current resource stands at 26.5 million tonnes at 1.7g/t gold for 1.47 million ounces of gold (Table 1). Block modelling for Mt Henry and Selene was carried out using Surpac V6.1.2 software. Top cuts were applied and geological interpretation was undertaken on each section making sure that geological integrity was maintained between sections. Grade estimation was carried out by ordinary kriging using the cut 2 metre composite grades.

Block modelling for North Scotia used the metal accumulation and ordinary kriging method.

The resource classification for the Mt Henry and Selene models was completed manually. The sections were perused by Competent Persons as detailed below and areas and regions were classified as Indicated or Inferred based on the level of geological confidence and continuity observed. The mineral resources at Mt Henry and Selene have been classified according to JORC guidelines as Indicated and Inferred.

Mt Henry Gold Project Resources Panoramic 70% Matsa 30% (>1g/t Au)			
	Tonnes	Grade (g/t)	Ounces
Indicated			
Mt Henry	5,874,000	1.93	364,500
Selene	11,776,000	1.59	602,000
North Scotia	214,000	5.20	35,800
Total	**17,864,000**	**1.75**	**1,002,300**
Inferred			
Mt Henry	5,099,000	1.76	288,500
Selene	3,119,000	1.44	144,400
North Scotia	344,000	2.17	24,000
Total	**8,561,000**	**1.66**	**456,900**
Grand Total			
Grand Total	**26,426,000**	**1.72**	**1,459,400**

Table 1: Mt Henry Project Indicated and Inferred Resources

1) All resources are reported to a lower cut-off grade of 1.0 g/t

2) Rounding, conforming to the JORC code may cause computational errors

Regional Soils Sampling Program Results from this Stage 1 programme have identified a number of high priority gold geochemical targets (Figure 5) of which the Abbotshall South gold anomaly discussed below has received first pass field inspection. Remaining targets are currently being evaluated in the light of available geological mapping, VTEM airborne electromagnetic data and airborne magnetic and radiometric data.

Abbotshall South Soil Gold Discovery Soil sampling south of the Abbotshall mine has identified semi continuous gold anomalous zones in areas where previous sampling was not anomalous for gold.

Results coincide with the mapped position of the Abbotshall shear zone and extend for a distance of 7.5 kilometres.

Matsa believes that this anomalous zone may reflect a new occurrence of Abbotshall style, shear controlled gold mineralisation. The anomalous zone is partly supported by coincident gold pathfinder elements such as As, Cu and Sb which are also an important part of the geochemical signature at Abbotshall.

Three discrete target zones have been recognised in the anomalous zone based on the associated pathfinder elements (Figure 6). The targets straddle a strongly deformed felsic schist unit bounded on both sides by sheared metabasalt which closely resembles the stratigraphic setting of the Abbotshall deposit.

Given proximity to known gold mineralisation at Abbotshall, Matsa has assigned a high priority for follow up activities including geological mapping and infill soil sampling. This program is proposed in order to better define targets for trenching, ground geophysics and drilling.

Sampling at Black Cat prospect has identified a discrete gold anomaly supported by the pathfinder elements Cu, As and Bi in an area of transported soil cover. The anomaly can be seen on aeromagnetic data to be related to a NW trending fault and appears to be a northern extension of gold mineralisation at the historic Black Cat workings outside Matsa's tenements.

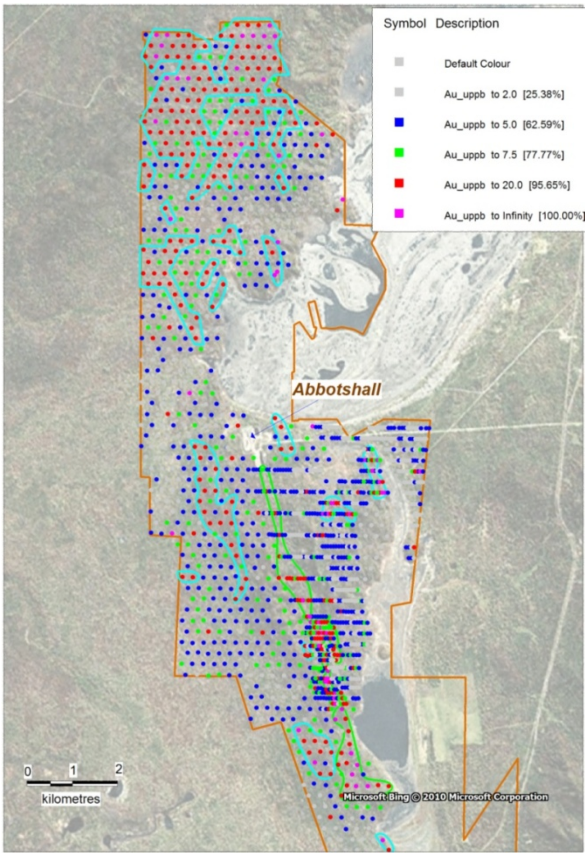

Figure 5: Norseman Regional Soil Survey, Summary Results for Gold

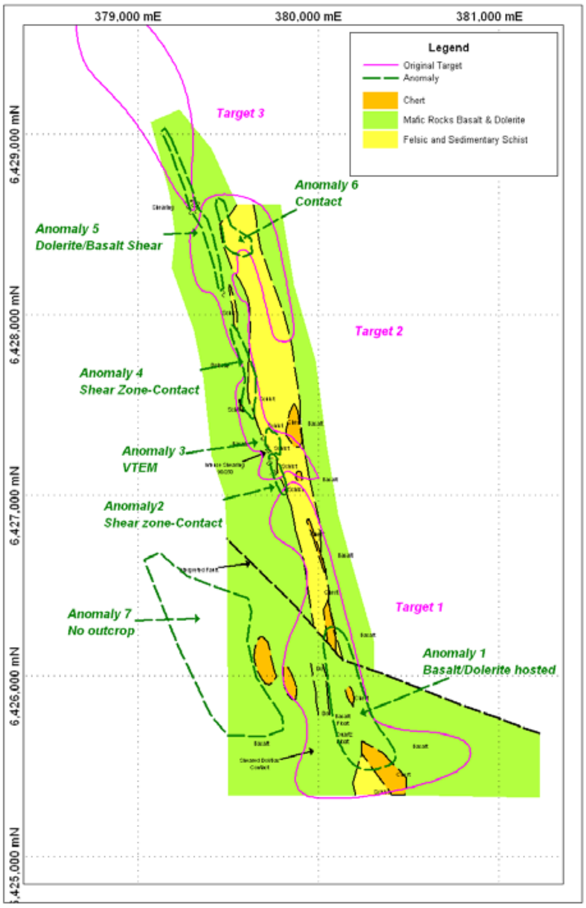

Figure 6: Abbotshall South Soil Gold Anomalies.

Killaloe Farm-in Agreement

Matsa entered into an agreement with Cullen Resources Limited to farm-in to the Killaloe Project located a short distance east of the town of Norseman and only 20 kilometres NE of Matsa's Norseman Project (Figure 7). The Killaloe Project comprises 4 prospecting licences and 2 exploration licences over mafic and ultramafic greenstones between the Zuleika Shear and the Boulder Lefroy Faults.

Matsa believes that this area, which almost doubled the size of the Norseman tenement area, is highly prospective for gold with any discovery capable of making a positive impact on the economics of Joint Venture's Mt Henry Gold Project.

Past exploration included the acquisition of high resolution aeromagnetic and radiometric data, soil sampling, geological mapping and RC and RAB drilling. This has identified a number of high priority gold targets of which the most significant appear to be Cashel, Duke and Killaloe (Figure 7).

Duke Gold Prospect Gold mineralisation was discovered at Duke which had originally been explored as a nickel target, by re - assaying RC drill samples for gold. Significant mineralised intercepts were returned in the following drillholes.

BUX86: 24m @ 2.15g/t Au from 4 metres
NBC4: 12m @ 1.04g/ Au from 38 metres
GOC5: 18m @ 1.41g/t Au from 7 metres
CUX25: 6m @ 1.50g/t Au from 14 metres

The Duke prospect is characterised by a WNW trending soil gold anomaly extending for a distance of 350m along the sheared contact between ultramafic and mafic volcanic rocks.

Killaloe Gold Prospect The Killaloe prospect area is centred on the historic Killaloe gold deposits and includes many small workings distributed to the NW and SE over a distance of 2500m. Very limited exploration (15 RAB holes to an average depth of 20-25 metres) has been carried out on the prospect.

Cashel Gold Prospect The Cashel prospect is a high level soil anomaly with peak gold values up to 3000ppb Au. Past exploration recovered coarse visible gold in a shallow trench close to the peak soil value. RC drilling returned a best result in hole KCR023 of 2m @ 5.83g/t in vein quartz from 23 meters depth.

Regional Geochemistry Matsa appointed geochemical consultants IO Global to carry out a comprehensive review of past soil geochemistry. This review has identified 9 high priority geochemical targets based assays for gold and gold-pathfinder elements such as W, Te, Zn, Cu, Pb and Sb.

Targets have been ranked according to the magnitude of the soil gold value and the degree of support from the pathfinder elements. Higher priority targets are currently being evaluated in the field with the intention of carrying out follow up activities, including infill soil sampling, ground geophysics, trenching and RC drilling.

OPERATIONS REVIEW

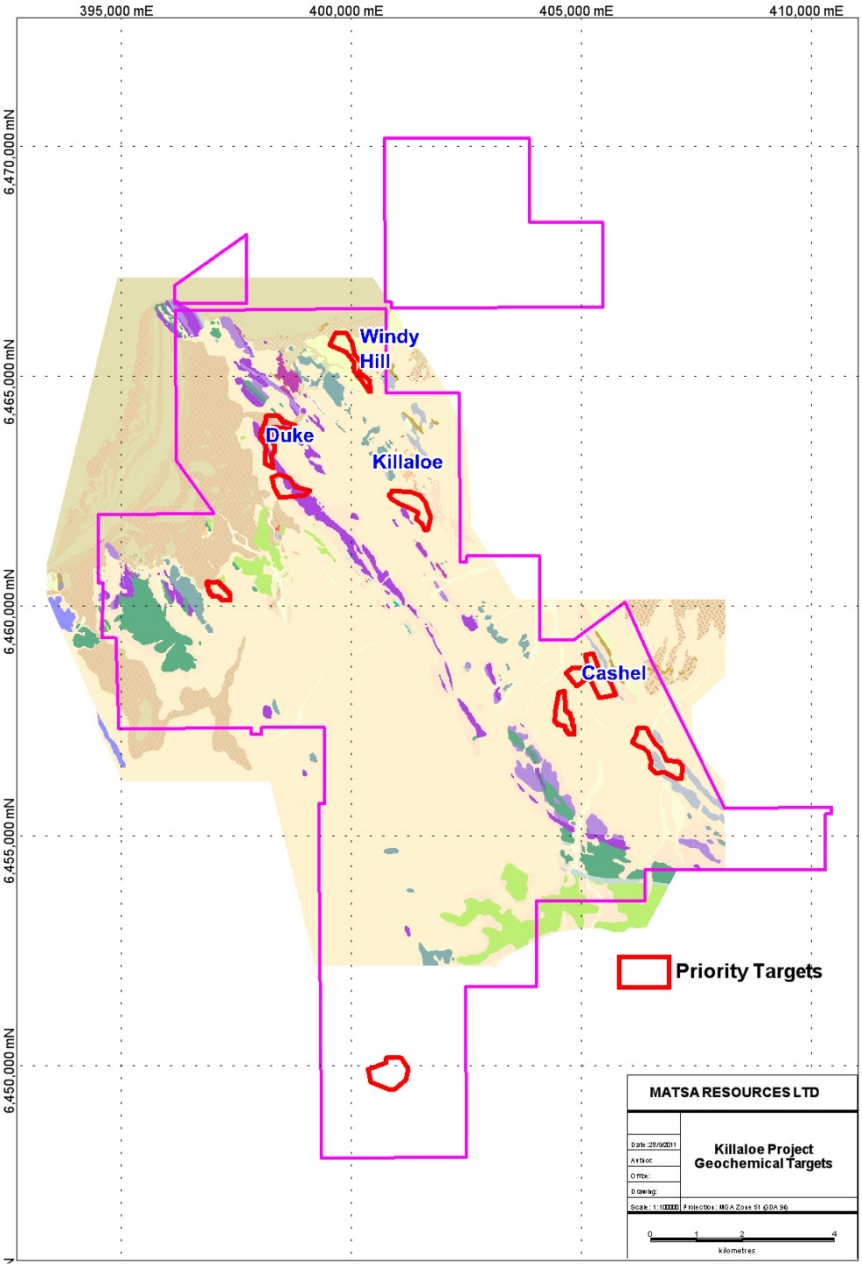

Figure 7: Killaloe Project Gold Exploration Targets

DUNDAS IRON ORE PROJECT

The Dundas Iron Ore Project covers 11.3 km^2 of the southern Norseman-Wiluna Greenstone belt in Western Australia. It is covered by a Mining Lease Application 63/653 covering 8 granted Prospecting Licenses and part of granted Mining Lease 63/515.

All leases are approved for iron ore and are held by ASPMI Pty Ltd (100% Subsidiary of Matsa). The leases are north of and abut The Mt Henry Gold Joint Venture area containing some 1.5 Million ounces of gold in resources.

The project contains an exploration target of magnetite contained in a Banded Iron Formation (BIF) that has a strike length of over 7 kilometres. The project site is particularly well serviced by roads, railway, gas pipeline and the Port of Esperance 190 kilometres to the south.

Project Description Exploration carried out by Matsa on The Dundas Iron Ore Project has identified potentially economic iron mineralisation over a strike length of more than 4.7 kilometres within the tenement area. Mineralisation is in the form of magnetite rich BIF, of the Noganyer Formation which is inter-layered with medium to coarse grained dolerite and amphibolite. Based on geological mapping and interpretation of detailed airborne magnetic data there are at least three distinct zones rich in magnetite which are Matsa's principal iron ore targets.

The host banded iron formation unit forms a ridgeline along most of the mineralised strike length within an undulating area of low to moderate relief.

Infrastructure It is important to note that the most significant attribute of this project apart from the resource is the exceptional location relative to available infrastructure. Put simply the project has:

- Railway facilities 3 km to the west of the Iron Ore deposit which has confirmed excess capacity, once a spur is built to facilitate loading, all production will be easily catered for;
- Esperance Port which is capable of Cape class ship of 90,000 tonne capacity is 190 km to the south of the project. Recent government and Port Authority statements have stated that up to a further 30 million tonne capacity will be provided within the project time frame being 4 years. Currently some 11 million tonnes of iron ore is currently shipped through this facility;
- Major vehicle highway runs mostly parallel with the railway ensuring a viable alternative and vehicle access through all weather conditions; and
- Gas pipeline with connection points runs through the tenements thus ensuring necessary, environmental friendly and vital power supply is available.

A three phase $6 million preliminary exploration/evaluation programme has been developed for the Dundas Iron Ore Project of which phase one has already been completed and the objectives were met. The programme and the expected outcomes are listed as:

Phase 1 Exploration Programme The objective of the first phase was to:

- Establish the Grade and Continuity of the target magnetite BIF Bands;
- Confirm the presence of an exploration Target of 350-750Mt[*1] (magnetite BIF);
- Confirm Davis Tube weight recovery of 25 to 40%[*1]
- Confirm magnetite concentrate specs in terms of low content of SiO_2, Al_2O_3, P and S.

The drilling programme comprised a total of 1,901 metres of Reverse Circulation (RC) drilling and 197.5 metres of diamond drilling, and was completed in mid - December 2010.

RC and diamond drillhole samples were combined into composite samples between 2m and 5m in length. All Composites were submitted for the following determinations:

- Magnetic Susceptibility;
- Analysis for usual suite of iron ore oxides and major elements by X-Ray Fluorescence spectroscopy (XRF) on a fused bead Gold determination by Atomic Absorption Spectroscopy (AAS) on an acid digest.

Samples containing significant magnetite (as determined from Magnetic Susceptibility results) were submitted for Davis Tube concentration, and XRF Iron Ore Suite analyses of Davis Tube concentrate. A total of 155 composite RC samples and 47 composite diamond samples were submitted for DTR test work.

