

MATSA RESOURCES LIMITED
ACN 106 732 487

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

DATE OF MEETING

Wednesday, 27 November 2013

TIME OF MEETING

10.00am

PLACE OF MEETING

Suite 11
139 Newcastle Street
PERTH WA

These papers should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

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MATSA RESOURCES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2013 Annual General Meeting of the Shareholders of Matsa Resources Limited ("**Company**") will be held in the Company's offices at Suite 11, 139 Newcastle Street, Perth, Western Australia on Wednesday, 27 November 2013 at 10.00am WST for the purpose of transacting the following business referred to in this Notice of Meeting.

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies and forms part of this Notice of Meeting.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4.00pm (WST) on Monday, 25 November 2013.

Please note terms used in the Resolutions contained in this Notice of Meeting have the same meaning as set out in the glossary of the Explanatory Memorandum accompanying this Notice.

AGENDA

BUSINESS

ANNUAL REPORT

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2013, together with the declaration of the directors' report, the Remuneration Report and the auditors' report.

RESOLUTION 1 – Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the year ended 30 June 2013."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on

- this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
- (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

RESOLUTION 2 – Re-Election of Mr Paul Poli as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 11.2 of the Company's Constitution, and for all other purposes, Mr Paul Poli, a Director, retires by rotation, and being eligible, is re-elected as a Director."

RESOLUTION 3 – Ratification of Prior Issue of 9,534,998 Shares

To consider and, if thought fit, to pass, the following Resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 9,534,998 Shares on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associate of those persons. However, the Company will not disregard a vote if (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or (b) it is cast by the person chairing the Extraordinary General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 4 – Ratification of Prior Issue of 625,000 Options

To consider and, if thought fit, to pass, the following Resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 625,000 Shares on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and an Associate of those persons. However, the Company will not disregard a vote if (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or (b) it is cast by the person chairing the Extraordinary General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 5 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass, the following Resolution as a **special resolution**:

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.”

The Company will disregard any votes cast on this Resolution by a person (and any Associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed. However, the Company will not disregard a vote if (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or (b) it is cast by the person chairing the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 6 – Employee Share Option Plan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, pursuant to and in accordance with Listing Rule 7.2, Exception 9 and for all other purposes, approval is given for the Company to adopt an employee share option plan on the terms and conditions set out in the Explanatory Memorandum..”

The Company will disregard any votes cast on this Resolution by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

OTHER BUSINESS

To deal with any other business which may be lawfully brought forward in accordance with the Company's constitution and the Corporations Act.

BY ORDER OF THE BOARD



Andrew Chapman
Company Secretary

Dated 18 October 2013

PROXIES

Members are encouraged to attend the meeting, but if you are unable to attend the meeting, we encourage you to complete and return the enclosed Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has the right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- delivering it to Matsa Resources Limited, Suite 11, 139 Newcastle Street, Perth WA
- post to Matsa Resources Limited, PO Box 376, Northbridge, WA 6865; or
- facsimile to the Company on facsimile number +61 8 9227 0370; or
- email to the Company at reception@matsa.com.au

To be effective, a Proxy Form and, if the Proxy Form is signed by the shareholder's attorney, the authority under which the appointment is signed (or a certified copy of that authority) must be received by the Company not later than 48 hours before the time specified for the commencement of the General Meeting.

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

CORPORATE REPRESENTATIVES

A body corporate that is a shareholder, or which has been appointed as proxy, may appoint an individual to act as its representative at the Annual General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company.

DATE FOR DETERMINING HOLDERS OF SHARES

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Directors have set a date to determine the identity of those entitled to attend and vote at the Annual General Meeting. For the purposes of determining voting entitlements at the Annual General Meeting, Shares will be taken to be held by the persons who are registered as holding at 4.00pm (WST) on 25 November 2013. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

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MATSA RESOURCES LIMITED

ACN 106 732 487

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice of Meeting**") of Matsa Resources Limited ("**Company**").

The Directors recommend Shareholders read this Explanatory Memorandum (which forms part of the Notice of Meeting) in full before making any decision in relation to the Resolutions. If you have any questions regarding the matters set out in this Explanatory Memorandum or the Notice of Meeting, please contact your stockbroker or other professional adviser.

Terms used in this Notice of Meeting have defined meanings which are explained in the Glossary appearing at the end of this Explanatory Memorandum.

Financial Reports

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.matsa.com.au.

Shareholders will be given an opportunity to ask questions of the Directors and the Company's Auditors in relation to the accounts of the Company at the Annual General Meeting.

1. RESOLUTION 1 – Adoption of Remuneration Report

1.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the directors or the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for the financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

1.2 Voting Consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the

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company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to a vote. If required, the Spill Resolution must be put to a vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the previous financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

1.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%.

Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

1.4 Proxy Restrictions

Shareholders appointing a proxy for this Resolution should note the following:

If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member) as your proxy

You must direct the proxy how they are to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member)

You **do not** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, ***you must tick the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.***

If you appoint any other person as your proxy

You **do not** need to direct your proxy how to vote on this Resolution, and you **do not** need to tick any further acknowledgement on the Proxy Form.

2. RESOLUTION 2 – Re-Election of Mr Paul Poli as a Director

Clause 11.3 of the Company's Constitution requires that at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, must retire from office, provided always that no Director (except the Managing Director) shall hold office for a period in excess of 3 years, or the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at any annual general meeting are those who have been in office longest since their last election, but, as between persons who became Directors on the same day, those to retire must (unless they otherwise agree among themselves) be determined by drawing lots.

A retiring director under clause 11.4 of the Company's constitution is eligible for re-election.

The Company currently has three directors and accordingly one must retire.

Mr Poli, the Director longest in office since his last election, retires by rotation at this Meeting. Mr Poli, being eligible, offers himself for re-election.

The Board appointed Mr Paul Poli as a Director (and Executive Chairman) on 24 December 2008.

Mr Poli is a fellow of the Australian Society of Certified Practising 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. Mr Poli is a former registered Securities Trader and a significant investor in the mining industry.

