MATSA RESOURCES LIMITED
ABN 48 106 732 487

ASX Announcement **29th January 2016**

Quarterly Activities Report – 31st December 2015

HIGHLIGHTS

Symons Hill Fraser Range

- *Diamond drilling underway to determine whether EM Conductors C11 and VA15a are associated with Nova-Bollinger style Ni-Cu sulphide mineralisation.*
- *Drilling to test VA15a beneath nickel enriched olivine gabbros is in progress at 186m with a planned depth of 600m.*
- *Drilling designed to test C11 was stopped at 399.3m, due to difficult ground conditions. Downhole EM will commence shortly at C11 to enable resumption of drilling.*

Siam Copper Project Thailand

- *Five high priority NS trending Induced Polarisation (IP) anomalies up to 500m long were defined at Siam 1W.*
- *A diamond drilling programme has commenced to test the concept that IP anomalies reflect copper sulphide mineralisation.*
- *Drilling to test IP anomaly 3, intersected visible finely disseminated native copper mineralisation in andesite lavas, from 53m to its current depth of 83m.*

Killaloe Project WA

- *Geological mapping of HWG Ni sulphide prospect completed to enable commencement of new diamond drilling 2nd quarter 2016.*

Corporate

- *Matsa currently holds cash, receivables and liquid assets of approximately $10M.*

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Director

Frank Sibbel

Director & Company Secretary

Andrew Chapman

Shares on Issue

144.15 million

Unlisted Options

8.44 million @ $0.25 - $0.40

Top 20 shareholders

Hold 51.78%

Share Price on 28th January 2016

15c

Market Capitalisation

$23.06 million

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INTRODUCTION

Matsa Resources Limited ("Matsa" or "the Company" ASX: MAT) is pleased to report on its exploration and corporate activities for the quarter ended 31st December 2015.

Background information about the methods and data used in compiling this report, are attached as Appendix 1 in accordance with the JORC 2012 Code.

COMPANY ACTIVITIES

SYMONS HILL PROJECT – Matsa 100%

E69/3070 of 96km^2 is located within the Fraser Range Tectonic zone, 6kms SSW of Independence Group Ltd's (ASX:IGO) Nova nickel mine.

Diamond drilling is currently in progress to test EM Conductor targets VA15 and C11 as potential Nova Bollinger style Ni-Cu mineralisation (Figure 1).

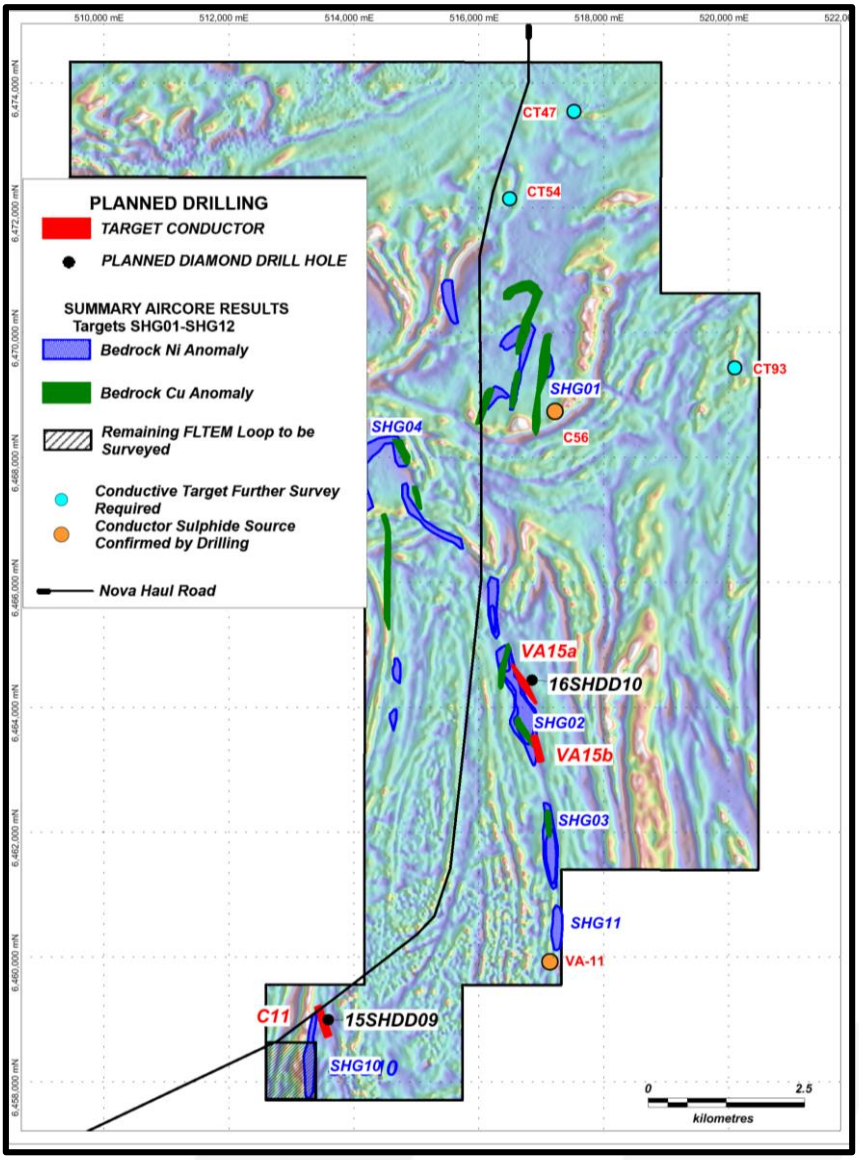

Figure 1: ***Symons Hill Diamond Drilling for December 2015 quarter***

Two diamond drillholes were commenced with drillhole 15SHDD09 on target C11 which was stopped at 399.3m because of poor ground conditions and drillhole 16SHDD10 on target VA15 which is currently in progress at a depth of 186m (Table 1).

Downhole EM surveys will be carried out on each hole completed in order to confirm any in-hole conductors and to detect off-hole conductors.

Target	Drillhole	East (m)	North (m)	Dip (°)	Azimuth (°)	Depth (m)	Remarks
C11	15SHDD09	513639	6459073	-60	270	399.3	Stopped due to ground conditions
VA15a	16SHDD10	516875	6464450	-70	240	186	In Progress, planned depth 600m

Table 1: Symons Hill Diamond Drilling Summary.

