



**MATSA**  
RESOURCES

Annual Report **2015**

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Dear Shareholder,

Well another year has passed, and we have continued to see ever increasing pessimism and hardship in the ASX junior resource sector. I fear many investors have found difficult times and this is most unfortunate for those families and companies. I continue to hope that change is near and that as confidence returns, which it will, lost positions can be restored and wealth recreated.

We at Matsa have been most fortunate in that our hardworking team stuck together. They have buckled down and worked through the ups and downs and stuck to the core principle of trying to add value to the Company, as efficiently and determinedly as possible. In my opinion, we have succeeded!

During the year we focussed on Symons Hill and revelled in the historic granting of our Thailand tenements. During exceptionally tough times, we have been able to remain cash strong and even built on the Company's cash and liquid asset position, and to become respected amongst our peers.

Our strategically located Symons Hill project has seen an enormous effort during the year, with drilling and high powered EM surveys still ongoing as I write. The project remains a challenge but is very worthwhile as any potential prizes in the area having the capacity to be extremely rewarding. Several interesting targets have been produced.

The Thailand adventure has finally been given birth, and we have stepped into the role in a big way. We have developed a talented team and already discovered outstanding high grade copper with silver, which we hope is only a taste of things to come. The country has its issues, but also presents a huge opportunity for Matsa. Current exploration over a huge area is ramping up significantly with all at Matsa very enthused.

Of market interest, a significant feature of Matsa is our share portfolio and liquid asset position. We have a built a sizable portfolio of shares in Panoramic Resources Ltd and Bulletin Resources Ltd and with the post year end sale of the Mt Henry Gold Project we can also proudly boast equity in significant gold and tin producer Metals X Ltd. Matsa's investments at time of this report is over \$9m and with cash and receivables over \$4m, we truly are in a sound position financially. We can undertake all the exploration that our projects demand whilst having the capacity to seek alternative developed projects to complement our project pipeline.

As is always the case, we must thank our team of highly dedicated and highly committed staff in Australia and Thailand, without whom, the Company would simply not exist. The amount of highly professional work completed by our tireless team is inspiring.

Last but not least, our shareholders who have continually, year on year supported the board and demonstrated their support at shareholders' meetings with their emphatic yes vote on all occasions. The positivity echoed by the loyal and visionary group heavily outshines the rare naysayer who simply seeks a moment's attention.

We are primed for take-off whenever the opportunity presents! The board sincerely thanks you all.



**PAUL POLI**  
**EXECUTIVE CHAIRMAN**

## INTRODUCTION

During the 2014-15 financial year, Matsa focussed on advancing its portfolio of projects through targeted exploration and assessment. Matsa has continued to utilise its capabilities to further shareholder satisfaction by building up its exploration development portfolio.

The year saw Matsa continue to explore its Symons Hill Project, located just south of Independence Groups' Nova/Bollinger nickel project, as well as advance its Killaloe project. In a historic event Matsa was granted a number of Special Prospecting Licences (SPL's) in Thailand in March 2015, the first such granting of SPL's in a number of years.

Matsa's joint venture partner in the Mt Henry Gold Project, Panoramic Resources Limited, continued to advance a feasibility study with the announcement of a maiden reserve and the results of the feasibility study announced in May 2015. Subsequent to year end both Panoramic and Matsa agreed to sell the Mt Henry Project to Metals X Limited (MLX) for 22 million MLX shares of which Matsa's share is 6.6M MLX shares.

Matsa has maintained its interest in Bulletin Resources Limited at around 24.4% and Bulletin's 20% interest in the Nicholsons Gold project has started to bear fruit with production commencing in September 2015.

Matsa has accumulated a quality pipeline of assets and projects in Western Australia and Thailand. Further, with the sale of its interest in the Mt Henry Gold project, Matsa continues to be well funded.

A combination of strategic partnerships on favourable terms to shareholders and its strong level of funding will enable Matsa to continue to develop projects in Australia and Thailand with the potential to deliver significant value for shareholders and greater strategic outcomes for the Company.

A snapshot of Matsa's projects in Western Australia and Thailand is presented in Figure 1.



**FIGURE 1:** Matsa's Western Australian and Thailand Projects

## COMPANY ACTIVITIES

The primary focus of exploration by Matsa during the year under review has been:

- Working with JV partner Panoramic Resources, to monetise the Mt Henry gold project;
- Prospecting, Mapping and sampling in the Siam Copper project in Thailand after historic granting of 37 SPL's for 520km<sup>2</sup> in March 2015;
- High powered ground EM surveys and diamond drilling targeting Nova/Bollinger type Ni-Cu sulphides at Symons Hill;
- EM surveys and diamond drilling targeting Kambalda style Ni sulphides at Killaloe;
- Auger sampling and drill testing of Ni and Au exploration targets at Minigwal;
- Completion and interpretation of high resolution aeromagnetic survey at Dunnsville to produce high quality gold targets for immediate follow up; and
- Farm in to the Point Kidman gold project east of Laverton with drilling set to commence shortly.

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

The Mt Henry JV tenements cover 77km<sup>2</sup> and are located south of Norseman in Western Australia. This is a joint venture between Matsa Resources Ltd 30% and Panoramic Resources Ltd 70%.

Panoramic completed the Bankable Feasibility Study (BFS) on the Mt Henry Gold Project during the year, which included environmental baseline studies, metallurgical testwork and site planning.

The outcomes of the BFS show that on a 100% Project basis, a mining inventory of 21.1Mt @1.41g/t Au (contained gold 961,000oz). The Mining Inventory is based on the Probable Ore Reserve estimate of 20.2Mt @ 1.42g/t Au (contained gold 922,900oz). Key Feasibility Study outcomes are given in Table 1 below.

#### Key Risks:

A number of key risks were identified by PAN that may impact (either positively or negatively) on the economics of the Mt Henry Project. These risks include, but are not limited to:

- US\$ Gold price and A\$:US\$ FX rate;
- Capital and operating costs;
- Processing optimisation and recoveries;
- Project financing; and
- Regulatory approvals.

Matsa and Panoramic commenced discussions and plans with a view to monetisation of the substantial value in the Mt Henry Gold project.

To this end and subsequent to the end of the financial year Matsa and Panoramic entered into an Asset Sale and Purchase agreement to dispose of their respective interests in the Mt Henry Gold Project to Metals X Limited (MLX). The consideration for the disposal (100%) is the issue of 22 million fully paid ordinary shares in MLX, freely tradeable with no restriction provisions.

Matsa received 6.6 million fully paid ordinary shares in MLX on settlement which, based on current market price, values Matsa's MLX shares at \$8.1 million.

Item	Base Case (A\$1,500/oz)
Mineral Resources	1.7Moz contained gold at a 0.4g/t cut-off
Mining inventory	21.1Mt @ 1.41g/t Au for 0.96Moz contained gold
Mine life (processing)	7.3 years (at 3Mtpa)
Life of Mine production	865,000oz Au (average ~120,000ozpa)
Total capital costs	A\$186M (A\$161M pre-production)
Average LOM cash costs (C1)	A\$1,024/oz Au
Average LOM "all-in sustaining costs"	A\$1,106/oz Au
LOM processing recovery	90%
LOM strip ratio	4.2:1
Revenue	A\$1,297M over LOM
EBITDA	A\$366M over LOM
Post-tax cash flow	A\$120M over LOM
Post-tax NPV (8%, real)	A\$39.6M
Payback period	4.6 years from first production
Construction period	16 months; first gold production in Month 17
Mineral Resources	1.7Moz contained gold at a 0.4g/t cut-off

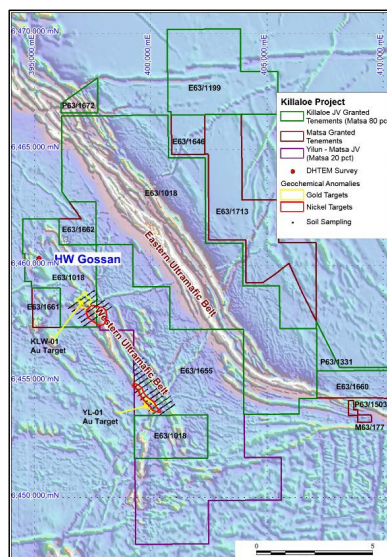
**TABLE 1:** Key Outcomes from Feasibility Base Case on 100% project basis, (Matsa Interest 30%)

**COMPETENT PERSONS STATEMENT**

Information in this release relating to MHGP Ore Reserves has been completed by or reviewed by Christopher Williams (MAusIMM). Mr Williams is a full-time employee of Panoramic Resources Limited and is an indirect shareholder of Panoramic and Matsa Resources. Mr Williams also holds performance rights in relation to Panoramic Resources Limited. Mr Williams has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Williams consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

**KILLALOE (MATSA 80% CULLEN RESOURCES 20%)**

The Killaloe project comprising 94km<sup>2</sup> is located 35km NE of Norseman in Western Australia. The greater part of the project is subject to a JV with Cullen Resources (ASX: CUL).



**FIGURE 2:** Killaloe Project on background Total Magnetic Intensity Image

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A summary of the 8EL's, 3PL's and 1 ML making up the project is presented in Table 2 and locations and exploration summary is shown in Figure 2. Exploration is managed by Matsa.

Tenement	Tenement Holders
E 63/1018	Matsa Resources (80%), Cullen Resources (20%)
E 63/1199	Matsa Resources (80%), Cullen Resources (20%)
P 63/1331	Matsa Resources (80%), Cullen Resources (20%)
P 63/1672	Matsa Resources (80%), Cullen Resources (20%)
E 63/1655	Yilun Pty Ltd (80%), Matsa Resources (20%)
E 63/1646	Matsa Resources (100%)
E 63/1660	Matsa Resources (100%)
E 63/1661	Matsa Resources (100%)
E 63/1662	Matsa Resources (100%)
E 63/1713	Matsa Resources (100%)
M 63/177	Matsa Resources (100%)
P 63/1503	Matsa Resources (100%)

**TABLE 2:** Killaloe Project Tenement Summary

Exploration during the financial year was mostly directed towards potential for Kambalda style Ni sulphide mineralisation in two strike extensive belts of Komatiite lavas and associated intrusions referred to as the Eastern and Western Ultramafic Belts (Figure 2).

Specific activities carried out at Killaloe during the year include:

- Completion of 5 diamond drill holes at Hanging Wall Gossan (HWG) Prospect for 1,814.8m;
- Assays of sulphide bearing core and representative samples of all units for a total of 771 samples;
- Downhole EM on all diamond drill holes;
- Petrographic analysis to confirm the presence of Ni sulphides at the HWG prospect; and
- Field and drill core review by Consultant Dr MJ Gole.

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## DIAMOND DRILLING

Further diamond drilling was carried out to follow up the intercept of Ni bearing sulphides in drillhole KLDH01 completed at the HWG prospect as reported for the 2014 financial year.

Hole ID	East (GDA94) (m)	North (GDA94) (m)	Depth (m)	RL (m)	Dip (deg)	Azimuth (deg)
14KLDH02	395163	6460218	397.2	312	-57.3	63.3
14KLDH03	395552	6460086	349	307	-72.9	259.8
14KLDH04	395533	6460421	447.7	297	-66	231.1
14KLDH05	395557	6460082	341	297	-85	300
14KLDH06	395198	6460314	279.9	303	-65	128

**TABLE 3:** Diamond Drillholes Completed at HWG Prospect

## ASSAYS

Sampling was carried out to geological boundaries (typically <1m) in sulphide bearing komatiite. Representative samples up to 4m in length were collected in visually unmineralised units. A total of 633 intervals were marked up. Core splitting, sampling and assays were carried out by Genalysis Kalgoorlie. (Sampling procedures and sample preparation and assay protocols are described in earlier announcements to the ASX including MAT reports on 4th September 2014, 30th September 2014, 31st October 2014, 25th November 2014, 22nd January 2015, 31st January 2015, 30th and April 2015)

A summary of assays with maximum values of key elements for each hole are shown in Table 4.

Hole_ID	Base Metal Assays	Co (ppm)	Cr (ppm)	Cu (ppm)	Ni (ppm)	Precious Metal Assays	Au (ppm)	Pd (ppb)	Pt (ppb)
14KLDH02	161	822	7462	3573	9100	0			
14KLDH03	144	489	3602	1318	4148	45	0.006	298	82
14KLDH04	162	187	3381	1700	3200	27	0.009	57	54
14KLDH05	94	349	6023	1748	5033	0			
14KLDH06	100	748	7791	3913	5800	0			
TOTAL	661					27			

**TABLE 4:** Summary of Maximum values for key base and precious metals

Better assay intervals returned from this diamond drilling programme are shown in Table 5.

Hole ID	m	m to	Ni_ppm	Cu_ppm	Co_ppm	Broader Intercept
14KLDHo2	106.3	107	4043	592	249	1.6m @ 0.36% Ni
	107	107.9	3224	395	211	
	107.9	109.7	1.8m No Recovery, Lost Core.			
	109.7	110.35	4744	1015	352	1.6m @ 0.55% Ni Including 0.55m @ 0.91% Ni
	110.35	110.75	1745	304	161	
	110.75	111.3	9100	1536	1130	
		230.75	231	4900	900	200
	232.9	233.2	5400	3600	400	
14KLDHo3	189	190	2027	214	136	3.5m @ 0.22% Ni
	190	191	2391	432	195	
	191	192	2196	272	152	
	192	192.5	2185	201	138	
	194.7	195.75	2285	531	285	
	197.8	198	3198	291	489	9.8m @ 0.31% Ni
	209.1	209.3	2031	134	304	
	210.5	211.5	2188	1001	276	
	213.95	214.55	2070	415	198	
	277.8	282	2283	108	124	
	282	286	4148	90	200	
	286	287.6	2707	124	119	
319.2	321.05	2070	27	86		
14KLDHo4	172	174	2157	63	105	4m @ 0.22% Ni
	176	180	2031	62	110	
	200.8	203.85	3200	124	167	
	205	207	2079	98	137	3.85m @ 0.26% Ni
	207	209	2234	104	152	
	213	215	2935	170	162	
	215	216.85	2285	112	134	
422.65	423.2	2078	67	137		
14KLDHo6	111.3	111.5	5800	3700	748	0.2m @0.58% Ni, 0.37% Cu

**TABLE 5:** HWG diamond drilling 2015, key assay intervals

## DISCUSSION

Diamond drill holes 14KLDHo2 - 14KLDHo5 were drilled to test strong well defined FLTEM conductors. The conductors were interpreted to reflect extensions to massive Ni sulphide mineralisation reported in diamond drillhole 14KLDHo1 (1.35m @ 0.54% Ni from 93.35m). Diamond drill hole KLDHo6 was drilled to test a conceptual target based on 3D modelling of earlier holes and geological mapping. (Ground EM survey and drillhole 14KLDHo1 were reported in the 2014 annual report).

**14KLDHo2** intersected highly anomalous Ni values including 0.55m @ 0.91% Ni from 110.75m, which occur in sheared cumulate textured komatiite lava and coincide with the modelled depth of the target EM conductor. Mineralisation is associated with strongly disseminated sulphide mineralisation dominated by pyrrhotite and pyrite that extends for 5m downhole from 106.3m. Drillhole 14KLDHo2 was extended from the original depth of 230m to a final depth of 396m in order to test an off hole conductor target defined by downhole EM (DHEM) surveys. Two narrow zones of disseminated nickel sulphide mineralisation were intersected as shown in Table 5.

The presence in these intersections of elevated copper values, a high Ni-Cu ratio and high MgO-Cr ratio all provide strong support that they are located within a mineralised lava channel pathway. The sequence has been complicated by the presence of a number of faults and the presence of a fault is thought to be the reason that the drillhole passed from channel way rocks into unmineralised wall rocks.

**14KLDH03** intersected a metasomatised, brecciated and strongly sulphidic contact between gabbro and ultramafic komatiites at 199.4m which corresponds to the modelled depth of the target EM Conductor. Highest nickel values (up to 0.41% Ni) were obtained below the target EM conductor in a sulphidic shale unit within the komatiite sequence at a depth of 274.8m.

**14KLDH04** passed through gabbro with intermittent komatiite bands to a depth of 400m which coincides with the modelled depth of the target EM conductor. At this depth the drillhole passed into komatiites with minor sulphidic shales to a final depth of 447m. A brecciated variably sulphide rich komatiite unit containing disseminated pyrrhotite, sphalerite and chalcopyrite was intersected between 191.65m to 221.1m which coincides with significantly elevated Ni values up to 0.32% Ni.

**14KLDH05** was collared in gabbro and overlies faulted blocks of basalt, ultramafic and graphitic shales, corresponding to the modelled location of the target DHEM conductor. No significant sulphide mineralisation was intersected.