3. RESOLUTIONS 3 – Ratification of Prior Issue of 9,534,998 Shares

On 23 September 2013 the Company announced it had finalised a placement of 9,534,998 fully paid ordinary shares to domestic and international institutional and sophisticated investors at an issue price of \$0.30 each to raise approximately \$2.86 million (before costs) (**Placement**).

The funds raised from the capital raising will be applied by the Company for further drilling of the Symons Hill, Killaloe, and Fraser Range North projects, additional development and geological work on prospective projects including Symons Hill, general working capital and potential corporate opportunities.

Resolution 3 seeks to ratify the issue of the 9,534,998 Shares so that it does not count towards the Company's placement capacity under Listing Rule 7.1.

Listing Rule 7.4

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities without shareholder approval. Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, including securities with rights of conversion to equity (such as options), if the number of those securities exceeds 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

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Under Listing Rule 7.4, an issue of securities made without prior shareholder approval can be ratified (and treated as having been made with approval for the purposes of Listing Rule 7.1) if:

- the issue did not breach Listing Rule 7.1; and
- holders of ordinary securities subsequently approve it.

Accordingly, the Company seeks Shareholder ratification (pursuant to Listing Rule 7.4) of the issue of a total of 9,534,998 Shares the subject of Resolution 3 in order to reinstate the Company's capacity to issue up to 15% of its ordinary capital, if required, in the next 12 months without Shareholder approval.

Additional Information

For the purposes of Listing Rule 7.5, the following information is provided to Shareholders:

- (a) 9,534,998 Shares were issued.
- (b) These Shares were issued at \$0.30 each.
- (c) These Shares are fully paid ordinary shares in the Company and rank pari passu with all other Shares on issue.
- (d) The issue was made to domestic and international institutional and sophisticated investors. None of these parties were a related party of the Company.
- (e) The funds raised from the issue will be applied to further drilling of the Symons Hill, Killaloe, and Fraser Range North projects, additional development and geological work on prospective projects including Symons Hill, general working capital and potential corporate opportunities.

4. RESOLUTION 4 – Ratification of Prior Issue of 625,000 Options

On 23 September 2013 the Company announced it had issued 625,000 unlisted options with an exercise price of \$0.40 each expiring on 30 September 2015 to brokers and a consultant in part consideration for corporate advisory services and brokerages services provided by these parties in relation to the Placement the subject of Resolution 3.

Shareholder ratification of the 625,000 Shares is being sought pursuant to Resolution 4.

Listing Rule 7.4

A summary of ASX Listing Rule 7.1 and 7.4 is included above at section 3 of this Explanatory Statement.

The Company is seeking Shareholder ratification (pursuant to Listing Rule 7.4) of the issue of 625,000 Options the subject of Resolution 4 in order to reinstate the Company's capacity to issue up to 15% of its ordinary capital, if required, in the next 12 months without Shareholder approval.

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Additional Information

For the purposes of Listing Rule 7.5, the following information is provided to Shareholders:

- (a) 625,000 Shares were issued.
- (b) These Options were issued for nil cash consideration. They were issued as part consideration for brokerage and advisory services provided to the Company in relation to the Placement.
- (c) The Options expire on or before 30 September 2015 and have an exercise price of \$0.40 per Option. The Options have no voting rights and are otherwise issued on the terms and conditions set out in Annexure A.
- (d) The Options were issued to brokers and consultants of the Company who provided brokerage and advisory services to the Company in relation to the Placement. None of these parties are related parties of the Company.
- (e) No funds were raised on the issue of the Options. Funds may be raised on the eventual exercise of the Options, however, there is no guarantee that the Options will be exercised.

5. RESOLUTION 5 – Approval of 10% Placement Facility

5.1 General

ASX Listing Rule 7.1A enables an Eligible Entity to seek Shareholder approval at its annual general meeting to issue Equity Securities up to 10% of their issued capital through placements over a 12 month period after the annual general meeting (“10% Placement Facility”). The 10% Placement Facility is in addition to the Company’s 15% placement capacity under Listing Rule 7.1.

An Eligible Entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$38,201,546 (based on the closing price of Shares on 10 October 2013).

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A2 (refer to Section 5.2(c) below).

The Company intends to use the funds raised under the 10% Placement Facility towards further exploration of the Company’s various projects including Symons Hill, Killaloe and other Fraser Range projects and/or for general working capital. In addition, the Company may, in future, choose to evaluate new project opportunities or investments and may use the funds raised for the acquisition (including expenses associated with such acquisition).

The Directors believe that Resolution 5 is in the best interest of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

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5.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

(b) Equity Security

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of this Notice of Annual General Meeting, the Company has one class of Equity Security, being Shares (ASX Code MAT).

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of shares on issue 12 months before the date of issue or agreement:

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the 12 months;
- (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval;
- (d) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice of Annual General Meeting, the Company has on issue 144,156,779 Shares. If Shareholders approve Resolutions 3, 4 and 5, and assuming no other Shares are issued under an exception to Listing Rule 7.1), the Company will have the capacity to issue:

- (i) 21,623,516 Equity Securities under Listing Rule 7.1; and
- (ii) 14,415,677 Equity Securities under Listing Rule 7.1A.

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The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 7.2(c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) ("10% Placement Period").

5.3 Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

5.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP of the Company's Equity Securities in the same class calculated over the 15 Trading Days immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolutions 3 and 4 are approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company may be diluted as shown in the below table. There is a risk that:

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- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of the consideration for the acquisition of a new asset;

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice. The formula in Listing Rule 7.1A(2) is outlined in Section 7.2(c) above.