Diamond Drillhole 15SHDD09 (Target C11)

The drill target C11 is a moderate strength (~250-500S) bedrock conductor located under anomalous bedrock Ni values >300ppm Ni in weathered bedrock with nickel values of up to 0.2% Ni in an RC drillhole which intersected mafic/ultramafic gabbro (Target SHG10).

Diamond drilling encountered mostly mafic granulites where coarse primary gabbro textures have mostly been overprinted by a pervasive medium grained weakly banded metamorphic fabric. Importantly, in places, the primary mafic gabbro textures can be seen including olivine bearing sections (e.g. 225m to 233m downhole) and the mafic granulites are interpreted to be similar to the host rocks reported from Nova. The drillhole was stopped at 399.3m because of highly unfavourable ground conditions. The hole has been cased to the bottom with 50mm PVC and it is planned to carry out a downhole EM survey to refine the location of the C11 conductor before designing a second drillhole to test this target (Figure 2).

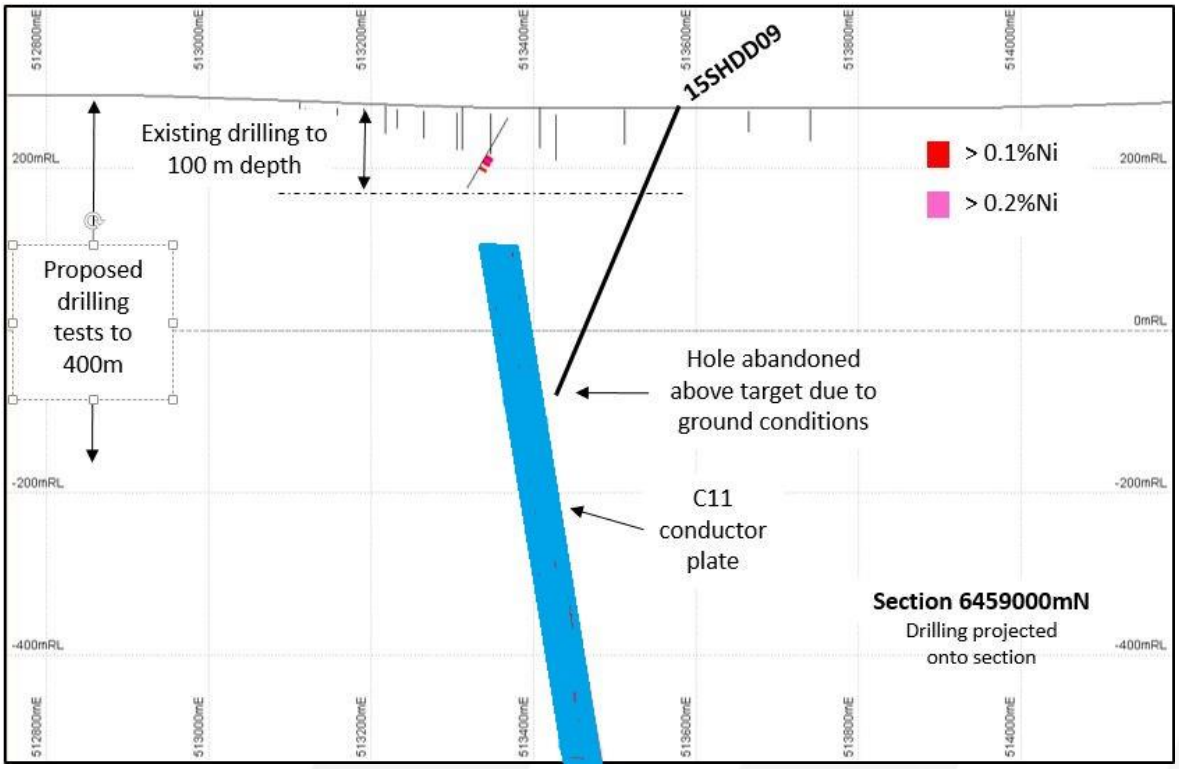

Figure 2: Conductor C11, Interpretive cross section showing planned diamond drillhole trace

Diamond Drillhole 16SHDD10 (Target VA15)

The more recent HPFLEM survey carried out over the VA15 VTEM target was able to better define the target for drilling than earlier EM surveys in 2012 and 2013. Results of the new HPFLEM survey were modeled and the final interpretation now confirms 2 NNW trending moderate strength (conductance 250-500S) conductors, VA15a and VA15b both dipping steeply towards the NE (Figure 1). It can also be seen that both conductors underlie strongly enriched nickel values in weathered olivine gabbros making up the SHG02 geochemical target.

Both conductors are essentially similar, but modelling of the northern anomaly VA15a produced a more robust interpretation and drilling has commenced on a planned 650m deep angled diamond drillhole to test VA15a at a vertical depth of 500m below surface.

Drillhole 16SHDD10 has intersected mafic granulites to its current depth of 186m. Rocks intersected display strong metamorphic overprint which tends to obscure primary fabrics. The primary rock type is interpreted to be metamorphosed gabbro but current drillhole depth is still well above the expected position of strongly Ni enriched mafic/ultramafic gabbros intersected by earlier drilling as shown in cross section in Figure 3.