**14KLDH06:** This drillhole was designed to test the interpreted position of a basal contact in channel facies komatiite lavas which is potentially an ore-bearing and focusing structure and considered to be the most prospective location for Kambalda style nickel mineralisation. The orientation of this drillhole was based on an analysis of bedding and fault directions in orientated diamond drill core (14KLDH01-14KLDH05) and surface geological mapping. The analysis concluded that lithological contacts at HWG dip moderately towards the north and have been disrupted and offset by late stage northwest trending faults. This drillhole passed from prospective channel facies komatiites to unmineralised wall rocks because of disruption of the sequence across a north-west trending fault.

## PETROGRAPHY

Petrography was carried out on semi-massive sulphides intersected between 93.15m – 93.35m in diamond hole 14KLDH01 which was drilled during the 2014 financial year. Analysis has shown sulphides to consist of pyrite marcasite, violarite (oxidised Ni sulphide) and chalcopyrite.

The Company's petrographic consultant, Townend Mineralogy, noted:

"The pyrite, marcasite and violarite are secondary sulphides from the supergene zone that are the alteration products of underlying primary pyrrhotite and pentlandite. The chalcopyrite remains as an unaltered primary sulphide. The iron nickel sulphide assemblage plus some primary chalcopyrite is typical of WA komatiite ores above 120m".

This provides confirmation of classic Kambalda type sulphide mineralogy and the prospectivity of the HWG prospect (MAT announcement to the ASX 30th September 2014).

## DOWNHOLE SURVEYS

Downhole surveys were conducted on all diamond drill holes completed with a number of conductors identified. Drill tests on these have confirmed a massive Ni rich sulphide source in drill hole 14KLDH01 and disseminated Ni rich sulphides in holes 14KLD02, 14KLD04 and 14KLD06. Conductors detected in drill holes 14KLDH03 and 14KLDH05 are related to unmineralised sulphides and graphitic and sulphide rich shales. A review of the results of these surveys is currently underway in order to determine whether there is potential to target untested DHEM conductors for massive Ni sulphide mineralisation.

## CONSULTANT REVIEW

A detailed field inspection and review of diamond drill core was carried out by Dr Martin Gole. The objective was to compare the Ni sulphide bearing komatiite sequence at HWG, with economic deposits at Kambalda and elsewhere. Dr Gole was also engaged to develop new drill targets. The review consisted of:

- Detailed core logging of all completed diamond holes (14KLDH01 - 14KLDH05);
- Field inspection of outcrops at HWG; and
- Provide high level technical support to Matsa's geology team in understanding komatiite-hosted Ni sulphide deposits.

The review concluded that the rock types and geology intersected in the drilling are a close analogue to the Kambalda sequence although numerous faults and shears are present which complicate the process of reconstructing the local stratigraphic sequence. The presence of magmatic sulphide minerals (emphasised by coincident elevation of Ni, Cu and Co) was confirmed, in some cases at or close to contacts between ultramafics and underlying basalt.

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A significant finding was that channel-way rocks, a key component in Kambalda style Ni sulphide systems are present in the ultramafic sequence. The thickest intersections of channel-way rocks are located in 14KLDH01, 14KLD02 and 14KLD04. Low order DHEM anomalies detected in the upper part of 14KLDH02 may correspond to faulted locations of the komatiite channel facies rocks between 171.3m–225.8m.

Diamond drilling has confirmed magmatic Ni sulphides in basal ultramafic/basalt contacts and channel facies rocks within komatiite sequence at the HWG prospect. Matsa is currently developing conceptual drill targets at the base of the ultramafic sequence which plunges towards the SE beneath overlying mafic gabbro.

## SYMONS HILL PROJECT

This project comprises one exploration licence E69/3070 which is 96km<sup>2</sup> in extent, located within the Fraser Range Tectonic zone and within 6kms SSW of Independence Groups' Nova Nickel Copper mine. The project is located in a soil covered area with only minimal outcrop. A comparison between regional aeromagnetic and gravity information at Symons Hill Project and the Nova/Bollinger discoveries indicates marked similarities in geological setting.

Activities during the financial year included:

- High power, deep sounding ground EM survey;
- Diamond and RC drilling;
- Downhole EM on two diamond drillholes 15SHDD07 and 15SHDD08; and
- Aircore drilling along proposed Nova-Bollinger haul road.

## AIRCORE DRILLING - NOVA/BOLLINGER HAUL ROAD

A mixed RAB and aircore programme was completed by Sirius Resources at no cost to Matsa, as part of the Sirius/Matsa access agreement. The programme was carried out within Matsa's Symons Hill project area along the proposed haul road to Nova. A total of 13 RAB and 50 aircore holes were drilled for 3,601m and 1,931m, respectively (Figure 3). Sampling and assay protocols described previously (MAT Announcement to ASX 30th September 2014).

## DIAMOND AND RC DRILLING

A diamond and RC drilling programme commenced in June 2014 to test high priority targets mostly within Ni anomalous mafic and ultramafic granulites of the Gloucester Corridor.

Drilling under this programme comprised the following:

- 6 diamond drillholes for 480m of RC pre-collars and 1,550.5m of NQ diamond core; and
- 23 RC drillholes for 4,481m of drilling was completed.

Drilling was completed over:

- SHG02, SHG03, SHG04, SHG11, and SHG10 bedrock Ni targets;
- VA1, VA2, VA11 EM targets;
- IPO1 and IPO2 which were interpreted from induced polarisation (IP) surveys; and
- C42 and C56 conductors detected by the ongoing HPFLTEM survey.

Key drill results include:

- Diamond drillhole 14SHDD06 intersected sulphide mineralisation in the form of disseminated chalcopyrite and pyrite (3.20m @ 0.4% Cu from 455-458.2m) in veined and fractured felsic granulites. This mineralised intercept coincides with the modelled position of EM conductor target VA11 thereby confirming a sulphide source for this conductor;
- Diamond drillhole 15SHDD07 intersected a narrow band of massive pyrrhotite mineralisation thus confirming a gabbro hosted sulphide source for EM conductor C56. This conductor is located very close to Matsa's key bedrock Ni and

Cu anomaly SHG01. Assays of 0.55m @ 0.05% Ni and 0.07% Cu from 199.65m downhole were returned over the semi massive pyrrhotite interval. No significant mineralisation was intersected;

- Consideration will be given to carrying out an IP survey to explore for disseminated Ni-Cu sulphides;
- Target IP anomalies defined at SHG02 and SHG03 and tested by drillholes 14SHDD03 and 14SHDD04 respectively are not sulphide related. They are possibly caused by deep weathering and the presence of saline groundwater;
- RC drilling to a maximum depth of 250m intersected elevated nickel values up to 0.2% Ni in fresh mafic/ultramafic granulites at SHG02, SHG03 and SHG11;
- RC drillholes between 120m and 250m depth intersected elevated Ni values up to 0.1% Ni in fresh mafic/ultramafic granulites at SHG04, SHG07 and SHG10; and
- Drilling to date appears to confirm that the near surface geology is similar to that seen above the Nova/Bollinger Ni sulphide deposits.

### DOWNHOLE EM

Downhole EM was carried out on drillholes 14SHDD06 testing VTEM conductor VA11 and 15SHDD07 and 15SHDD08 which were designed to test High Power Fixed Loop EM survey anomalies C56 and C42 respectively. The surveys confirmed that:

- DHEM confirmed the source of VA11 to be a minor/limited anomaly between 440m and 460m downhole. This interval coincides with the mineralised intercept of 3.20m @ 0.4% Cu from 455-458.2m downhole. No significant off hole conductors were identified by the DHEM survey and no further work is planned at this stage;
- The source of anomaly C56 coincided with a zone of semi-massive pyrrhotite approximately 1m wide at a depth of ~99m downhole; and
- The source of anomaly C42 was found to be in the highly conductive near surface weathered environment rather than a conductive bedrock source.

### HIGH POWER FIXED LOOP EM (HPFLEM) SURVEY

During the year Matsa announced it had entered into a fixed price contract for a regional, high powered (150-200A) EM survey over the majority of the Symons Hill Project. The survey is being carried out as part of a research and development project using newly developed, state of the art equipment which has the potential to explore for massive sulphide deposits of Nova/Bollinger type, to a depth of >700m below surface.

The survey has been designed to test three successive, prioritised areas with the highest priority assigned to favourable structural/stratigraphic locations based on interpretation of gravity, aeromagnetic, geochemical and drilling data.

A total of 75 loops were completed during the year, representing 77% of the planned survey area. Two interpreted bedrock conductors (C42 and C56) were discovered which were thought to have geological similarities with the Nova nickel mine. As discussed above, drilling has shown that neither of these targets contain significant mineralisation.

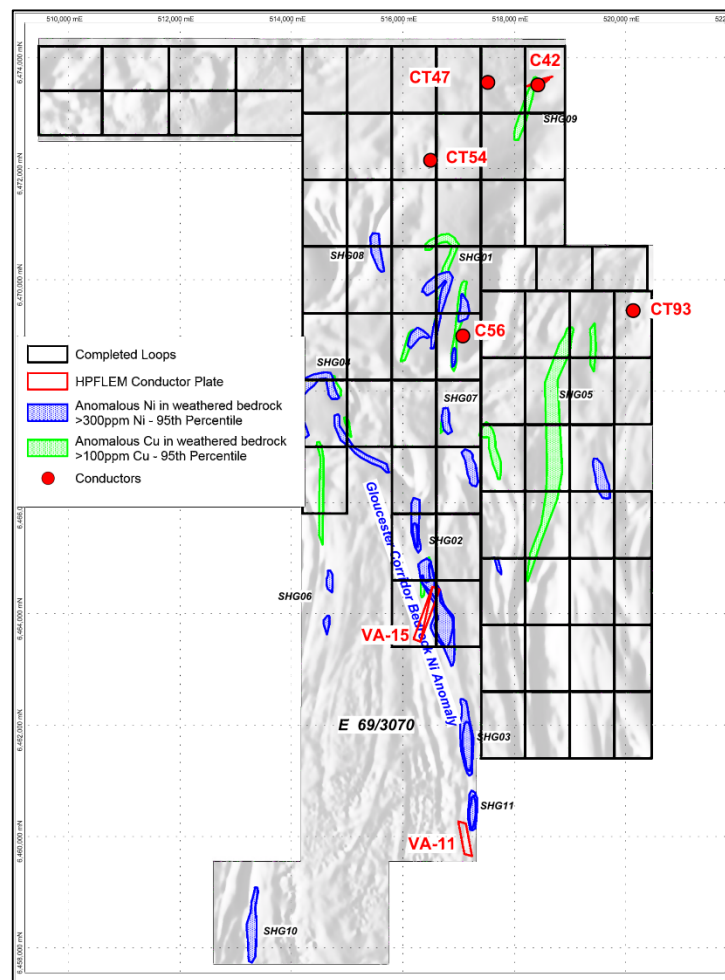
Surveying also led to discovery of 3 new possible bedrock conductors (CT47, CT54 and CT93). Further MLTEM surveys are required to confirm whether these three conductive targets are potential bedrock conductors prospective for Nova/Bollinger style Ni-Cu mineralisation.

This now means that Matsa has a total of 4 untested conductors at Symons Hill, including the previously discovered conductor VA15 (Figure 3):

- CT47, CT54 and CT93: These three conductive targets were discovered recently by Matsa's ongoing HPFLEM survey and are interpreted to be possible bedrock conductors. Results to date are inconclusive because in each case the targets are located close to a loop edge and therefore may be the product of current channelling by conductive weathered rocks and transported overburden in the near surface environment. It is proposed to carry out one or more lines of High Powered Moving Loop EM surveys (HP MLEM) over the central anomalism of each target to confirm whether the target represents a bedrock conductor.
- VA15: This target was initially selected as a deep seated possible bedrock conductor from Matsa's tenement wide helicopter borne VTEM survey carried out in December 2012. Subsequent modelling based on ground EM surveys

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carried out in 2014 and 2015 defined two complex conductor plates with the depth to top of the plates approximately 300m below surface (MAT announcement to ASX 30th April 2014). Significantly, the VA15 conductors are located adjacent to strong enrichment up to 1.1% Ni in weathered olivine metagabbros at SHG02 (Figure 3). This conductor was resurveyed by the current high powered HPFLEM survey as part of Matsa's ongoing research and development project, in order to resolve complications in the interpretation caused by the presence of highly conductive and chargeable responses at shallow depth. Results have confirmed the presence of steeply dipping conductors at depth with moderate conductivity in the range 250 to 500 Siemens (MAT announcement to ASX 30th January 2015). A diamond drillhole has been proposed to test this anomaly.



**FIGURE 3:** Symons Hill, Location of completed HPFLEM, high priority conductive targets and bedrock geochemical anomalies

## DUNNSVILLE GOLD PROJECT

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

A detailed structural interpretation of the Dunnsville Project was carried out utilising the recently completed 50 metre line spaced low level aero-magnetic survey in conjunction with Matsa's extensive surface sampling and drilling database.

The interpretation has identified 27 new stratigraphic structural targets of which a number have supporting gold geochemistry from past exploration.

Targets represent a range of structural settings where deformation is interpreted to have created space for gold mineralisation. In most cases targets have not undergone significant modern exploration and are located in areas of very deep weathering and extensive transported cover masking any possible underlying mineralisation.

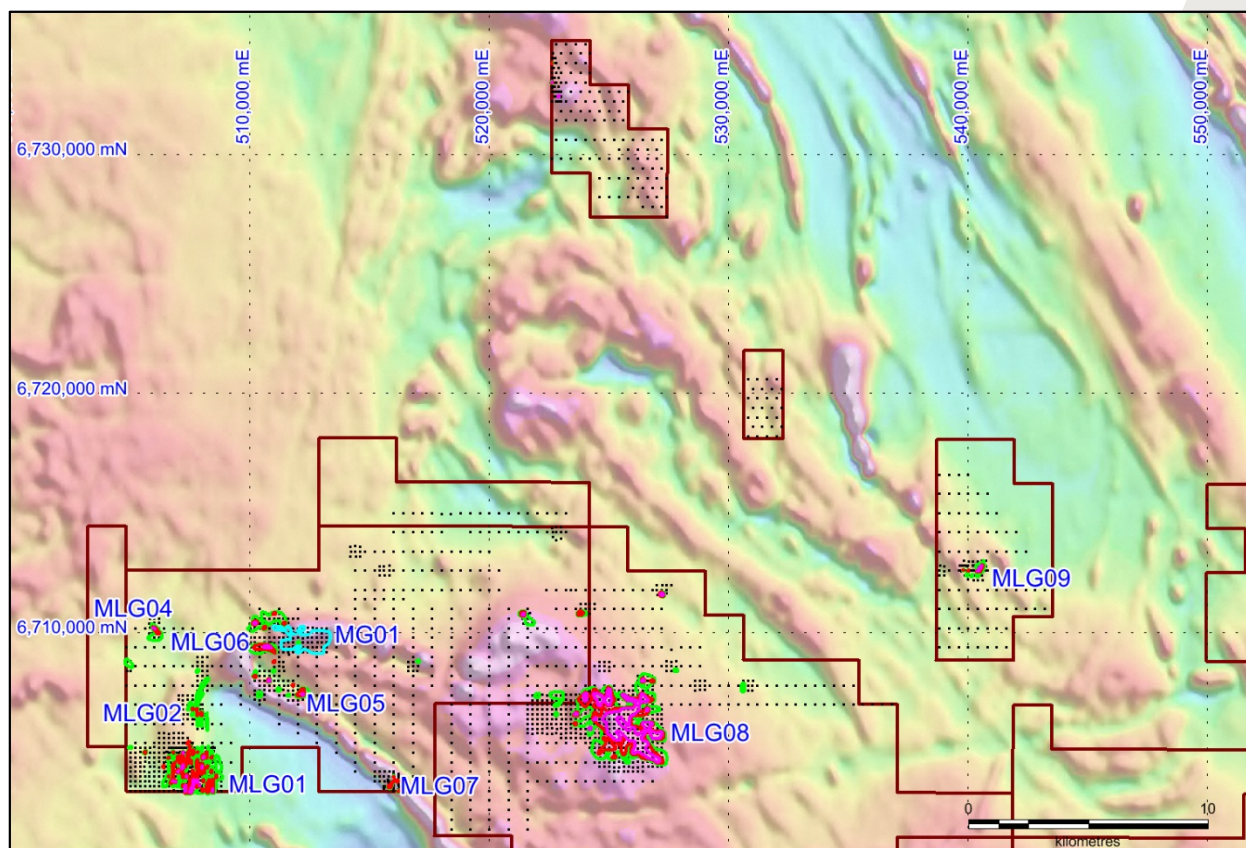
The board has approved a programme of infill surface sampling and follow up aircore drilling of the highest priority targets identified by the detailed project study.