The DTR process for each of these samples was based on metallurgical testwork carried out on a bulk sample of core from diamond hole 10DNDH001. Testwork was designed to establish the optimum grind size to produce a DTR concentrate with highest iron content and lowest impurities, particularly silica. On the basis of this work, all DTR's were carried out on samples pulverized to 32 microns (80% passing a screen size of 32 microns).

Results from this programme established that the Dundas BIF is made up of two magnetite BIF lithotypes with contrasting magnetic concentrate parameters:

- Type 1 BIF contains coarse-grained recrystallised magnetite, and produces low silica (<8% SiO_2) DTR concentrate;
- Type 2 BIF has ultrafine-grained magnetite and produces a high silica (>8% SiO_2) DTR concentrate.

Subsequent metallurgical testwork on diamond core confirmed the metallurgical differences between the two BIF types and visual inspection clearly identified the coarsely crystalling Type 1 BIF and the glassy fine grained Type 2 BIF.

Highest DTR magnetite recoveries with lowest impurities e.g. SiO_2 (characteristics of Type 1 BIF) have been achieved in finely banded quartz/ magnetite/amphibole BIF in the two eastern bands within the BIF package. Typical Type 1 BIF results are listed below:

10DURC002: 56m @ 31.78% DTR, 67.81% Fe and 4.95% SiO_2 (From 40m)
10DURC007: 31m @ 29.33% DTR, 68.78% Fe and 3.66% SiO_2 (From 46m)
10DURC006: 26m @ 37.04% DTR, 66.49% Fe and 7.37% SiO_2 (From 53m)
10DURC007: 20m @ 30.67% DTR, 68.32% Fe and 4.12% SiO_2 (From 126m)
10DURC006: 19m @ 36.20% DTR, 69.79% Fe and 3.24% SiO_2 (From 53m)
10DURC003: 15m @ 41.41% DTR, 67.23% Fe and 6.02% SiO_2 (From 35m)
10DURC005: 15m @ 34.97% DTR, 68.18% Fe and 4.40% SiO_2 (From 45m) open at depth
10DURC022: 59m @ 37.66% DTR, 65.30% Fe and 7.57% SiO_2 (From 49m) open at depth
10DURC011: 11m @ 33.42% DTR, 68.01% Fe and 4.89% SiO_2 (From 41m)
10DNDH001: 21.4m @ 30.36% DTR, 65.80% Fe and 3.01% SiO_2 (From 102.5m)

These results confirm that there are significant zones within the Dundas BIF where excellent DTR recoveries and concentrate grades can be achieved using industry standard grinding and recovery processes. A weighted average of DTR recovery for Type 1 low silica intercepts is 33.67% (Table 2).

Intercept metres	Head Assay	DTR %	DTR Concentrate Assays				
	Fe %		Fe %	SiO_2 %	Al_2O_3 %	P %	S %
323.67	32.02	33.67	67.04	5.34	0.25	0.009	0.353

Table 2: Dundas Iron Project Weighted Average DTR Recovery for Low Silica Intercepts

OPERATIONS REVIEW

The desirable low silica group of intercepts are all located on the eastern side of the Dundas BIF package. Follow up drilling is proposed along the Eastern BIF to confirm continuity of low silica BIF and to confirm Matsa's Exploration Target parameters of 350 – 750Mt[*1] of magnetite BIF containing >25% recoverable magnetite (Figure 11).

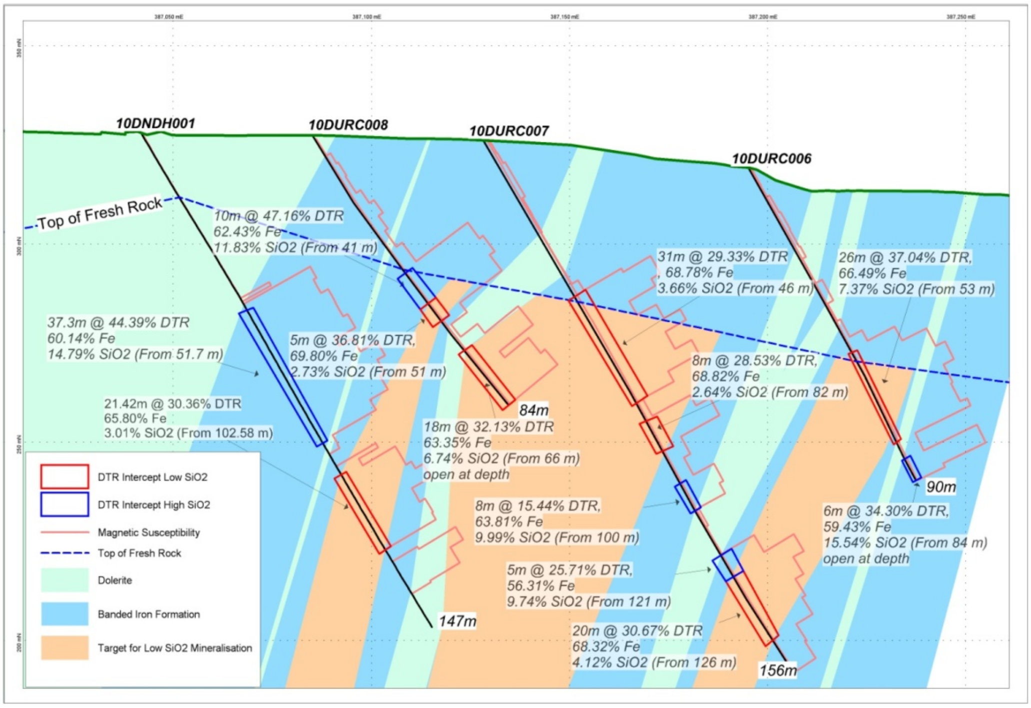

Figure 8: Representative Cross Section Dundas Iron Ore Project

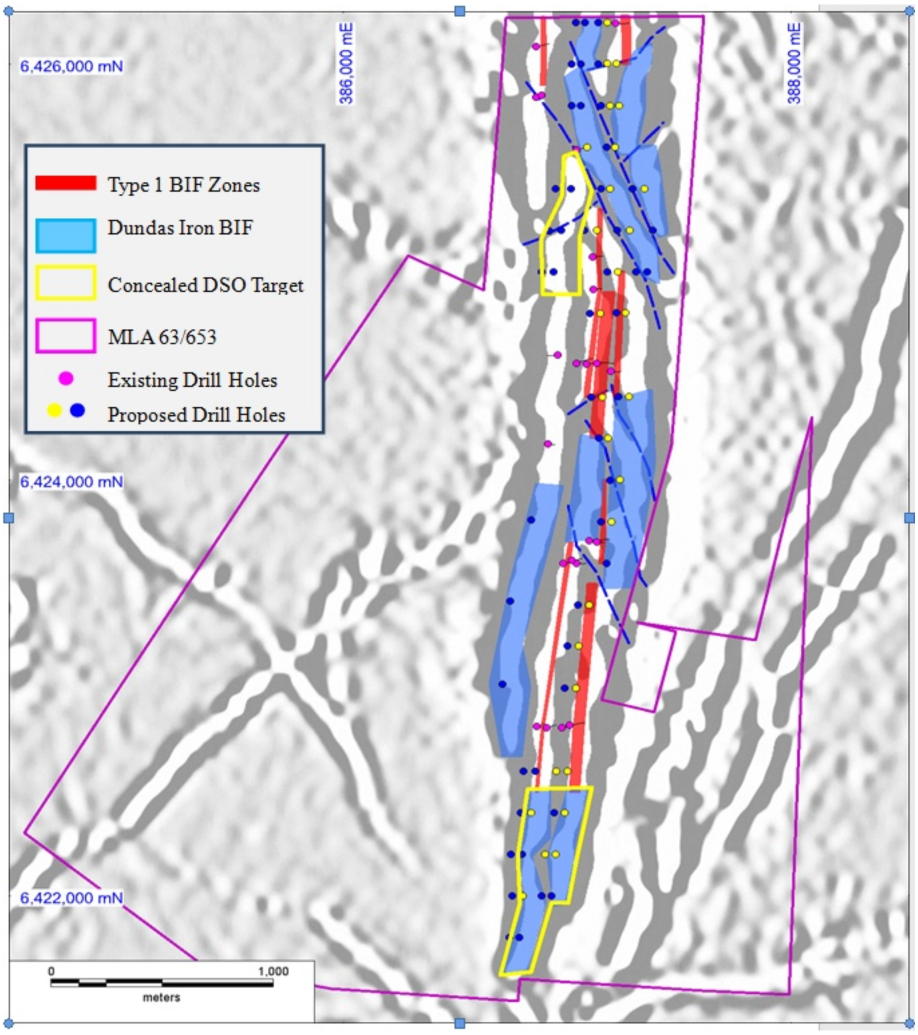

Figure 9: Dundas Iron Ore Project Target BIF and Planned Drilling under the Phase 2 and Phase 3 Programmes

Proposed Phase 2 Exploration Programme (Figure 11) The objectives of the phase two programme is to:

- Outline magnetite mineralisation to an “Inferred Resource” status as outlined by the JORC code;
- Establish that the magnetite concentrate meets or exceeds marketing specs for pellet plant feed;
- Commence pre- scoping study into project viability as regards mining, processing, marketing and heritage and environmental aspects.

Proposed Phase 3 Exploration Programme (Figure 11) The objective of phase three is to:

- Complete drilling and other work to bring the magnetite resource to an “Indicated Resource” status as outlined by JORC;
- To undertake metallurgy testwork to establish a Conceptual process flow-sheet;
- To undertake a Scoping Study.

DUNNSVILLE GOLD PROJECT

The Dunnsville Gold Project comprises a group of Exploration Licences covering 304km^2 located only 65km WNW of Kalgoorlie and 50km NW of Coolgardie.

The Big Red prospect, which is part of the Dunnsville Gold Project, has had no previous gold workings and represents a greenfields discovery by Matsa. The prospect was discovered by a regional soil sampling program carried out by the Company in 2006. This programme identified a NW/SE trending gold-in-soil anomaly extending over a distance of 3 kilometres.

The prospect is located close to the Ida Fault and Bullabulling Fault close to the western boundary of the Eastern Goldfields terrane where basement lithologies are obscured by thick residual and transported regolith cover. Earlier programmes of RAB and shallow RC drilling within the geochemical anomaly did not identify significant mineralisation in basement and confirmed that the anomaly is underlain by a deep regolith profile of more than 40m depth, made up of transported soil and deep weathering.

In 2010, a ground Sub-Audio Magnetic geophysical survey (SAM) was completed over the entire Big Red soil anomaly. The SAM survey not only confirmed the presence of a discrete magnetic anomaly underlying the Big Red Prospect, but also provided information on structural trends in basement rocks. The main magnetic anomaly is thought to reflect a mafic intrusive (dolerite or gabbro) which acted as a host rock to mineralisation.

In late 2010, Matsa completed a RAB drilling programme of a total of 138 holes and 6,900m of drilling, to test geochemical targets using the structural interpretation based on the SAM survey. In early March 2011, Matsa announced it had received significant exploration drilling results from the drilling campaign at the Dunnsville Project with intercepts up to 7.85 g/t Au and intercepts >1.0 g/t Au in 14 RAB holes (Table 3).

Gold mineralised intercepts are mostly located beneath 40 - 60m of regolith cover at the regolith / bedrock interface.

Hole_ID	From	To	Interval	Au g/t
10BRRAB134	32	33	1	1.43
10BRRAB147	59	60	1	6.33
10BRRAB148	46	47	1	1.09
10BRRAB155	51	52	1	7.85
10BRRAB169	43	44	1	1.63
10BRRAB187	47	48	1	4.84
10BRRAB189	53	54	1	1.4
10BRRAB190	58	62	4	1.06
10BRRAB190	61	62	1	1.36
10BRRAB191	56	57	1	2.99
10BRRAB197	52	55	3	1.67
10BRRAB205	14	15	1	1.34
10BRRAB206	58	59	1	2.15
10BRRAB217	50	51	1	1.22
10BRRAB220	49	50	1	1.83

Table 3: Big Red Prospect Key RAB intercepts >1g/t Au

This drilling has identified at least 6 zones of gold mineralisation (Figure 12). Mineralisation appears to be related to a structurally controlled vein stockwork produced by shearing of the host mafic intrusion by NNW trending shear zones parallel with the Bullabulling Shear Zone. Individual zones measure between 200 metres and 300 metres in length but remain open.

These intersections confirm the discovery of potentially significant gold mineralisation at Big Red. The project is located near existing infrastructure including potential toll milling opportunities and has been added as a second Australian gold project to Matsa's portfolio.

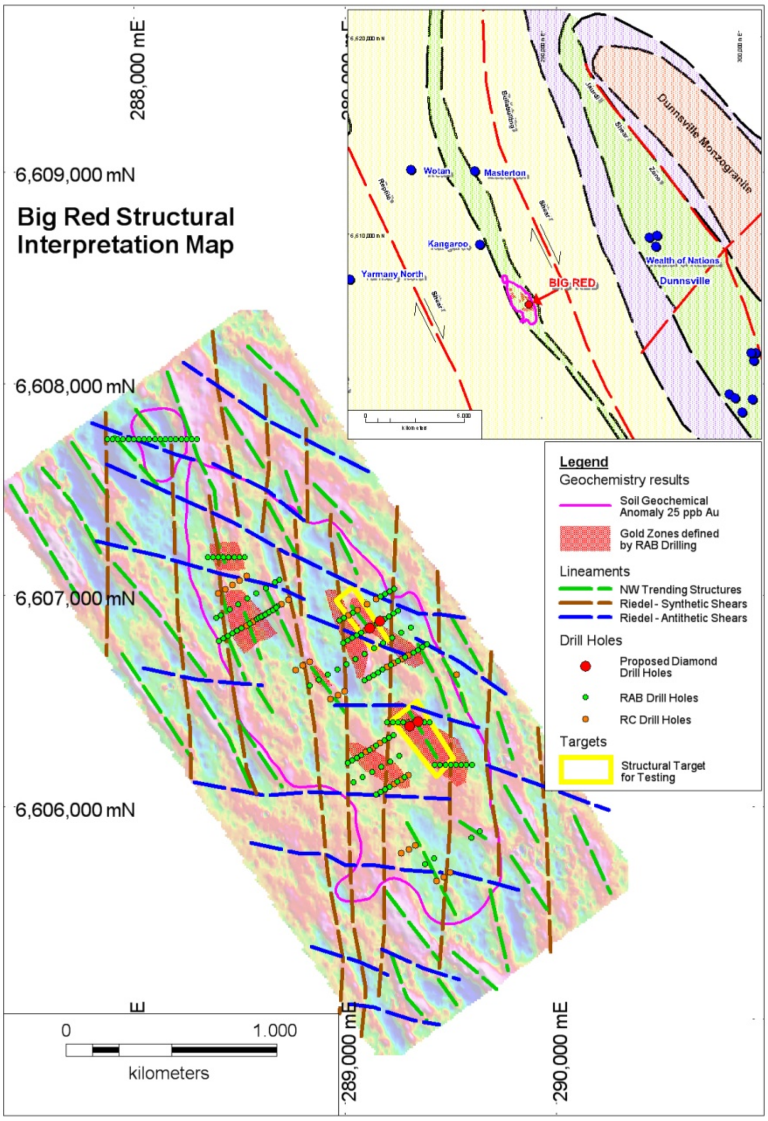

Figure 10: Big Red Gold Prospect Exploration Summary.

Initial drilling in 2006, included a number of shallow RC drill holes, which did not successfully define gold mineralisation. It is now apparent that deep weathering has resulted in gold depletion at shallow depth. It is likely that the narrow high grade intercepts represent gold which has been mobilised along the base of the weathered profile by supergene processes.

A diamond drilling programme is proposed to test for primary mineralisation and to provide structural and stratigraphic information in the basement underlying the two best RAB drilling sections (Figure 12).