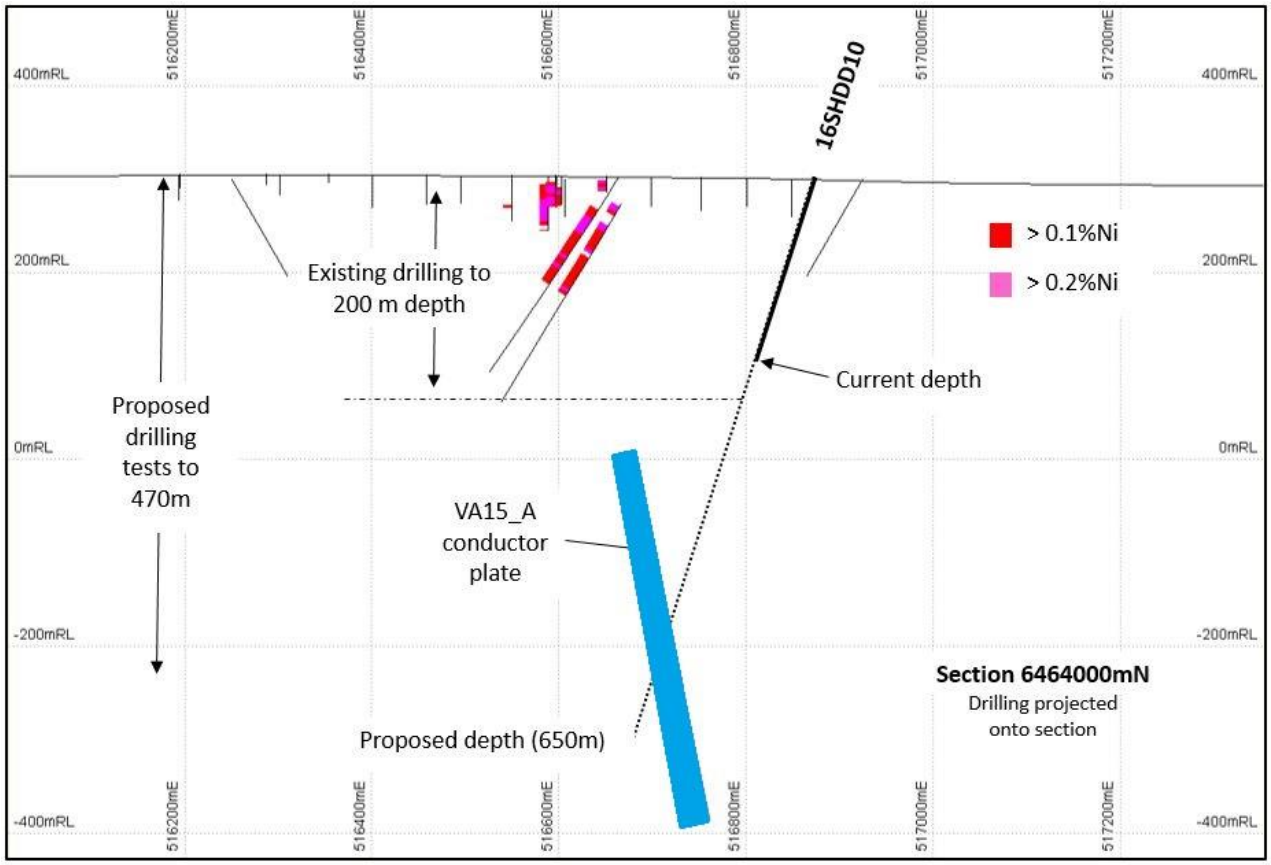

Figure 3: ***Conductor Plate VA15a on interpretive cross section showing planned drillhole VA15a***

High Power Fixed Loop EM Survey

The regional, high powered (150-200A) EM survey commenced in December 2014 is virtually complete with only one loop in the SW corner of the project remaining to be surveyed (Figure 1). The survey has been carried out as part of a research and development project, designed to develop and improve state of the art EM equipment to explore for massive sulphide deposits of Nova-Bollinger type, to a depth of >700m below surface. Survey design parameters, and progress have been included in previous announcements to the ASX *(Refer MAT announcements submitted to the ASX 14th April 2015, 23rd April 2015 and 30th April 2015, 20th May 2015, 3rd June 2015, 31st July 2015, 23rd September 2015, 31st October 2015).*

Diamond drilling is currently underway to test interpreted bedrock conductors VA15 and C11 as described above. These are in addition to 3 remaining EM conductor targets, CT47, CT54 as shown in Figure 1. Further moving loop EM (MLTEM) surveys are planned over the conductive targets in order to obtain better resolution and to determine whether these are bedrock conductors, or features produced by current channelling in weathered rocks in the near surface environment. Additional MLTEM will also serve to define interpreted bedrock conductors for drill testing as possible Nova Bollinger style massive Ni-Cu sulphides.

THAILAND

Matsa's Thailand projects cover 909km^2 within 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. 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 (Figure 3).

The location of the Loei–Ko Chang arc and Matsa's current tenement holdings are summarised in Figure 3.