### MINIGWAL GOLD AND NICKEL PROJECT

Minigwal project tenements comprise a mix of Exploration Licences and EL applications over an area of 1,025km<sup>2</sup> sandwiched between the St George Minerals Ltd’s Cambridge project and Impact Minerals Ltd’s Mulga Tank project (Figure 4).

Infill auger was carried out during the year at Minigwal to further define several gold anomalies and one nickel anomaly which had been partly delineated by wide spaced sampling beneath windblown sand cover during 2014. Infill sampling was carried out on a 200m x 200m grid by Prodrill WA Pty Ltd for a total of 902 samples.

MGO1 is defined by maximum value of 186ppm Ni along a 2km E-W trending zone coinciding with the northern limb of a hairpin fold. This anomaly is also well supported well by Cu values (peak value 52ppm Cu). Aircore drilling was carried out to test this target.



**FIGURE 4:** Minigwal Project Exploration Summary

### AIRCORE DRILLING

Matsa Resources completed 68 air core holes at Minigwal for a total of 4,080m. This drilling was designed to test for a bedrock source for 3 auger geochemical anomalies namely gold targets MLGo6 and MLGo8, and nickel target MGO1 (Table 6). This early drilling was intended to also investigate the nature and depth of weathering and transported cover (Figure 4).

Prospect	No of Holes	Total Meters
MGO1	26	720
MLGo6	8	324
MLGo8	34	3,306

**TABLE 6:** Minigwal Aircore Drilling Summary

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## NICKEL TARGET MGO1

This target is seen to be located close to the apex of an arcuate magnetic anomaly which was interpreted to reflect the presence of banded iron formation and komatiite lavas. The presence of komatiite lavas was confirmed with assays up to 0.24% Ni and 0.03% Cu, in weathered bedrock at MGO1. Drilling showed regolith including transported cover to be relatively shallow with an average depth of 25m at MGO1. Lithogeochemical analysis of komatiite is planned in order to determine whether this unit may be close to a mineralised channel way with potential for associated Ni sulphide mineralisation.

## GOLD TARGET MLG06

Eight drillholes completed on this target did not return significant assays for gold and have not resolved the source of anomalous gold in soil auger samples. As with nickel target MGO1 nearby, drilling showed the regolith depth to be relatively shallow with an average depth of 25m. No further work is proposed at this stage.

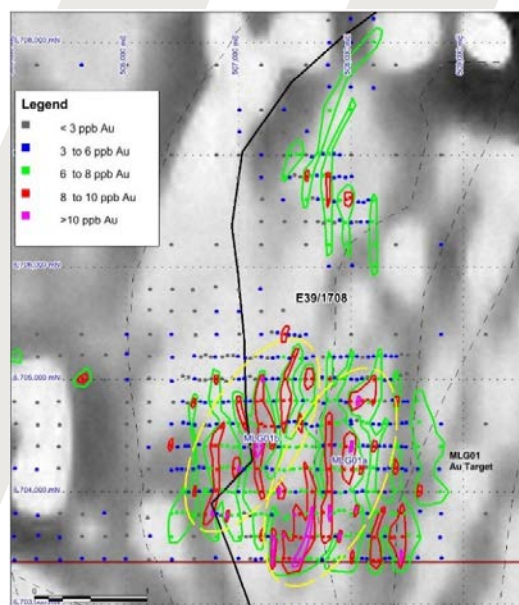
## GOLD TARGET MLG08

Drilling of this well-defined auger soil gold target was problematic because transported cover over the prospect is up to 132m deep and averages around 100m. Only 20 of the 34 drillholes completed intersected weathered granitic and metabasaltic bedrock, with the remainder unable to penetrate the full thickness of transported cover. No significant assays were received and the source of highly anomalous soil gold values in this very large target remains unresolved.

## SOIL AUGER INFILL SAMPLING

Infill auger sampling achieved a final sample spacing of 200m x 50m over the MLG01 auger soil gold anomaly. Interpretation of auger sampling to date has delineated several NS elongated +8ppb Au anomalies. These define two groups of anomalies (MLG01a and MLG01b) arranged en-echelon, with individual anomalies appearing to coincide with a series of curvilinear aeromagnetic trends. These trends are interpreted to be a series of thrust faults and structurally favourable sites for gold mineralisation (Figure 5).

Both anomaly groups are nearly 2km long and trend NNE-SSW, with a peak gold value of 15ppb Au. An aircore drilling programme is planned to test the two targets.



**FIGURE 5:** Minigwal, Infill Auger Results Target MLG01



**POINT KIDMAN** (MATSA EARNING 80%)

Matsa has entered into a farm in agreement with Redfeather Holdings Pty Ltd and Resources Assets Pty Ltd, to explore an area containing an extensive train of gold nuggets found recently by prospectors. Work to date has included assay of previously collected auger soil samples which show the nugget train to correspond with well developed soil gold anomalism. RAB drilling is planned to commence in the 2016 financial year.

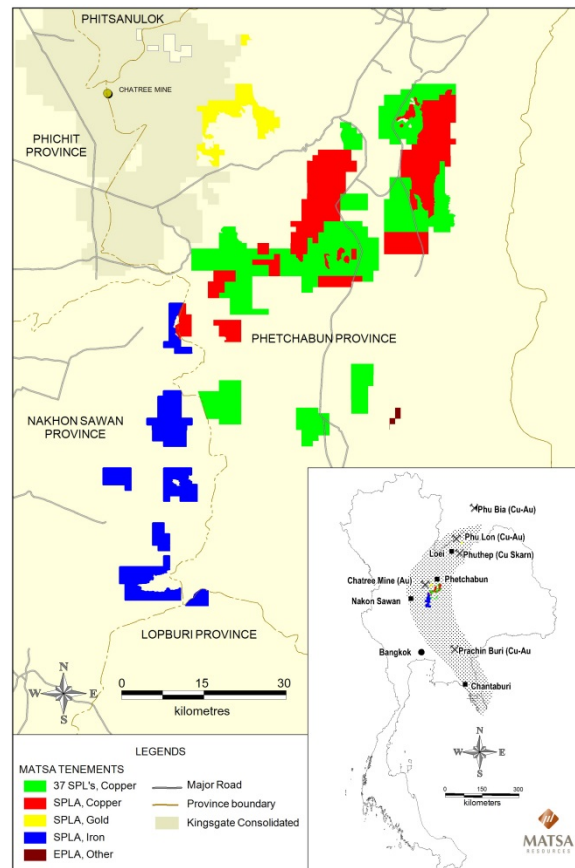
**THAILAND**

In April 2015 Matsa reported that 37 of its Special Prospecting Licence Applications (SPLA's) in Thailand were granted. This historic event represents the first time in almost a decade that such a large number of SPLA's for copper/base metals have been granted at one time. Matsa's current tenement status covers 1,173km<sup>2</sup> and is summarised as follows and located on Figure 6:

- 37 granted SPL's over 570km<sup>2</sup> of Matsa's Siam Copper Project in Central Thailand;
- 25 SPLA's in the Siam Copper Project, for 329km<sup>2</sup>. These licences are being actively progressed to grant;
- 14 SPLA's for 174km<sup>2</sup> over its Paisali Base Metal project;
- 6 SPLA's for 68km<sup>2</sup> over its KT Gold Project and;
- 4 SPLA's for 32km<sup>2</sup> over it's Loei Gold Project.

The projects are located in the Loei - Ko Chang fold belt which contains important mineral deposits including the Phu Kham copper mine in Laos and the >5MOz Chatree gold mine operated by Kingsgate Consolidated. The Loei Ko Chang arc is an arcuate palaeo - island arc terrane which is more than 600km long and oriented approximately north-south. This terrane extends from Ko Chang Island in the south to Loei in the north of Thailand and beyond into Laos. The Siam Copper Project is underlain by Permo Triassic andesitic basaltic volcanics and associated intrusives and marine sediments.

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**FIGURE 6:** Matsa Tenements Thailand June 2015

## SIAM COPPER PROJECT

Matsa's activities subsequent to having the SPL's granted have included the following:

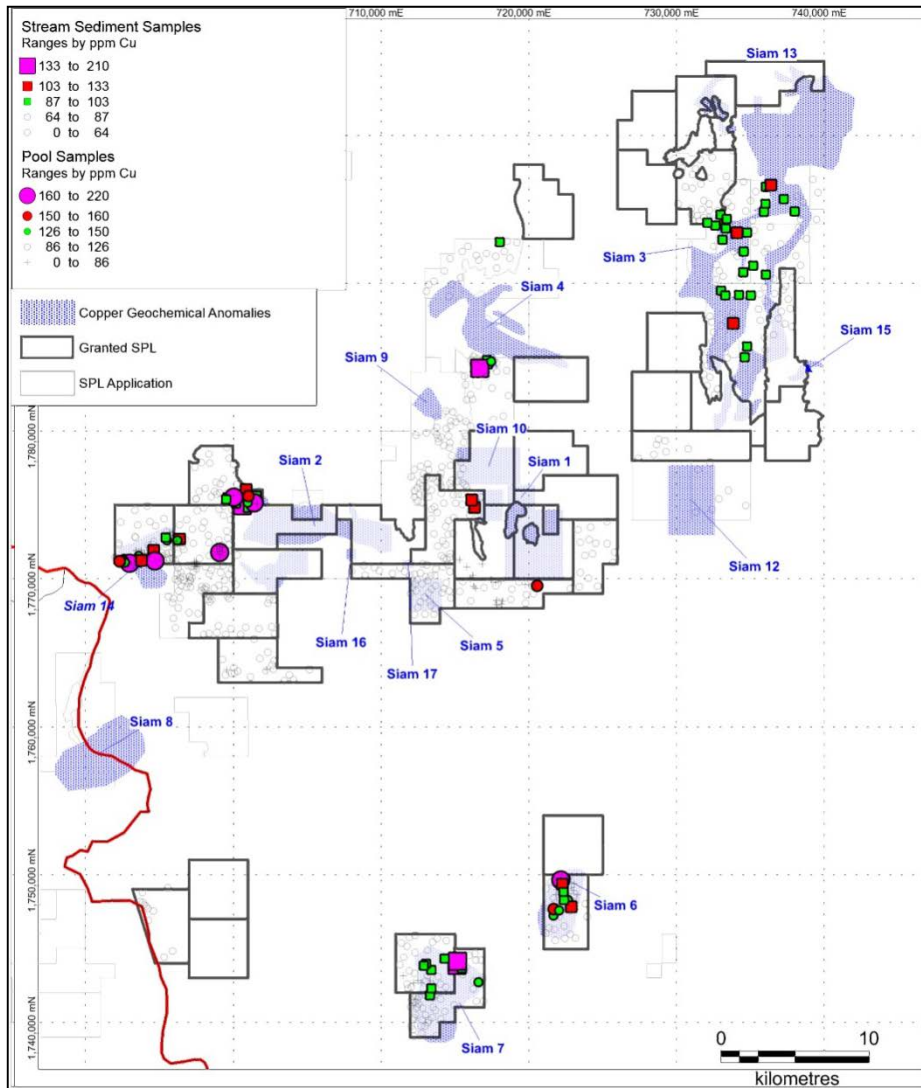
- Infill and follow up stream sediment and pool samples within granted SPL's and SPL applications; and
- Detailed prospecting and mapping to determine the extents and nature of copper mineralised boulders within the Siam 1 and Siam 2 prospects.

## INFILL AND FOLLOW UP SURFACE SAMPLING

The objective of the infill sampling at Siam Copper has been to finesse selected copper geochemical anomalies as summarised on Figure 7, in order for Matsa to focus detailed exploration on the most prospective targets while also being in a position to define lower priority areas where tenement relinquishment can be considered. Surface copper geochemical anomalies are shown in Figure 7.

Sampling during the quarter consisted of a mix of "pool" samples and stream sediment samples. Samples were assayed using Matsa's Olympus Innovex portable XRF analyser (PXRF). Sampling and assay protocols including re-assay of selected samples by ICP MS for QA QC purposes are described in Appendix 1.

The location of sampling and a summary of results is shown in Figure 7 with summary sampling statistics provided in Table 7.



**FIGURE 7:** Siam Copper Project Copper Anomalies and Summary of Sampling during 2015

Copper anomalous infill sampling results have been returned over and adjacent to Siam 14, Siam 2, Siam 1, Siam 6, Siam 7 and Siam 4 and Siam 3. The significance of these results is being evaluated by ongoing prospecting and mapping.

SAMPLE TYPE	SAMPLES	Max Cu	Percentile			
			75	90	95	98
Pool/Soil	309	220	86	126	150	160
Stream	506	210	64	87	103	133

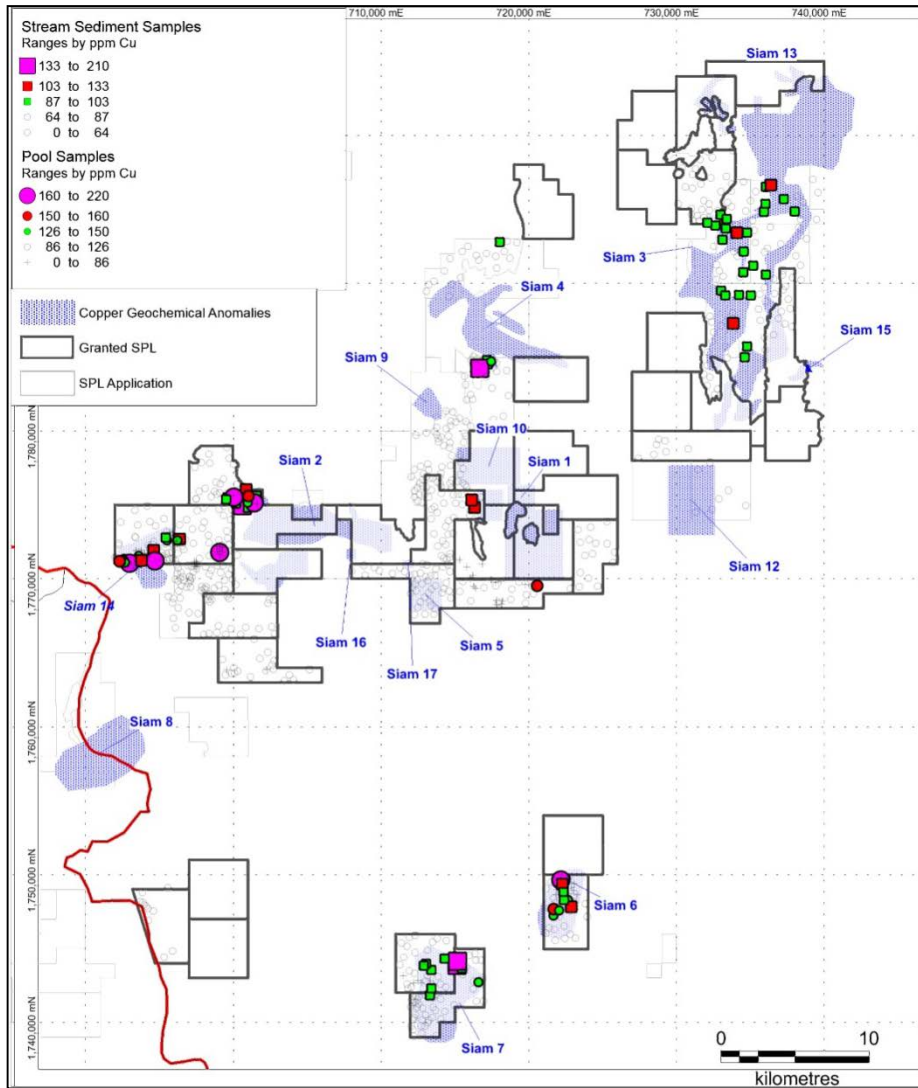
**TABLE 7:** PXRF Assay Summary for Cu (ppm)

### DETAILED MAPPING AND PROSPECTING SIAM 1

As previously announced the project covers an area with strongly anomalous copper values seen originally in regional stream sediment samples collected by the Thailand Department of Mineral Resources (DMR) and further defined by infill and step out sampling by Matsa.

Early follow-up at Siam 1 by Matsa identified boulders containing visible copper mineralisation in a largely soil covered area of ploughed fields. Assays of individual samples include values up to 3.9% Cu with most of the mineralisation present as native copper and minor malachite in a volcanic breccia host rock.

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**FIGURE 8:** Siam 1, Summary of soil geochemistry and copper mineralised float

Field mapping of Siam 1 has defined the extents of scattered boulders containing native copper and secondary copper minerals malachite and azurite in three areas namely the Siam 1 East, Siam 1 West and Siam 1 North target areas, each approximately 1km<sup>2</sup> in extent (Figure 8).