The table also shows:

- (i) Two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) Two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

		Dilution		
Variable "A" in Listing Rule 7.1A2		\$0.1325 50% Decrease in Issue Price	\$0.265 Issue Price	\$0.3975 50% Increase in Issue Price
Current Variable A 144,156,779 Shares	10% Voting Dilution	14,415,677 Shares	14,415,677 Shares	14,415,677 Shares
	Funds Raised	\$1,910,077	\$3,820,155	\$5,730,232
50% Increase in current Variable A 216,235,168 Shares	10% Voting Dilution	21,623,516 Shares	21,623,516 Shares	21,623,516 Shares
	Funds Raised	\$2,865,116	\$5,730,232	\$8,595,348
100% Increase in current Variable A 288,313,558 Shares	10% Voting Dilution	28,831,355 Shares	28,831,355 Shares	28,831,355 Shares
	Funds Raised	\$3,820,155	\$5,730,232	\$11,460,464

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The table has been prepared on the following assumptions:

- (i) There are currently 144,156,779 Shares on issue, being the number of Shares on issue on 10 October 2013.
 - (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (iii) No Options are exercised into Shares before the date of the issue of Equity Securities.
 - (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (v) The table does not show an example of dilution that may occur to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
 - (vi) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (viii) The issue price is \$0.265, being the closing price of the Shares on the ASX on 10 October 2013.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolutions 3 and 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) Non-cash consideration for the acquisition of new projects, assets and investments in line with the Company's existing nature of operations. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) Cash consideration. In such circumstances, the Company intends to use the funds raised towards exploration and evaluations activities at the Company's existing projects, in particular Symons Hill and its other Fraser Range projects (including, but not limited to, additional drilling, soil sampling and ground EM work) and/or for general working capital. In addition, the Company may, in the future, choose to evaluate new project opportunities or investments and will use the funds raised for the acquisition (including expenses associated with such acquisition).

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

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- (e) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the purpose of the issue;
 - (ii) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
 - (iii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iv) the financial situation and solvency of the Company; and
 - (v) advice from corporate, financial and broking advisors (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Annual General Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company. Further, if the Company is successful in acquiring new projects, assets or investments, it is possible that the allottees under the 10% Placement Facility may include vendors of the new resources, assets or investments.

- (f) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.
- (g) When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:
- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
 - (ii) the information required by Listing Rule 3.10.5A for release to the market.
- (h) A voting exclusion statement is included in the Notice of Annual General Meeting. At the date of the Notice of Annual General Meeting, the Company has not approached any particular existing Shareholder or security holder or an identifiable class or existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in this Notice.

6. **RESOLUTION 6 – Employee Share Option Plan**

Resolution 6 seeks shareholder approval, for the purposes of Rule 7.2 (exception 9) of the Listing Rules of ASX Limited and for all other purposes, for the renewal of the Matsa Resources Limited Employee Share Option Plan and the issue of securities under that Plan. If shareholder approval for Resolution 6 is obtained, all Options issued by the Company under the Plan will be excluded from the 15% limit imposed by ASX Listing Rule 7.1 for a period of 3 years from the date of the approval.

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The Company previously approved the Employee Share Option Plan on 30 November 2010. To obtain the benefit of exception 9(b) of Listing Rule 7.2 (which is explained in detail below), Resolution 6 seeks the renewed approval of the Employee Share Option Plan by the Shareholders of the Company in order to have an active plan as it is an important component of remuneration of employees, particularly in light of current market conditions.

The purpose of the Employee Share Option Plan is to attract, motivate and retain key employees of the Company.

Notwithstanding the approval of the Employee Share Option Plan, this does not increase the capacity of the Company to issue options beyond the thresholds specified in the Corporations Act 2001. In particular, the total number of shares the subject of options issued under all plans must not exceed 5% of the then issued share capital of the Company on a fully diluted basis, subject to certain exceptions stated in the Corporations Act 2001.

Listing Rule requirements

Subject to the exceptions in Listing Rule 7.2, Listing Rule 7.1 prohibits a listed company from issuing or agreeing to issue equity securities (which includes Options) equal to an amount of more than 15% of a company's ordinary capital in any 12 month period without Shareholder approval (15% Limit).

Exception 9(b) of Listing Rule 7.2 permits securities issued under an employee incentive scheme (such as the Employee Share Option Plan) to be excluded from the 15% Limit where Shareholders have approved the issue of securities under the employee incentive scheme within 3 years before the date they are issued.

Resolution 6, if passed, will allow Options to be granted under the Employee Share Option Plan during the 3 years after the date of this AGM without Shareholder approval under Listing Rule 7.1.

A summary of the terms of the Employee Share Option Plan is attached as Annexure B to this Explanatory Memorandum and a copy of the Employee Share Option Plan is available on the Company's website at www.matsa.com.au.

A total of 2,175,000 Options have been issued under the Employee Share Option Plan since it was last approved on 30 November 2010, comprising:

- (a) 350,000 unlisted Options (exercisable at 31 cents on or before 12 August 2014) on 18 August 2011;
- (b) 900,000 unlisted Options (exercisable at 40 cents on or before 12 September 2015) on 12 September 2012; and
- (c) 925,000 unlisted Options (exercisable at 40 cents on or before 30 September 2016) on 20 September 2013.

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GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in section 5.1 of the Explanatory Statement.

Annual General Meeting or Meeting means the annual general meeting of the Company the subject of the Notice of Meeting.

ASX means ASX Limited.

Board means the current board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

Company means Matsa Resources Limited ACN 106 732 487.

Constitution means the Company's constitution.

Corporations Act means Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Memorandum means the explanatory memorandum which accompanies and forms part of this Notice of Meeting.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if

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the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the Listing Rules of ASX.

Notice of Meeting means this notice of annual general meeting including the Explanatory Memorandum and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice of Meeting.

Remuneration Report means the remuneration report appearing in the Director's report section of the Company's annual financial report for the year ended 30 June 2013.

Resolution means a resolution proposed pursuant to the Notice of Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Variable A means "A" as set out in the calculation in section 5.2(c) of the Explanatory Statement.

WST means Western Standard Time in Perth, Western Australia.