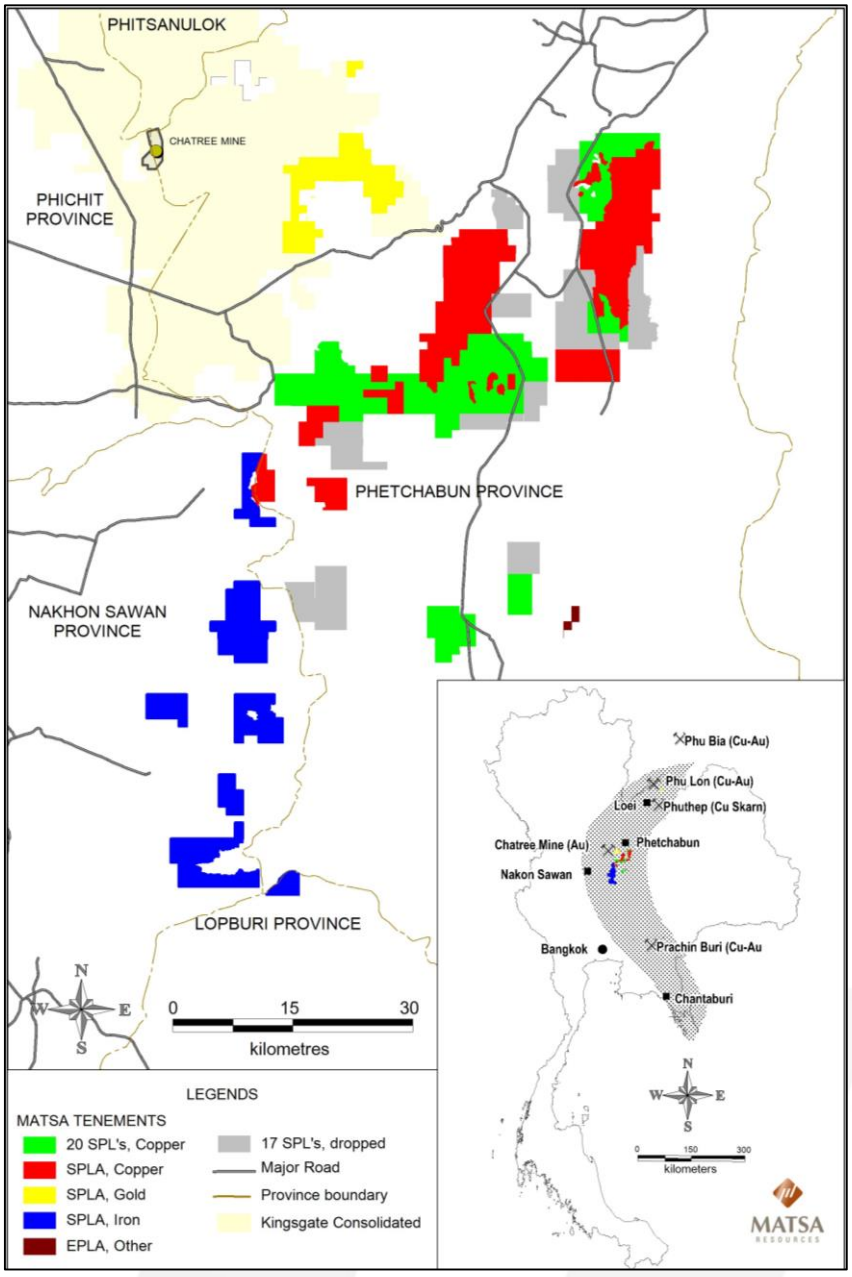

Figure 4: Matsa Tenement Status Thailand (Inset Loei-Ko Chang Arc)

SIAM COPPER PROJECT

Activities during the quarter were focused on the Siam Copper Project and are summarised in Figure 5 and comprised:

- Complete IP survey Coverage Siam 1W and Siam 1E; and
- Commence diamond drilling at Siam 1.
- Collection of 230 auger soil samples.

IP (Induced Polarisation) Survey

An induced polarisation (IP) ground electrical survey at Siam 1, for a total of 13 lines covering 22.8 line km was completed during the quarter. The survey comprised 6 lines for 14.1 line km read at Siam 1 West and 7 lines for 8.7 line km at Siam 1 East. Line locations are presented in Figure 5. The survey was carried along NW, and NE oriented lines employing 75m dipole-dipole array electrode spacings *(Survey specifications and methods included in Matsa announcement to the ASX 29th October 2015)*.

The IP method is designed to specifically target disseminated sulphides, which in a copper mineralised hydrothermal system, would typically have a much larger footprint and be easier to detect than any associated bodies of massive sulphides.

The Siam 1 prospect was prioritised for IP surveys because of Matsa's discovery there of widespread boulders containing visible native copper and the previously announced discovery of supergene chalcocite containing very high copper and silver grades of up to **54.6% Cu and 148 g/t Ag**.

The survey was designed to test the hypothesis that surface copper mineralisation represents more extensive copper sulphide mineralisation at depth.

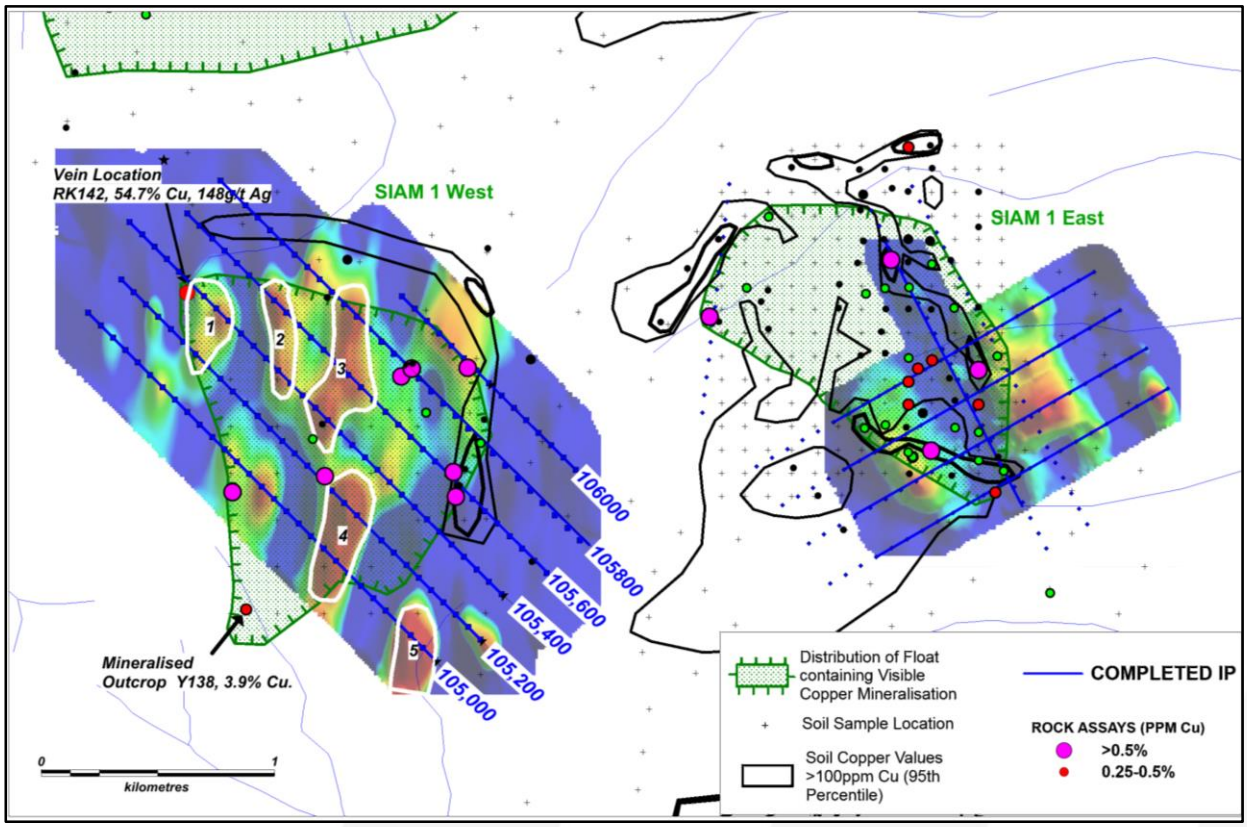

Figure 5: ***Siam 1 West and East prospects and IP depth slice at 0m RL showing high priority IP Anomalies 1-5***

IP Results Siam 1 West

Five high priority NS trending Induced Polarisation (IP) anomalies (Anomalies 1-5) up to 500m long were defined at Siam 1W as shown in Table 2, Figure 5 *(Summary statistics of raw IP and resistivity values and stacked pseudo-sections of raw IP and resistivity data are included in the ASX release of 29 October 2015)*.