Thailand

Matsa Resources have now applied for 124 special prospecting licenses prospective for gold, iron ore and copper in Thailand for a total of 1,766km^2 (Figure 13)

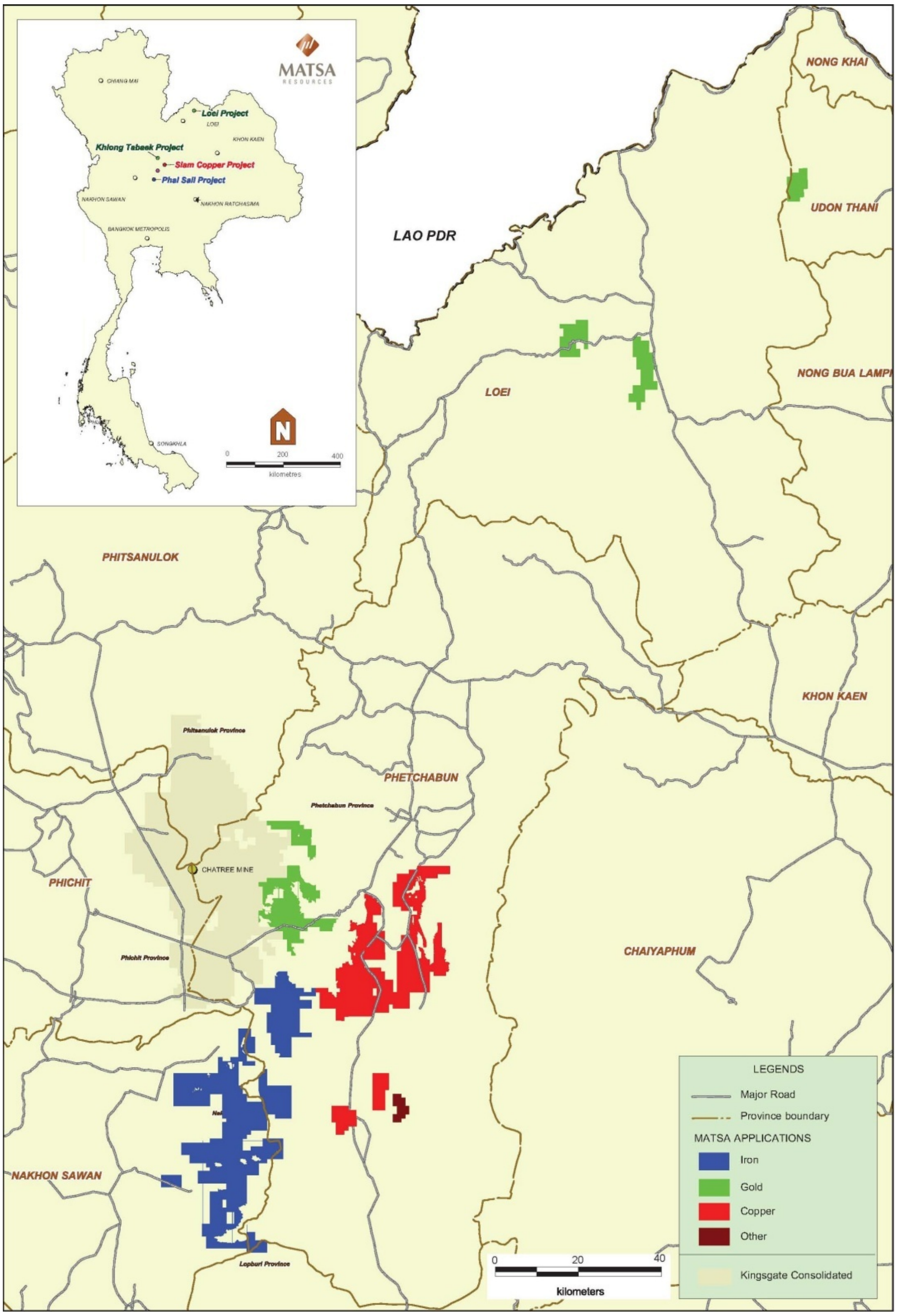

Figure 11: Matsa Special Prospecting Licence Applications Thailand.

Once granted, this will be a significant landholding for a foreign company in Thailand, representing a unique competitive advantage for Matsa (Table 4).

Matsa Subsidiary	No	AREA
PVK Mining Co., Ltd.	67	952.166
Phaisali Mining Co., Ltd.	2	17.92
Klong Tabaek mining Co.,	2	31.05
Siam Copper	49	732.4
Loei Mining Co., Ltd.	4	32.06
	Total	**1765.596**

Table 4: Matsa Current Special Prospecting Licence Applications Thailand

There have been a number of major developments in Thailand over the past year which have been highly favourable to Matsa and its strategy of positioning itself ahead of competitors for long term growth has now been validated.

The strategy of accumulating a large strategic land holding whilst facing some challenging and stringent regulatory conditions is beginning to produce substantial benefit to the Company. A handful of Australian mining companies have been extremely successful over the past decade in Thailand and Matsa will emulate their success through innovation and patience.

One of the most significant events was the announcement on June 11 2011, by the Thai Department of Primary Industries and Mining, “DPIM” that it was lifting the three year moratorium on Special Prospecting Licences (SPLs) for gold.

This moratorium had effectively shut down virtually all mineral exploration in Thailand for most commodities even though the moratorium only applied to gold. The lifting of the Moratorium also means that there should be the granting of already lodged and fully completed applications, including Matsa's.

Matsa has a number of tenement applications that are already well advanced and the Company is pleased to report these are now moving towards final regulatory approval with the lifting of the Moratorium.

Surface exploration co-ordinated by Matsa Thailand’s Co., Ltd chief exploration geologist Mr. Charnwit Premgamone under Special Prospecting License Application conditions was permitted during the Moratorium, and some of the significant work which Matsa conducted during the year included:

- Proving up dimensions of inferred magnetite skarn mineralisation at Paisali by completion of 700 kilometres of detailed Ground Magnetic Traversing
- Advancing the Siam Copper Project by discovery of widespread copper mineralised float.
- Regional geological reconnaissance in the Loei-Ko Chang volcanic belt.

PAISALI IRON ORE PROJECT

The Paisali Iron Ore Project comprises 56 Special Prospecting License Applications covering an area of 789km^2, close to the town of Paisali in Central Thailand.

High amplitude magnetic anomalies in the project are being explored as a source of magnetite iron ore, with significant potential to establish a profitable iron ore business supplying steel mills in Thailand and elsewhere in Asia (Figure 14).

OPERATIONS REVIEW

These exploration targets are located on flat lying agricultural land and are concealed by regolith, including transported alluvium in low lying areas and are based on an exploration model which links hydrothermal “skarn” mineralisation with high level igneous intrusions into sediments and volcanics. Historic small scale mining has been carried out on at least two magnetite skarn deposits in the district which supports the exploration model.

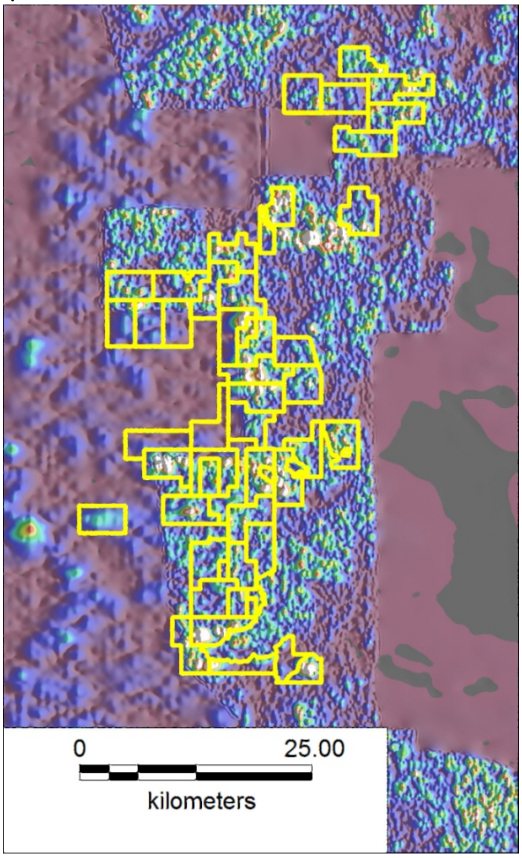

Figure 12: Paisali Project outline on Aeromagnetic Image.

Matsa has carried out a total of 700 line kilometres of ground magnetic surveys on line spaced 25m apart and focused primarily on 10 prospects. Targets have been interpreted as subvertical to steeply dipping tabular bodies of magnetite skarn ranging in length up to 1.3 kilometres and up to 75 metres wide (Table 5).

Target		Interpreted Magnetic Source Dimensions	
Target	Amplitude (nT)	Combined Length	Width
PS1	4000	1900	75
NS9	2000	600	40
NS7891011	1700	1200	50
NS23	3000	400	50
NS1413	1000	500	30
NB3	1000	200	10
NB17/18	800	400	10
NS1	2000	400	40
NS7	1500	650	50
PS47	2500	1600	50

Table 5: Paisali Ground Magnetic Survey Target Summary

Ground magnetic data and a sectional interpretation of Target PS1 is shown in Figure 15. This target is a good example of the concealed magnetic targets which are being explored. It can be seen that the target is a very intense magnetic anomaly with a maximum amplitude of 4000nT. The magnetic interpretation shows a sub – vertical to steeply NE dipping magnetic source which is assumed to be a tabular magnetite skarn zone. An exploration drilling programme has been planned to test PS1 and other targets once SPL Applications are granted.

Previous drilling at the Kao Lek magnetite skarn deposit which is located outside of Matsa's project, intersected magnetite mineralisation reported by the Department of Mineral Resources (DMR), to have iron assays up to 62% Fe. The magnetite and iron grades of the prospects under investigation are not known, but based on this information, they have potential to achieve direct shipping grade.

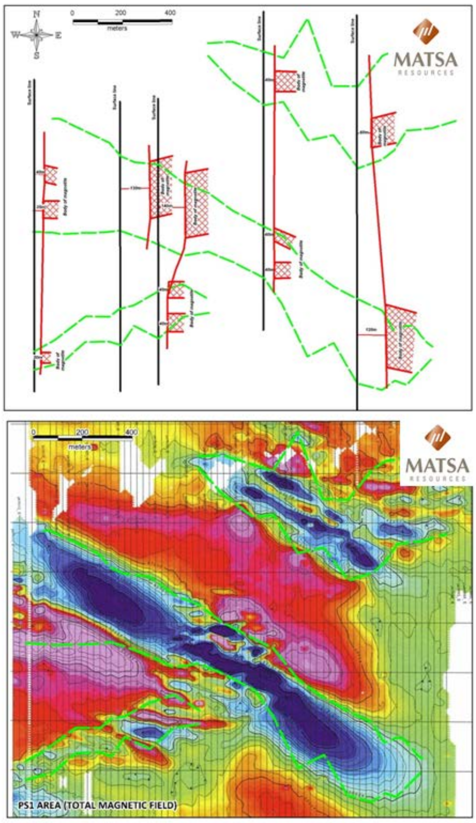

Figure 13: Paisali Ground Magnetic Target PS1 and Sectional Interpretation.

Siam Copper Project

The Siam Copper Project in Petchabun Province Thailand is held under 49 Special Prospecting Licence (SPL) Applications by Siam Copper Co., Ltd a wholly owned subsidiary of Matsa Resources Ltd.

The project is located in a settled agricultural area approximately 300 kilometres north of Bangkok. It was initially established to explore for the source of widespread anomalous copper values in stream sediment samples collected by the DMR in 2003.

The project is located over mostly privately owned farmland but includes areas of forest as well as leasehold land administered by the Department of Agriculture.

OPERATIONS REVIEW

The project is located in a geological domain referred to as the Loei Ko Chang Island arc, a generally north south belt of volcanics and minor sediments of Triassic to Tertiary age over a basement of Permian Limestone. No previously reported mineralisation is located within the project area.

All previous exploration was carried out by the DMR and includes airborne geophysical surveys, geological mapping and stream sediment sampling. Copper anomalous catchments over 100 km^2 in extent are defined by assays >70ppm Cu from DMR survey work. Follow up stream sampling by Matsa confirmed and better defined these anomalies (Figure 16).

Exploration by Matsa has included the following:

- Infill Stream Sediment Sampling;
- Rock chip sampling including 120 samples analysed by 23 elements by ICP MS;
- Soil sampling of the Siam 1 catchment anomaly comprising 509 samples spaced at 100m x 100m and 200m x 200m intervals through the catchment;
- Detailed logging of rock float samples as the basis for a geological / alteration map of the project. Work on this is ongoing;
- Petrographic analysis of 4 rock samples has been undertaken.

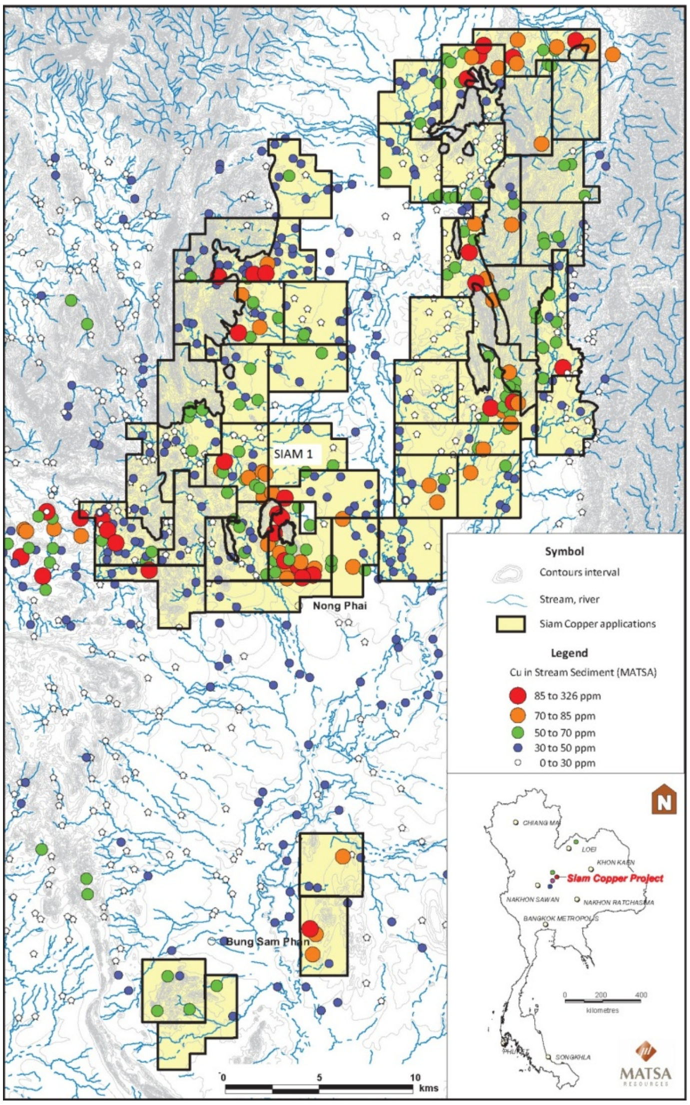

Figure 14: Siam Copper Project Regional Stream Sediment Sampling Results

Follow up activities also led to discovery of rock float containing visible copper mineralisation dominated by native copper with lesser malachite, azurite and chalcocite (Figure 17).

Figure 15: Altered and silicified andesite with native copper mineralisation

Results of exploration have included recognition of widespread float samples within the Siam 1 catchment containing visible copper mineralisation. Assay results of rock chip samples have returned 25 float samples containing more than 0.1% Cu and a number of these contain copper values > 1% Cu.

Soil sampling has identified a number of discrete copper geochemical targets defined by values in excess of 100ppm Cu. These are located in areas of soil cover and trenching and drilling will be necessary to locate and evaluate the source of these anomalies.

KT GOLD PROJECT

Matsa's KT Gold Project is located only 18km East of Kingsgate Consolidated Limited's 5 million ounce Chatree Gold Mine. The project is hosted within the same highly prospective Loei – Ko Chang Volcanic Belt which was an active island arc from Permian to Tertiary times.

The project area is recognised as highly prospective for gold mineralisation of 'Chatree' style. Matsa has already identified two large gold in soil anomalies (the NW and SE anomalies), each approximately 2.5km x 0.5km in extent, based on extensive first pass exploration comprising geological mapping, and stream sediment and soil sampling. These two anomalies are defined by gold anomalous stream sediment and soil samples containing up to 73ppb Au (Figure 18).