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ANNEXURE A

KEY TERMS OF THE EMPLOYEE SHARE OPTION PLAN

The following are the terms and conditions of the Employee Share Option Plan:

- (i) The Options are exercisable wholly or in part at any time before 5.00 pm AWST on the last day of the exercise period. Options not exercised by that date shall lapse.
- (ii) Each Option shall entitle the option holder to acquire one fully paid ordinary Share upon payment of the sum of the exercise price specified in the offer accepted by the Participant. The exercise price will be an amount determined by the Board as the subscription price per Share prior to the offer of the Option in accordance with Rule 6 payable by a Participant on exercise of the Option
- (iii) The Options are non-transferable unless to a nominee or otherwise approved by the Board.
- (iv) Each Option may be exercised by notice in writing to the Company at any time before their date of expiry. Any notice of exercise of an Option received by the Company with payment in full of the exercise price will be deemed to be a notice of the exercise of that Option as at the date of receipt.
- (v) Application will not be made to ASX for official quotation of the Options. Application will be made for official quotation of the Shares issued upon exercise of Options.
- (vi) An Option will lapse immediately upon the first to occur of its expiry date or the holder acting fraudulently or dishonestly in relation to the Company.
- (vii) An Option will lapse 1 month after voluntary resignation from employment or engagement by the party to whom an offer of Options was made (whether or not the Options are held by that person or a nominee).
- (viii) An Option will lapse one year after the death, permanent disability or redundancy of the party to whom an offer of Options was made (whether or not the Options are held by that person or a nominee).
- (ix) There are no participating rights or entitlements inherent in the Options and option holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced so as to give option holders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.
- (x) Shares allotted pursuant to the exercise of Options will be allotted following receipt of all the relevant documents and payments and will rank equally with the issued Shares.
- (xi) In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder shall be reconstructed in accordance with the Listing Rules.
- (xii) If, from time to time, before the expiry of the Options the Company makes a pro-rata issue of Shares to shareholders for no consideration, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the option holder would have received if the option had been exercised before the date for calculating entitlements to the pro-rata issue.

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ANNEXURE B

RULES OF MATSA RESOURCES LIMITED EMPLOYEE SHARE OPTION PLAN

Contents

1.	Introduction.....	16
2.	Objectives	16
3.	Definitions and interpretation	16
4.	The Plan	19
5.	Eligibility to participate	19
6.	Offer of Options	19
7.	Acceptance of Offer of Options	20
8.	Grant of Options	20
9.	Terms of Options	21
10.	Conditions of exercise of Options.....	23
11.	Cessation of employment of Participant.....	23
12.	Dividends and voting rights.....	24
13.	Maximum number of Options	24
14.	Taxation.....	25
15.	Listing Rules	25
16.	Administration of the Plan	25
17.	Restriction on exercise of Options.....	26
18.	Termination, suspension and amendment of the Plan	27
19.	Costs, charges and duties	27
20.	Terms of employment not affected.....	27
21.	Notices	27
22.	Miscellaneous	27
23.	Governing law	28
24.	Severance	28

1. Introduction

- 1.1 This document sets out the Rules of the “Matsa Resources Limited Employee Share Option Plan” (**Plan**).
- 1.2 There are legal and tax consequences associated with participation in the Plan. Eligible Participants should ensure that they understand these consequences before accepting an invitation to participate in the Plan.

2. Objectives

- 2.1 The objectives of the Plan are to:
- (a) establish a method by which Eligible Participants can participate in the future growth and profitability of the Company;
 - (b) provide an incentive and reward for Eligible Participants for their contributions to the Company; and
 - (c) attract and retain a high standard of managerial and technical personnel for the benefit of the Company.

3. Definitions and interpretation

3.1 Definitions

In these Rules:

Application means an application for Options in the form set out in such form as the Board may from time to time determine, by which an Offer may be accepted.

Application Date means the date on which an Application is lodged with the Company by an Eligible Participant or his or her nominee in accordance with the requirements of these Rules.

ASIC means the Australian Securities and Investments Commission

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange as the context requires.

Board means the board of Directors of the Company from time to time.

Business Day has the meaning given to it in the Listing Rules.

Change of Control Event means a person, or a group of associated persons, becoming entitled to sufficient Shares to give that person or persons the ability, in general meeting, to replace all or a majority of the Board.

Class Order means ASIC Class Order 03/184 or any subsequent class order made or approved by ASIC in substitution of Class Order 03/184.

Company means Matsa Resources Limited ACN 106 732 487.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Eligible Participant means a person who is a full time or part-time employee or consultant of the Company or a Related Body Corporate of the Company, other than any such person who has given notice of resignation, or who has been given notice of termination, of his or her employment, or removed from his or her position.

Exercise Condition means a condition relating to an Option which must be satisfied or waived before the Option may be exercised.

Exercise Period means the period from the end of the Restricted Period to the Expiry Date.

Exercise Price means an amount determined by the Board as the subscription price per Share prior to the offer of the Option in accordance with Rule 6 payable by a Participant on exercise of the Option.

Expiry Date means 5.00pm Western Standard Time in Australia on the day specified in an Offer as determined by the Board in its absolute discretion.

Group Company means the Company and any Related Body Corporate of the Company.

Holder means the registered holder of Options.

Issue Date means the date on which the Company issues the Option.

Listing Rules means the Listing Rules of ASX, and any other rules of ASX which are applicable to the Company while the Company is admitted to the official list of ASX, each as amended from time to time, except to the extent of any express waiver by ASX.

Nominal Consideration means consideration of not more than 1 cent per Option.

Offer means the offer of Options made in accordance with Rule 6 and on the terms set out in these Rules.

Participant means an Eligible Participant to whom Options have been validly granted under the Plan.

Option means a right to subscribe for or otherwise acquire a Share on the terms set out in these Rules.

Option Exercise Notice means a notice for the exercise of Options in accordance with the Rules in the form set out in such form as the Board may from time to time prescribe.

Permanent Disablement means:

- (d) the illness or incapacity of the Eligible Participant necessitating the permanent withdrawal of the Eligible Participant from the work force, as accepted to the satisfaction of the Board; or
- (e) any other circumstances which the Board considers should be treated as Permanent Disablement for the purposes of the Plan.

Plan means the Matsa Resources Limited Employee Share Option Plan established in accordance with these Rules.

Related Body Corporate has the same meaning as given to that term in the Corporations Act.

Remuneration Committee means the Remuneration Committee of the Board.

Restricted Period has the meaning given to that term in Rule 10.1.

Rules means the rules of the Plan as set out in this document as amended from time to time.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of a Share.

Takeover Period in relation to a takeover bid in respect of Shares, means the offer period as defined in section 624 of the Corporations Act.