Target	Interpretation		Chargeability mV/V		Resistivity ohmm.m	
	Length	Width	Min	Max	Max	Average
Anomaly 1	425	150	5.5	7.5	1200	1150
Anomaly 2	500	125	6.5	8.0	1050	1025
Anomaly 3	675	150	6.5	8.5	1025	1000
Anomaly 4	450+	175	6.5	9.5	475	450
Anomaly 5	200+	175	6.5	10.0	65	50

Table 2: High Priority IP Target Summary

Resistivity data across Siam 1 West has defined a more conductive zone in the SW and a more resistive zone to the NE indicating a major change in bedrock geology which was confirmed by diamond drilling completed to date. There is shallow conductive surficial cover response on all lines.

Matsa's in-house geophysical consultant, Bill Robertson commented, "*The IP responses are complex and most likely to have multiple sources. The 5 high priority IP anomalies are considered to be targets for disseminated copper sulphide mineralization and warrant drill testing*".

IP anomalies 1-4 (Table 2) are located in a significantly more resistive unit and interpreted to basaltic andesite lavas. IP anomaly 5 was detected in the comparatively conductive unit in the SE part of the grid. Drilling has shown this more conductive unit to be rhythmically banded sediments.

The previously announced high grade chalcocite vein is located immediately adjacent to IP Anomaly 1. The presence of this moderate IP anomaly at shallow depth strongly supports the hypothesis that the chalcocite vein represents "leakage" over more extensive copper sulphide mineralisation at depth.

IP Results Siam 1 East

It can be seen in Figure 5 that IP responses have been observed on all lines and that IP responses remain open to the south with one strong open response to the east. These responses are interpreted to be sourced by steeply dipping bodies.

Resistivity results define a similar pattern to Siam 1 West, namely a more conductive zone, probably reflecting sediments, in the east and a more resistive zone reflecting volcanic lavas to the west. There is shallow conductive surficial cover response on all lines.

Anomalous IP readings observed at Siam 1 East are weaker than at Siam 1 West and are generally associated with the more resistive volcanic lavas.

Diamond Drilling

A total of 9 diamond drillholes for an estimated total of between 1,500 and 2,300 metres of HQ and NQ were designed to test IP anomalies 3, 4 and 5 at Siam 1W. The IP anomalies were interpreted as sub-vertical

chargeable zones of disseminated sulphides which are oriented approximately N-S. Consequently, planned drillholes have been oriented in an E-W direction.

Diamond drilling commenced at Siam 1W during the quarter for a total of 310.1m of drilling in 2 drill holes as summarised in Table 3. A description of exploration methods used, tenement status and assay procedures is provided in Appendix 1.

Prospect	Drillhole	Target	East	North	Dip	Azimuth	Depth
Siam1W	15SCDD001	5	7695	74196	-60	140	227.1
Siam1W	16SCDD002	3	7387	75243	-60	90	83

Table 3: Siam 1W, diamond drillhole progress

Drillhole 15SCDD001 was designed to test IP target 5. Poor ground conditions led to the hole being stopped at 227.1m which coincides approximately with the depth at which the IP target was expected to be intersected. Pyrite (iron sulphide) rich sediments were intersected below 53m to the end of the drillhole and are interpreted to be the likely source of IP anomaly 5.

Drillhole 16SCDD002 was located to test IP target 3. This drillhole intersected basaltic andesite lavas to its current depth of 83m, which is well above the depth of 200m at which the IP target is expected to be intersected. Visible finely disseminated native copper mineralisation with grain size generally <0.5mm, was observed intermittently throughout the section drilled to date, but in particular from 50m to end of drillhole.