The exploration model is for gold mineralisation introduced by fluids originating in a shallow subvolcanic intrusive, into overlying volcanic and sediments. Control of fluid movement is envisaged along active faults with mineralisation accumulating in a variety of structural and chemical traps controlled by the enclosing country rocks. A vertical diamond drill hole completed previously by the DMR is located along strike from the SE anomaly but outside of Matsa's project area. This drillhole intersected 4m @ 3.3g/t Au from 60m in altered veined and silicified conglomerate. This setting appears to be subhorizontal and stratabound within the conglomerate unit and the overall NNE direction of the anomaly probably reflects the direction of the subvertical feeder system. A discrete magnetic feature closely related to the SE anomaly may reflect the position of the underlying subvolcanic intrusive.

Matsa proposes to test both targets with a combination of infill soil sampling and ground electrical surveys to better define the targets for drilling. Ground electrical surveys (e.g. Induced Polarisation) have the potential to detect subsurface pyritic mineralisation.

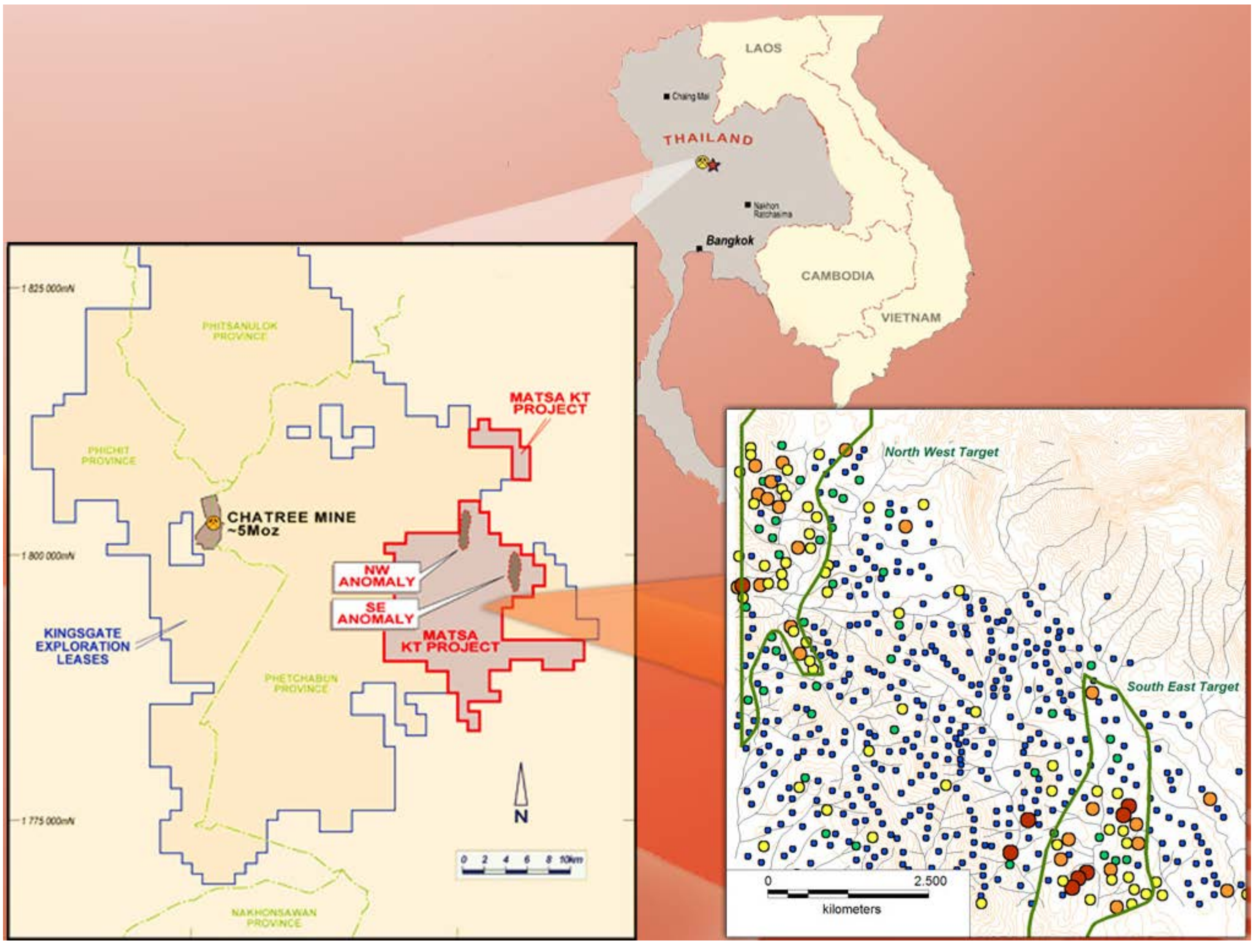

Figure 16: KT Project Location and position of NW and SE anomalies and soil samples

'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'

Exploration Target *1

Under Clause 18 of the JORC Code the exploration targets (excluding the portion already classified into JORC resource) outlined in this report are conceptual in nature as there has been insufficient exploration to define additional mineral resources; it is uncertain if further exploration will result in the determination of any additional mineral resources.

Exploration results

The information in this report that relates to Exploration Results, is based on information compiled by David Fielding, who is a Fellow of the Australasian Institute of Mining and Metallurgy. David Fielding is a full time employee of Matsa Resources Limited. David Fielding has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. David Fielding consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mineral resources and reserves

The information in this report that relates to mineral resources and reserves, is based on information compiled by Richard Breyley, who is a member of the Australasian Institute of Mining and Metallurgy. Richard Breyley is a full time employee of Matsa Resources Limited. Richard Breyley has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Richard Breyley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2012.

DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr Paul Poli Bachelor of Commerce, FCPA (Executive Chairman)

Mr Poli is a fellow of the Australian Society of Certified Practicing Accountants and was the founder and managing partner of an accounting firm since 1989. He is well versed in all aspects of accounting and taxation and has considerable experience in business through his role as a consultant to many varied clients and through his own involvement in ownership of businesses in Western Australia, the Northern Territory and South East Asia.

As a former registered Securities Trader and a significant investor in the Mining Industry, Mr Poli is particularly well qualified to drive the creation of a significant new Mining and Exploration Company.

Mr Poli has not served as a Director of any other public listed company in the past three years.

Mr Frank Sibbel B.E.(Hons) Mining, F.Aus.IMM

Mr Sibbel is a Mining Engineer who has over 40 years of extensive operational and management experience in overseeing large and small scale mining projects from development through to successful production. He was formerly the Operations Director of Tanami Gold NL until his resignation on 30 June 2008, and has worked as the Principal in his own established mining consultancy firm where he has undertaken numerous projects for both large and small mining companies.

Mr Sibbel has not served as a Director of any other public listed company in the past three years.

Mr Andrew Chapman CA F Fin

Mr Chapman is a chartered accountant with over 19 years' experience with publicly listed companies where he has held positions as Company Secretary and Chief Financial Officer and has experience in the areas of corporate acquisitions, divestments and capital raisings. He has worked for a number of public companies in the mineral resources, oil and gas and technology sectors.

Mr Chapman is an associate member of the Institute of Chartered Accountants (ICAA) and a Fellow of the Financial Services Institute of Australasia (Finsia).

Mr Chapman has not served as a Director of any other public listed company in the past three years.

COMPANY SECRETARY

Mr Chapman is also the Company Secretary and Chief Financial Officer of Matsa. Refer to the directors particulars as noted above.

PRINCIPAL ACTIVITIES

During the year the principal activities of entities within the consolidated entity were gold and other base metal exploration in Australia and Thailand.

There were no significant changes in the nature of these activities during the year.

Operating Results for the Year

The Group's net loss for the year after income tax is $1,623,697 (2011: $2,801,357).

The Group's net loss for the year includes the following items:

- Impairment losses of $238,592 (2011: $292,454) attributable to the Group's exploration projects.
- The write-off of exploration expenditure of $242,235 (2011: $82,412).
- Share based payments expense of $36,575 (2011:$939,255)
- Income of $823,409 (2011: $632,280) relating to a tax refund for eligible research and development expenditure.

Review of Financial Condition

The net assets attributable to the shareholders of the parent have increased by $47,474 from 30 June 2011 to $16,732,887 at 30 June 2012.

The Company raised $1,810,000 (2011:$1,200,000) before costs from the issue of shares during the financial year.

Cash reserves at 30 June 2012 were $2.12 million compared to $1.52 million in the previous financial year.

DIVIDENDS

No dividend was paid or declared by Matsa in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend.

CORPORATE STRUCTURE

Matsa is a company limited by shares, which is incorporated and domiciled in Australia.

EMPLOYEES

The Group had 20 employees of which 15 were full-time as at 30 June 2012 (2011: 18 full-time equivalent employees).

Review of Operations

A full review of the operations of the Group during the year ended 30 June 2012 is included on pages 3 to 29.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year other than as disclosed in this report or the consolidated financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 26 June 2012 the Company announced that it had entered into a Sale and Purchase Agreement with Panoramic Resources Ltd ("Panoramic") that allowed Panoramic to acquire 70% of Matsa's Mt Henry Gold Project (formerly the Norseman Gold Project) on the following terms:

1) Consideration of $5 million in cash and 14 million fully paid Panoramic shares;
2) Free carried fully funded Bankable Feasibility Study (BFS) on the Mt Henry Gold Project; and
3) Safety net buyout arrangement of the remaining 30% for $6.5 million consideration with a $5 million royalty 180 days after completion of BFS if Matsa cannot contribute to mine establishment.

The sale of the Company's interest was subject to regulatory and shareholder approval.

In addition a Joint Venture Agreement was signed with Panoramic for the immediate commencement of new exploration programmes within the Mt Henry Gold Project area and the establishment and management of ongoing joint venture activities.

A deposit of $1.5 million was received from Panoramic at that time.

On 14 August 2012 Matsa shareholders approved the Panoramic transaction and on 17 August 2012 settlement was achieved and the balance of the cash ($3.5M) and the 14 million Panoramic shares were received.

On 6 August 2012 the Company announced it had reached agreement with Triton Gold Limited ("Triton") to acquire a 55% interest in Triton's Salmon Gums project in the Fraser Range. Matsa can acquire up to 90% of the project after twelve months by spending an additional $75,000.

On 12 September 2012 Matsa issued 900,000 unlisted options with an exercise price of $0.40 each expiring on 12 September 2015 to employees under its Long Term Incentive Plan.

There have been no other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

FUTURE DEVELOPMENTS

Other than as described above further information on likely developments and the expected results are not included in this report because the directors believe it is likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The group's exploration activities are subject to various environmental laws and regulations under Australian and Thai Legislation. The Group has adequate systems in place for the management of its environmental obligations. The directors are not aware of any breaches of the legislation during the financial year which are material in nature.

DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Paul Poli	9	9
Frank Sibbel	9	9
Andrew Chapman	9	9

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of Matsa Resources Limited were:

	Number of Ordinary Shares	Number of $0.273 Options	Number of $0.40 Options	Number of $0.45 Options
Paul Poli	10,550,000	1,000,000	-	2,750,000
Frank Sibbel	200,000	-	250,000	750,000
Andrew Chapman	-	-	-	750,000

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted 250,000 options over unissued ordinary shares for no consideration in the Company to the following directors and officers of the Company as part of their remuneration:

Key Management Personnel	Number of Options Granted	Exercise Price	Expiry Date
David Fielding	250,000	$0.40	12 September 2015

SHARE OPTIONS

As at the date of this report the unissued ordinary shares of Matsa Resources Limited under option are as follows:

Date of Expiry	Exercise Price	Number under Option
26 November 2012	$0.273	1,000,000
31 December 2012	$0.273	1,200,000
31 August 2013	$0.40	2,050,000
30 November 2013	$0.45	4,250,000
13 July 2014	$0.266	1,250,000
12 August 2014	$0.31	350,000
12 September 2015	$0.40	900,000
		11,000,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares Issued on Exercise of Options

During or since the end of the financial year, the Company has issued no ordinary shares as a result of the exercise of options.

REMUNERATION REPORT - Audited

Principles of Compensation

This remuneration report for the year ended 30 June 2012 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent and the Group receiving the highest remuneration.

For the purposes of this remuneration report, the term 'executive' includes the Executive Directors, Senior Executives and Secretary of the Parent and the Group.

REMUNERATION REPORT (continued)

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Board oversight of remuneration
3. Non-executive Director remuneration arrangements
4. Executive remuneration arrangements
5. Company performance and the link to remuneration
6. Executive contractual arrangements
7. Equity instruments disclosures

Individual Key Management Personnel Disclosures

Details of KMP of the Parent and Group are set out below:

Key Management Personnel

Name	Position	Date of Appointment	Date of Resignation
Directors			
P Poli	Executive Chairman	23 December 2008	-
F Sibbel	Director	25 October 2010	-
A Chapman	Director and Company Secretary	17 December 2009*	-
Executives			
D Fielding	Exploration Manager	12 April 2010	-

*A Chapman was appointed Company Secretary on 6 November 2007.

There were no other changes to key management personnel after reporting date and before the date the financial report was authorised for issue.

Board Oversight of Remuneration

Remuneration Committee

In the opinion of the directors the Company is not of sufficient size to warrant the formation of a remuneration committee. It is the board of directors' responsibility for determining and reviewing compensation arrangements for the directors and the senior executives.

The Board assesses the appropriateness of the nature and amount of remuneration of Non-Executive Directors and Executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team.

Remuneration Approval Process

The Board approves the remuneration arrangements of the Executive Directors and Executives and all awards made under the long-term incentive plan. The Board also sets the aggregate remuneration of non-executive directors which is then subject to shareholder approval.

REMUNERATION REPORT (continued)

Remuneration Strategy

The Company's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To this end, the Company embodies the following principles in its remuneration framework:

- retention and motivation of key executives;
- attraction of quality management to the Company; and
- performance incentives which allow executives to share the rewards of the success of the Company.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Senior Management remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Remuneration Policy

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The current aggregate remuneration is $250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Each Director receives a fee for being a Director of the Company.

Non-Executive Directors are encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the Company on whose Board he or she sits.

Structure

The remuneration of Non-Executive Directors consists of directors' fees. Non-Executives are entitled to receive retirement benefits and to participate in any incentive programs. There are currently no specific incentive programs.

The Executive Chairman receives no additional directors' fee in addition to his executive remuneration. The other non-executive director received a base fee of $36,000 per annum during the financial year ($42,000 effective from 1 September 2012) for being a director of the Group.

REMUNERATION REPORT (continued)

There are no additional fees for serving on any board committees. Non-executive directors can receive additional fees for work conducted for the Company outside the scope of their normal duties subject to being authorised by the Board.

Non-Executive directors are encouraged by the Board to hold shares in the Company. The shares are purchased by the directors at the prevailing market share price.

The remuneration report for the Non-Executive Directors for the year ending 30 June 2012 and 30 June 2011 is detailed in this report.

Managing Director and Executive Remuneration Structure

Remuneration Policy

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The current remuneration policy adopted is that no element of any executive package be directly related to the Company's financial performance. Indeed there are no elements of any executive remuneration that are dependent upon the satisfaction of any specific condition. Remuneration is not linked to the performance of the Company but rather to the ability to attract and retain executives of the highest calibre. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth.

Structure

In determining the level and make-up of executive remuneration, the Board engages external consultants as needed to provide independent advice.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary and superannuation); and
- Variable remuneration (short and long term incentives).

The proportion of fixed remuneration and variable remuneration for each executive for the period ending 30 June 2012 and 30 June 2011 is detailed in this report.

Fixed Remuneration

Executive contracts of employment do not include any guaranteed base pay increase. Fixed remuneration is reviewed annually by the Board. The process consists of a review of the Company, business unit and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component for executives for the period ending 30 June 2012 and 30 June 2011 is detailed in this report.

REMUNERATION REPORT (continued)

Variable Remuneration – Short Term Incentive (STI)

The objective of the STI is to link the increase in shareholder value over the year with the remuneration received by the Executives charged with achieving that increase. The total potential STI available is set at a level so as to provide sufficient incentive to the Executives to achieve the performance goals and such that the cost to the Group is reasonable in the circumstances.

