

MATSA RESOURCES LIMITED

ABN 48 106 732 487

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2020

CONTENTS

	Page No
Corporate Directory	1
Directors Report	2
Auditor's Independence Declaration	17
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19
Condensed Consolidated Statement of Changes in Equity	20
Condensed Consolidated Statement of Cash Flows	21
Notes to the Condensed Consolidated Financial Statements	22
Directors Declaration	30
Independent Auditor's Review Report	31

MATSA RESOURCES LIMITED

CORPORATE DIRECTORY

Directors

Paul Poli (Executive Chairman)
Frank Sibbel (Director)
Andrew Chapman (Director)
Pascal Blampain (Director)

Company Secretary

Andrew Chapman

Registered Office

Suite 11
139 Newcastle Street
PERTH WA 6000
Tel: (08) 9230 3555
Fax: (08) 9227 0370
Email: reception@matsa.com.au

Postal Address

PO Box 376
Northbridge WA 6865

Website www.matsa.com.au

Auditors

Nexia Perth Audit Services Pty Ltd
Level 3
88 William Street
Perth WA 6000

Share Registry

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009
Tel: (08) 9389 8033
Fax: (08) 9389 7871

Home Stock Exchange

Australian Securities Exchange Ltd
Level 40
Central Park
152-158 St Georges Terrace
PERTH WA 6000
ASX Code: MAT

MATSA RESOURCES LIMITED

DIRECTORS REPORT

Your directors submit their report for Matsa Resources Limited (Matsa or the Company) and its controlled entities (Group or Consolidated Entity) for the half year ended 31 December 2020.

DIRECTORS

The names of directors who held office during or since the end of the period to the date of this report are:

Mr Paul Poli
Mr Frank Sibbel
Mr Andrew Chapman
Mr Pascal Blampain (appointed on 17 February 2021)

Directors were in office for this entire period unless otherwise stated.

OPERATING RESULTS

During the half year the Group made a loss of \$4,912,060 (2019: loss of \$3,446,449).

REVIEW OF OPERATIONS

Matsa is an ASX listed exploration and mining company based in Western Australia. The Corporate office is located in Perth with an office in Bangkok, Thailand.

COMPANY ACTIVITIES

The Company's activities during the period were principally focused on the 503km² Lake Carey gold project. The Company is committed to becoming a long term gold producer with its own treatment plant via successful gold exploration.

On 29 January 2021 the Company foreshadowed a new business strategy and strategic pathway centred on resource growth through a targeted exploration drive to support a proposed 100% Matsa owned, 600,000tpa treatment plant in order to increase appeal and create significant shareholder value. As a result, the Board is committed to implementing the necessary changes to execute this strategy.

Matsa intends to focus on:

- Growing the Company's resources and reserves to enable the construction and successful operation of a proposed 600,000tpa treatment plant
- Commencing works such as site location, environmental and permitting activities to expedite the Company's mining and processing objectives
- Securing the funding to explore and unlock value from the Company's Lake Carey gold project
- Re-optimisation and mine designs at Fortitude and Devon and develop a robust long term mine plan at Red October through exploration, grade control drilling and mine designs
- New exploration programs to locate and exploit new mining opportunities

LAKE CAREY GOLD PROJECT

Introduction

Activities during the period have been focused on the Company's 503km² Lake Carey gold project (Figure 1) and comprised the following:

- Development and production from Red October underground gold mine
- Revised reportable Resource Estimate for Red October within the existing block model

MATSA RESOURCES LIMITED

DIRECTORS REPORT

- Diamond drilling underground at Red October
- Sub Audio Magnetic Survey (SAM) ground geophysical survey at Hill East
- Interpretation and reporting of 3D Seismic Survey north of Red October under R&D project
- RC drilling at Devon
- Soil sampling area of historical neglect between the Devon pit and Olympic
- Multi-element sampling of historic drill holes at Hacks Well