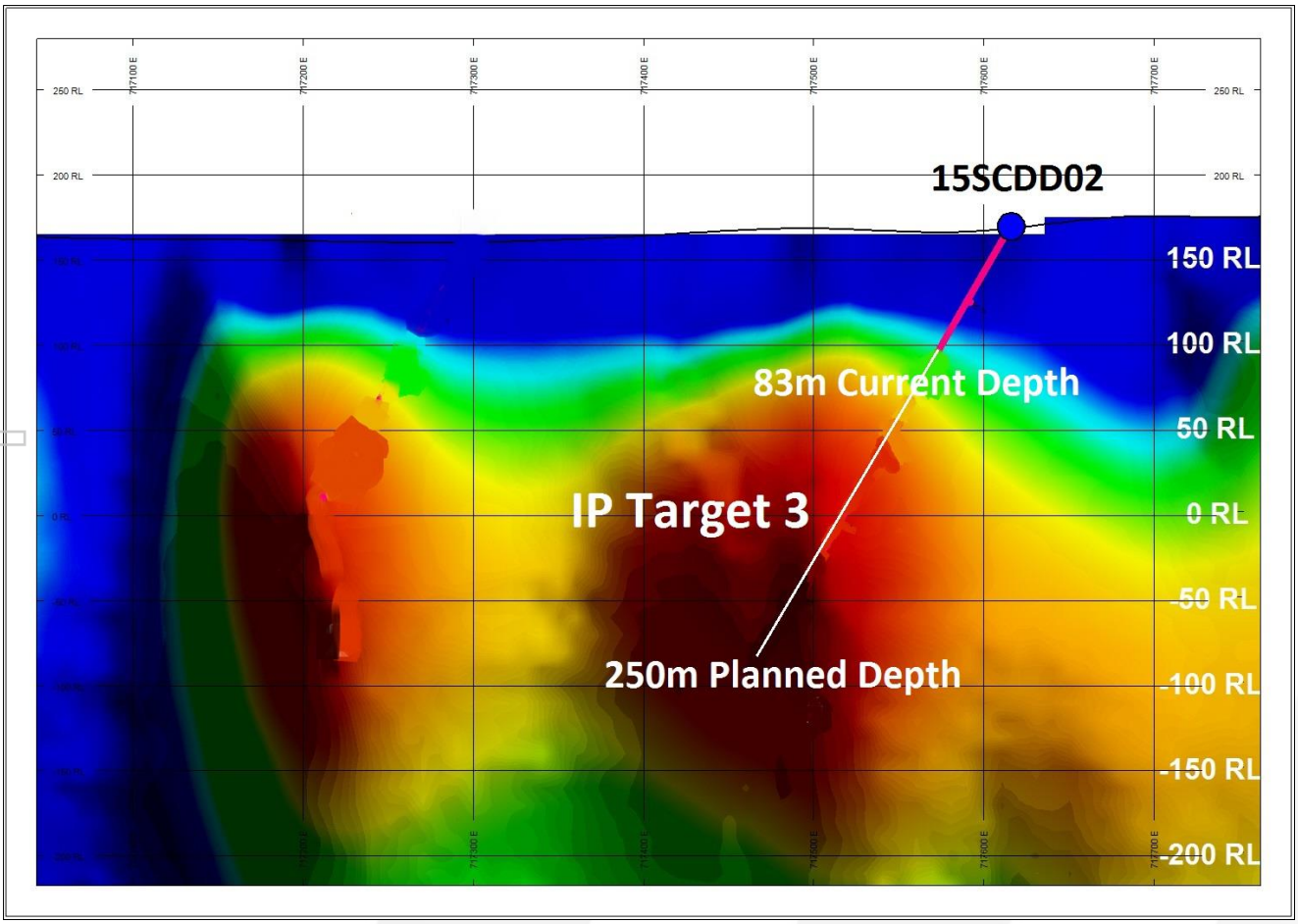

Figure 6: EW Cross Section Anomalies 2 and 3 with Diamond Drillhole 15SCDD02

As previously announced, Matsa has temporarily suspended drilling at Siam 1W. *(Refer MAT announcement to the ASX 19th January 2016)*

A total of 230 auger soil samples were collected from the Siam 1 project area and assay results are awaited.

KILLALOE PROJECT (MAT 80%)

Hanging Wall Gossan (HWG)

Matsa confirmed in 2014-15, the presence of Kambalda style Ni sulphide mineralisation at HWG in association with highly prospective channel facies komatiite lavas. The host ultramafic sequence at HWG prospect is interpreted to be a strike extension of the sequence which hosts S2's Taipan Ni sulphide mineralisation to the northwest. Diamond drilling to date has shown the sequence to be structurally complex and disrupted by several late stage faults. In addition, a number EM conductors to test massive Ni sulphide targets were drilled and found to be sourced by sulphidic and graphitic shales.

Detailed geological mapping at HWG by consultant Dr Jim Thornett was carried out during the quarter. Compilation and integration of the new mapping with detailed aeromagnetics, EM data and diamond drilling is underway in order to refine the geological interpretation and to develop and prioritise targets for drilling. The programme is being carried out under an R&D project targeted on developing innovative EM technologies including downhole survey techniques, in order to discriminate between massive Ni sulphides and sulphide rich graphitic shales, both of which give rise to EM anomalies.

POINT KIDMAN (MAT Earning 80%)

Matsa became interested in the project following the discovery by prospectors of numerous gold nuggets at Point Kidman over an irregular 2.5km x 0.5km area in an area of extensive transported sand cover.

No significantly anomalous assays were received from the 109 hole RAB drilling programme completed during the quarter and Matsa accordingly withdrew from the farm in.

DUNNSVILLE PROJECT

An auger soil sampling program was carried out this quarter at Dunnsville project area. A total of 450 samples were collected, along west-central part of the project area. Grid sampling pattern used were 400 m x 100m and 200 m x 100 m. The samples were analysed for gold using aqua regia digest and measured with ICP-MS by ALS Laboratories in Malaga, WA.

Assay results from this sampling program has yielded 3 targets, Yarmany North, DUN16 and DUN18, based on a threshold of + 6 ppb Au anomalies, with peak gold value of 16 ppb (Figure 1). A review of the Dunnsville project is ongoing with a view to further exploration.

MINIGWAL GOLD AND NICKEL PROJECT

A total of 37 RAB aircore drillholes for 2378m was completed over target MLG01 at Minigwal. Drilling confirmed that the target is located in a background of transported sediments up to 55m thick. No significantly anomalous gold values were intersected and no further work is planned on this target.

Matsa plans to carry out a ground EM survey on a komatiite Ni sulphide target at Minigwal during the next quarter.

Corporate

Cash and liquid assets total approximately $10 Million. Matsa remains debt free.

During the quarter Matsa increased its holding in Bulletin Resources (ASX: BNR) to 27.37% interest in which holds a 20% interest in the Nicolsons Gold Project which is projected to produce 30,000oz of gold per annum with robust positive cashflows. Production from the project commenced in September 2015.

Matsa held its annual general meeting during the quarter in which all resolutions were passed.

For further Information please contact:

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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.

Appendix 1 - *Matsa Resources Limited*

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	*Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.*	Auger samples at Dunnsville are collected using a vehicle mounted auger with typical sample depths of 1– 2.5m. Samples are collected at the maximum depth achievable by the rig. Aircore Sampling (WA) Samples are laid out on the ground as 1m samples for visual logging and sampling.
	Measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	Surface geochemical sample locations are picked up using hand held GPS and recorded onto database. Soils and streams: Sufficient bulk (unscreened) sample is bagged in the field to provide 100g of -80# fraction at the laboratory and to enable selection of duplicates to be run for QA QC purposes.
	Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.	Aircore assay samples eg Pt Kidman and Minigwal typically made up of composites of up to 4m downhole length. Sample weights are typically under 3kg. Sample preparation comprised drying and pulverizing 3kg to produce 1g of sample for aqua regia digest and then measured for gold using ICP-MS. Auger soils were submitted for assay where samples were dried and further reduced by screening with assays carried out on the -80# fraction. Assays are carried out using All auger samples are pulverized to -80# and assayed for gold only by Aqua Regia digest MS ICP. All assays to date have been carried out by ALS Global Perth. .
Drilling techniques	*Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	Aircore drilling carried out at the Point Kidman project using a RA150 rig operated by Challenge Drilling Kalgoorlie
Drill sample recovery	*Method of recording and assessing core and chip sample recoveries and results assessed.*	Aircore recovery judged from size of residue piles, typically >95% of sample recovered.
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	Water injection and monitoring of residue piles is used to determine sampling efficiency.