3.2

Interpretation

In these Rules:

- (a) headings are for convenience only and do not affect the interpretation of the Plan; and

unless expressed to the contrary;

- (b) any reference in the Plan to any enactment includes a reference to that enactment as from time to time amended, consolidated, re-enacted or replaced and to all regulations or instruments issued under it;

- (c) any words denoting the singular include the plural and words denoting the plural include the singular;

- (d) any words denoting one gender include the other gender;

- (e) where any word or phrase is given a definite meaning in the Plan, any part of the speech or other grammatical form of that word or phrase has a corresponding meaning;

- (f) a reference to a power, right or discretion being exercisable by the Board is taken to be a reference to that power, right or discretion being exercisable by a delegate of the Board;

- (g) a reference to an application to participate in the Plan includes any process implemented by the Board to provide for deemed applications; and

- (h) a reference to:

- (i) a person includes a firm, unincorporated association, corporation and a government or statutory body or authority;

- (ii) a person includes its legal personal representatives, successors and assigns;

- (iii) a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

- (iv) a right includes a benefit, remedy, discretion, authority or power;

- (v) an obligation includes a warranty or representation and a reference to a failure to observe or perform an obligation includes a breach of warranty or representative;

- (vi) **\$** or **dollars** is a reference to the lawful currency of Australia;

- (vii) this or any other document includes the document as varied or replaced and notwithstanding any change in the identity of the parties; and

- (viii) any thing (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them.

- (i) Unless the context otherwise requires any word or phrase used in these Rules which is not defined above, but which is defined in the Listing Rules has the same meaning as defined in the Listing Rules.
- (j) A reference to the Listing Rules has effect only if the Company is admitted to the official list of ASX, and is otherwise to be disregarded (save where any term is defined by reference to the meaning given to it in the Listing Rules).

4. The Plan

- 4.1 There shall be set aside for the purposes of the Plan such number of Options as the Board may from time to time determine.
- 4.2 The Board will administer the Plan.
- 4.3 For so long as the Company is admitted to the official list of ASX, Options may not be offered to a Director or his or her associates except where approval is given by the shareholders of the Company in general meeting in accordance with the requirements of the Listing Rules.
- 4.4 Participation in the Plan is subject to the Rules.

5. Eligibility to participate

- 5.1 The Board may in its absolute discretion determine criteria to apply to an Eligible Participant for participation in the Plan including, without limitation, a minimum period of service.
- 5.2 Subject to Rule 4.4 in respect of the participation of Directors, Eligible Participants are eligible to participate in the Plan.
- 5.3 Eligibility to participate in the Plan does not confer a right to participate in the Plan. Participation in the Plan will be solely determined by the Board in accordance with these Rules.
- 5.4 Options may be granted to Eligible Participants or their nominees as approved by the Board from time to time.

6. Offer of Options

- 6.1 The Company may from time to time make Offers in writing to Eligible Participants inviting them to accept an offer of Options under the Plan.
- 6.2 No Offer may be made if to do so would contravene the Constitution, the Corporations Act, the Listing Rules or any other applicable law.
- 6.3 Each Offer must be in writing and must:
- (a) specify the name of the Eligible Participant to whom the Offer is made;
 - (b) specify the total number of Options (and the number of Shares to which the Options relate) being offered;
 - (c) specify such terms and conditions of the issue of the Options the subject of the Offer, as determined by the Board, including;
 - (i) the Expiry Date;
 - (ii) the Exercise Price; and

- (iii) the Restricted Period;
- (d) specify the time and date by which the Offer must be accepted;
- (e) specify any other matters required to be specified in the Offer by the Corporations Act, the Listing Rules and/or application instruments issued by the Australian Securities and Investments Commission; and
- (f) have attached an Application and copy of these Rules.

6.4 If the Company is admitted to the official list of ASX, the Offer must include an undertaking by the Company to provide to a Participant, within a reasonable period of being so requested, the current market price (as defined in the Listing Rules) of the Shares.

6.5 Options must be offered under the Plan for no more than Nominal Consideration.

7. Acceptance of Offer of Options

7.1 Upon receipt of an Offer of Options, an Eligible Participant may, within the period specified in the Offer:

- (a) accept the whole or any lesser number of Options offered by submitting an Acceptance Form; or
- (b) nominate a nominee in whose favour the Eligible Participant wishes to renounce the Offer.

7.2 Upon:

- (a) receipt of the completed Acceptance Form; or
- (b) the Board resolving to allow the renunciation to a nominee for the Eligible Participant and the nominee accepting the whole or any lesser amount of Options offered by notice in writing to the Board,

then the Eligible Participant, or the nominee, as the case may be, will be taken to have agreed to be bound by:

- (c) these Rules;
- (d) the terms of the Offer; and
- (e) the Constitution in respect of any Shares acquired on the exercise of Options.

8. Grant of Options

8.1 Upon acceptance of a duly signed and completed Acceptance Form, the Company may grant the Options applied for to the applicant (such person then being known as the **Holder**) on the terms determined by the Board under Rule 6.

8.2 The Company will issue a certificate or holding statement to each Holder in respect of Options granted to them.

8.3 The Offer will lapse if not accepted within the time required under the terms of the Offer.

9. Terms of Options

- 9.1 The terms of Options granted under the Plan shall be as determined by the Board from time to time in accordance with this Rule 9.
- 9.2 The Exercise Price of an Option shall be the price determined by the Board in its absolute discretion prior to or on grant of the Options.
- 9.3 Subject to Rule 11.4, the Exercise Period of an Option shall be the period determined by the Board in its absolute discretion prior to or on grant of the Option. If no period is determined by the Board then the Exercise Period shall be the period from the date of grant of the Option to the Expiry Date.
- 9.4 Unless otherwise determined by the Board when it resolves to grant the Option, each Option is granted on the terms set out in this Rule 9.4 and the Rules generally.