Meticulous field mapping by Matsa’s geological team also led to the significant discovery of a volcanic breccia outcrop containing visible native copper and other secondary copper minerals malachite and azurite. The outcrop is located in a shallow creek bed in an area of extensive soil cover with few visual clues to guide mapping of potential mineralisation in underlying volcanics (Figure 9). Assays for rock samples collected at the outcrop site are pending. A previous rock sample (Y138RK) from the outcrop area returned an assay of 3.9% Cu.

The distribution of copper in soil values >100ppm Cu (95th percentile) corresponds closely with the margins of the areas of mapped copper mineralised float particularly at Siam 1 East and Siam 1 West. There are also several anomalous copper values in soil at Siam 1 North, but infill sampling is required to define the target as current sampling spacings there are too wide (200 - 400m).

Possible reasons for the strong association between soil copper values and occurrence of copper mineralised float at Siam 1 East and Siam 1 West include:

- Metal zoning associated with a mineralised hydrothermal system at shallow depth or,
- Solution, secondary dispersion and subsequent fixing of copper in the weathered profile by strong chemical weathering processes typical in a high rainfall tropical climate.

Both scenarios represent significant targets for underlying copper sulphide mineralisation. The distribution of copper mineralised float is interpreted to define straightforward targets for ground geophysics and subsequent diamond drilling.

Detailed follow up exploration is planned at the Siam 1 prospect, which will include:

- Infill geochemical sampling and geological mapping to better define the zones containing highly anomalous copper values in soil and rock chip samples;
- Orientation Induced Polarisation (IP) ground electrical survey over key copper targets; and
- Diamond drilling.



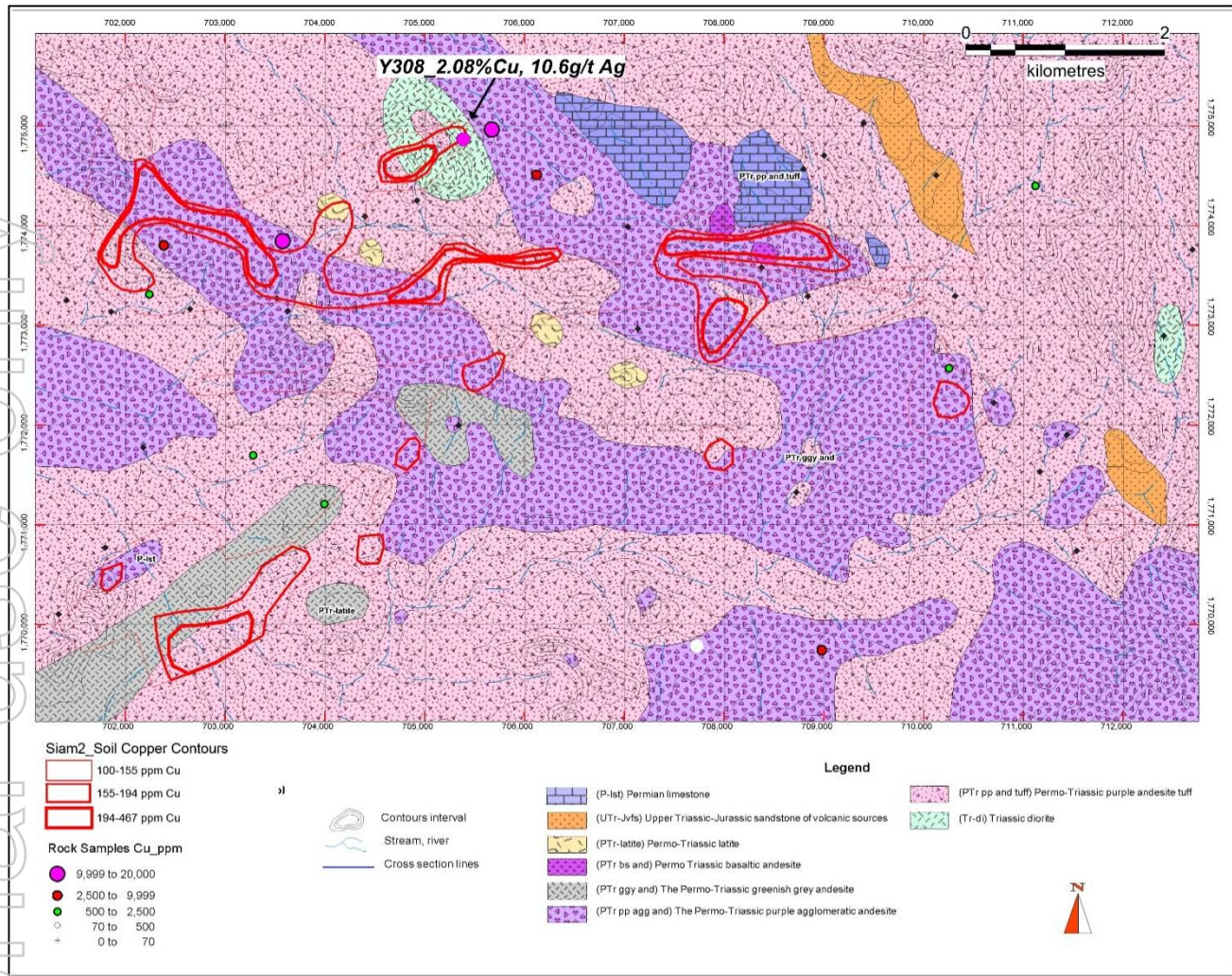
**FIGURE 9:** Siam 1-West Outcrop containing visible copper mineralisation

### DETAILED MAPPING AND PROSPECTING SIAM 2

The Siam 2 prospect has been defined by strongly copper anomalous stream sediment and soil samples over an area of some 20km<sup>2</sup>. The prospect is located in an area of variable topographic relief, being hilly in the north and west, and generally flatter in the south and east. Outcrop within the prospect is poor with hilly areas mantled by soil and boulder lag.

Prospecting and geological mapping has been focused on the northern edge of Siam 2 where wide spaced strongly copper anomalous soil samples are located in an incised area and potentially reflect exposed in-situ copper mineralisation (Figure 10).

A grab rock sample Y308 containing magnetite and visible secondary copper mineralisation and returned assays of 2.08% Cu and 10.6g/t Ag. Y308 was collected in an area of basaltic andesite, chert and minor limestone. Significantly the sample is located close to a small outcropping massive magnetite body (20m wide exposure) which underlies a regional aeromagnetic anomaly. Y308 is composed mostly of quartz and magnetite with minor malachite and azurite. The rock is porous in some parts perhaps reflecting removal of carbonate and sulphides in the weathering process. Y308 is the third significantly mineralised rock chip sample collected from this area with elevated Cu grades >0.5% Cu also returned in grab rock samples P325 and P313 with values of >1% Cu, 7.1g/t Ag and 0.67% Cu, 2.2g/t Ag respectively.



**FIGURE 10:** Siam 2 Prospect Summary

The magnetite unit and the associated copper mineralised float may represent significant skarn related magnetite copper mineralisation. Geological mapping and ground magnetic surveys are now underway in order to define a target for drill testing.

**PAISALI BASE METAL PROJECT**

Matsa collected 190 surface geochemical samples being a mix of pool and stream sediment samples. Preliminary assays have been carried out using Matsa’s PXRF analyser.

Preliminary PXRF assay results for copper are summarised in Table 8 where it can be seen that values up to 775ppm Cu were returned. The significance of these assays will be assessed once all results have been compiled and QA/QC checks including ICP assay repeats on selected samples have been carried out.

Element	Samples	Max Cu	Percentile Values Cu ppm			
			75	90	95	98
Cu	190	776	61.75	117.7	280.9	494.48

**TABLE 8:** Summary of PXRF Cu (ppm) assays for Paisali samples collected during 2015

## 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David Fielding consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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**MATSA RESOURCES LIMITED****DIRECTORS' REPORT**

Your directors present their report for the year ended 30 June 2015.

**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 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.

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.

During the past three years, Mr Poli has also served as a Director of the following publicly listed companies:

Bulletin Resources Limited (Appointed 24 June 2014)

**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 is currently a director and former Chairman of Bulletin Resources Limited.

During the past three years, Mr Sibbel has also served as a Director of the following publicly listed companies:

Bulletin Resources Limited (Appointed 13 August 2013)

**Mr Andrew Chapman** CA F Fin

Mr Chapman is a chartered accountant with over 20 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).

During the past three years, Mr Chapman has also served as a Director of the following publicly listed companies:

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**MATSA RESOURCES LIMITED****DIRECTORS' REPORT**

Carnavale Resources Limited (Appointed 31 March 2015)

**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 \$1,483,433 (2014: \$1,490,855).

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

- A gain of \$2,111,345 (2014: \$1,142,908) on the sale of shares held in Panoramic Resources Limited.
- Dividend income of \$301,000 (\$2014: Nil) received during the financial year.
- Impairment losses of \$302,815 (2014: \$904,121) attributable to the Group's exploration projects.
- Impairment losses of \$Nil (2014: \$213,451) on available-for-sale investments
- The write-off of exploration expenditure of \$2,213,862 (2014: \$341,044).
- Share based payments expense of \$654,993 (2014:\$ 298,769)
- Income of \$1,658,407 (2014: \$907,475) relating to a tax refund for eligible research and development expenditure.
- Share of loss from investment in associate Bulletin Resources Limited of \$160,339 (2014: Nil).

**Review of Financial Position**

The net assets attributable to the shareholders of the parent have decreased by \$6,769,734 from 30 June 2014 to \$15,781,134 at 30 June 2015.

There was no capital raised during the year (\$2014: \$2,860,500 before costs) from the issue of shares during the financial year.

Cash reserves at 30 June 2015 were \$0.74 million compared to \$2.63 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.

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**MATSA RESOURCES LIMITED****DIRECTORS' REPORT****EMPLOYEES**

The Group had 15 employees of which 13 were full-time as at 30 June 2015 (2014: 9 full-time equivalent employees).

**Review of Operations**

A full review of the operations of the Group during the year ended 30 June 2015 is included on pages 3 to 22.

**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 31 July 2015 Matsa announced that it and Panoramic Resources Limited ("Panoramic") had entered into an Asset Sale and Purchase agreement to dispose of their respective interests in the Mt Henry Gold Project to Metals X Limited (MLX). The consideration for the disposal (100%) is the issue of 22 million fully paid ordinary shares in MLX, freely tradeable with no restriction provisions.

On 16 September 2015 Matsa received 6.6 million fully paid ordinary shares in MLX on settlement which, based on the market price at settlement, values the MLX shares at \$8.1 million. Matsa subsequently sold 2.525 million MLX shares for gross proceeds of \$3.1 million.

The Company sold 575,000 shares in Panoramic after the end of the financial year for total gross proceeds of \$229,702. The Company also acquired 75,000 Panoramic shares for a total gross cost of \$23,625 in the same period.

On 12 September 2015 900,000 unlisted options exercisable at 40 cents each expired.

There have been no other matters or circumstances that 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**

As described above there are no further likely developments.

**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.

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**MATSA RESOURCES LIMITED****DIRECTORS' REPORT****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	8	8
Frank Sibbel	8	7
Andrew Chapman	8	8

**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 \$0.43 Options	Number of \$0.30 Options	Number of Performance Rights
Paul Poli	10,600,000	2,750,000	2,750,000	1,000,000
Frank Sibbel	268,048	1,500,000	750,000	-
Andrew Chapman	40,000	1,250,000	750,000	-

**Options granted to directors and officers of the Company**

During or since the end of the financial year, the Company granted the following 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
Paul Poli	2,750,000	\$0.30	30 November 2017
Frank Sibbel	750,000	\$0.30	30 November 2017
Andrew Chapman	750,000	\$0.30	30 November 2017
David Fielding	400,000	\$0.25	30 November 2017

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**MATSA RESOURCES LIMITED****DIRECTORS' REPORT****SHARE OPTIONS**

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

<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number under Option</b>
30 November 2015	\$0.43	5,500,000
30 September 2015	\$0.40	625,000
30 September 2016	\$0.40	925,000
30 November 2017	\$0.25	2,650,000
30 November 2017	\$0.30	4,250,000
22 May 2018	\$0.275	615,000
		<u>14,565,000</u>

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 2015 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 four 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.

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

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**MATSA RESOURCES LIMITED****DIRECTORS' REPORT****REMUNERATION REPORT (continued)****Individual Key Management Personnel Disclosures**

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

**Key Management Personnel**

<b>Name</b>	<b>Position</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
<b>Directors</b>			
P Poli	Executive Chairman	23 December 2008	-
F Sibbel	Director	25 October 2010	-
A Chapman	Director and Company Secretary	17 December 2009*	-
<b>Executives</b>			
D Fielding	Group 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 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.

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**MATSA RESOURCES LIMITED****DIRECTORS' REPORT****REMUNERATION REPORT (continued)****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. No external advice was received during the year. 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 directors received a base fee of \$42,000 per annum during the financial year for being a director of the Group.

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.

The remuneration report for the Non-Executive Directors for the year ending 30 June 2015 and 30 June 2014 is detailed in this report.

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**MATSA RESOURCES LIMITED****DIRECTORS' REPORT****REMUNERATION REPORT (continued)****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 2015 and 30 June 2014 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 2015 and 30 June 2014 is detailed in this report.

**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.

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**MATSA RESOURCES LIMITED****DIRECTORS' REPORT****REMUNERATION REPORT (continued)**

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. During the year there were no STI payments.

**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.

The Matsa Resources Limited Long Term Incentive Plan has no direct performance requirements but has specified time restrictions on the exercise of options and performance rights. The granting of options and performance rights 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.

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## MATSA RESOURCES LIMITED

### DIRECTORS' REPORT

#### REMUNERATION REPORT (continued)

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 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, Group Exploration Manager, 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. 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, Non-Executive Director, has a consultancy contract with the Company. Mr Sibbel is paid an hourly rate for the provision of consultancy services outside those provided as a director as required. 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, Director and Company Secretary, has a contract of employment with the Company and is remunerated on an hourly basis for the provision of company secretarial services and acting as Chief Financial Officer. Mr Chapman was employed on a consultancy basis prior to 1 October 2013.

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

As at 30 June	2015	2014	2013	2012	2011
Closing share price	\$0.145	\$0.375	\$0.33	\$0.115	\$0.20
Net comprehensive income/(loss) per year ended	(7,425,418)	5,516,405	(4,937,321)	(1,628,494)	(2,803,065)

2015 Key Management Person	Short Term Benefits			Post-employment Benefits	Share-based payments	Total \$	% Performance Related	% of Remuneration that consists of securities
	Salary & Fees \$	Bonus \$	Non-monetary benefits \$	Superannuation \$	Securities \$			
<b>Directors</b>								
Paul Poli	399,061	-	-	18,783	254,743	672,587	37.88	37.88
Frank Sibbel <sup>2</sup>	55,530	-	-	-	54,739	110,269	49.64	49.64
Andrew Chapman <sup>1</sup>	138,934	-	-	13,199	54,739	206,872	26.46	26.46
<b>Total</b>	<b>593,525</b>	<b>-</b>	<b>-</b>	<b>31,982</b>	<b>364,221</b>	<b>989,728</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Mr Chapman provided company secretarial services to the Company totalling \$96,934 during the year.

<sup>2</sup> Mr Sibbel provided consultancy services to the Company totalling \$13,530 during the year.

#### Executives

David Fielding	215,910	-	-	18,784	32,066	266,760	12.02	12.02
<b>Total</b>	<b>215,910</b>	<b>-</b>	<b>-</b>	<b>18,784</b>	<b>32,066</b>	<b>266,760</b>	<b>-</b>	<b>-</b>

## MATSAs RESOURCES LIMITED

## DIRECTORS' REPORT

## REMUNERATION REPORT (Continued)

2014 Key Management Person	Short Term Benefits			Post- employment Benefits	Share- based payments	Total \$	% Performance Related	% of Remuneration that consists of securities
	Salary & Fees \$	Bonus \$	Non-monetary benefits \$	Superannuation \$	Securities \$			
<b>Directors</b>								
Paul Poli	369,552	-	-	23,375	51,904	444,831	11.67	11.67
Frank Sibbel <sup>2</sup>	90,621	-	-	-	-	90,621	-	-
Andrew Chapman <sup>1</sup>	141,769	-	-	9,172	-	150,941	-	-
<b>Total</b>	<b>601,942</b>	<b>-</b>	<b>-</b>	<b>32,547</b>	<b>51,904</b>	<b>686,393</b>	<b>-</b>	<b>-</b>
<b>Executives</b>								
David Fielding	221,000	-	-	17,262	34,466	272,728	12.64	12.64
<b>Total</b>	<b>221,000</b>	<b>-</b>	<b>-</b>	<b>17,262</b>	<b>34,466</b>	<b>272,728</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Mr Chapman provided company secretarial services to the Company totalling \$100,769 during the year.

<sup>2</sup> Mr Sibbel provided consultancy services to the Company totalling \$49,621 during the year.