Criteria	JORC Code explanation	Commentary
	Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Not determined at this stage.
Logging	*Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	Logging recorded as qualitative description of colour, lithological type, grain size, structures, minerals and alteration. Representative end of hole samples collected
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.	Logging is qualitative when it applies to aircore / RAB drilling
	The total length and percentage of the relevant intersections logged.	All drill holes are logged in their entire length.
Sub-sampling techniques and sample preparation	*If core, whether cut or sawn and whether quarter, half or all core taken.*	
	If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.	Sample collected by spear of residue piles or if wet, by hand sampling residue piles.
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	Standard lab sample preparation process includes drying, crushing and pulverizing to-80#.
	Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	Laboratory QA QC procedures only.
	Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.	No duplicate samples taken for this aircore drill program. Lab du
	Whether sample sizes are appropriate to the grain size of the material being sampled.	Sample size is appropriate for the targeted mineralization style.
Quality of assay data and laboratory tests	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	The Aqua Regia assay technique is an industry standard total gold assay technique for low level gold grades
	For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.	

Criteria	JORC Code explanation	Commentary
	Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.	Laboratory QA QC only.
Verification of sampling and assaying	*The verification of significant intersections by either independent or alternative company personnel.*	No significantly mineralised intersections.
	The use of twinned holes.	There are no twin holes drilled.
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	Data entry carried out by field personnel thus minimizing transcription or other errors. Trial plots in field and rigorous database procedures ensure that field and assay data are merged accurately.
	Discuss any adjustment to assay data.	No adjustments were made to the assay data.
Location of data points	*Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	Drill collars are surveyed by hand held GPS units with accuracy of 5m which is sufficient accuracy for the purpose of compiling and interpreting results.
	Specification of the grid system used.	All sampling during the quarter was carried out Zone 51s of the Australian GDA94 Datum Thailand UTM Grid system used namely Indian Thailand 1960 datum Zone 47.
	Quality and adequacy of topographic control.	Topographic control 2-5m accuracy using published maps or Shuttle Radar data is sufficient to evaluate topographic effects on assay distribution.
Data spacing and distribution	*Data spacing for reporting of Exploration Results.*	
	Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	
	Whether sample compositing has been applied.	Aircore and RAB drilling sampled at 1m intervals for logging and assayed in composite intervals of up to 4m downhole.
Orientation of data in relation to geological structure	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*	
	If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	Not established at this stage.
Sample security	*The measures taken to ensure sample security.*	Not regarded as an issue for soil samples and first pass aircore samples beyond clear mark up and secure packaging to ensure safe arrival and accurate handling by personnel at assay facility. Assay Pulps retained until final results have been

Criteria	JORC Code explanation	Commentary
		evaluated.
Audits or reviews	*The results of any audits or reviews of sampling techniques and data.*	Not carried out at this stage.

Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	*Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*	Australia, all work carried out under granted Exploration Licences either held directly by Matsa, or subject to formal farm in / JV agreements. <u>Thailand</u> Exploration tenements comprise more or less regular aggregates of square blocks to a maximum of 16km 2. Tenements are held by Siam Copper Ltd and PVK Mining Limited which are both wholly owned subsidiaries of Matsa Resources Limited. Tenements have been granted for a period of 5 years subject to completion of agreed exploration programme.
	The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.	All Matsa tenements are in good standing and no known obstacle exists.
Exploration done by other parties	*Acknowledgment and appraisal of exploration by other parties.*	Western Australia, Prior work was carried out by GSWA and past explorers as sourced under the open file system of the WA DPIM <u>Thailand</u> Past work in the Siam project area has included -80# stream sediment sampling carried out by the Department of Mineral Resources of Thailand (DMR) and made available to explorers. Other work includes a helicopter borne combined electromagnetic and magnetic survey carried out mostly on EW lines nominally 400m apart.
Geology	• *Deposit type, geological setting and style of mineralisation.*	**Symons Hill Nickel Copper Sulphides**. The target is Nova style Ni Cu mineralisation in the Fraser complex within the Proterozoic Fraser Tectonic Zone **Eastern Gold Fields gold targets** at Minigwal, Point Kidman and Dunnsville, the target is orogenic gold sourced from Archaean volcanics and sediments,

Criteria	JORC Code explanation	Commentary
		mobilised by metamorphic processes and deposited into structural ad chemical traps. Intrusion related hydrothermal gold deposits remain a key deposit style which may be present. **Kambalda Style Komatiite hosted Ni sulphides**. At Killaloe, Ni sulphide mineralisation at the HWG prospect has geological similarities with the Ni deposits around the Kambalda and Widgiemooltha domes, but there appears to be a much higher degree of post mineral deformation and faulting. **In Thailand** the target is volcanic hosted copper mineralisation associated with widespread altered boulders, in some cases containing visible Cu mineralisation. The project area is part of an arcuate paleo – island arc terrane which is more than 600km long and oriented approximately north – south. This terrane extends from Ko Chang Island on the Cambodian border in the south to the Laos border beyond Loei in the north. The geological character of this belt results from subduction of oceanic crust towards the east beneath the Indo – Sinian plate during the Permian and early Triassic periods through to the Tertiary. Volcanic rocks, comprising mostly andesites in the project area, were deposited in early Triassic times over extensive Permian aged shelf limestones.
Drill hole Information	*A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* *easting and northing of the drill hole collar* *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* *dip and azimuth of the hole* *down hole length and interception depth* *hole length.* *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	Mineralised drillholes in the Siam Cu project are presented in plan and section, with collar co ordinates and set up information including depth included in the test as a table.
Data aggregation methods	*In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.*	
	Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.	