Annual STI payments granted to each Executive depend on their performance over the preceding year and are based on recommendations from the Executive Chairman following collaboration with the Board. Typically included are measures such as contribution to strategic initiatives, risk management and leadership/team contribution.

The aggregate of annual STI payments available for Executives across the Group is subject to the approval of the Board. Payments are usually delivered as a cash bonus. There were no STI payments made during the year.

Variable Remuneration – Long Term Incentive (LTI)
The objective of the LTI plan is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive and the responsibilities the Executive assumes in the Group.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options are issued in accordance with the Company's Share Option Plan.

Typically, the grant of LTI's occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time. However, under certain circumstances, including breach of employment conditions, the Directors may cause the options to expire prior to their vesting date.

The Group does have a policy to prohibit executives or directors from entering into arrangements to protect the value of unvested LTI awards.

Other Benefits
Key management personnel can receive additional benefits as non-cash benefits as part of the terms and conditions of their appointment. Non-cash benefits typically include car parking and expenses where the Company pays fringe benefits tax on these benefits.

Company Performance and the Link to Remuneration

Remuneration is not linked to the performance of the Company but based on the ability to attract and retain executives of the highest calibre. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth.

REMUNERATION REPORT (continued)

The Matsa Resources Limited Long Term Incentive Plan has no direct performance requirements but has specified time restrictions on the exercise of options. The granting of options is in substance a performance incentive which allows executives to share the rewards of the success of the Company.

Service Agreements

It is the Board's policy that service contracts are entered into with all key management personnel and that these contracts have no termination date.

Mr Paul Poli, Executive Chairman, has a contract of employment with the Company. Mr Poli receives a salary of $375,000 plus statutory superannuation. This fixed remuneration amount is effective from 13 August 2012 onwards with his previous fixed remuneration being $360,000 (excluding superannuation) per annum. This contract is for an unlimited term and is capable of termination by Mr Poli on one month's notice. The Group has the right to terminate the employment contract by giving Mr Poli six months' notice or making payment equal to six months' pay in lieu of notice.

Mr David Fielding, Iron Ore Executive, has a contract of employment with the Company. Mr Fielding receives a salary of $221,000 plus statutory superannuation. This contract is for an unlimited term and is capable of termination on one month's notice. This fixed remuneration amount is effective from 31 January 2011 onwards. The Group retains the right to terminate the contract immediately, by making payment equal to one month's pay in lieu of notice.

Mr Frank Sibbel, Project Manager, has a consultancy contract with the Company. Mr Sibbel is paid $1,760 per day based on a minimum 2 days per week with effect from 1 September 2012. This contract is capable of termination on one month's notice. The Group retains the right to terminate the contract immediately, by making payment equal to one month's pay in lieu of notice.

Mr Andrew Chapman is employed on a consultancy basis and has no formal service agreement with the Company.

The table below shows the performance of the Group as measured by share price.

As at 30 June	2012	2011	2010	2009	2008
Closing share price	$0.115	$0.20	$0.26	$0.19	$0.29
Net loss per year ended	1,628,494	2,803,065	4,452,360	7,221,369	4,527,364

REMUNERATION REPORT (Continued)

2012	Short Term Benefits		Post-employment Benefits		Share-based payments			
Key Management Person	Salary & Fees	Non-monetary benefits	Superannuation	Termination Benefits	Options	Total	% Performance Related	% of Remuneration that consists of options
Directors								
Paul Poli	391,267	-	25,775	-	-	417,042	-	-
Frank Sibbel*[2]	88,770	-	-	-	-	88,770	-	-
Andrew Chapman[1]	78,952	-	-	-	-	78,952	-	-
Total	**558,989**	**-**	**25,775**	**-**	**-**	**584,764**	**-**	**-**

[1] Mr Chapman provided company secretarial services to the Company totalling $48,952 during the year.
[2] Mr Sibbel provided consultancy services to the Company totalling $58,770 during the year.

Executives								
David Fielding	211,646	-	36,775	-	-	248,421	-	-
Total	**211,646**	**-**	**36,775**	**-**	**-**	**248,421**	**-**	**-**

2011	Short Term Benefits		Post-employment Benefits		Share-based payments			
Key Management Person	Salary & Fees	Non-monetary benefits	Superannuation	Termination Benefits	Options	Total	% Performance Related	% of Remuneration that consists of options
Directors								
Paul Poli	311,465	-	28,221	-	436,700	776,386	56.24	56.24
Frank Sibbel*[2]	241,109	-	-	-	150,950	392,059	38.50	38.50
Andrew Viner #	105,835	-	5,357	37,500	-	148,692	-	-
Andrew Chapman[1]	84,617	-	-	-	119,100	203,717	58.46	58.46
Total	**743,026**	**-**	**33,578**	**37,500**	**706,750**	**1,520,854**	**-**	**-**

Resigned 25 October 2010
* Appointed 25 October 2010
[1] Mr Chapman provided company secretarial services to the Company totalling $53,950 during the year.
[2] Mr Sibbel provided consultancy services to the Company totalling $219,335 during the year.

Executives								
David Fielding	178,987	-	23,486	-	31,850	234,323	13.59	13.59
Total	**178,987**	**-**	**23,486**	**-**	**31,850**	**234,323**	**-**	**-**

Compensation Options Granted and Vested during the year

The table below sets out the options granted for the period ending 30 June 2011 to Directors and Executives as there were no options granted for the period ending 30 June 2012. There were no options which either were granted in previous years or which vested during the year. The options were issued free of charge and entitle the holder to subscribe for one fully paid ordinary share in the Company.

REMUNERATION REPORT (Continued)

2011	Vested	Granted	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Expiry Date
	No.	No.		Cents	Cents		
Paul Poli	2,750,000	2,750,000	1.12.10	15.88	45	1.12.10	30.11.13
Frank Sibbel	750,000	750,000	1.12.10	15.88	45	1.12.10	30.11.13
Frank Sibbel	250,000	250,000	3.09.10	12.74	40	3.09.10	31.08.13
Andrew Chapman	750,000	750,000	1.12.10	15.88	45	1.12.10	30.11.13
David Fielding	250,000	250,000	3.09.10	12.74	40	3.09.10	31.08.13

For details on the valuation of the options, including models and assumptions used, please refer to Note 26.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

The maximum value of the award is equal to the number of options granted multiplied by the fair value at the grant date. The minimum value of the award in the event of forfeiture is zero.

There were no shares issued on exercise of compensation options during the year.

Analysis of options and rights over equity instruments granted as compensation
Details of vesting profiles of the options granted as remuneration to each key management person to the Group and each of the named Company executives and Group executives are detailed below for the period ended 30 June 2011:

	Options Granted		% vested in year	% forfeited in year (A)	Financial years in which grant vests
Directors	**Number**	**Date**			
Paul Poli	2,750,000	01.12.10	100%	-%	2011
Frank Sibbel	750,000	01.12.10	100%	-%	2011
Andrew Chapman	750,000	01.12.10	100%	-%	2011
Executives					
Frank Sibbel	250,000	3.09.10	100%	-%	2011
David Fielding	250,000	3.09.10	100%	-%	2011

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

REMUNERATION REPORT (Continued)

Analysis of movements in options
The movement during the period ended 30 June 2011, by value, of options over ordinary shares in the Company held by each key management person and each of the four named Company executives and relevant Group executives is detailed below.

	Granted in year $ (A)	Value of Options Exercised in year $ (B)	Lapsed in year $ (C)
Paul Poli	436,700	-	-
Frank Sibbel	150,950	-	-
Andrew Chapman	119,100	-	-
David Fielding	31,850	-	-
	738,600	-	-

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a Black-Scholes option-pricing model. The total value of the options granted is included in the table above.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a binominal option-pricing model assuming the performance criteria had been achieved. No options lapsed in the year.

End of Audited Remuneration Report

INDEMNIFYING OFFICERS

The Company's Constitution provides that, subject to and so far as permitted by the Corporations Act 2001, the Company must, to the extent the person is not otherwise indemnified, indemnify every officer of the Company out of the assets of the Company to the relevant extent against any liability incurred by the officer in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the duties of the officer.

Since the end of the previous financial year, the Company has paid insurance premiums in respect of Directors' and Officers' liability. The policy indemnifies all Directors and Officers of the Company and its controlled entities against certain liabilities. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium. The Directors have not included details of the nature of the premium paid in respect of Directors' and Officers' liability as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence as the nature of the services provided did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors, or by related practices of the external auditors, during the year ended 30 June 2012:

Taxation services $7,475

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 44.

Signed in accordance with a resolution of the Board of Directors.

Paul Poli
Executive Chairman
Dated this 28th day of September 2012.

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Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Matsa Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia Perth Audit Services Pty Ltd

TJ Spooner **CA FCA(UK) ACIS ACSA**
Director

Perth, 28 September 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Other income	5(a)	916,500	635,936
Depreciation expense	5(c)	(193,409)	(180,344)
Other expenses	5(d)	(2,371,076)	(3,374,083)
Results from operating activities		(1,647,985)	(2,918,491)
Finance income	5(b)	51,286	129,895
Finance costs		(26,998)	(12,761)
Net finance income		24,288	117,134
Loss before income tax expense		(1,623,697)	(2,801,357)
Income tax expense	6	-	-
Net Loss for the year attributable to equity holders of the company		(1,623,697)	(2,801,357)
Other comprehensive income			
Net change in foreign currency translation reserve		84	(1,708)
Net change in fair value of available-for-sale financial assets		(4,881)	-
Other comprehensive income for the year, net of tax		(4,797)	(1,708)
Total comprehensive loss for the year attributable to equity holders of the company		(1,628,494)	(2,803,065)
Loss for the year is attributable to:			
Owners of the parent		(1,615,153)	(2,801,357)
Non-controlling interest		(8,544)	-
		(1,623,697)	(2,801,357)
Total comprehensive loss for the year is attributable to:			
Owners of the parent		(1,619,950)	(2,803,065)
Non-controlling interest		(8,544)	-
		(1,628,494)	(2,803,065)
		Cents	**Cents**
Basic loss per share attributable to ordinary equity holders of the parent	19	(1.3)	(2.3)
Diluted loss per share attributable to ordinary equity holders of the parent	19	(1.3)	(2.3)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	23	2,119,711	1,521,789
Trade and other receivables	7	17,450	53,200
Other current assets	8	842,899	708,359
Total current assets		2,980,060	2,283,348
Non-current assets			
Available-for-sale financial assets	9	6,466	-
Exploration and evaluation assets	10	15,555,003	14,678,600
Property, plant and equipment	11	219,682	388,658
Total non-current assets		15,781,151	15,067,258
Total assets		18,761,211	17,350,606
Current liabilities			
Trade and other payables	12	302,121	439,352
Borrowings	13	46,655	94,890
Refundable deposit	14	1,500,000	-
Provisions	15	80,571	87,064
Total current liabilities		1,929,347	621,306
Non-current liabilities			
Borrowings	13	20,749	43,887
Total non-current liabilities		20,749	43,887
Total liabilities		1,950,096	665,193
Net assets		16,811,115	16,685,413
Equity			
Issued capital	16	36,886,308	35,255,459
Reserves	17	5,182,246	5,150,468
Accumulated losses	18	(25,335,667)	(23,720,514)
Total equity attributable to equity holders of the Company		16,732,887	16,685,413
Non-controlling interests		78,228	-
Total equity		16,811,115	16,685,413

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital Ordinary $	Accumulated Losses $	Other Reserves $	Equity Settled Benefits Reserve $	Total $	Non-controlling interest $	Total $
Balance at 1 July 2010	33,987,518	(20,919,157)	38,821	4,174,100	17,281,282	-	17,281,282
Comprehensive loss for the period	-	(2,801,357)	(1,708)	-	(2,803,065)	-	(2,803,065)
Total comprehensive loss for the period	-	(2,801,357)	(1,708)	-	(2,803,065)	-	(2,803,065)
Transactions with owners recorded directly in equity							
Shares issued during the period	1,200,000	-	-	-	1,200,000	-	1,200,000
Capital raising costs during the period	(32,059)	-	-	-	(32,059)	-	(32,059)
Equity settled transaction	100,000	-	-	-	100,000	-	100,000
Share based payment	-	-	-	939,255	939,255	-	939,255
Balance at 30 June 2011	35,255,459	(23,720,514)	37,113	5,113,355	16,685,413	-	16,685,413
Balance at 1 July 2011	35,255,459	(23,720,514)	37,113	5,113,355	16,685,413	-	16,685,413
Comprehensive loss for the period	-	(1,615,153)	(4,797)	-	(1,619,950)	(8,544)	(1,628,494)
Total comprehensive loss for the period	-	(1,615,153)	(4,797)	-	(1,619,950)	(8,544)	(1,628,494)
Transactions with owners recorded directly in equity							
Shares issued during the period	1,810,000	-	-	-	1,810,000	86,772	1,896,772
Capital raising costs during the period	(179,151)	-	-	-	(179,151)	-	(179,151)
Share based payment	-	-	-	36,575	36,575	-	36,575
Balance at 30 June 2012	36,886,308	(25,335,667)	32,316	5,149,930	16,732,887	78,228	16,811,115

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Other income		823,409	947,797
Payments to suppliers and employees		(1,899,197)	(1,883,978)
Interest received		50,750	173,694
Net cash used in operating activities	23	(1,025,038)	(762,487)
Cash flows from investing activities			
Proceeds from sale of exploration and evaluation assets		110,000	8,000
Deposits for application licences		(270,261)	(339,673)
Payments for available-for-sale financial assets		(11,348)	-
Purchase of plant and equipment		(16,798)	(192,312)
Refundable deposit received		1,500,000	-
Exploration and evaluation expenditure (capitalised)		(1,266,570)	(2,202,125)
Proceeds on sale of plant and equipment		45,455	3,636
Proceeds from realisation of deposits		-	233,000
Net cash used in investing activities		90,478	(2,489,474)
Cash flows from financing activities			
Proceeds from issue of shares		1,810,000	1,200,000
Capital raising costs		(179,151)	(32,059)
Repayment of lease liabilities		(98,367)	(65,628)
Net cash provided by financing activities		1,532,482	1,102,313
Net increase/(decrease) in cash and cash equivalents		597,922	(2,149,648)
Cash and cash equivalents at beginning of financial year		1,521,789	3,671,437
Cash and cash equivalents at end of financial year	23	2,119,711	1,521,789

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

The consolidated financial statements of Matsa Resources Limited for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 28 September 2012.

Matsa Resources Limited (the "Company") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company, its subsidiaries (together referred to as the "Group" or "Consolidated Entity") and the Group's interest in associates.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritive pronouncements of the Australian Accounting Standards Board.

The consolidated financial statements have been prepared on the historical cost basis except for the available-for-sale financial assets which have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report of the Group complies with International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standards Board.

The accounting policies adopted are consistent with those of the previous financial year.

New or amended accounting standards and interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the annual reporting period ending 30 June 2012. A full assessment has not yet been completed of the impact of all the new or amended Accounting Standards and interpretations issued but not effective. These are outlined in the table below:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 1048	Interpretation of Standards.	AASB 1048 identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048.	1 July 2011	1 July 2011
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 Jan 2012	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	1 July 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	1 July 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 July 2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	1 January 2013	1 July 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
Annual Improvements 2009–2011 Cycle	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	1 July 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	1 July 2013
AASB 2012-4	Amendments to Australian Accounting Standards – Government Loans	AASB 2012-4 adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 First-time Adoption of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 Financial Instruments: Recognition and Measurement (or AASB 9 Financial Instruments) and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards.	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2015	1 July 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 10	Consolidated Financial Statements IFRS 10	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC- 12 Consolidation – Special Purpose Entities.	1 January 2013	1 July 2013

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries (‘the Group’) as at 30 June each year.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a consolidated entity controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

Changes in ownership interest of a subsidiary (without a change in control) is accounted for as a transaction with owners in their capacity as owners.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Segment Reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's chief decision makers' to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief decision makers' include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(e) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of AASB 139, it is measured in accordance with the appropriate IFRS.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency transactions and balances

(i) Functional and presentation currency

The functional currency of each entity within the Consolidated Entity is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non monetary items are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences in the consolidated financial report are recorded in profit and loss.