## Compensation Options and Performance Rights Granted and Vested during the year

The table below sets out options and performance rights granted during the year to Directors and Executives. There were no options or performance rights that were granted in previous years that vested during the year. The options and performance rights were issued free of charge and entitle the holder to subscribe for one fully paid ordinary share in the Company. Due to the nature of the Company's activities it does not believe it is appropriate to set vesting conditions at this time.

2015	Vested	Granted	Grant Date	Value per Security at Grant Date	Exercise Price	First Exercise Date	Expiry Date
				No.			
P Poli	2,750,000	2,750,000	26.11.14	7.30	30	26.11.14	30.11.17
F Sibbel	750,000	750,000	26.11.14	7.30	30	26.11.14	30.11.17
A Chapman	750,000	750,000	26.11.14	7.30	30	26.11.14	30.11.17
D Fielding	400,000	400,000	26.11.14	8.02	25	26.11.14	30.11.17

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

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

The maximum value of the award is equal to the number of options and performance rights 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 or performance rights during the year.

## MATSAs RESOURCES LIMITED

## DIRECTORS' REPORT

## REMUNERATION REPORT (Continued)

## Value of Options and Performance Rights granted as part of remuneration

2015	Value of performance rights granted in prior year	Value of performance rights exercised during the year	Value of performance rights lapsed during the year	Remuneration consisting of performance rights during the year	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options during the year
	\$	\$	\$	%	\$	\$	\$	%
Paul Poli	54,033	-	-	8.03	200,710	-	-	29.85
David Fielding	-	-	-	-	32,066	-	-	12.02
Frank Sibbel	-	-	-	-	54,739	-	-	49.64
Andrew Chapman	-	-	-	-	54,739	-	-	26.46

2014	Value of performance rights granted during the year	Value of performance rights exercised during the year	Value of performance rights lapsed during the year	Remuneration consisting of performance rights during the year	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options during the year
	\$	\$	\$	%	\$	\$	\$	%
Paul Poli	51,904	-	-	11.67	-	-	-	-
David Fielding	-	-	-	-	34,466	-	-	12.64

## Option holdings of key management personnel

2015	Balance 1 July	Granted as remuneration	Exercised	Net change other	Balance on Resignation	Balance 30 June	Vested & Exercisable	Not Exercisable
	No.	No.	No.	No.	No.	No.	No.	No.
P Poli	2,750,000	2,750,000	-	-	-	5,500,000	5,500,000	-
A Chapman	1,250,000	750,000	-	-	-	2,000,000	2,000,000	-
F Sibbel	1,500,000	750,000	-	-	-	2,250,000	2,250,000	-
D Fielding	450,000	400,000	-	-	-	850,000	850,000	-
	5,950,000	4,650,000	-	-	-	10,600,000	10,600,000	-

2014	Balance 1 July	Granted as remuneration	Exercised	Net change other	Balance on Resignation	Balance 30 June	Vested & Exercisable	Not Exercisable
	No.	No.	No.	No.	No.	No.	No.	No.
P Poli	5,500,000	-	-	(2,750,000)	-	2,750,000	2,750,000	-
A Chapman	2,000,000	-	-	(750,000)	-	1,250,000	1,250,000	-
F Sibbel	2,500,000	-	-	(1,000,000)	-	1,500,000	1,500,000	-
D Fielding	500,000	200,000	-	(250,000)	-	450,000	450,000	-
	10,500,000	200,000	-	(4,750,000)	-	5,950,000	5,950,000	-

\*1 million options were transferred to an unrelated third party who exercised the options during the year.

## MATSAs RESOURCES LIMITED

## DIRECTORS' REPORT

## REMUNERATION REPORT (Continued)

## 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.
<b>2015</b>						
P Poli	10,600,000	-	-	-	-	10,600,000
A Chapman	-	-	-	40,000	-	40,000
F Sibbel	268,048	-	-	-	-	268,048
D Fielding	91,176	-	-	-	-	91,176
	10,959,224	-	-	40,000	-	10,999,224

	Balance 1 July No.	Granted as remuneration No.	Options exercised No.	Net change other No.	Balance on resignation No.	Balance 30 June No.
<b>2014</b>						
P Poli	10,600,000	-	-	-	-	10,600,000
A Chapman	-	-	-	-	-	-
F Sibbel	268,048	-	-	-	-	268,048
D Fielding	91,176	-	-	-	-	91,176
	10,959,224	-	-	-	-	10,959,224

## Performance rights of key management personnel

	Balance 1 July No.	Granted as remuneration No.	Net change other No.	Balance 30 June No.	Vested and exercisable No.	Not vested and not exercisable No.
<b>2015</b>						
P Poli	1,000,000	-	-	1,000,000	-	1,000,000
A Chapman	-	-	-	-	-	-
F Sibbel	-	-	-	-	-	-
D Fielding	-	-	-	-	-	-
	1,000,000	-	-	1,000,000	-	1,000,000

	Balance 1 July No.	Granted as remuneration No.	Net change other No.	Balance 30 June No.	Vested and exercisable No.	Not vested and not exercisable No.
<b>2014</b>						
P Poli	1,000,000	-	-	1,000,000	-	1,000,000
A Chapman	-	-	-	-	-	-
F Sibbel	-	-	-	-	-	-
D Fielding	-	-	-	-	-	-
	1,000,000	-	-	1,000,000	-	1,000,000

End of Audited Remuneration Report

**MATSA RESOURCES LIMITED****DIRECTORS' 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.

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 2015:

Taxation services	\$8,426
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**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 37.

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



Paul Poli  
Executive Chairman

Dated this 30th day of September 2015.

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chartered accountants  
and business advisors

### 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 2015 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.

A handwritten signature in black ink that reads "NPAS".

**Nexia Perth Audit Services Pty Ltd**

A handwritten signature in black ink that reads "PTC Klopper".

**PTC Klopper**  
*Director*

30 September 2015  
Perth

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## MATSAs RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
30 JUNE 2015**

	Note	2015 \$	2014 \$
Other income	5(a)	4,105,819	2,189,571
Depreciation expense	5(c)	(100,808)	(127,346)
Other expenses	5(d)	(3,119,774)	(3,032,486)
Exploration and evaluation expenditure written off	12	(2,213,862)	(341,044)
Impairment loss on available-for-sale assets		-	(213,451)
Results from operating activities		<u>(1,328,625)</u>	<u>(1,524,756)</u>
Finance income	5(b)	13,237	63,350
Finance costs		<u>(7,706)</u>	<u>(29,449)</u>
Net finance income		5,531	33,901
Share of loss of equity-accounted investee, net of tax	10	(160,339)	-
<b>Loss before income tax expense</b>		<u>(1,483,433)</u>	<u>(1,490,855)</u>
Income tax expense	6	-	-
<b>Net loss for the year attributable to equity holders of the company</b>		<u>(1,483,433)</u>	<u>(1,490,855)</u>
<b>Other comprehensive income to be reclassified subsequently through profit or loss</b>			
Equity-accounted investees – share of other comprehensive income	10	(98,009)	-
Foreign currency translation reserve – reclassified to profit or loss		(37,154)	-
Net change in fair value of available-for-sale financial assets		(4,040,183)	7,007,260
Available-for-sale financial assets – reclassified to profit or loss		<u>(1,766,639)</u>	<u>-</u>
Other comprehensive income/(loss) for the year, net of tax		<u>(5,941,985)</u>	<u>7,007,260</u>
Total comprehensive profit/(loss) for the year attributable to equity holders of the company		<u>(7,425,418)</u>	<u>5,516,405</u>
<b>Loss for the year is attributable to:</b>			
Owners of the parent		(1,482,742)	(1,490,811)
Non-controlling interest		(691)	(44)
		<u>(1,483,433)</u>	<u>(1,490,855)</u>
<b>Total comprehensive profit/(loss) for the year is attributable to:</b>			
Owners of the parent		(7,424,727)	5,516,449
Non-controlling interest		(691)	(44)
		<u>(7,425,418)</u>	<u>5,516,405</u>
Basic loss per share attributable to ordinary equity holders of the parent	20	(1.03)	(1.05)
Diluted loss per share attributable to ordinary equity holders of the parent	20	(1.03)	(1.05)

The accompanying notes form part of these financial statements.



## MATSAs RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015 \$	2014 \$
<b>Current assets</b>			
Cash and cash equivalents	23	739,096	2,625,853
Trade and other receivables	7	94,603	413,979
Other current assets	8	1,146,470	915,140
<b>Total current assets</b>		<u>1,980,169</u>	<u>3,954,972</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	9	3,022,500	9,355,826
Investments in associates	10	344,010	475,099
Exploration and evaluation assets	12	11,513,690	10,146,013
Property, plant and equipment	13	96,467	181,338
<b>Total non-current assets</b>		<u>14,976,667</u>	<u>20,158,276</u>
<b>Total assets</b>		<u>16,956,836</u>	<u>24,113,248</u>
<b>Current liabilities</b>			
Trade and other payables	14	593,104	1,089,935
Borrowings	15	59,238	52,711
Provisions	16	159,885	122,525
<b>Total current liabilities</b>		<u>812,227</u>	<u>1,265,171</u>
<b>Non-current liabilities</b>			
Borrowings	15	21,821	46,335
Provisions	16	264,263	172,792
<b>Total non-current liabilities</b>		<u>286,084</u>	<u>219,127</u>
<b>Total liabilities</b>		<u>1,098,311</u>	<u>1,484,298</u>
<b>Net assets</b>		<u>15,858,525</u>	<u>22,628,950</u>
<b>Equity</b>			
Issued capital	17	40,536,876	40,536,876
Reserves	18	8,495,535	13,782,527
Accumulated losses	19	(33,251,277)	(31,768,535)
<b>Total equity attributable to equity holders of the Company</b>		<u>15,781,134</u>	<u>22,550,868</u>
<b>Non-controlling interests</b>		<u>77,391</u>	<u>78,082</u>
<b>Total equity</b>		<u>15,858,525</u>	<u>22,628,950</u>

The accompanying notes form part of these financial statements.

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## MATSA RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital Ordinary \$	Accumulated Losses \$	Other Reserves \$	Equity Settled Benefits Reserve \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2013	37,810,962	(30,277,724)	37,154	6,439,344	14,009,736	78,126	14,087,862
Comprehensive gain/(loss) for the period	-	(1,490,811)	7,007,260	-	5,516,449	(44)	5,516,405
Total comprehensive gain/(loss) for the period	-	(1,490,811)	7,007,260	-	5,516,449	(44)	5,516,405
<i>Transactions with owners recorded directly in equity</i>							
Shares issued during the period	2,860,500	-	-	-	2,860,500	-	2,860,500
Capital raising costs during the period	(134,586)	-	-	-	(134,586)	-	(134,586)
Share based payment	-	-	-	298,769	298,769	-	298,769
Balance at 30 June 2014	40,536,876	(31,768,535)	7,044,414	6,738,113	22,550,868	78,082	22,628,950
Balance at 1 July 2014	40,536,876	(31,768,535)	7,044,414	6,738,113	22,550,868	78,082	22,628,950
Comprehensive gain/(loss) for the period	-	(1,482,742)	(5,941,985)	-	(7,424,727)	(691)	(7,425,418)
Total comprehensive gain/(loss) for the period	-	(1,482,742)	(5,941,985)	-	(7,424,727)	(691)	(7,425,418)
<i>Transactions with owners recorded directly in equity</i>							
Shares issued during the period	-	-	-	-	-	-	-
Capital raising costs during the period	-	-	-	-	-	-	-
Share based payment	-	-	-	654,993	654,993	-	654,993
Balance at 30 June 2015	40,536,876	(33,251,277)	1,102,429	7,393,106	15,781,134	77,391	15,858,525

The accompanying notes form part of these financial statements.

**MATSA RESOURCES LIMITED****CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Other income		1,679,857	1,045,664
Dividend income		301,000	-
Payments to suppliers and employees		(2,102,015)	(1,665,664)
Interest received		15,331	95,792
Net cash used in operating activities	23	(105,827)	(524,208)
<b>Cash flows from investing activities</b>			
Payments for available-for-sale financial assets		(560,197)	(487,264)
Payments for investment in associate		(132,359)	-
Proceeds from sale of available-for-sale financial assets		3,389,846	1,558,440
Purchase of plant and equipment		(28,088)	(46,853)
Exploration and evaluation expenditure (capitalised)		(3,886,910)	(3,251,278)
Proceeds on sale of plant and equipment		7,284	1,000
(Payments for)/refund of security deposits		(522,572)	192,202
Net cash provided by investing activities		(1,732,996)	(2,033,753)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	2,860,500
Capital raising costs		-	(134,586)
Repayment of lease liabilities		(40,228)	(67,773)
Interest paid		(7,706)	(29,449)
Net cash provided by financing activities		(47,934)	2,628,692
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		(1,886,757)	70,731
Cash and cash equivalents at beginning of financial year		2,625,853	2,555,122
Cash and cash equivalents at end of financial year	23	739,096	2,625,853

The accompanying notes form part of these financial statements.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****1. CORPORATE INFORMATION**

The consolidated financial statements of Matsa Resources Limited for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 30 September 2015.

Matsa Resources Limited (the "Company") is a for profit 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 2015 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 authoritative 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 complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and also International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

*Adoption of new accounting standards*

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2014. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

The Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2014, adopted include the following. Adoption of these Standards and Interpretations did not have any effect on the financial position or the performance of the Consolidated Entity.

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**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
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 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014*.	1 January 2014	1 July 2014

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2014-1 Part A - Annual Improvements 2010 – 2012 Cycle	Amendments to Australian Accounting Standards - Part A  Annual Improvements to IFRSs 2010 –2012 Cycle	Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.  Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: <ul style="list-style-type: none"> <li>• AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>• AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.</li> <li>• AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.</li> <li>• AASB 116 &amp; AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> <li>• AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</li> </ul>	1 January 2014	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations.  Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.  Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	1 January 2014	1 July 2014

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2014-1 Part A - Annual Improvements 2011-2013 Cycle	Amendments to Australian Accounting Standards - Part A  Annual Improvements to IFRSs 2011-2013 Cycle	Annual Improvements to IFRSs 2011-2013 Cycle addresses the following items: <ul style="list-style-type: none"> <li>• AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.</li> <li>• AASB140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.</li> </ul>	1 January 2014	1 July 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014

The following standards and interpretations have been issued by the AASB, but are not yet effective and have not been adopted by the Group for the period ending 30 June 2015. The Directors have not yet determined the impact of new and amended accounting standards and interpretations applicable 1 July 2015.

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 9	Financial Instruments	<p>On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The main changes are described below.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>• The change attributable to changes in credit risk are presented in other comprehensive income (OCI).</li> <li>• The remaining change is presented in profit or loss.</li> </ul>	1 January 2018	1 July 2018



**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 9 (cont.)	Financial Instruments	<p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised 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, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>	1 January 2018	1 July 2018
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and</p> <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>This Standard also makes an editorial correction to AASB 11.</p>	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 January 2016	1 July 2016

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

AASB 15	Revenue from Contracts with Customers	<p>In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services).</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>(a) Step 1: Identify the contract(s) with a customer  (b) Step 2: Identify the performance obligations in the contract  (c) Step 3: Determine the transaction price  (d) Step 4: Allocate the transaction price to the performance obligations in the contract  (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>Early application of this standard is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018.</p>	1 January 2018	1 July 2018
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:</p> <p>(a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and  (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>AASB 2014-10 also makes an editorial correction to AASB 10.</p> <p>AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.</p>	1 January 2016	1 July 2016

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</p> <ul style="list-style-type: none"> <li>• Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.</li> </ul> <p>AASB 7 Financial Instruments: Disclosures:</p> <ul style="list-style-type: none"> <li>• Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7.</li> <li>• Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.</li> </ul> <p>AASB 119 Employee Benefits:</p> <ul style="list-style-type: none"> <li>• Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.</li> </ul> <p>AASB 134 Interim Financial Reporting:</p> <ul style="list-style-type: none"> <li>• Disclosure of information ‘elsewhere in the interim financial report’ -amends AASB 134 to clarify the meaning of disclosure of information ‘elsewhere in the interim financial report’ and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.</li> </ul>	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	<p>The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB’s Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p>	1 January 2016	1 July 2016

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015

\* Designates the beginning of the applicable annual reporting period unless otherwise stated.

**(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.

Control is achieved where the company has exposure to variable returns from the entity and the power to affect those returns. 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) are accounted for as a transaction with owners in their capacity as owners.

**(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 operating decision maker 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 operating decision maker 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.

**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (continued)****(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.

**(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.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(f) Foreign currency transactions and balances (continued)**

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**Non derivative financial instruments

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

Available-for-sale financial assets

All available-for-sale investments are initially recognised at fair value plus directly attributable transaction costs.

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. Investments are designated as available-for-sale if they do not have fixed maturities and fixed and determinable payments and management intends to hold them for the medium to long term.