Exercise of Options

- (a) Each Option entitles the Holder to subscribe for one Share on exercise of the Option.
- (b) Subject to paragraph (e), a Holder may not exercise Options before expiry of the Restricted Period.
- (c) Subject to paragraph (e), a Holder may only exercise Options during the Exercise Period.
- (d) On expiry of the Exercise Period an Option not exercised shall automatically lapse.
- (e) Notwithstanding paragraph (b), Options may be exercised:
- (i) during a Takeover Period;
 - (ii) at any time after a Change of Control Event has occurred;
 - (iii) at any time after the announcement of a proposed capital reconstruction referred to in paragraph (n);
 - (iv) in the Board's absolute discretion, following the occurrence and announcement by the Company of an event that in the opinion of the Board is likely to lead to the Company being removed from the official list of ASX; or
 - (v) in the Board's absolute discretion, within 12 months, in the event of the death or Permanent Disablement of an Eligible Participant, in respect of Options held by or on behalf of that Eligible Participant.
- (f) If, in the reasonable opinion of the Board, an Eligible Participant acts fraudulently or dishonestly in any material respect or is in material breach of his or her obligations to any Group Company, then, notwithstanding any other provision in these Rules, the Board may deem any unexercised Options held by or on behalf of the Eligible Participant to have lapsed.

Notice of exercise

- (g) Options may only be exercised by notice in writing to the Company which is signed by the Holder and delivered to the registered office of the Company. The notice must specify the number of Options being exercised (which must be no less than 500 and then in multiples of 100) and must be accompanied by:

- (i) the Exercise Price (if any) for the number of Options specified in the notice; and
- (ii) the certificate or holding statement for those Options, for cancellation by the Company.

The notice only becomes effective when the Company has received the full amount of the Exercise Price (if any) for the number of Options specified in the notice in cleared funds.

Issue of certificates

- (h) Subject to paragraphs (b) to (g) above, within 10 Business Days of the notice referred to in paragraph (g) above becoming effective, the Board must:
 - (i) acquire or allot and issue the number of Shares specified in the notice to the Holder;
 - (ii) cancel the certificate or holding statement for the Options being exercised; and
 - (iii) if applicable, issue a new certificate or holding statement for any remaining unexercised Options covered by the certificate or holding statement accompanying the notice.

Allotment of Shares

- (i) All Shares allotted upon the exercise of Options will be credited as fully paid and will be of the same class and rank equally in all respects with other Shares, and, in particular, entitle their holders to participate fully in:
 - (i) dividends declared by the Company after the date of allotment; and
 - (ii) all issues of securities offered to holders of Shares where entitlements to participate in those issues are determined by reference to a record date after the date of allotment of Shares allotted upon the exercise of Options.

Quotation on ASX

- (j) If existing Shares are officially quoted by ASX, the Company must apply for official quotation by ASX of all Shares allotted pursuant to the exercise of Options not later than 10 Business Days after the date of allotment.
- (k) The Company will not apply to have the Options granted under the Plan quoted on ASX or any other stock exchange.

New issues

- (l) Holders will only be permitted to participate in a pro rata issue of Shares to the holders of Shares on the prior exercise of Options. The Company must notify the Holder of the proposed issue at least 7 Business Days before the record date to determine entitlements to the pro rata issue.

Bonus issues

- (m) If from time to time prior to the expiry of any Options the Company makes an issue of any class of shares to the holders of Shares on a pro rata basis by way of capitalisation of profits or reserves (other than an issue in lieu of dividends) (a **Bonus Issue**) then upon exercise of a Option, each Holder is entitled to have issued (in addition to the Shares which would otherwise be issued upon such exercise) the number of shares of the class which would have been issued to the

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Holder under the Bonus Issue (**Bonus Shares**) if on the date on which entitlements to participate in the Bonus Issue were calculated the Holder had been registered as the holder of the number of Shares of which the Holder would have been registered as holder if immediately prior to that date the Option had been exercised and the Shares the subject of such exercise had been duly allotted and issued. The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

Reorganisation of capital

- (n) In the event of a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Options to which each Holder is entitled or the Exercise Price (if any) or both will be changed in the manner required by the Listing Rules and, in any case, in a manner which will not result in any benefits being conferred on holders of Options which are not conferred on Shareholders.
- (o) The Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe for or to the Exercise Price (if any) pursuant to the provisions of paragraph (n).

Restrictions

- (p) A Participant must not sell, transfer, mortgage, pledge, charge, grant security over or otherwise dispose of any Options, or agree to do any of those things, until they are exercised or expire.
- (q) An Offer may specify a restriction period for Shares issued on the exercise of Options.

10. Conditions of exercise of Options

- 10.1 Options may not be exercised during the period determined by the Board, if any, from, and including, the date of issue of an Option (**Restricted Period**).
- 10.2 If a takeover bid is made to acquire the whole or any part of the issued Shares, or a scheme of arrangement, selective reduction or other transaction is initiated which has an effect similar to a full takeover bid of the issued Shares (**Bid**), and the Bid is accepted by the holder of at least 50% of the Shares on issue, then each Holder will be able to exercise all or any part of his or her Options, notwithstanding that the applicable Restricted Period has not expired.

11. Cessation of employment of Participant

- 11.1 Subject to Rules 11.3 and 11.4, Options will automatically lapse and be forfeited if during the Restricted Period the Participant to whom the Options were first granted:
 - (a) voluntarily resigns from employment with a Group Company otherwise than to take up employment with another Group Company;
 - (b) is dismissed from employment or is removed from his or her position with a Group Company for any one or more of the following reasons:
 - (i) wilful misconduct bringing disrepute on a Group Company;
 - (ii) repeated disobedience, after prior written warning;

- (iii) incompetence in the performance of any duties for which the Eligible Participant was employed, after prior written warning;
- (iv) fraud or any other dishonesty in respect of the property or affairs of a Group Company; or
- (v) any other reason, based on which the Board believe is fair and reasonable to warrant the lapsing and forfeiture of the Options.

11.2 The Board may in its absolute discretion determine that the Options granted to a Participant (or a nominee thereof) who voluntarily resigns from employment with a Group Company (other than to take up employment with another Group Company) at any time after an Option has become exercisable, may be exercised by the Participant within:

- (a) 1 month after such resignation; or
- (b) such longer periods as the Board determines,

and any Options the subject of this clause not exercised within the 1 month or longer period determined by the Board, will automatically lapse and be forfeited.