(iii) Transactions of subsidiary Companies' functional currency to presentation currency

The results of the subsidiaries are translated into Australian Dollars (presentation currency). Income and expenses are translated at the exchange rates at the date of the transactions. Assets and liabilities are translated at the closing exchange rate for each balance date. Share capital, reserves and accumulated losses are converted at applicable historical rates.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity. On consolidation, exchange differences arising from the translation of the net investment in subsidiaries are taken to the foreign currency translation reserve. If a subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

(g) Financial instruments

<u>*Non derivative financial instruments*</u>

Non derivative financial instruments comprise investments in equity securities, other receivables, cash and cash equivalents and trade and other payables.

Investments are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When non-derivative financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A financial instrument is recognised if the Group becomes a party to the contracted provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from that financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (continued)

sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method.

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Finance Leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Consolidated Entity are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income.

(j) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the statement of financial position.

(l) Trade and other receivables

Trade and other receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(m) Interests in Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the Group's interest are shown at Note 21.

(n) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation.

Capital work-in-progress is stated at cost and comprises all costs directly attributable to bringing the assets under construction ready to their intended use. Capital work-in-progress is transferred to property, plant and equipment at cost on completion.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset which ranges between 3 and 5 years except for buildings which are depreciated over 20 years.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Exploration, evaluation and development expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and:

i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale or;

ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the statement of comprehensive income or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the statement of comprehensive income.

(p) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they relate to qualifying assets in which case they are capitalised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(s) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(t) Share-based payment transactions

The Consolidated Entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Consolidated Entity has one plan in place that provides these benefits. It is the Employee Share Option Plan ("ESOP") which provides benefits to all employees including Directors. The scheme has no direct performance requirements. The terms of the share options are as determined by the Board. Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited. Where a participant ceases employment after the vesting of their share options, the share options automatically lapse after one month of ceasing employment unless the Board decides otherwise at its discretion.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black & Scholes model. Further details of which are given in note 26.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share-based payment transactions (continued)

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Consolidated Entity, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Consolidated Entity, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(v) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue (continued)

Finance income

Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(w) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised income taxes are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax (continued)

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(y) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting estimates and assumptions

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black & Scholes model, using the assumptions as discussed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities in the next annual reporting period but may impact expenses and equity.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Consolidated Entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of “value in use” (being net present value of expected future cash flows of the relevant cash generating unit) and “fair value less costs to sell”.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

In determining the value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which in turn could impact future financial results.

4. SEGMENT REPORTING

Identification of reportable segment

The Group identifies its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group operates primarily in mineral exploration in Western Australia. The Group has also applied for exploration licences in Thailand but at this stage they have not been granted. The total assets relating to the Thailand operations are approximately 5% of the Group's total assets. The decision to allocate resources to individual projects is predominantly based on available cash reserves, technical data and the expectation of future metal prices. Accordingly, the Group effectively operates as one segment, being mineral exploration. The financial information presented in the statement of comprehensive income and statement of financial position is the same as that presented to the chief operating decision maker.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

	2012 $	2011 $
5. Revenue		
The loss before income tax includes the following revenues whose disclosure is relevant in explaining the performance of the entity.		
(a) Other income		
R&D tax incentive refund	823,409	632,280
Net gain on sale of plant and equipment	43,091	3,636
Other income	50,000	20
Total sales revenue	916,500	635,936
(b) Finance income		
Interest earned from other persons	51,286	129,895
	51,286	129,895
(c) Expenses included in the statement of comprehensive income		
Depreciation of plant and equipment	193,409	180,344
(d) Other expenses		
(i) Employee benefits expense		
Salaries and wages	1,041,592	1,039,857
Superannuation expenses	45,502	45,114
Share based payments	36,575	939,255
Total employee benefits expense	1,123,669	2,024,226
(ii) Administration and other expenses		
Operating lease rentals – minimum lease payments	154,163	108,230
Administration expenses	612,417	866,761
Exploration expenditure written off	242,235	82,412
Provision for impairment on exploration projects	14,598	209,034
Impairment on deposits (refer Note 8)	223,994	83,420
	1,247,407	1,349,857
	2,371,076	3,374,083

6. Income taxes

	2012	2011 $
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income)	-	-
Net deferred tax liability	-	-

	2012	2011
Income tax recognised in profit or loss		
The prima facie income tax expense/(income) on the pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(income) in the financial statements as follows:		
Loss from continuing operations	(1,623,697)	(2,801,357)
Income tax expense calculated at 30%	(487,109)	(840,407)
Section 40-880 expenses	(59,125)	(98,583)
Exploration expenses	(285,421)	(598,886)
Effect of expenses that are not deductible in determining taxable profit	202,772	597,223
Effect of revenues that are not assessable in determining taxable profit	(244,010)	(189,684)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	872,893	1,130,337
	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	2012 $	2011 $
Unrecognised deferred tax assets/(liabilities)		
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	9,035,240	8,742,885
Temporary differences - exploration	(4,666,500)	(4,595,270)
Temporary differences	413,895	163,017
Section 40-880 expenses	110,206	115,585
	4,892,841	4,426,217

The ability of the Group to utilise unrecognised tax losses will depend on whether the Group meet the statutory requirements for utilising tax losses.

	2012 $	2011 $
7. Trade and other receivables		
Current		
Amounts receivable from Australian Taxation Authorities	14,009	50,444
Other receivables	3,441	2,756
	17,450	53,200

	2012 $	2011 $
8. Other current assets		
Prepayments	20,813	19,392
Cash backed performance bond (i)	50,000	50,000
Deposits held (ii)	772,086	638,967
	842,899	708,359

(i) The Company's bankers have provided performance bonds as security for the due and proper performance of leases in accordance with the tenement conditions associated with certain Group tenements. The Company has cash-backed these performance bonds with fixed term deposits with the bank.

(ii) The Company has cash deposits held with the Thailand government with respect to a number of tenement applications in Thailand. Should the applications not be successful 75% of the deposits will be returned to the Company. An impairment of $424,932 (2011: $210,992) has been made against the deposits held of $1,197,018 (2011: $849,959).

	2012 $	2011 $
9. Other investments		
Available-for-sale financial assets	6,466	-
	6,466	-

The Company holds securities in ASX listed public companies whose value has been calculated on the market price of those securities at 30 June 2012.

	2012 $	2011 $
10. Exploration and evaluation assets		
Exploration expenditure capitalised at cost		
-exploration and evaluation phase	15,555,003	14,678,600
	15,555,003	14,678,600

Movements in carrying amounts

	2012 $	2011 $
Exploration and evaluation phase		
Balance at beginning of year	14,678,600	12,891,349
Purchase of tenements	28,200	243,234
Disposal of tenements	(75,000)	(187,234)
Exploration and evaluation incurred	1,180,036	2,022,697
Expenditure written off	(242,235)	(82,412)
Provision for impairment	(14,598)	(209,034)
Balance at end of year	15,555,003	14,678,600

The ultimate recoupment of costs carried forward for exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas. Upon a review of the exploration projects the board elected to provide for impairment of $14,598 (2010: $209,034) in the financial year.

11. Property, plant and equipment

	2012 $	2011 $
Buildings at cost	11,000	11,000
Accumulated depreciation	(2,750)	(2,200)
	8,250	8,800
Plant and equipment at cost	751,150	775,594
Accumulated depreciation	(539,718)	(395,736)
	211,432	379,858
Total property, plant and equipment	219,682	388,658

Movements in carrying amounts

	Buildings $	Plant and Equipment $	Total $
Consolidated			
Balance 1 July 2010	9,350	324,305	333,655
Additions	-	235,347	235,347
Disposals	-	-	-
Depreciation expense	(550)	(179,794)	(180,344)
Balance at 30 June 2011	8,800	379,858	388,658
Additions	-	26,797	26,797
Disposals	-	(2,364)	(2,364)
Depreciation expense	(550)	(192,859)	(193,409)
Balance 30 June 2012	8,250	211,432	219,682

11. Property, plant and equipment (continued)

The Group leases motor vehicles and plant and equipment under a number of finance lease agreements. The leased equipment secures the lease obligations. At 30 June 2012 the net carrying amount of leased plant and equipment was $19,055 (2010:$76,930). During the year, the Group acquired leased assets of nil (2011: $44,811).

	2012 $	2011 $
12. Trade and other payables		
Unsecured liabilities		
Trade payables	132,840	242,503
Sundry creditors and accrued expenses	169,281	196,849
	302,121	439,352

13. Borrowings

	2012 $	2011 $
Current		
Secured liabilities		
Finance lease liabilities (i)	46,655	94,890
	46,655	94,890
Non Current		
Secured liabilities		
Finance lease liabilities (i)	20,749	43,887
	20,749	43,887

(i) The finance lease liabilities are secured over the Company's motor vehicles and computer equipment.

14. Refundable Deposit

	2012 $	2011 $
Unsecured liabilities		
Deposit received from Panoramic (i)	1,500,000	-
	1,500,000	-

(i) Matsa received $1.5 million from Panoramic Resources Limited under a Sale and Purchase Agreement as a refundable deposit for the acquisition by Panoramic of a 70% interest in the Mt Henry Gold Project. The Agreement was settled on 17 August 2012 and the liability extinguished by it being treated as part of the cash consideration for the sale of the interest.

	2012 $	2011 $
15. Provisions		
Provision for employee benefits	62,571	72,064
Provision for mine restoration	18,000	15,000
	80,571	87,064

Movement in provision

	2012 $	2011 $
15. Provisions (continued)		
Provision for mine restoration		
Opening balance 1 July	15,000	36,000
Disposal of tenements	-	(36,000)
Increase in provision	3,000	15,000
Closing balance 30 June	18,000	15,000

A provision has been recognised for the costs associated with the Dundas Iron Project.

	2012	2011	2012	2011
16. Issued capital				
131,171,781 (2011: 122,351,215) fully paid ordinary shares	36,886,308	35,255,459	36,886,308	35,255,459
	No.	**No.**	**$**	**$**
Ordinary shares				
At the beginning of reporting period	122,351,215	119,010,963	35,255,459	33,987,518
Placement of shares	8,820,566	3,000,000	1,810,000	1,200,000
Shares issued to acquire tenements	-	340,252	-	100,000
Transaction costs	-	-	(179,151)	(32,059)
At reporting date	131,171,781	122,351,215	36,886,308	35,255,459

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

The movement of the options on issue during the financial year is set out below:

Exercise Price	Expiry Date	Balance at beginning of year	Issued	Exercised	Lapsed	Balance at end of year
$0.35	1 July 2011	7,800,000	-	-	(7,800,000)	-
$0.50	1 July 2012	9,000,000	-	-	-	9,000,000
$0.273	26 November 2012	2,000,000	-	-	(1,000,000)	1,000,000
$0.273	31 December 2012	1,400,000	-	-	(200,000)	1,200,000
$0.40	31 August 2013	2,075,000	-	-	(25,000)	2,050,000
$0.45	30 November 2013	-	4,250,000	-	-	4,250,000
$0.266	13 July 2014	-	1,250,000	-	-	1,250,000
$0.31	12 August 2014	-	350,000	-	-	350,000

	2012 $	2011 $
17. Reserves		
Equity settled transaction	5,149,930	5,113,355
Net unrealised gains reserve	(4,881)	-
Foreign currency translation	37,197	37,113
	5,182,246	5,150,468
Equity settled transaction reserve		
Balance at beginning of financial year	5,113,355	4,174,100
Share based payment	36,575	939,255
Balance at end of financial year	5,149,930	5,113,355

The equity settled transaction reserve records share-based payment transactions.

Foreign currency translation reserve		
Balance at beginning of financial year	37,113	38,821
Translation of foreign operations	84	(1,108)
Balance at end of financial year	37,197	37,113

Exchange differences relating to the translation from the functional currency of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

Net unrealised gains reserve		
Balance at beginning of financial year	-	-
Net change in fair value of available-for-sale financial assets	(4,881)	-
Balance at end of financial year	(4,881)	-
18. Accumulated losses		
Accumulated losses at beginning of financial year	23,720,514	20,919,157
Loss for the year	1,615,153	2,801,357
Accumulated losses at end of financial year	25,335,667	23,720,514

19. Loss per share

The loss and weighted average number of ordinary shares used in the calculation of loss per share are as follows:		
Loss	(1,623,697)	(2,801,357)
	No.	**No.**
Weighted average number of ordinary shares	128,564,243	121,057,039

Diluted loss per share

Diluted loss per share has not been calculated as the Company's potential ordinary shares are not considered dilutive and do not increase loss per share.

20. Commitments and Contingencies

Exploration and expenditure commitments
In order to maintain the mineral tenements in which the Company and other parties are involved, the consolidated entity is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. The minimum estimated expenditure commitment requirement for granted tenements for the next year is $1,284,880 (2011: $1,484,509). This amount has not been provided for in the financial report. These obligations are capable of being varied from time to time. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

Finance lease commitments	**2012 $**	**2011 $**
Commitments in relation to finance leases are payable as follows:		
Within one year	51,868	104,227
Later than one year but not later than five years	22,907	48,921
Minimum lease payments	74,775	153,148
Less: Future finance charges	(7,371)	(14,371)
	67,404	138,777
Recognised as a liability		
Representing lease liabilities:		
Current (note 13)	46,655	94,890
Non-current (note 13)	20,749	43,887
	67,404	138,777
Operating lease commitments		
Future operating lease rentals of office space provided for in the financial statements and payable:		
- Not later than one year	64,560	94,873
- Later than one year but not later than five years	-	64,560
	64,560	159,433

Contingencies
There are no contingent assets or contingent liabilities as at 30 June 2012.

21. Interest in joint venture

The consolidated entity had the following interests in joint venture operations at year end:

		Percentage Interest (%)	
Joint Venture Party	**Activities**	**2012**	**2011**
Metro Energy	Oil and Gas Exploration	75	75

The joint venture is by way of jointly controlled assets. They are structured by way of contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit. The consolidated entity wrote off its interest in the joint venture during the 2007 financial year and accordingly has no joint venture assets or liabilities at balance date.

22. Subsidiaries

	Country of Incorporation	Percentage Owned (%) 2012	2011
Parent Entity			
Matsa Resources Limited	Australia		
Subsidiary			
KAL Energy Pty Ltd	Australia	100	100
USA KAL Energy Inc	United States of America	100	100
Australian Strategic and Precious Metals Investments Pty Ltd	Australia	100	100
Matsa Resources (Aust) Pty Ltd	Australia	100	100
Matsa Iron Pty Ltd	Australia	100	100
Cundeelee Pty Ltd	Australia	100	-
Matsa (Thailand) Co Ltd	Thailand	100	100
PVK Mining Loei Co Ltd	Thailand	100	100
Khlong Tabaek Co Ltd	Thailand	95	95
Paisali Mining Co Ltd	Thailand	95	95
Wichan Buri Resources Co Ltd	Thailand	100	100
Siam Copper Resources Co Ltd	Thailand	100	100
Loei Mining C o Ltd	Thailand	100	100

23. Cash flow information

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2012 $	2011 $
Cash and cash equivalents	2,119,711	1,521,789

23. Cash flow information (Continued)
Reconciliation of loss for year to net cash flows from operating activities

	2012 $	2011 $
Loss for year	(1,623,697)	(2,801,357)
Non-cash flows in loss from ordinary activities:		
Share-based payments	36,575	939,255
Depreciation	193,409	180,344
Exploration expenditure written off	242,235	82,412
Provision for impairment	238,592	292,454
Net (gain)/loss on disposal of tenements	(35,000)	-
Net (gain)/loss on disposal of plant and equipment	(43,091)	3,636
Changes in assets and liabilities:		
Decrease (increase) in receivables	35,754	384,420
Decrease (increase) in prepayments	(1,421)	(7,328)
Increase (decrease) in trade creditors and accruals	(61,901)	148,352
Increase (decrease) in provisions	(6,493)	15,325
Cash flow from operations	(1,025,038)	(762,487)

Non-cash financing and investing activities

During the financial year nil (2011: 340,252) shares were issued as consideration for the acquisition of exploration tenements.

24. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2012 the parent company of the Group was Matsa Resources Limited.

	Company	
	2012	2011
	$	$
Result of the parent Entity		
Loss for the year	(1,292,739)	(3,565,827)
Other comprehensive loss	(4,881)	-
Total comprehensive loss for the year	(4,881)	-
Financial position of parent entity at year end		
Current assets	4,825,546	3,502,360
Total assets	16,383,107	14,755,704
Current liabilities	1,928,709	647,971
Total liabilities	1,949,458	691,858
Total equity of the parent entity comprising of:		
Share capital	36,886,309	35,255,459
Reserves	5,145,049	5,113,355
Accumulated losses	(27,597,709)	(26,304,969)
Total equity	14,433,649	14,063,845

25. Financial instruments

Financial risk management

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash balances at bank, deposits with statutory authorities.

25. Financial instruments (Continued)

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia and South-East Asia. At the balance date there were no significant concentrations of credit risk.

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating of no less than AA rating.

Trade and other receivables

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of other inter-company receivables and investments. Although management believes that the exploration activities of subsidiaries will be successful, the projects have not reached a stage to make such an assessment. Accordingly, the intercompany loans were impaired in-line with the write-off of capitalised exploration expenditure.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated Carrying amount	
	2012	**2011**
	$	**$**
Trade and other receivables	17,450	53,200
Cash and cash equivalents	2,119,711	1,521,789
Deposits held	1,197,018	849,959
Impairment of deposits (refer Note 8 (ii))	(424,932)	(210,992)

None of the Group's other receivables are past due (2011: nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The Company has leased assets financed by way of finance leases and has taken out a premium funding facility over their insurance requirements.

The Company anticipates a need to raise additional capital in the next 12 months to meet forecast operational and exploration activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

25. Financial instruments (Continued)

30 June 2012

	Weighted average interest rate	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
		$	$	$	$	$	$
Trade and other payables	N/A	302,121	302,121	302,121	-	-	-
Finance lease liabilities	9.8%	67,404	67,404	21,226	25,429	8,728	12,021
Panoramic deposit	N/A	1,500,000	1,500,000	1,500,000	-	-	-
		1,869,525	1,869,525	1,823,347	25,429	8,728	12,021

30 June 2011

	Weighted average interest rate	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
		$	$	$	$	$	$
Trade and other payables	N/A	439,352	439,352	439,352	-	-	-
Finance lease liabilities	9.8%	138,777	138,777	51,356	43,534	23,137	20,570
		578,129	578,129	490,708	43,534	23,137	20,570

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on investments and purchases that are denominated in a currency (Thai baht) other than the respective functional currencies of Group entities, which is primarily the Australian dollar.

As at the Statement of Financial Position date the Group holds the following financial assets or liabilities which are exposed to foreign currency risk.

	Carrying amount	
	2012	2011
	$	$
Trade and other receivables	1,133,323	875,843
Cash and cash equivalents	81,629	142,769

The Group is exposed to fluctuations in foreign currencies arising from the acquisition of services from time to time in currencies other than the Group's functional currency.

25. Financial instruments (Continued)

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures. The Group is not exposed to cash flow volatility from interest rate changes on borrowings as the finance leases carry fixed rates of interest.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 90 day rolling periods or less.

Profile

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	Carrying amount	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Cash and cash equivalents	-	-
Cash backed performance bonds	50,000	50,000
	50,000	50,000
Variable rate instruments		
Cash and cash equivalents	2,119,711	1,521,789
Cash backed performance bonds	-	-
	2,119,711	1,521,789

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as 2011.

	Profit or loss		Equity	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp decrease**
	$	**$**	**$**	**$**
30 June 2012				
Variable rate instruments	2,120	(2,120)	2,120	(2,120)
30 June 2011				
Variable rate instruments	1,522	(1,522)	1,522	(1,522)

25. Financial instruments (Continued)

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities approximate fair value. The basis for determining fair values versus carrying value of financial instruments not carried at fair value is described below.

(i) Other receivables, trade and other payables:

Other receivables, trade and other payables are short term in nature. As a result, the carrying amount of these instruments is considered to approximate its fair value.

(ii) Deposits held on tenement applications :

The deposits held with Thai authorities are recoverable at 75% of their value should the applications not be granted. As a result the carrying amount is considered to approximate its fair value.

Other Market Price Risk

Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's investments are solely in equity instruments. These instruments are classified as available-for-sale and carried at fair value with fair value changes recognised directly in equity until derecognised.

The following table details the breakdown of the investment assets and liabilities held by the Group:

	Note	30 June 2012 $	30 June 2011 $
Listed equities		6,466	-

Sensitivity analysis

The Group's equity investments are listed on the Australian Securities Exchange. A 3% increase in stock prices at 30 June 2012 would have increased equity by $194 (2011: nil), an equal change in the opposite direction would have decreased equity by an equal but opposite amount.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio; however there are no external borrowings as at balance date.

25. Financial instruments (Continued)

The Group encourages employees to be shareholders through the Long Term Incentive Plan and the Executive Share Option Plan.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. Share-based payments

(a) Employee Share Option Plan

The Group has an Employee Share Option Plan (ESOP) for the granting of options to staff members, directors and consultants. A new ESOP was approved by shareholders on 30 November 2010 and adopted. Options issued under the ESOP vest on the grant date.

Other relevant terms and conditions applicable to options granted under the ESOP include:

(a) Options issued pursuant to the plan will generally be issued free of charge. During the 2010 financial year a number of options were issued for a small consideration.

(b) The exercise price of the options shall be as the Directors in their absolute discretion determine, provided the exercise price shall not be less than the weighted average of the last sale price of the Company's shares on ASX at the close of business on each of the 5 business days immediately preceding the date on which the Directors resolve to grant the options.

(c) Subject to the above, the options may be exercised at any time prior to the expiration date from the issue date.

(d) The Directors may limit the total number of options which may be exercised under the plan in any year.

(e) Options with a common expiry date may have a different exercise price and exercise date.

(f) Options shall lapse upon the earlier of:

 (i) The expiry of the exercise period; and

 (ii) The expiry of three months after the option holder ceases to be an employee by reason of dismissal, resignation or termination of employment, office or services for any reason, except the Directors may resolve that the options shall lapse on other terms they consider appropriate.

(g) Upon exercise the options will be settled in ordinary shares of Matsa Resources Limited.

- **Share-based payments (Continued)**

Summary of options issued under the Employee Share Option Plan

The following table summarises the number (No.) and the weighted average exercise price (WAEP) of, and movements in, share options issued during the year to employees other than to key management personnel which have been disclosed in Note 26(g).

	2012 Number of Options	2012 Weighted Average Exercise Price $	2011 Number of Options	2011 Weighted Average Exercise Price $
Outstanding at the beginning of the year	2,775,000	0.35	1,420,000	0.37
Granted	350,000	0.31	1,575,000	0.40
Exercised	-	-	-	-
Expired	(25,000)	0.40	(220,000)	0.59
Outstanding at year-end	3,100,000	0.35	2,775,000	0.35
Exercisable at year-end	3,100,000	0.35	2,775,000	0.35

The outstanding balance as at 30 June 2012 is represented by the following options over ordinary shares, exercisable upon meeting the above terms and conditions:

- 1,200,000 options with an exercise price of $0.273 each, and with an expiry date of 31 December 2012. All have vested and are exercisable at balance date.
- 1,550,000 options with an exercise price of $0.40 each and with an expiry date of 31 August 2013. All have vested and are exercisable at balance date.
- 350,000 options with an exercise price of $0.31 each and with an expiry date of 12 August 2014. All have vested and are exercisable at balance date.

(b) Weighted average remaining contract life

The weighted average remaining contract life for the share options outstanding at the end of the year is 1.0 years (201: 1.9 years).

(c) Weighted average fair value of options granted

The weighted average fair value for the share options outstanding at the end of the year is $0.14 (2011: $0.18).

(d) Exercise prices

The weighted average exercise price for options outstanding at the end of the year was $0.35 (2011: $0.35).

26. Share-based payments (Continued)

(e) Option pricing model

The fair value of the ESOP options is estimated at the date of grant using a Black & Scholes model. The following table gives the assumptions made in determining the fair value of the options granted in the year.

30 June 2012	
Grant Date	12 August 2011
Dividend yield (%)	-
Expected volatility (%)	78.00
Risk-free interest rate (%)	3.78
Expected life of options (years)	3
Option exercise price ($)	0.31
Share price at grant date ($)	0.24
Fair value at grant date ($)	0.1045

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(f) Directors and Executives Option

In addition to the ESOP, the Company has issued options to Directors and Executives from time to time. The terms and conditions of those options vary between option holders.

Options issued to the Executive Chairman and the Executive Director and Executives vest immediately.

Other relevant terms and conditions applicable to options granted as above include:

- any Directors or Executives vested options that are unexercised by the anniversary of their grant date will expire or, if they resigned, in accordance with their specific terms and conditions; and
- upon exercise, these options will be settled in ordinary shares of Matsa Resources Limited.

(g) Summary of options issued to Directors and Executives

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued.

	2012 No.	**2012 WAEP $**	**2011 No.**	**2011 WAEP $**
Outstanding at 1 July	11,883,333	0.42	11,200,000	0.42
Granted during the year	-	-	4,750,000	0.44
Exercised during the year	-	-	-	-
Expired during the year[1]	(2,133,333)	0.35	(4,066,667)	0.40
Outstanding at 30 June	9,750,000	0.45	11,883,333	0.42
Exercisable at 30 June	9,750,000	0.45	11,883,333	0.42

26. Share-based payments (Continued)

[1] In 2011 the expired options relate to persons who ceased to be directors or executives during the year

The following options were issued during 2011. There were no options issued to directors or executives during the year ended 30 June 2012.

Directors

2011

- 4,250,000 options over ordinary shares with an exercise price of $0.45 each, exercisable upon meeting the relevant conditions and until 30 November 2013.

Executives

2011

500,000 options over ordinary shares with an exercise price of $0.40 each exercisable upon meeting the relevant conditions and until 31 August 2013.

(h) Summary of weighted average remaining contract life of options issued to Directors and Executives

The weighted average contractual life for the options outstanding at 30 June 2012 is 0.74 years (2011: 1.27 years).

(i) Range of exercise price of options issued to Directors and Executives

The range of exercise prices for options outstanding the end of the year was $0.273 - $0.45 (2011: $0.273 - $0.50).

(j) Weighted average fair value of options granted to Directors and Executives

The weighted average fair value of options outstanding the end of the year was $0.13 (2011: $0.11).

26. Share-based payments (Continued)

(k) Option pricing of model of options issued to Directors and Executives

The fair value of the options is estimated at the date of grant using a Black & Scholes model. The following table gives the assumptions made in determining the fair value of the options granted in the year.

	2012		2011	
	Directors	**Executives**	**Directors**	**Executives**
Dividend yield (%)	-	-	-	-
Expected volatility (%)	-	-	78.67	78.67
Risk-free interest rate (%)	-	-	4.89	4.89
Expected life of options (years)	-	-	3	3
Option exercise price ($)	-	-	0.45	0.40
Share price at grant date ($)	-	-	0.34	0.29
Fair value at grant date (c)	-	-	15.88	12.74

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

	Consolidated	
	2012	**2011**
Employee Expenses	**$**	**$**
Share options granted in 2011		
- equity settled	-	-
Share options granted in 2012		
- equity settled	36,575	738,600
Total expense recognised as employee costs	36,575	738,600

27. Key management personnel

Details of key management personnel

The directors and other members of key management personnel of the Group during the financial year were:

Name	Position
Directors	
Paul Poli	Executive Chairman
Frank Sibbel	Non-Executive Director
Andrew Chapman	Director, Company Secretary and Chief Financial Officer
Executives	
David Fielding	Iron Ore Executive

27. Key management personnel (Continued)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report on pages 34 to 42. These transferred disclosures have been audited.

	2012 $	2011 $
Compensation of Key Management Personnel		
Short-term employment benefits	770,635	922,013
Post-employment benefits	62,550	57,064
Termination benefits	-	37,500
Share-based payment	-	738,600
	833,185	1,755,177

The Key management personnel receive no compensation in relation to the management of the Company. The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Company.

Individual directors and executives compensation disclosure

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' report.

No director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

27. Key management personnel (Continued)

Option holdings of key management personnel

	Balance 1 July No.	Granted as remune-ration No.	Exercised No.	Net change other No.	Balance on Resignation No.	Balance 30 June No.	Vested & Exercisable No.	Not Exercisable No.
2012								
P Poli	11,497,733	-	-	(3,747,733)	-	7,750,000	7,750,000	-
A Chapman	750,000	-	-	-	-	750,000	750,000	-
F Sibbel	1,000,000	-	-	-	-	1,000,000	1,000,000	-
D Fielding	250,000	-	-	-	-	250,000	250,000	-
	13,497,733	-	-	(3,747,733)	-	9,750,000	9,750,000	-

	Balance 1 July No.	Granted as remune-ration No.	Exercised No.	Net change other No.	Balance on Resignation No.	Balance 30 June No.	Vested & Exercisable No.	Not Exercisable No.
2011								
P Poli	8,747,733	2,750,000	-	-	-	11,497,733	11,497,733	-
A Viner[1]	4,666,667	-	-	-	(4,666,667)	-	-	-
A Chapman	-	750,000	-	-	-	750,000	750,000	-
F Sibbel	-	1,000,000	-	-	-	1,000,000	1,000,000	-
D Fielding	-	250,000	-	-	-	250,000	250,000	-
	13,414,400	4,750,000	-	-	(4,666,667)	13,497,733	13,497,733	-

Shareholdings of key management personnel

	Balance 1 July No.	Granted as remuneration No.	Options exercised No.	Net change other No.	Balance on resignation No.	Balance 30 June No.
2012						
P Poli	10,550,000	-	-	-	-	10,550,000
A Chapman	-	-	-	-	-	-
F Sibbel	200,000	-	-	-	-	200,000
D Fielding	-	-	-	-	-	-
	10,750,000	-	-	-	-	10,750,000

	Balance 1 July No.	Granted as remuneration No.	Options exercised No.	Net change other No.	Balance on resignation No.	Balance 30 June No.
2011						
P Poli	10,205,933	-	-	344,067	-	10,550,000
A Viner[1]	3,100,500	-	-	-	(3,100,500)	-
A Chapman	-	-	-	-	-	-
F Sibbel	-	-	-	200,000	-	200,000
D Fielding	-	-	-	-	-	-
	13,306,433	-	-	544,067	(3,100,500)	10,750,000

[1] Resigned 25 October 2010

28. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 22.

Key management personnel
Disclosures relating to key management personnel are set out in note 27.

29. Remuneration of auditors

The auditor of Matsa Resources Limited is Nexia Perth Audit Services Pty Ltd (Nexia Perth), (formerly known as MGI Perth).

	Consolidated	
	2012	2011
	$	$
Amounts received or due and receivable by Nexia Perth for an audit or review of the entity and any other entity in the consolidated group.	28,153	50,433
Amounts received or due and receivable by related practices of Nexia Perth for:		
- tax compliance	7,475	13,502
	35,628	63,935

30. Events Subsequent to Balance Date

On 26 June 2012 the Company announced that it had entered into a Sale and Purchase Agreement with Panoramic Resources Ltd ("Panoramic") that allowed Panoramic to acquire 70% of Matsa's Mt Henry Gold Project (formerly the Norseman Gold Project) on the following terms:

1) Consideration of $5 million in cash and 14 million fully paid Panoramic shares;
2) Free carried fully funded Bankable Feasibility Study (BFS) on the Mt Henry Gold Project; and
3) Safety net buyout arrangement of the remaining 30% for $6.5 million consideration with a $5 million royalty 180 days after completion of BFS if Matsa cannot contribute to mine establishment.

The sale of the Company's interest was subject to regulatory and shareholder approval.

In addition a Joint Venture Agreement was signed with Panoramic for the immediate commencement of new exploration programmes within the Mt Henry Gold Project area and the establishment and management of ongoing joint venture activities.

A deposit of $1.5 million was received from Panoramic at that time.