After initial recognition, available-for-sale investments are measured at fair value. Gains or losses are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

The fair value of investments that are actively traded in organised markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(g) Financial instruments (continued)**

For investments with no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where fair value cannot be reliably measured for certain unquoted investments, these investments are measured at cost.

*Other*

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

**(h) Investments in associates**

The Consolidated Entity's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Consolidated Entity has significant influence and that are neither subsidiaries nor joint ventures.

The Consolidated Entity generally deems it has significant influence if it has over 20% of the voting rights.

Under the equity method, investments in the associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any impairment loss with respect to the Consolidated Entity's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate. The Consolidated Entity's share of its associates' post-acquisition profits or losses is recognised in the profit and loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associate are prepared for the same reporting period as the Consolidated Entity. When necessary, adjustments are made to bring the accounting policies in line with those of the Consolidated Entity.

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.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(i) Leases**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.

**(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.



**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(l) Trade and other receivables (continued)**

Collectability 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.

**(n) Property, plant and equipment**

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

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.

**(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.

**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(o) Exploration, evaluation and development expenditure (continued)****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 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 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.

**(r) Borrowing costs**

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

**(s) 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.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(t) 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.

**(u) 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).

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.

**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(u) Share-based payment transactions (continued)**

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.

**R&D Refund**

Revenue is recognised on receipt of refunds from the Australian Taxation Office for research and development expenditure incurred during the previous financial year.

**Dividend Income**

Revenue is recognised on receipt of dividends from listed investments.

**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.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(w) Income tax (continued)**

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.

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.

**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(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.

**(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.

**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****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.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)***Impairment of available-for-sale investments*

In determining the amount of impairment of financial assets, the Consolidated Entity has made judgements in identifying financial assets whose decline in fair value below cost is considered "significant" or "prolonged". A significant decline is assessed based on the historical volatility of the share price.

The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant. A prolonged decline is based on the length of time over which the share price has been depressed below cost. A sudden decline followed by immediate recovery is less likely to be considered prolonged compared to a sustained fall of the same magnitude over a longer period.

The Consolidated Entity considers a less than a 10% decline in fair value is unlikely to be considered significant for investments actively traded in a liquid market, whereas a decline in fair value of greater than 20% will often be considered significant. For less liquid investments that have historically been volatile (standard deviation greater than 25%), a decline of greater than 30% is usually considered significant.

Generally, the Consolidated Entity does not consider a decline over a period of less than three months to be prolonged. However, where the decline in fair value is greater than six months for liquid investments and 12 months for illiquid investments, it is usually considered prolonged.

*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."

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 maker) in assessing performance and determining the allocation of resources.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****4. SEGMENT REPORTING (continued)**

The Group operates primarily in mineral exploration in Western Australia and Thailand. The Group was awarded Special Prospecting Licences (SPL's) in Thailand in March 2015 for the first time. Accordingly the Group now considers that it operates in two geographical segments but within the same operating segment, mineral exploration. 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 operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

**Information about reportable segments**

Information relating to each reportable segment is shown below.

2015	Reportable Segments		Total
	Australia	Thailand	
	\$	\$	\$
External revenues	4,105,819	-	4,105,819
Inter-segment revenue	-	-	-
<b>Segment revenue</b>	<b>4,105,819</b>	<b>-</b>	<b>4,105,819</b>
Segment profit/(loss) before tax	(841,820)	(641,613)	(1,483,433)
Interest income	7,493	5,744	13,237
Interest expense	(7,706)	-	(7,706)
Depreciation and amortisation	(100,475)	(333)	(100,808)
Share of profit/(loss) of equity accounted investees	(160,339)	-	(160,339)
Other material non-cash items			
- Impairment of losses of non-financial assets	(302,815)	-	(302,815)
- Reversal of impairment losses on non-financial assets	-	134,621	134,621
<b>Segment assets</b>	<b>15,155,034</b>	<b>1,801,802</b>	<b>16,956,836</b>
Equity accounted investees	344,010	-	344,010
Capital expenditure	23,087	-	23,087
<b>Segment liabilities</b>	<b>1,098,311</b>	<b>-</b>	<b>1,098,311</b>

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## MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015

## 4. SEGMENT REPORTING (continued)

2014	Reportable Segments		Total \$
	Australia \$	Thailand \$	
External revenues	2,189,571	-	2,189,571
Inter-segment revenue	-	-	-
<b>Segment revenue</b>	<b>2,189,571</b>	<b>-</b>	<b>2,189,571</b>
Segment profit/(loss) before tax	(1,233,437)	(257,418)	(1,490,855)
Interest income	59,036	4,314	63,350
Interest expense	(29,449)	-	(29,449)
Depreciation and amortisation	(105,079)	(22,267)	(127,346)
Share of profit/(loss) of equity accounted investees	-	-	-
Other material non-cash items			
- Impairment of losses of non-financial assets	(904,121)	-	(904,121)
- Reversal of impairment losses on non-financial assets	-	-	-
<b>Segment assets</b>	<b>23,136,869</b>	<b>976,379</b>	<b>24,113,248</b>
Equity accounted investees	475,099	-	475,099
Capital expenditure	91,854	-	91,854
<b>Segment liabilities</b>	<b>1,484,298</b>	<b>-</b>	<b>1,484,298</b>

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## MATSА RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015

	2015 \$	2014 \$
<b>5. Revenue</b>		
The loss before income tax includes the following revenues whose disclosure is relevant in explaining the performance of the entity:		
<b>(a) Other income</b>		
R&D tax incentive refund	1,658,407	907,475
Net gain on sale of plant and equipment	1,134	1,000
Net gain on sale of investments	2,111,345	1,142,908
Dividend income	301,000	-
Other income	33,933	138,188
	<u>4,105,819</u>	<u>2,189,571</u>
<b>(b) Finance income</b>		
Interest earned	13,237	63,350
	<u>13,237</u>	<u>63,350</u>
<b>(c) Expenses included in the statement of comprehensive income</b>		
Depreciation of plant and equipment	100,808	127,346
<b>(d) Other expenses</b>		
<b>(i) Employee benefits expense</b>		
Salaries and wages	956,167	892,832
Superannuation expenses	52,836	45,871
Share based payments	654,993	298,769
<b>Total employee benefits expense</b>	<u>1,663,996</u>	<u>1,237,472</u>
<b>(ii) Administration and other expenses</b>		
Operating lease rentals	152,914	151,453
Administration expenses	1,000,049	739,440
Provision for impairment on exploration projects – Australia	302,815	904,121
	<u>1,455,778</u>	<u>1,795,014</u>
	<u>3,119,774</u>	<u>3,032,486</u>

## MATSAs RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015

	2015 \$	2014 \$
<b>6. Income taxes</b>		
<b>Tax expense/(income) comprises:</b>		
Current tax expense/(income)	-	-
Deferred tax expense/(income)	-	-
	-	-

**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	(1,483,433)	(1,490,855)
Income tax benefit calculated at 30%	(445,030)	(447,257)
Section 40-880 expenses	(21,255)	(43,741)
Exploration expenses	(395,699)	(512,244)
Determining taxable profit		
- Permanent differences	(20,961)	(153,360)
- Temporary differences	17,886	212,640
Effect of income that are not assessable in determining taxable profit	(496,774)	(271,934)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	1,385,400	1,215,896
Temporary differences relating to investments	(23,567)	-
	-	-

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.

	2015 \$	2014 \$
<b>Unrecognised deferred tax assets/(liabilities)</b>		
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	8,136,653	6,878,006
Investments	531,767	-
Temporary differences - exploration	(3,439,502)	(3,043,804)
Section 40-880 expenses	35,988	57,243
Temporary differences	146,221	(557,787)
	5,411,127	3,333,658

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

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## MATSU RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015

	2015 \$	2014 \$
<b>7. Trade and other receivables</b>		
<b>Current</b>		
Amounts receivable from Australian Taxation Authorities	78,084	105,387
Other receivables	16,519	308,592
	<u>94,603</u>	<u>413,979</u>

	2015 \$	2014 \$
<b>8. Other current assets</b>		
Prepayments	14,548	19,811
Cash backed performance bond (i)	821,809	123,243
Deposits held (ii)	310,113	772,086
	<u>1,146,470</u>	<u>915,140</u>

- (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. A cumulative impairment of \$103,372 (2014: \$424,932) has been made against the deposits held of \$413,485 (2014: \$1,197,018). An amount of \$216,820 (2014: Nil) was expensed on granting of Thailand applications.

	2015 \$	2014 \$
<b>9. Other investments</b>		
Available-for-sale financial assets	3,022,500	9,355,826
	<u>3,022,500</u>	<u>9,355,826</u>
	<u>\$</u>	<u>\$</u>
<b>Movements in available-for-sale financial assets:</b>		
At 1 July	9,355,826	3,152,083
Additions	557,572	155,898
Disposals	(2,850,715)	(607,330)
Net change in fair value of available-for-sale financial assets	(4,040,183)	7,007,260
Reclassified to equity accounted investments	-	(352,085)
At 30 June	<u>3,022,500</u>	<u>9,355,826</u>

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**9. Other investments (continued)**

**Listed shares**

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

- (a) The Company has a 1.87% (2014: 3.5%) interest in Panoramic Resources Limited, which is involved in the mining and exploration of gold and base metals in Australia and Canada. Panoramic is listed on the Australian Securities Exchange.
- (b) The Company has a 24.37% (2014: 26.4%) interest in Bulletin Resources Limited, which is involved in the mining and exploration of precious and base metals in Australia. Bulletin is listed on the Australian Securities Exchange. At 30 June 2014 this investment was reclassified as an investment in associate (refer Note 10).

At the end of the previous financial year the market value of the investment was lower than the carrying value, the Company has recognised an impairment of \$213,451.

**10. Equity Accounted Investments**

The Company has a 24.37% (2014: 26.4%) interest in Bulletin Resources Limited, which is involved in the mining and exploration of precious and base metals in Australia. Bulletin is listed on the Australian Securities Exchange. Previously the investment in Bulletin had been treated as an available-for-sale investment (refer Note 9) however with effect from 30 June 2014 Bulletin has been deemed an associate and is treated as an investment accounted for using the equity method. As the reclassification of the investment has occurred at 30 June 2014 the Company did not recognise a share of Bulletin's profit or loss for the year ended 30 June 2014. At 30 June 2014 the fair value of the investment was \$475,099.

	2015 \$	2014 \$
<b>Movements in carrying value of the Company's investment in associate:</b>		
At 1 July	475,099	-
Transfer from available-for-sale investments at fair value	-	475,099
Additions	127,259	-
Share of losses after income tax	(160,339)	-
Share of change in reserves	(98,009)	-
At 30 June	344,010	475,099

The following table illustrates the summarised financial information of the Company's investment in Bulletin:

Current assets	1,677,589	851,820
Non-current assets	3,933,242	1,724,063
Current liabilities	(1,389,283)	(56,250)
Non-current liabilities	(2,091,928)	(68,850)
Equity	2,129,620	2,450,783

Company's share of loss for the year	(160,339)	-
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The associate had no contingent liabilities or capital commitments as at 30 June 2015.

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**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**11. Joint Operation**

The Mt Henry Joint Venture is a joint venture between the Company (30%) and Panoramic Resources Limited (70%) whereby Panoramic was earning its interest by funding all costs until a bankable feasibility study has been completed. During the financial year Panoramic earned its interest under the joint venture. At 30 June 2015 the Company has recognised \$3,821,388 as exploration and evaluation assets under the joint operation.

	2015 \$	2014 \$
<b>12. Exploration and evaluation assets</b>		
Exploration expenditure capitalised at cost -exploration and evaluation phase	11,513,690	10,146,013
	11,513,690	10,146,013
<b>Movements in carrying amounts</b>		
<b>Exploration and evaluation phase</b>		
Balance at beginning of year	10,146,013	7,740,645
Purchase of tenements	-	40,000
Exploration and evaluation incurred	3,884,354	3,610,533
Expenditure written off	(2,213,862)	(341,044)
Provision for impairment	(302,815)	(904,121)
Balance at end of year	11,513,690	10,146,013

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 \$302,815 (2014: \$904,121) in the financial year.

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## MATSU RESOURCES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
<b>13. Property, plant and equipment</b>		
Buildings at cost	-	11,000
Accumulated depreciation	-	(3,850)
	-	7,150
Plant and equipment at cost	985,370	995,268
Accumulated depreciation	(888,903)	(821,080)
	96,467	174,188
Total property, plant and equipment	96,467	181,338

## Movements in carrying amounts

	Buildings \$	Plant and Equipment \$	Total \$
<b>Consolidated</b>			
Balance 30 June 2013	7,700	209,130	216,830
Additions	-	91,854	91,854
Disposals	-	-	-
Depreciation expense	(550)	(126,796)	(127,346)
Balance 30 June 2014	7,150	174,188	181,338
Additions	-	23,087	23,087
Disposals	(7,150)	-	(7,150)
Depreciation expense	-	(100,808)	(100,808)
Balance 30 June 2015	-	96,467	96,467

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 2015 the net carrying amount of leased plant and equipment was \$32,107 (2014: \$66,693). During the year, the Group acquired leased assets of \$Nil (2014: \$39,000).

	2015 \$	2014 \$
<b>14. Trade and other payables</b>		
<b>Unsecured liabilities</b>		
Trade payables	393,769	726,327
Sundry creditors and accrued expenses	199,335	363,608
	593,104	1,089,935



## MATSAs RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015

	2015 \$	2014 \$
<b>15. Borrowings</b>		
<b>Current</b>		
Secured liabilities		
Finance lease liabilities (i)	59,238	52,711
	<u>59,238</u>	<u>52,711</u>
<b>Non Current</b>		
Secured liabilities		
Finance lease liabilities (i)	21,821	46,335
	<u>21,821</u>	<u>46,335</u>

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

	2015 \$	2014 \$
<b>16. Provisions (current)</b>		
<b>Current</b>		
Provision for annual leave	159,885	122,525
	<u>159,885</u>	<u>122,525</u>
<b>Non-current</b>		
Provision for long service leave	25,334	22,168
Provision for mine restoration	238,929	150,624
	<u>264,263</u>	<u>172,792</u>
<b>16. Provisions (non-current) (continued)</b>		
Movement in long service leave provision		
Opening balance 1 July	22,168	-
Increase in provision	3,166	22,168
Closing balance 30 June	<u>25,334</u>	<u>22,168</u>
Movement in provision for mine restoration		
Opening balance 1 July	150,624	91,040
Disposal of tenements	-	-
Increase in provision	88,305	59,584
Closing balance 30 June	<u>238,929</u>	<u>150,624</u>

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## MATSAs RESOURCES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014	2015	2014
	\$	\$	\$	\$
<b>17. Issued capital</b>				
144,156,779 (2014: 144,156,779) fully paid ordinary shares	40,536,876	40,536,876	40,536,876	40,536,876
	<b>No.</b>	<b>No.</b>	<b>\$</b>	<b>\$</b>
<b>Ordinary shares</b>				
At the beginning of reporting period	144,156,779	134,621,781	40,536,876	37,810,962
Placement of shares	-	9,534,998	-	2,860,500
Transaction costs	-	-	-	(134,586)
At reporting date	144,156,779	144,156,779	40,536,876	40,536,876

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
\$0.31	12 August 2014	350,000	-	-	(350,000)	-
\$0.40	12 September 2015	900,000	-	-	-	900,000
\$0.43	30 November 2015	5,500,000	-	-	-	5,500,000
\$0.40	30 September 2015	625,000	-	-	-	625,000
\$0.40	30 September 2016	925,000	-	-	-	925,000
\$0.25	30 November 2017	-	2,650,000	-	-	2,650,000
\$0.30	30 November 2017	-	4,250,000	-	-	4,250,000
\$0.275	22 May 2018	-	615,000	-	-	615,000
		8,300,000	7,515,000	-	(350,000)	15,465,000

	2015	2014
	\$	\$
<b>18. Reserves</b>		
Equity settled transaction	7,393,106	6,738,113
Available-for-sale reserve	1,102,429	7,007,260
Foreign currency translation	-	37,154
	8,495,535	13,782,527
<b>Equity settled transaction reserve</b>		
Balance at beginning of financial year	6,738,113	6,439,344
Share based payment	654,993	298,769
Balance at end of financial year	7,393,106	6,738,113

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

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**18. Reserves (continued)**

**Foreign currency translation reserve**

Balance at beginning of financial year	37,154	37,154
Reclassified to profit and loss	(37,154)	-
Balance at end of financial year	<u>-</u>	<u>37,154</u>

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. During the year the Group deregistered the foreign controlled entity and the foreign currency translation reserve recycled as a result.