11.3 The Board may in its absolute discretion determine that the Options granted to a Participant who voluntarily resigns from employment with a Group Company (other than to take up employment with another Group Company) may be exercised by the Participant within 10 Business Days after such resignation.

11.4 Options will not lapse and be forfeited if the Participant ceases employment or is removed from his or her position with a Group Company in the following circumstances:

- (a) death of the Participant;
- (b) total permanent disability of the Participant, such that the Participant is incapable of performing his or her duties due to a form of illness, injury or other disablement, as determined by the Board;
- (c) permanent retirement from full-time employment; and
- (d) any other reason, based on which the Board believe is fair and reasonable to warrant the Eligible Participant maintaining his/her right to exercise the Options.

11.5 Should a Participant, in the opinion of the Board, satisfy the requirements of Rule 11.4 the Participant will have a period of one (1) year to exercise the Option from the date the Company receives notice or determines the existence of the specified event (as the case may be) and acknowledges in writing that such event satisfies the requirements of Rule 11.4.

12. Dividends and voting rights

Holders of Options have no rights to vote at meetings of the Company or receive dividends until Shares are allotted or acquired on the exercise of Options pursuant to the Rules.

13. Maximum number of Options

13.1 The Board must not offer or grant Options to any Eligible Participant under the Plan if, immediately following the grant of the Options the subject of the Offer, the total number of Shares to which the Options to be granted under the Offer relate, when aggregated with:

- (a) the total number of Shares which are the subject of any outstanding Offers of Options;

- (b) the number of Shares which would be issued if each outstanding Option or other outstanding rights or options or other outstanding entitlements to Shares issued under any other employee or director share or option scheme operated by the Company were to be exercised, ignoring any Vesting Conditions; and
- (c) the number of Shares issued during the previous five (5) years pursuant to the Plan or any other employee or director share or option plan operated by the Company,

would exceed five per cent (5%) of the total number of issued Shares in the Company as at the time of the Offer.

13.2 For the purposes of Rule 13, any Shares or Options or options offered in the following circumstances may be disregarded:

- (a) an offer made to a person situated outside Australia at the time of receipt of the Offer;
- (b) an offer that did not need disclosure to investors because of section 708 of the Corporations Act;
- (c) an offer made pursuant to a disclosure document (as defined in the Corporations Act); or
- (d) an offer that was an excluded offer or invitation within the meaning of the Corporations Act as in force before the commencement of Schedule 1 of the *Corporate Law Economic Reform Program Act 1999* (Cth).

14. Taxation

Neither the Company nor its directors, officers, employees, representatives or agents take any responsibility or assume any liability for the taxation liabilities of Participants that arise in respect of the issue or exercise of Options.

15. Listing Rules

The terms and conditions of the Plan must at all times comply with the Listing Rules. If there is any inconsistency between the terms and conditions of the Plan and the Listing Rules then the Listing Rules will prevail.

16. Administration of the Plan

16.1 Board powers

The Plan will be administered by the Board who shall have the power and absolute discretion to:

- (a) determine the appropriate procedures from time to time for the administration of the Plan, including the form of application and other forms and notices to be issued under the Plan, subject to the Rules;
- (b) subject to Rules 6.2, 15, 16.2 and 18, amend, modify or waive any or all of the Rules (including this Rule), or any restriction or other condition relating to any Options allocated under the Plan;
- (c) resolve conclusively all questions of fact or interpretation concerning the Plan and the applicable Rules and any dispute of any kind that arises under the Plan, including as to the interpretation or application of the Plan or any restrictions or

other conditions relating to any Options allocated under the Plan, and the decision of the Board is final and binding on the Company and the Participants;

- (d) delegate to any one or more persons for such period and on such conditions as the Board may determine the exercise of any of the Board's powers or discretions under the Plan; and
- (e) waive any breach of a provision of the Plan.

16.2 **Limitation on amendments**

Subject to the applicable Rules, without the consent of the Participant, no amendment may be made to any restriction or other condition relating to any Options allocated under the Plan, which reduces the rights of Participants to those Options, other than an amendment made primarily to:

- (a) comply with present or future State or Commonwealth legislation;
- (b) correct any manifest error; or
- (c) take into consideration possible adverse tax implications in respect of the Plan arising from, among other things:
 - (i) adverse rulings from the Commissioner of Taxation;
 - (ii) changes to Australian tax legislation (including an official announcement by the Commonwealth of Australia); or
 - (iii) changes in the interpretation of Australian tax legislation by a court or tribunal of competent jurisdiction.

16.3 **Board's discretion**

The Board has absolute and unfettered discretion:

- (a) to act or refrain from acting under the applicable Rules or concerning the Plan or any Options allocated under the Plan; and
- (b) in exercising any power or discretion concerning the Plan or any Options allocated under the Plan,

except that while the Company is listed on the official list of the ASX, the Board may only exercise its powers in accordance with the Listing Rules of the ASX.

16.4 **Indemnification**

The Company must indemnify, and keep indemnified, to the full extent permitted by law, each person who is or has been a director or alternate director of the Company against all proceedings, actions, claims, demands, losses, liabilities, damages, costs and expenses which may be made, brought against, suffered or incurred by the person arising directly or indirectly out of or in connection with the operation of the Plan.

17. Restriction on exercise of Options

No Option given under this Plan may be exercised unless the underlying Shares pertaining to that Option have been listed on ASX or an approved foreign exchange (as defined in the Class Order) for a period of 12 months immediately before the date of the Offer without suspension for more than a total of two trading days during that period.

18. Termination, suspension and amendment of the Plan

Subject to any applicable Listing Rules or laws, the Plan will take effect when the Board decides and may be suspended, terminated or amended at any time by resolution of the Board.

19. Costs, charges and duties

The Company:

- (a) is not responsible for any costs, charges or duties which are or may become payable on the transfer, allotment and issue of Options under the Plan or any other dealing with the Options; and
- (b) may make any withholding or payment which it is required by law to make in connection with the Plan or the Options.