On 14 August 2012 Matsa shareholders approved the Panoramic transaction and on 17 August 2012 settlement was achieved and the balance of the cash ($3.5M) and the 14 million Panoramic shares were received.

30. Events Subsequent to Balance Date (continued)

On 6 August 2012 the Company announced it had reached agreement with Triton Gold Limited ("Triton") to acquire a 55% interest in Triton's Salmon Gums project in the Fraser Range. Matsa can acquire up to 90% of the project after twelve months by spending an additional $75,000.

On 12 September 2012 Matsa issued 900,000 unlisted options with an exercise price of $0.40 each expiring on 12 September 2015 to employees under its Long Term Incentive Plan.

There have been no other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

MATSA RESOURCES LIMITED

DIRECTORS DECLARATION

1. In the opinion of the directors of Matsa Resources Limited (the "Company"):

   (a) the consolidated financial statements and notes and the Remuneration report in the Directors' report, set out on pages 34 to 42, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(b);

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the directors;

Paul Poli
Executive Chairman

Perth, 28 September 2012

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Independent auditor's report to the members of Matsa Resources Limited

Report on the financial report

We have audited the accompanying financial report of Matsa Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Opinion

In our opinion:

(a) the financial report of Matsa Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

Report on the remuneration report

We have audited the remuneration report included of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Matsa Resources Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

Nexia Perth Audit Services Pty Ltd

TJ Spooner **CA FCA(UK) ACIS ACSA**
Director

Perth, 28 September 2012

ASX ADDITIONAL INFORMATION

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

SHAREHOLDING

Distribution of Shareholders as at 20 September 2012

Category (size of holding)	Number of Shareholders
1 – 1,000	215
1,001 – 5,000	421
5,001 – 10,000	249
10,001 – 100,000	554
100,001 – and over	142
	1,581

The number of shareholdings held in less than marketable parcels is 253.

Twenty Largest Shareholders as at 20 September 2012

Name	No.	%
JP Morgan Nominees Australia Limited <Cash Income A/C>	16,463,503	12.55
HF Resources Pty Ltd	11,770,000	8.97
Mr Paul Poli (P Poli Family A/C)	8,550,000	6.52
RASL AU LLC	8,482,241	6.47
HSBC Custody Nominees (Australia) Limited	3,511,082	2.71
Mr William Robert Maunder & Mrs Jeanette Margaret Maunder <Superannuation Fund A/C>	2,760,000	2.10
L & S Davies Pty Ltd <Davies International A/C>	2,471,552	1.88
Mr Mark John Allison & Mrs Lorraine Frances Allison <The M&L Allison S/F A/C>	2,194,000	1.67
Mr Steven James Brown (Family A/C)	2,101,100	1.60
Mr Paul Poli & Mrs Sonya Kathleen Poli <P Poli Super Fund A/C>	2,000,000	1.52
Burgundy Triangle Pty Ltd	1,947,658	1.48
Mr Oliver Nikolovski & Mrs Suzanne Karine Nikolovski <The Nikolovski S/Fund A/C>	1,500,000	1.14
Ms Suzanne Karine Van Der Werf	1,445,000	1.10
Australian Global Capital Pty Ltd	1,400,000	1.07
Mr Kimberley Alan Harris (Family Account)	1,338,702	1.02
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,337,357	1.02
Mr Oliver Nikolovski (The Nikolovski Family A/C)	1,330,000	1.01
Mr Robert Genovesi & Mrs Magalay Genovesi & Mr Frank Giannasi & Mrs Maria Giannasi (The Bld Workshop No1 S/F)	1,250,000	0.95
Mr Graham Phillip Styles <Foremma S/F A/C>	1,101,916	0.84
Mr Adam Georgiu <The A Georgiu Family A/C>	1,100,000	0.84
	74,054,111	56.46

ASX ADDITIONAL INFORMATION

Substantial Shareholders

	Fully paid	
Ordinary shareholder	**Number**	**Percentage**
HF Resources Pty Ltd	11,770,000	9.25%
Paul Poli	10,260,933	8.29%
RASL AU LLC	8,822,241	6.67%

RESTRICTED SECURITIES

The Company has no restricted securities on issue.

STATEMENT OF UNQUOTED SECURITIES

Number of Options	Number of Holders	Exercise Price	Date of Expiry
1,000,000	1	$0.273	26 November 2012
1,200,000	3	$0.273	31 December 2012
2,050,000	10	$0.40	31 August 2013
4,250,000	3	$0.45	30 November 2013
1,250,000	1	$0.266	13 July 2014
350,000	1	$0.31	12 August 2014
900,000	7	$0.40	12 September 2015

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
M 63/177	Buldania Rocks	Matsa Resources Limited	Live	-%
P 63/1503	Buldania Rocks	Matsa Resources Limited	Live	-%
P 63/1636	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1637	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1638	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1639	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
E 16/294	Dunnsville	Matsa Resources Limited	Live	100%
E 16/297	Dunnsville	Matsa Resources Limited	Live	100%
E 16/296	Dunnsville	Matsa Resources Limited	Live	100%
E 16/362	Dunnsville	Matsa Resources Limited	Live	100%
E 16/399	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/389	Dunnsville	Matsa Resources Limited	Live	100%
E 16/390	Dunnsville	Matsa Resources Limited	Live	100%
E 16/405	Dunnsville	Matsa Resources Limited	Live	100%
E 16/406	Dunnsville	Matsa Resources Limited	Live	100%
E 16/407	Dunnsville	Matsa Resources Limited	Live	100%
E 16/408	Dunnsville	Matsa Resources Limited	Live	100%
E 16/427	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/428	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/429	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/430	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/431	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/403	Dunnsville	Matsa Resources Limited	Live	100%
E 16/404	Dunnsville	Matsa Resources Limited	Live	100%
E 16/439	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/443	Dunnsville	Matsa Resources Limited	Pending	100%
E 28/1663[1]	Fraser Range	Matsa Resources Limited	Live	90%
E 28/1664[1]	Fraser Range	Matsa Resources Limited	Live	90%
E 28/2260	Fraser Ranger	Matsa Resources Limited	Pending	100%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
E 28/2261	Fraser Range	Matsa Resources Limited	Pending	100%
E 63/1092[2]	Fraser Range	Matsa Resources Limited	Live	55%
E 63/1093[2]	Fraser Range	Matsa Resources Limited	Live	55%
E 63/1576	Fraser Range	Matsa Resources Limited	Pending	100%
E 63/1577	Fraser Range	Matsa Resources Limited	Pending	100%
E 63/1578	Fraser Range	Matsa Resources Limited	Pending	100%
E 69/3070	Fraser Range	Matsa Resources Limited	Pending	100%
E 63/1018	Killaloe	Cullen Resources Limited	Live	-%
E 63/1199	Killaloe	Cullen Resources Limited	Live	-%
P 63/1331	Killaloe	Cullen Resources Limited	Live	-%
P 63/1332	Killaloe	Cullen Resources Limited	Live	-%
P 63/1333	Killaloe	Cullen Resources Limited	Live	-%
P 63/1672	Killaloe	Cullen Resources Limited	Live	-%
E 16/409	Mt Burges	DRM	Live	-%
P 24/4390	Mt Vetters	Matsa Resources Limited	Live	100%
P 24/4391	Mt Vetters	Matsa Resources Limited	Live	100%
P 24/4392	Mt Vetters	Matsa Resources Limited	Live	100%
E 24/166	Mt Vetters	Matsa Resources Limited	Live	100%
P 63/1830	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1454[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1455[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1456[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1457[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1458[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1459[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1460[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1394[3]		Australian Strategic and	Live	100%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
	Norseman	Precious Metals Investment Pty Ltd		
P 63/1395[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1396[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1397[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1398[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1399[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1400[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1401[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1402[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1403[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1404[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1405[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1406[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1407[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1409[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/653	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1426[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1427[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1428[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1393[3]		Australian Strategic and	Live	100%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
	Norseman	Precious Metals Investment Pty Ltd		
P 63/1391[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1392[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1424[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1425[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1675[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1640[3]	Norseman	Matsa Resources Limited	Live	100%
P 63/1807[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1805[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1806[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
E 63/1215	Norseman	Matsa Resources Limited	Live	100%
E 63/1362	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1421[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1389[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1582	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1583	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/516[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1330	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1570[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1571	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1572[3]		Australian Strategic and	Live	100%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
	Norseman	Precious Metals Investment Pty Ltd		
P 63/1573[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1574[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1581[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1752[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1753[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1754[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1755[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1751[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1422[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1423[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1564[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1565[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1566[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1567[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1568[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1569[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
L 63/64[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/16[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/236[3]		Australian Strategic and	Live	100%

Tenement Type and No.	Project	Holder	Status	Share Held
	Norseman	Precious Metals Investment Pty Ltd		
P 63/1673[3]	Norseman	Matsa Resources Limited	Live	100%
P 63/1408[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1674[3]	Norseman	Matsa Resources Limited	Live	100%
E 63/1348	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/515[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1562[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1563[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
L 63/58[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1576	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1461[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1462[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1463[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1464[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1661[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1575	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1577	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1578	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1579	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1580	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
P 63/1465[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/366[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1466[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1467[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1410[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1411[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1412[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1413[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1414[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1415[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1416[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1417[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1418[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1419[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1420[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
L 63/65[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1852	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1853[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1852[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
P 63/1853[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1756	Waverly	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%

[1]= 90% held by Matsa
[2]= 55% held by Matsa
[3]= 30% controlled by Matsa

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

Since the introduction of the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Principles and Recommendations), and the revised second edition of the ASX Principles and Recommendations, Matsa Resources Limited has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. The Company's corporate governance practices for the year ending 30 June 2012 and as at the date of this report are outlined in this corporate governance statement.

The Company has considered each recommendation provided in the ASX Principles and Recommendations, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

For further information on corporate governance policies adopted by the Company, refer to the corporate governance section of our website: www.matsa.com.au

1. Compliance with Best Practice Recommendations

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
Principle 2	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	2(e)	No
2.2	The chair should be an independent director.	2(c), 2(e)	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	No
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary as to:	4(a)	Yes
	• the practices necessary to maintain confidence in the company's integrity;		
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and		
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning diversity and disclose the policy or a summary. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	4(c)	Yes
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	4(c)	Yes
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	4(c)	Yes
3.5	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(c)	Yes
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it:	3(a)	No
	• consists only of non-executive directors;		
	• consists of a majority of independent directors;		
	• is chaired by an independent chair, who is not chair of the Board; and		
	• has at least three members.		
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
Principle 5	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
Principle 6	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
Principle 8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	The Remuneration Committee should be structured so that it is: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least 3 members.	3(b)	No
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	3(b),	Yes

2. THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

The role of the Board is to be accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position provide leadership for and the supervision of the Company's senior management.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Assessing the effectiveness of senior management's implementation of systems and the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately.
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance and assuring itself that the Company practice is consistent with that Code; and other policies; and
- Reporting to and advising shareholders.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

2(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and

2. THE BOARD OF DIRECTORS (continued)

2(b) Board Composition (continued)

- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of an Executive Chairman, an Executive Director and a non-executive Director. Details of the members of the Board, their experience, expertise, qualifications, terms of office and independent status are set out in the Directors' Report of the Annual Report under the heading "Directors". The Board composition is such that the Company does not comply with Recommendation 2.1 as there are no independent non-executive directors. There have been no changes to the Board since 1 July 2011.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Chief Executive Officer is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

2(c) Chairman and Chief Executive Officer

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

The Board does not comply with the ASX Recommendations 2.2 and 2.3 in that the Chairman has an executive capacity and therefore is not an independent Director (refer to 2(e) Independent Directors). The Board has considered this matter and decided that the non-compliance does not effect the operation of the Company.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- running the affairs of the Company under the delegated authority from the Board.

The roles of the Chairman and the Chief Executive Officer are not separate with the role being undertaken by an Executive Chairman.

2(d) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

2. THE BOARD OF DIRECTORS (continued)

2(b) Board Composition (continued)

Nominations of new Directors are considered by the full Board in accordance with the Company's "Selection of New Directors Policy".

2(e) Independent Directors

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Matsa Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Company does not comply with ASX Recommendation 2.1. The Company has two executive Directors and one non-executive Director. In accordance with the definition of independence above the Company is considered to have no independent directors.

The Board believes that the Company is not of sufficient size to warrant the appointment of more independent non-executive Directors in order to meet the ASX recommendation of maintaining a majority of independent non-executive Directors. The Company maintains a mix of Directors from different backgrounds with complementary skills and experience.

2(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

2. THE BOARD OF DIRECTORS (continued)

2(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

2(h) Review of Board performance

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Matsa Resources Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

3. BOARD COMMITTEES

3(a) Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.2 as two are executive directors and none are considered to be independent Directors (refer 2(e)). The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Consolidated Entity and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is Nexia Perth's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the Company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

3. BOARD COMMITTEES

3(a) Audit Committee

The directors are satisfied that the provision of any non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of any non-audit services does not compromise the auditor's independence requirements of the Corporations Act because the services were provided by persons who were not involved in the audit.

3(b) Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executives such that it comprises a fixed salary and statutory superannuation. From time to time senior executives are issued options. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration.

The remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

4. ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

4. ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and Conduct

All Directors, officers and employees are expected to:

(i) Comply with the law;

(ii) Act in the best interests of the Company;

(iii) Be responsible and accountable for their actions; and

(iv) Observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of positional conflicts.

4(b) Policy concerning trading in Company securities

The Company's "Securities Trading Policy" applies to all directors, officers and employees and was updated in December 2010. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.
As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- No trading is permitted in the period of two weeks prior to the announcement to the ASX of the Company's full year, half year and quarterly results or any other designated blackout period;
- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- Obtain the prior written consent of the Chairman (or two of the other Directors/Board if you are the Chairman).

4(c) Policy concerning diversity

The Company encourages diversity in employment throughout the Company and in the composition of the Board, as a mechanism to ensure that the Company is able to draw on a variety of skill, talent and previous experiences in order to maximise the Company's performance.

The Company's "Diversity Policy" has been implemented to ensure the Company has the benefit of a diverse range of employees with different skills, experience, age, gender, race and cultural backgrounds, and that the Company reports its results on an annual basis in achieving measurable targets which are set by the Board as part of implementation of the Diversity Policy. The Diversity Policy is available on the Corporate Governance section of the Company's website.

4. Ethical and responsible decision making (Continued)

The table below outlines the diversity objectives established by the Board, the steps taken during the year to achieve these objectives, and the outcomes.

Objectives	**Position**
Increase the number of women in the workforce, including management and at board level.	There were no key senior female appointments made during the year. As at 30 June 2012, women represented 30% in the Consolidated Entity's workforce (2012: 30%), nil in key management positions (2011: nil) and Nil at board level (2011: Nil).
Review gender pay gaps on an annual basis and implement actions to address any variances.	As a part of the annual remuneration review, the Board assesses the performance and salaries of all key management personnel and executive directors. Any gender pay disparities are addressed.
Provide flexible workplace arrangements.	During the year Matsa employed 1 employee on flexible work arrangements (2011: 1).
Provide career development opportunities for every employee, irrespective of any cultural, gender and other differences.	Whilst Matsa places special focus on gender diversity, career development opportunities are equal for all employees. Employees are encouraged to attend professional development courses/workshops throughout the year.
Promote an inclusive culture that treats the workforce with fairness and respect.	Matsa has set a zero tolerance policy against discrimination of employees at all levels. The Company provides avenues to employees to voice their concerns or report any discrimination. No cases of discrimination were reported during the year (2011: Nil).

5. TIMELY AND BALANCED DISCLOSURE

5(a) Shareholder communication

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

5. TIMELY AND BALANCED DISCLOSURE (continued)

5(a) Shareholder communication (continued)

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

5(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

6. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Risk Management Policy"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

6(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

6. RECOGNISING AND MANAGING RISK (continued)

6(a) Board oversight of the risk management system (continued)

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

a. regular reporting to the Board in respect of operations and the Company's financial position; and

b. regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

The Company's risk management system is evolving. It is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities.

6(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

6(c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer provide to the Board written certification that in all material respects:

(a) The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;

(b) The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and

(c) The Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

6(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.