**Available-for-sale reserve**

Balance at beginning of financial year	7,007,260	-
Reclassified to profit and loss	(1,766,639)	-
Net change in fair value of available-for-sale financial assets	(4,138,192)	7,007,260
Balance at end of financial year	<u>1,102,429</u>	<u>7,007,260</u>

**19. Accumulated losses**

Accumulated losses at beginning of financial year	31,768,535	30,277,724
Loss for the year	1,482,742	1,490,811
Accumulated losses at end of financial year	<u>33,251,277</u>	<u>31,768,535</u>

**20. Loss per share**

The loss and weighted average number of ordinary shares used in the calculation of loss per share are as follows:

Loss	(1,483,433)	(1,490,855)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares	144,156,779	142,014,670

**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.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****21. 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 \$2,504,571 (2013: \$2,230,100). 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**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Commitments in relation to finance leases are payable as follows:		
Within one year	63,339	58,164
Later than one year but not later than five years	22,974	49,522
Minimum lease payments	86,313	107,686
Less: Future finance charges	(5,254)	(8,640)
	<u>81,059</u>	<u>99,046</u>
Recognised as a liability		
Representing lease liabilities:		
Current (note 15)	59,238	52,711
Non-current (note 15)	21,821	46,335
	<u>81,059</u>	<u>99,046</u>
<b>Operating lease commitments</b>		
Future operating lease rentals of office space provided for in the financial statements and payable:		
- Not later than one year	67,566	108,257
- Later than one year but not later than five years	-	64,421
	<u>67,566</u>	<u>172,678</u>

**Contingencies**

There are no contingent assets or contingent liabilities as at 30 June 2015.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****22. Subsidiaries**

	Country of Incorporation	Percentage Owned (%)	
		2015	2014
<b>Parent Entity</b>			
Matsa Resources Limited	Australia		
<b>Subsidiary</b>			
KAL Energy Pty Ltd	Australia	-	100
USA KAL Energy Inc	United States of America	-	100
Australian Strategic and Precious Metals Investment 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	100
Matsa (Thailand) Co Ltd	Thailand	100	100
PVK Mining Loei Co Ltd	Thailand	100	100
Khlong Tabæk 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 Co 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:

	2015	2014
	\$	\$
Cash and cash equivalents	739,096	2,625,853

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****23. Cash flow information (Continued)****Reconciliation of loss for year to net cash flows from operating activities**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Loss for year	(1,483,433)	(1,490,855)
Non-cash flows in loss from ordinary activities:		
Share-based payments	654,993	298,769
Depreciation	100,808	127,346
Exploration expenditure written off	2,213,862	341,044
Provision for impairment	168,194	904,121
Share of investee loss	160,339	-
Net (gain) on sale of available-for-sale investments	(2,211,345)	(1,142,908)
Net (gain)/loss on disposal of plant and equipment	(1,134)	(1,000)
Impairment loss on available-for-sale assets	-	213,451
Interest expense classified as financing cash flow	7,706	29,449
Insurance	22,240	22,240
Interest accrued	-	(32,442)
Changes in assets and liabilities:		
Decrease (increase) in receivables	319,376	(282,263)
Decrease (increase) in prepayments	5,263	1,102
Increase (decrease) in trade creditors and accruals	(191,527)	383,676
Increase (decrease) in provisions	128,831	104,062
Cash flow from operations	<u>(105,827)</u>	<u>(524,208)</u>

**Non-cash financing and investing activities**

During the financial year nil (2014: nil) shares were issued as consideration for the acquisition of exploration tenements.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****24. Parent Entity Disclosures**

As at, and throughout, the financial year ended 30 June 2015 the parent company of the Group was Matsa Resources Limited.

	Company	
	2015	2014
	\$	\$
	<hr/>	
<b>Result of the parent Entity</b>		
Profit/(loss) for the year	703,774	(1,254,428)
Other comprehensive gain/(loss)	(5,806,822)	7,007,260
Total comprehensive profit/(loss) for the year	(5,103,048)	5,752,832
<b>Financial position of parent entity at year end</b>		
Current assets	501,120	2,870,624
Total assets	16,874,818	23,880,834
Current liabilities	734,143	1,205,395
Total liabilities	1,020,226	1,378,186
<b>Total equity of the parent entity comprising of:</b>		
Share capital	40,536,875	40,536,875
Reserves	8,593,544	13,745,375
Accumulated losses	(33,275,827)	(31,779,602)
<b>Total equity</b>	<hr/> 15,854,592	<hr/> 22,502,648

**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.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****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:

	<b>Consolidated Carrying amount</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Trade and other receivables	16,519	308,592
Cash and cash equivalents	739,096	2,625,853
Deposits held	413,485	1,197,018
Impairment of deposits (refer Note 8 (ii))	(103,372)	(424,932)

None of the Group's other receivables are past due (2014: 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 following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:



**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**25. Financial instruments (Continued)**

**30 June 2015**

	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	593,104	593,104	593,104	-	-	-
Finance lease liabilities	5.97	81,059	81,059	36,465	22,773	14,883	6,938
		674,163	674,163	629,569	22,773	14,883	6,938

**30 June 2014**

	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	1,089,935	1,089,935	1,089,935	-	-	-
Finance lease liabilities	7.1%	99,046	99,046	30,588	22,123	24,514	21,821
		1,188,981	1,188,981	1,120,523	22,123	24,514	21,821

**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	
	2015	2014
	\$	\$
Other current assets	1,136,928	1,117,118
Cash and cash equivalents	421,315	197,196

*Sensitivity analysis*

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. A change of 10% in the foreign currency exchange rate at 30 June 2015 would have increased equity by \$155,824 (2014: \$131,431),

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015**

**25. Financial instruments (Continued)**

an equal change in the opposite direction would have decreased equity by an equal but opposite amount.

*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:

	<b>Carrying amount</b>	
	<b>2015</b>	<b>2014</b>
<b>Fixed rate instruments</b>		
Cash and cash equivalents	-	-
Cash backed performance bonds	-	25,743
Lease liabilities	(81,059)	(99,046)
	(81,059)	(73,303)
<b>Variable rate instruments</b>		
Cash and cash equivalents	739,096	2,625,853
Cash backed performance bonds	821,809	-
	1,560,905	2,625,853

*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 2014.

	<b>Profit or loss</b>		<b>Equity</b>	
	<b>100bp increase \$</b>	<b>100bp decrease \$</b>	<b>100bp increase \$</b>	<b>100bp decrease \$</b>
<b>30 June 2015</b>				
Variable rate instruments	15,610	(15,610)	15,610	(15,610)
<b>30 June 2014</b>				
Variable rate instruments	26,258	(26,258)	26,258	(26,258)

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****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.

**Equity 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 other comprehensive income.

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

	Note	30 June 2015 \$	30 June 2014 \$
Listed equities (Level 1 fair value hierarchy)	9	3,022,500	9,355,826

*Sensitivity analysis*

The Group's equity investments are listed on the Australian Securities Exchange. A 3% increase in stock prices at 30 June 2015 would have increased equity by \$90,675 (2014: \$280,675), 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.

**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****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****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 27 November 2013 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.
- (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.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****26. Share-based payments (Continued)****(a) 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 the Remuneration Report.

	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Number of</b>	<b>Weighted</b>	<b>Number of</b>	<b>Weighted</b>
	<b>Options</b>	<b>Average</b>	<b>Options</b>	<b>Average</b>
		<b>Exercise Price</b>		<b>Exercise Price</b>
		<b>\$</b>		<b>\$</b>
Outstanding at the beginning of the year	2,350,000	0.40	2,550,000	0.39
Granted	2,865,000	0.26	1,350,000	0.40
Exercised	-	-	-	-
Expired	(350,000)	0.32	(1,550,000)	0.40
Outstanding at year-end	4,865,000	0.34	2,350,000	0.40
Exercisable at year-end	4,865,000	0.34	2,350,000	0.40

The outstanding balance as at 30 June 2015 is represented by the following options over ordinary shares, exercisable upon meeting the above terms and conditions:

- 650,000 options with an exercise price of \$0.40 each and with an expiry date of 12 September 2015. All have vested and are exercisable at balance date.
- 625,000 options with an exercise price of \$0.40 each and with an expiry date of 30 September 2015. All have vested and are exercisable at balance date.
- 725,000 options with an exercise price of \$0.40 each and with an expiry date of 30 September 2016. All have vested and are exercisable at balance date.
- 2,250,000 options with an exercise price of \$0.25 each and with an expiry date of 30 November 2017. All have vested and are exercisable at balance date.
- 615,000 options with an exercise price of \$0.275 each and with an expiry date of 22 May 2018. All have vested and are exercisable at balance date.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****26. Share-based payments (Continued)****Directors and Executives Options and Performance Rights**

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 and performance rights vary between option holders and performance right holders. There were 4,650,000 (2014: 200,000) options and nil (2014: nil) performance rights issued to Directors or Executives during the financial year.

Options issued to the Executive Chairman and the Executive Director and Executives vest immediately. Performance rights vest in accordance with their terms and conditions.

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

- any Directors or Executives vested options and performance rights 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 and performance rights will be settled in ordinary shares of Matsa Resources Limited.

**(a) Summary of options and performance rights issued to Directors and Executives**

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

	<b>2015 No.</b>	<b>2015 WAEP \$</b>	<b>2014 No.</b>	<b>2014 WAEP \$</b>
Outstanding at 1 July	5,950,000	0.43	10,500,000	0.44
Granted during the year	4,650,000	0.30	200,000	0.40
Expired during the year	-	-	(4,750,000)	0.44
Outstanding at 30 June	10,600,000	0.37	5,950,000	0.43
Exercisable at 30 June	10,600,000	0.37	5,950,000	0.43

- (ii) The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of performance rights issued.

	<b>2015 No.</b>	<b>2014 No.</b>
Outstanding at 1 July	1,000,000	1,000,000
Granted during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 30 June	1,000,000	1,000,000
Exercisable at 30 June	-	-

**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****26. Share-based payments (Continued)**

The following options were issued during the year. There were no performance rights issued to directors or executives during the year.

**Directors****2015**

- 4,250,000 options over ordinary shares with an exercise price of \$0.30 each, exercisable upon meeting the relevant conditions and until 30 November 2017.

**Executives****2015**

- 400,000 options over ordinary shares with an exercise price of \$0.25 each exercisable upon meeting the relevant conditions and until 30 November 2017.

**2014**

- 200,000 options over ordinary shares with an exercise price of \$0.40 each exercisable upon meeting the relevant conditions and until 30 September 2016.

**(b) Valuation models of options and performance rights 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.

	2015		2014	
	Directors	Executives	Directors	Executives
Dividend yield (%)	Nil	Nil	-	Nil
Expected volatility (%)	85.96	85.96	-	90.43
Risk-free interest rate (%)	2.40	2.40	-	2.86
Expected life of options (years)	3.01	3.01	-	3.00
Option exercise price (\$)	0.30	0.25	-	0.40
Share price at grant date (\$)	0.17	0.17	-	0.32
Fair value at grant date (c)	7.30	8.01	-	17.23

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.

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## MATSAs RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015

## 26. Share-based payments (Continued)

	Consolidated	
	2015 \$	2014 \$
<b>Employee Expenses</b>		
Share options granted in 2013		
- equity settled	54,033	51,904
Share options granted in 2014		
- equity settled	-	246,865
Share options granted in 2015		
- equity settled	600,960	-
Total expense recognised as employee costs	654,993	298,769

## Conditions of vesting of the performance rights

- (a) 500,000 performance rights vest when the volume weighted average price of the Company's shares as traded on ASX over 5 consecutive days is equal to or exceeds \$0.60; and
- (b) 500,000 performance rights vest when the volume weighted average price of the Company's shares as traded on ASX over 5 consecutive days is equal to or exceeds \$0.75.

## 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
<b>Directors</b>	
Paul Poli	Executive Chairman
Frank Sibbel	Non-Executive Director
Andrew Chapman	Director, Company Secretary and Chief Financial Officer
<b>Executives</b>	
David Fielding	Group Exploration Manager

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report on pages 27 to 35. These transferred disclosures have been audited.

	2015 \$	2014 \$
<b>Compensation of Key Management Personnel</b>		
Short-term employment benefits	809,435	822,942
Post-employment benefits	50,766	49,809
Termination benefits	-	-
Share-based payment	396,287	86,370
	1,256,488	959,121



**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015****27. Key management personnel continued)**

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.

**Loans to Key Management Personnel**

There were no loans to key management personnel during the current or previous financial year.

**Other transactions and balances with Key Management Personnel**

- (a) P Poli and F Sibbel are Directors of Bulletin Resources Limited. During the financial year the Consolidated Entity entered into an agreement with Bulletin to provide accounting, technical and administrative services on an arms-length basis. In the current period \$78,741 has been charged to Bulletin for these services (2014: nil).

At 30 June 2015 there was an outstanding balance of \$12,482 (2014: nil) for Bulletin.

- (b) During the financial year P Poli became a director and controlling shareholder of West-Sure Group Pty Ltd which provides alarm monitoring services to the Consolidated Entity. In the current period \$533 has been charged to the Consolidated Entity for this service (2014: nil).

At 30 June 2015 there was an outstanding balance of \$nil (2014: nil) payable to West-Sure.

- (c) P Poli is a director and controlling shareholder of West-Sure Group Pty Ltd which the Consolidated Entity sub-lets storage space from. In the current period \$5,157 has been charged to the Consolidated Entity for this service (2014: nil).

At 30 June 2015 there was an outstanding balance of \$nil (2014: nil) payable to West-Sure.

**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.

**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 the Remuneration Report.

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**MATSA RESOURCES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE 2015****29. Remuneration of auditors**

The auditor of Matsa Resources Limited is Nexia Perth Audit Services Pty Ltd (Nexia Perth).

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
	<hr/>	
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.	42,183	41,949
Amounts received or due and receivable by related practices of Nexia Perth for:		
- tax compliance	8,426	12,158
	<hr/>	<hr/>
	50,609	54,107
	<hr/>	

**30. Events Subsequent to Balance Date**

On 31 July 2015 the Company announced that it had entered into an Asset Sale and Purchase agreement with Panoramic Resources Limited (PAN) and Metals X Limited (MLX) whereby the Company (30%) and PAN (70%) would dispose of their respective interests in the Mt Henry Gold Project to MLX for a total consideration of 22 million MLX fully paid ordinary shares of which the Company would receive 6.6 million. On 16 September 2015 the Company announced that the parties settled the sale of the Mt Henry Gold Project and the Company received the 6.6 million MLX shares valued at \$8.085 million.

The Company sold 575,000 shares in Panoramic Resources Limited ("Panoramic") after the end of the financial year for total gross proceeds of \$229,702.

On 12 September 2015 900,000 unlisted options exercisable at 40 cents each expired.

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**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 27 to 35, 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 2015 and of its performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and Corporations Regulations 2001;
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(b);
  - (c) the remuneration disclosures that are contained in page 27 to 35 of the Remuneration Report in the Directors’ Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and
  - (d) 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 2015.

Signed in accordance with a resolution of the directors;



Paul Poli  
Executive Chairman

Perth, 30 September 2015

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chartered accountants  
and business advisors

## 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 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information 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 that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Matsa Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

#### **Nexia Perth Audit Services Pty Ltd**

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Independent member of Nexia International



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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 2015 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*; and
- (b) the consolidated 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 in the directors' report for the year ended 30 June 2015. 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 2015 complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads "NPAS".

**Nexia Perth Audit Services Pty Ltd**

A handwritten signature in blue ink that reads "PTC Klopper".

**PTC Klopper**  
Director

30 September 2015  
Perth

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**MATSA RESOURCES LIMITED****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 25 September 2015**

<b>Category (size of holding)</b>	<b>Number of Shareholders</b>
1 – 1,000	233
1,001 – 5,000	550
5,001 – 10,000	361
10,001 – 100,000	727
100,001 – and over	174
	2,045

The number of shareholdings held in less than marketable parcels is 467.