20. Terms of employment not affected

- 20.1 The rights and obligations of a Participant under the terms of his or her office, employment or contract with a Group Company are not affected by his or her participation in the Plan.
- 20.2 The applicable Rules do not form part of, and will not be incorporated into, any contract of a Participant (whether or not they are an employee of a Group Company).
- 20.3 No Participant has any right to compensation or damages as a result of the termination of his or her office, employment or other contract with a Group Company for any reason, so far as those rights arise or may arise from the Participant ceasing to have rights under the Plan as a result of the termination.
- 20.4 The Company makes no representation or guarantee as to the ongoing value of Options which a Participant acquires under the Plan. No Participant has any right to compensation or damages as a result of any decrease in value of Options which the Participant acquires under the Plan.

21. Notices

- 21.1 A notice or other communication under or concerning the Plan is validly given:
 - (a) by the Company to a Participant, if delivered personally to the addressee or sent by prepaid post to his or her last known residential address, or sent to him or her by facsimile or email at his or her place of work or posted on an electronic noticeboard maintained by the Company and accessible by the Participant; and
 - (b) by a Participant to the Company if delivered or sent by prepaid post addressed to, as appropriate, the company secretary of the Company at the Company's registered office (or any other address the Board specifies).
- 21.2 A notice or other communication sent by post will be treated as received 48 hours after it was posted.

22. Miscellaneous

- 22.1 No broker's fees or commissions are payable by an Eligible Participant for the grant of Options pursuant to this Plan.

- 22.2 Participants granted Options under this Plan are bound by these Rules and the Constitution.
- 22.3 No Participant or Holder has or is to be regarded for any purpose as having any interest in Shares the subject of an Option until that Option is exercised and the Shares are allotted.
- 22.4 The Company will establish and maintain a register of Participants.
- 22.5 Neither the adoption of the Plan by the Board nor any provisions of these Rules will be construed as creating any limitation on the power of the Board to adopt such additional remuneration arrangements as it may deem desirable, including without limitation, the granting of share options and bonuses otherwise than under the Plan, and any such arrangements may be either generally applicable or applicable only in specific cases.
- 22.6 All Options lapse on liquidation of the Company.

23. Governing law

The Plan and these Rules are governed by the laws of Western Australia and the Commonwealth of Australia.

24. Severance

If any provision in the Rules is void, voidable by any party or illegal, it shall be read down so as to be valid and enforceable or, if it cannot be so read down, the provision (or where possible, the offending words) shall be severed from the Rules without thereby affecting the validity, legality or enforceability of the remaining provisions (or parts of those provisions) of the Rules which shall continue in full force and effect.

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PROXY FORM

The Company Secretary
Matsa Resources Limited
PO Box 376
Northbridge WA 6865
Facsimile: (08) 9277 0370
Email: reception@matsa.com.au

I/We (name of shareholder)
of (address)
being a member/members of Matsa Resources Limited HEREBY APPOINT
(name)
of (address)
and/or failing him (name)
of (address)

or failing the person so named, or if no person is named, then the Chairman of the Annual General Meeting, or the Chairman's nominee, as my/our proxy to vote in accordance with the following directions or, if no directions are given, and subject to the relevant laws, as the proxy sees fit at the Annual General Meeting of the Company to be held on 27 November 2013 at 10.00am WST at the Company's offices at Suite 11, 139 Newcastle Street, Perth, Western Australia and at any adjournment of the meeting.

The Chairman of the Annual General Meeting intends to vote all undirected proxies in favour of all Resolutions in which the Chairman is entitled to vote.

Should you so desire to direct the proxy how to vote, you should place a cross in the appropriate box(es) below:

I/We direct my/our Proxy to vote in the following manner:

		For	Against	Abstain
Resolution 1	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-Election of Mr Paul Poli as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of Prior Issue of 9,534,998 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of Prior Issue of 625,000 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Important for Resolutions 1 and 6

If you have not directed your proxy how to vote as your proxy in respect of Resolutions 1 and 6 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolution 1 (except where I/we have indicated a different voting intention above) and expressly authorise that the Chair may exercise my/our proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel and acknowledge that the Chair may exercise my/our proxy even if the Chair has an interest in the outcome of Resolution 6 and that votes cast by the Chair for Resolution 6, other than as proxy holder, will be disregarded because of that interest.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolutions 1 and 6 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 and 6.

*This Proxy is appointed to represent _____% of my voting right, or if two proxies are appointed Proxy 1 represents _____% and Proxy 2 represents _____% of my/our total votes.
My/our total voting right is _____ shares.*

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IF THE SHAREHOLDER IS AN INDIVIDUAL OR JOINT HOLDER:

Signature: _____

Signature: _____

IF THE SHAREHOLDER IS A COMPANY:

Affix common seal (if required by Constitution)

Director/Sole Director and Secretary

Director/Secretary

Dated:

In addition to signing the Proxy Form above please provide the information below in case we need to contact you.

Contact name

Contact Daytime Telephone

INSTRUCTIONS FOR APPOINTMENT OF PROXY

- (a) A Shareholder entitled to attend and to cast two or more votes is entitled to appoint no more than two proxies to attend and vote at this Annual General Meeting as the Shareholder's proxy. A proxy need not be a Shareholder of the Company.
- (b) Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the Shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the Shareholder's voting rights. Fractions shall be disregarded. Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available from the Company, or alternatively you may copy this form.
- (c) The proxy form must be signed personally by the Shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint Shareholders, this proxy must be signed by each of the joint Shareholders, personally or by a duly authorised attorney.
- (d) If a proxy is executed by an attorney of a Shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
- (e) Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
- (f) To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Annual General Meeting by post, facsimile or email to the address stipulated in this proxy form. If the proxy form specifies a way in which the proxy is to vote on any of the Resolutions stated above, then the following applies:
- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - if the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - if the proxy is Chairman, the proxy must vote on a poll and must vote that way; and
 - if the proxy is not the Chairman, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.
- (g) If a proxy is also a Shareholder, the proxy can cast any votes the proxy holds as a Shareholder in any way that the proxy sees fit.
- (h) To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
- delivering it to Matsa Resources Limited in person at Suite 11, 139 Newcastle Street, Perth WA;
 - post to Matsa Resources Limited, PO Box 376, Northbridge, WA 6865;
 - facsimile to the Company on facsimile number +61 8 9227 0370; or
 - email to the Company at reception@matsa.com.au

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

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