Criteria	JORC Code explanation	Commentary
	The assumptions used for any reporting of metal equivalent values should be clearly stated.	
Relationship between mineralisation widths and intercept lengths	*These relationships are particularly important in the reporting of Exploration Results.* *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	All drilling references and mineralised intercepts reported, are measured in down hole metres.
Diagrams	*Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Suitable summary plans have been included in the body of the report.
Balanced reporting	*Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	
Other substantive exploration data	*Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	High Power Fixed Loop EM surveys Symons Hill. Survey parameters and equipment as previously described. IP Survey in Thailand is supervised by Matsa inhouse geophysical consultant Bill Robertson. IP Surveys Thailand Contractor AusThai Survey Type 2D Dipole Dipole IP survey Equipment GDD GRx8- 32 16 channel Receiver Geophysical Receiver system □ 2 x GDD 5Kva Transmitter systems in synch (equivalent 10Kva system) □ 2 x 5.5KW generators □ Hand held 12 channel GPS system. Survey Parameters Line spacing ~200m, dipole (n) spacing 75m
Further work	*The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	Included in the main body of the report.

MATSA RESOURCES LIMITED

SCHEDULE OF TENEMENTS HELD AT 31 DECEMBER 2015

Tenement	Project	Ownership	Change During Quarter
M 63/177	Buldania Rocks	100%	
P 63/1503		100%	
E 15/1380	Dunnsville	100%	
E 15/1381		100%	
E 16/294		100%	
E 16/296		100%	
E 16/362		100%	
E 16/389		100%	
E 16/390		100%	
E 16/403		100%	
E 16/405		100%	
E 16/408		100%	
E16/409		100%	
E 16/427		100%	
E 16/429		100%	
E 16/439		100%	
E 16/443		100%	
E16/466	Mt Burges	100%	
E16/467		100%	
E16/468		100%	
E63/1703	Fraser Range	100%	
E 69/3070	Symons Hill	100%	
E 63/1018	Killaloe	80%[1]	
E 63/1199		80%[1]	
E63/1646		100%	
P 63/1672		80%[1]	
E63/1655		100%	
E63/1660		100%	
E63/1661		100%	
E63/1662		100%	
E63/1713		100%	

MATSA RESOURCES LIMITED

SCHEDULE OF TENEMENTS HELD AT 31 DECEMBER 2015

Tenement	Project	Ownership	Change During Quarter
E38/2823	Minigwal	100%	
E38/2948		100%	
E38/2949		100%	
E 39/1707		100%	
E 39/1708		100%	
E39/1716		100%	
E 39/1728		100%	
E 39/1735		100%	
E39/1812		100%	
E39/1814		100%	
E39/1823		100%	
E39/1824		100%	
E39/1825		100%	
E39/1834		100%	
E39/1840		100%	
E39/1862		100%	
P 63/1391	Norseman	100%	
P 63/1392		100%	
P 63/1393		100%	
E63/1710	Mt Day	100%	
SPL 17/2558	Siam Project	100%	
SPL 19/2558		100%	
SPL 20/2558		100%	
SPL 22/2558		100%	
SPL 23/2558		100%	
SPL 27/2553		100%	
SPL 30/2553		100%	
SPL 34/2558		100%	
SPL 37/2558		100%	
SPL 38/2558		100%	
SPL 39/2558		100%	
SPL 40/2558		100%	
SPL 41/2558		100%	
SPL 43/2558		100%	
SPL 44/2558		100%	

MATSA RESOURCES LIMITED

SCHEDULE OF TENEMENTS HELD AT 31 DECEMBER 2015

Tenement	Project	Ownership	Change During Quarter
SPL 45/2558		100%	
SPL 48/2558		100%	
SPL 51/2558		100%	
SPL 52/2558		100%	
SPL 53/2558		100%	

All tenements are located in Western Australia apart from the Siam Project which is located in Thailand.

[1]= Joint Venture with Cullen Resources Limited

Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

MATSA RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
48 106 732 487	31 December 2015

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (6 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(717)	(1,541)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(640)	(1,196)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	12
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	-	-
1.7	Other – Other	4	30
	Net Operating Cash Flows	(1,344)	(2,697)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	(426)	(485)
	(c) other fixed assets	(8)	(17)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	3,341
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – Security deposits refunded/(paid)	8	405
	Net investing cash flows	(426)	3,244
1.13	Total operating and investing cash flows (carried forward)	(1,770)	547

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,770)	547
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(17)	(40)
1.18	Dividends paid	-	-
1.19	Other – Capital raising costs	-	-
	Net financing cash flows	(17)	(40)
	Net increase (decrease) in cash held	(1,787)	507
1.20	Cash at beginning of quarter/year to date	3,033	739
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	1,246	1,246

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	160
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the September quarter Matsa sold its 30% interest in the Mt Henry Joint Venture to Metals X Limited (MLX) for a consideration of 6.6M MLX shares which had a market value of approximately $8.1M at the time of settlement.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	569
4.2	Development	-
4.3	Production	-
4.4	Administration	495
	Total	1,064

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	1,196	2,983
5.2	Deposits at call	50	50
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	1,246	3,033

Changes in interests in mining tenements and petroleum tenements

		Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Norseman (WA) M63/653 P63/1330 P63/1575 P63/1576 P63/1578 P63/1579 P63/1580 Fraser Range (WA) E63/1704 Minigwal (WA) E39/1735 Killaloe (WA) E63/1331	 Direct Direct Direct Direct Direct Direct Direct Direct Direct Direct	 100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	 0% 0% 0% 0% 0% 0% 0% 0% 0% 0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference** +**securities** *(description)*	Nil			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+**Ordinary securities**	144,156,779	144,156,779		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+**Convertible debt securities** (*description)*	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*			*Exercise price*	*Expiry date*
		925,000	Unlisted	$0.40	30 September 2016
		4,250,000	Unlisted	$0.30	30 November 2017
		2,650,000	Unlisted	$0.25	30 November 2017
		615,000	Unlisted	$0.275	22 May 2018
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	5,500,000	Unlisted	$0.43	30 November 2015
	Performance Rights	1,000,000	Unlisted	Nil – subject to vesting criteria	30 November 2015
7.11	**Debentures** *(totals only)*	Nil			
7.12	**Unsecured notes** *(totals only)*	Nil			

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: _____ Date: 29 January 2016
(Company secretary)

Print name: Andrew Chapman

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.