**Twenty Largest Shareholders as at 25 September 2015**

<b>Name</b>	<b>No.</b>	<b>%</b>
JP Morgan Nominees Australia Limited <Cash Income A/C>	15,170,130	10.52
HF Resources Pty Ltd	11,770,000	8.16
Mr Paul Poli <P Poli Family A/C>	8,550,000	5.93
RASL AU LLC	8,482,241	5.88
UOB Kay Hian Private Limited <Clients A/C>	5,086,568	3.53
Mr William Robert Maunder & Mrs Jeanette Margaret Maunder <Superannuation Fund A/C>	3,187,000	2.21
Mr Steven James Brown <Family A/C>	2,501,100	1.74
Mr Mark John Allison & Mrs Lorraine Frances Allison <The M&L Allison S/F A/C>	2,415,323	1.68
L & S Davies Pty Ltd <Davies International A/C>	2,174,409	1.51
Mr Paul Poli & Mrs Sonya Kathleen Poli <P Poli Super Fund A/C>	2,050,000	1.42
Mr Oliver Nikolovski & Mrs Suzanne Karine Nikolovski <The Nikolovski S/Fund A/C>	2,000,000	1.39
Citicorp Nominees Pty Ltd	1,764,016	1.22
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,412,331	0.98
Mr Oliver Nikolovski <The Nikolovski Family A/C>	1,410,000	0.98
Mr Kimberley Alan Harris <KA & TL Harris Family Account>	1,338,702	0.93
Mr Robert Genovesi & Mrs Magalay Genovesi & Mr Frank Giannasi & Mrs Maria Giannasi <The Bld Workshop No1 S/F>	1,250,000	0.87
Mr John Francis Young & Mr Christopher John Young & Mr Brett William Young <J F Young Super Fund A/C>	1,140,000	0.79
Mr Adam Georgiu <The A Georgiu Family A/C>	1,100,000	0.76
Mr Michael Naughton & Mr Patrick Naughton <M Naughton Super Fund A/C>	1,000,000	0.69
Mr Carmelo Poli & Mrs Eileen Poli <Carmelo Poli Super Fund A/C>	990,500	0.68
	74,792,320	51.88

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**MATSA RESOURCES LIMITED****ASX ADDITIONAL INFORMATION****Substantial Shareholders**

Ordinary shareholder	Fully paid	
	Number	Percentage
HF Resources Pty Ltd	11,770,000	8.16%
Paul Poli	10,600,000	7.35%
RASL AU LLC	8,482,241	5.88%

**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
5,500,000	3	\$0.43	30 November 2015
625,000	3	\$0.40	30 September 2015
925,000	9	\$0.40	30 September 2016
2,650,000	10	\$0.25	30 November 2017
4,250,000	3	\$0.30	30 November 2017
615,000	8	\$0.275	22 May 2018

There is 1 holder of 1,000,000 performance rights with specific performance hurdles which expire 30 November 2015.

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**MATSA RESOURCES LIMITED****ASX ADDITIONAL INFORMATION****Summary of Governance Arrangements and Internal Controls**

The Mineral Resource and Reserve estimates are carried out in accordance with the JORC 2012 Code, using industry standard techniques and internal guidelines for the estimation and reporting of Ore Reserves and Mineral Resources. The Mineral Resource and Reserve are estimated by suitably qualified employees of Panoramic Resources Ltd (PAN) who are managers of the Mt Henry JV, and verified by external consultants (BMGS). The consultants have also carried out reviews of the quality and suitability of the data underlying the estimate.

**RESOURCE TABLE****Mt Henry JV Project Resource Statement**

	Resource Category	Tonnes	Au (g/t)	Metal (Au oz) 2015	Metal (Au oz) 2014	Variance 2015 – 2014 (%)
Selene	Indicated	16,416,000	1.17	617,550	617,550	-
	Inferred	4,951,000	0.93	148,050	148,050	-
	Total	21,367,000	1.11	765,600	765,600	-
Mt Henry	Indicated	14,981,000	1.27	611,750	611,750	-
	Inferred	6,336,000	1.14	232,250	232,250	-
	Total	21,317,000	1.23	844,000	844,000	-
North Scotia	Indicated	357,000	3.11	35,780	35,780	-
	Inferred	138,000	1.95	8,650	8,650	-
	Total	496,000	2.79	44,430	44,430	-
<b>Total (100%)</b>		<b>43,180,000</b>	<b>1.19</b>	<b>1,654,080</b>	<b>1,654,080</b>	-

**Table 1: Mt Henry Gold JV Project Resource**  
*Resource table is shown on a 100% basis - Matsa 30% Panoramic 70%*  
*Cut-off grade 0.4g/t (previously reported at 1g/t)*

**Notes to Mt Henry JV Resource Table**

1. Mt Henry JV 2014 estimate reported in compliance to JORC 2012 standards. Refer to Panoramic Resources Limited's ASX announcement dated 31 January 2014. There has been no change since that date.
2. Estimate reported as at 13 September 2013.
3. Figure may not add due to rounding.



**MATSA RESOURCES LIMITED****ASX ADDITIONAL INFORMATION****Mining and Reserves****Mt Henry Gold JV Project Reserve Statement**

Reserve	Proven		Probable		Total		Metal (Au oz)
	Tonnes	Au (g/t)	Tonnes ('000)	Au (g/t)	Tonnes ('000)	Au (g/t)	
Selene	-	-	11,545	1.37	11,545	1.37	508,500
Mt Henry	-	-	8,496	1.45	8,496	1.45	395,500
North Scotia	-	-	179	3.30	179	3.30	18,900
<b>Total</b>	-	-	<b>20,220</b>	<b>1.42</b>	<b>20,220</b>	<b>1.42</b>	<b>922,900</b>

**Table 2: Mt Henry Gold JV Project Resource**  
Reserve table is shown on a 100% basis - Matsa 30% Panoramic 70%

**Notes to Mt Henry JV Resource Table**

1. The Mt Henry and Selene modelling optimisations were based on Resources reported at a 0.6g/t Au cut-off grade and Mt Henry has a cut-off grade of 0.7g/t Au. Mining is based on production from the three open pits, using contract mining. This is the maiden reserve and accordingly there is no comparison for the previous year. Refer to Panoramic Resources Limited's ASX announcement dated 14 May 2015.
2. Estimate reported as at 14 May 2015.
3. Figures may not add due to rounding.

**Competent Persons Statement**

The information in this report that relates to the Mt Henry Project Mineral Resources is based on information compiled by or reviewed by Andrew Bewsher (MAusIMM). Andrew Bewsher is a full time employee of BM Geological Services and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Andrew Bewsher consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Information in this release relating to MHGP Ore Reserves has been completed by or reviewed by Christopher Williams (MAusIMM). Mr Williams is a full-time employee of Panoramic Resources Limited and is an indirect shareholder of Panoramic and Matsa Resources. Mr Williams also holds performance rights in relation to Panoramic Resources Limited. Mr Williams has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Williams consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

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**MATSA RESOURCES LIMITED****SCHEDULE OF MINERAL PROPERTIES**

<b>Tenement Type and No.</b>	<b>Project</b>	<b>Holder</b>	<b>Status</b>	<b>Share Held</b>
M 63/177	Buldanian Rocks	Matsa Resources Limited	Live	100%
P 63/1503	Buldanian Rocks	Matsa Resources Limited	Live	100%
P 63/1710	Dundas	Matsa Resources Limited	Pending	-
E 15/1380	Dunnsville	Matsa Resources Limited	Live	100%
E 15/1381	Dunnsville	Matsa Resources Limited	Live	100%
E 16/294	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 16/389	Dunnsville	Matsa Resources Limited	Live	100%
E 16/390	Dunnsville	Matsa Resources Limited	Live	100%
E 16/403	Dunnsville	Matsa Resources Limited	Live	100%
E 16/405	Dunnsville	Matsa Resources Limited	Live	100%
E 16/408	Dunnsville	Matsa Resources Limited	Live	100%
E 16/409	Dunnsville	Matsa Resources Limited	Live	100%
E 16/427	Dunnsville	Matsa Resources Limited	Live	100%
E 16/429	Dunnsville	Matsa Resources Limited	Live	100%
E 16/439	Dunnsville	Matsa Resources Limited	Live	100%
E 16/443	Dunnsville	Matsa Resources Limited	Live	100%
E 16/472	Dunnsville	Matsa Resources Limited	Pending	-
E 28/1663 <sup>1</sup>	Fraser Range	Matsa Resources Limited	Live	90%
E 28/1664 <sup>1</sup>	Fraser Range	Matsa Resources Limited	Live	90%
E 63/1703	Fraser Range	Matsa Resources Limited	Live	100%
E 63/1704	Fraser Range	Matsa Resources Limited	Live	100%
E 69/3070	Symons Hill	Matsa Resources Limited	Live	100%
E 63/1018 <sup>2</sup>	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 63/1199 <sup>2</sup>	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 63/1646	Killaloe	Matsa Resources Limited	Live	100%
E 63/1660	Killaloe	Matsa Resources Limited	Live	100%
E 63/1661	Killaloe	Matsa Resources Limited	Live	100%
E 63/1662	Killaloe	Matsa Resources Limited	Live	100%
E 63/1713	Killaloe	Matsa Resources Limited	Live	100%

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**MATSA RESOURCES LIMITED****SCHEDULE OF MINERAL PROPERTIES**

<b>Tenement Type and No.</b>	<b>Project</b>	<b>Holder</b>	<b>Status</b>	<b>Share Held</b>
P 63/1331 <sup>2</sup>	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
P 63/1672 <sup>2</sup>	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 38/2823	Minigwal	Matsa Resources Limited	Live	100%
E 38/2948	Minigwal	Matsa Resources Limited	Live	100%
E 38/2949	Minigwal	Matsa Resources Limited	Live	100%
E 39/1707	Minigwal	Matsa Resources Limited	Live	100%
E 39/1708	Minigwal	Matsa Resources Limited	Live	100%
E 39/1716	Minigwal	Matsa Resources Limited	Live	100%
E 39/1728	Minigwal	Matsa Resources Limited	Live	100%
E 39/1735	Minigwal	Matsa Resources Limited	Live	100%
E 39/1812	Minigwal	Matsa Resources Limited	Live	100%
E 39/1813	Minigwal	Matsa Resources Limited	Live	100%
E 39/1814	Minigwal	Matsa Resources Limited	Live	100%
E 39/1823	Minigwal	Matsa Resources Limited	Live	100%
E 39/1824	Minigwal	Matsa Resources Limited	Live	100%
E 39/1825	Minigwal	Matsa Resources Limited	Live	100%
E 39/1834	Minigwal	Matsa Resources Limited	Live	100%
E 39/1840	Minigwal	Matsa Resources Limited	Pending	-
E 39/1841	Minigwal	Matsa Resources Limited	Pending	-
E 39/1862	Minigwal	Matsa Resources Limited	Pending	-
E 16/466	Mt Burges	Matsa Resources Limited	Live	100%
E 16/467	Mt Burges	Matsa Resources Limited	Live	100%
E 16/468	Mt Burges	Matsa Resources Limited	Live	100%
P 63/1330	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1454 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1455 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1456 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1457 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%

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**MATSA RESOURCES LIMITED****SCHEDULE OF MINERAL PROPERTIES**

<b>Tenement Type and No.</b>	<b>Project</b>	<b>Holder</b>	<b>Status</b>	<b>Share Held</b>
P 63/1458 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1459 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1460 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1398	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1399	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1410	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1414	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1415	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1420	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/653	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Application	-
P 63/1426 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1427 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1428 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1393	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1391	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1392	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1675 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1638 <sup>3</sup>	Norseman	Matsa Resources Limited	Live	30%
P 63/1807 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	30%

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**MATSA RESOURCES LIMITED****SCHEDULE OF MINERAL PROPERTIES**

<b>Tenement Type and No.</b>	<b>Project</b>	<b>Holder</b>	<b>Status</b>	<b>Share Held</b>
P 63/1805 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	30%
P 63/1806 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	30%
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 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1330	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 63/1581 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1753 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1754 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1755 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1751 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	30%
P 63/1423 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1564 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1565 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1566 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1567 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1568 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1569 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%

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**MATSA RESOURCES LIMITED****SCHEDULE OF MINERAL PROPERTIES**

<b>Tenement Type and No.</b>	<b>Project</b>	<b>Holder</b>	<b>Status</b>	<b>Share Held</b>
L 63/64 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
M 63/236 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1673 <sup>3</sup>	Norseman	Matsa Resources Limited	Live	30%
P 63/1674 <sup>3</sup>	Norseman	Matsa Resources Limited	Live	30%
M 63/515 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1562 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1563 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1564 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1565 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1566 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1567 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1568 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1569 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
L 63/58 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1576	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1661 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%
P 63/1575	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%

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**MATSA RESOURCES LIMITED****SCHEDULE OF MINERAL PROPERTIES**

<b>Tenement Type and No.</b>	<b>Project</b>	<b>Holder</b>	<b>Status</b>	<b>Share Held</b>
P 63/1465	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1466	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1467	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/366 <sup>3</sup>	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	30%

<sup>1</sup>= 90% held by Matsa

<sup>2</sup>= 80% held by Matsa

<sup>3</sup>= 30% controlled by Matsa

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**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company's governance approach aims to achieve exploration, development and financial success while meeting stakeholders' expectations of sound corporate governance practices by proactively determining and adopting the most appropriate corporate governance arrangements.

ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at 30 June 2015, and has been approved by the Board of Directors. Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX *Corporate Governance Principles and Recommendations (3rd edition)*.

For further information on corporate governance policies adopted by the Company, refer to the corporate governance section of our website: [www.matsa.com.au](http://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
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	2(a)	Yes
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	2(b), 3(b)	Yes
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	3(b)	Yes
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	2(e)	Yes

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**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	6(c)	Yes
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	2(h), 3(b)	Yes
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	3(b), Remuneration report	Yes
<b>Principle 2</b>	<b>Structure the Board to add value</b>		
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board</p>	3(b)	No

**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
	succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.		
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	2(b)	Yes
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (which appears on page 16 of the ASX Recommendations and is entitled "Factors relevant to assessing the independence of a director") but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	2(b), 2(d)	Yes
2.4	A majority of the board of a listed entity should be independent directors.	2(d)	No
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	2(b), 2(c), 2(d)	No
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	3(b)	Yes
<b>Principle 3</b>	<b>Act ethically and responsibly</b>		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	6(a)	Yes
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee;	3(a)	No

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**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
	(4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or  (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	5(c)	Yes
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	4(a)	Yes
<b>Principle 5 Make timely and balanced disclosure</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	4(b)	Yes
<b>Principle 6 Respect the rights of security holders</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	4(a), 4(b)	Yes
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	5(a), 5(b)	Yes
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	4(a), 4(b)	Yes
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	4(a), 4(b)	Yes

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**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
<b>Principle 7</b>	<b>Recognise and manage risk</b>		
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	3(a)	No
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	5(a), 5(b), 5(d)	Yes
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	3(a)	No
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	5(a)	Yes
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	3(b)	No

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**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
	(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	3(b), Remuneration Report	Yes
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	3(b), Remuneration Report	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

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**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

**2. THE BOARD OF DIRECTORS (continued)**

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
- 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 2013.

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.

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**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

**2. THE BOARD OF DIRECTORS (continued)**

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) 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 2.4. 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(e) Company Secretary**

The appointment, performance, review, and where appropriate, the removal of the Company Secretary is a key responsibility of the Board. All directors have access to the Company Secretary who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

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**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

**2. THE BOARD OF DIRECTORS (continued)**

**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(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 Matsu 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 4.1 as two are executive directors and none are considered to be independent Directors (refer 2(d)). 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.

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**MATSA RESOURCES LIMITED**  
**CORPORATE GOVERNANCE**

**3. BOARD COMMITTEES (continued)**

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(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 and Nomination 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 2.1 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. TIMELY AND BALANCED DISCLOSURE**

**4(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;

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**4. TIMELY AND BALANCED DISCLOSURE (continued)**

**4(a) Shareholder communication (continued)**

- 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.

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.

**4(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 4(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.

**5. 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.

**5(a) Board oversight of the risk management system**

The Board considers risks and discusses risk management at each Board meeting. Review of the risk management framework is an on-going process rather than an annual formal review. The Company's main areas of risk include:

- exploration;
- security of tenure including native title risk;
- joint venture management;
- new project acquisitions;
- environment;
- occupational health and safety;

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**5. RECOGNISING AND MANAGING RISK (continued)**

**5(a) Board oversight of the risk management system (continued)**

- government policy changes;
- funding;
- commodity prices;
- retention of key staff;
- financial reporting; and
- continuous disclosure obligations.

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.

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.

**5(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.

**5(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.

**5(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.

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**6. ETHICAL AND RESPONSIBLE DECISION MAKING**

**6(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.

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.

**6(b) Policy concerning trading in Company securities**

The Company’s “Securities Trading Policy” applies to all directors, officers and employees and was last 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).

**6(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.

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**6. 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.	<p>There were no key senior female appointments made during the year.</p> <p>As at 30 June 2015, women represented 30% in the Consolidated Entity's workforce (2014: 30%), nil in key management positions (2014: nil) and Nil at board level (2014: Nil).</p>
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 2 employees on flexible work arrangements (2014: 2).
Provide career development opportunities for every employee, irrespective of any cultural, gender and other differences.	<p>Whilst Matsa places special focus on gender diversity, career development opportunities are equal for all employees.</p> <p>Employees are encouraged to attend professional development courses/workshops throughout the year.</p>
Promote an inclusive culture that treats the workforce with fairness and respect.	<p>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.</p> <p>No cases of discrimination were reported during the year (2014: Nil).</p>

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