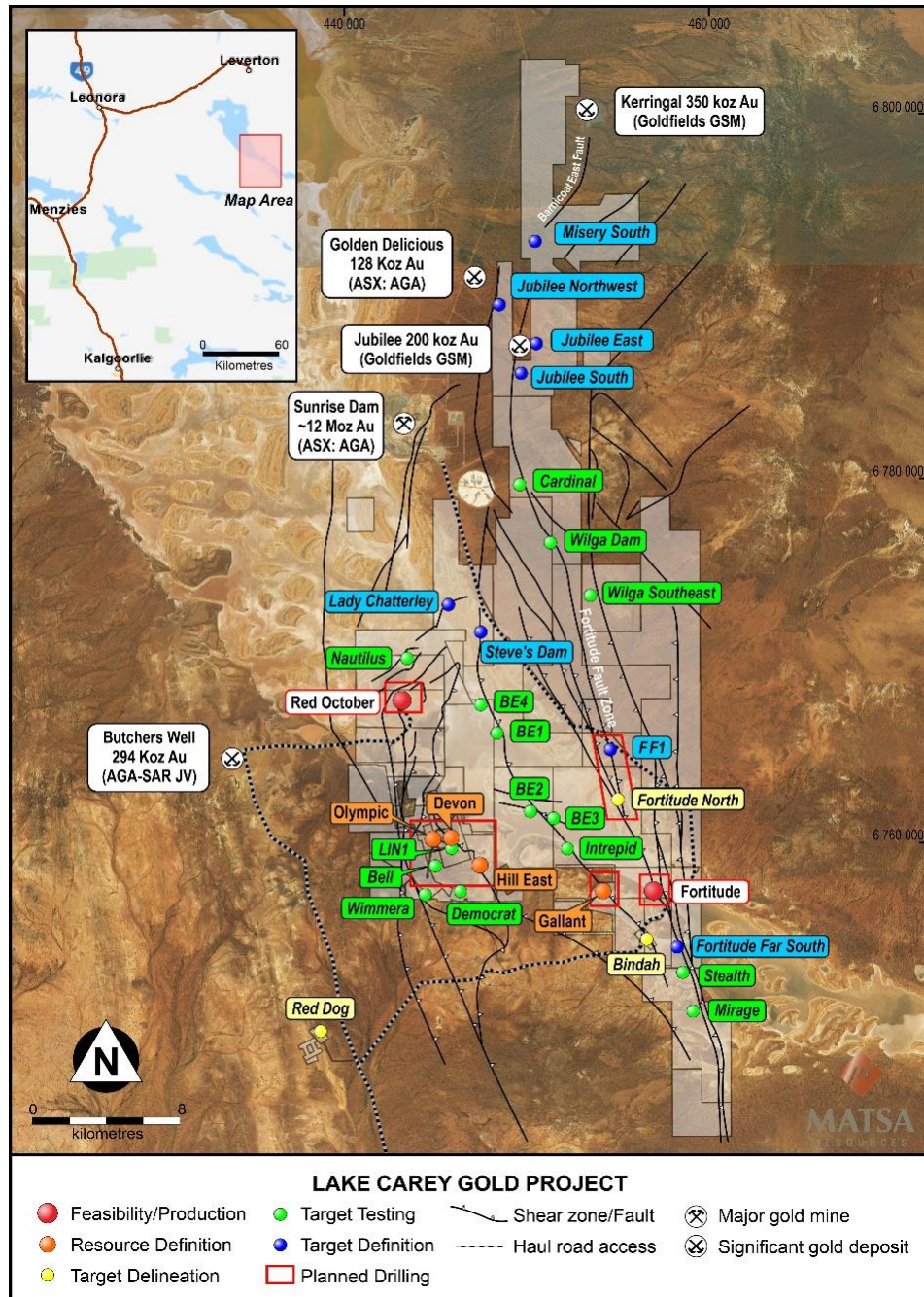


Figure 1: Lake Carey Gold Project

MATSA RESOURCES LIMITED

DIRECTORS REPORT

RED OCTOBER

Underground Mining and Production

Mining continued during the period for a total of 722 metres of development and a total production of 40,247 tonnes @ 3.09 g/t Au for 3,996 ounces gold equivalent (Table 1).

Production came from a combination of jumbo development and long-hole stoping from the North Decline and ore drive development from the South Decline. The total sales for the period was 43,666 tonnes at 3.22g/t at a 82.98% metallurgical recovery for 3,750 oz gold.

	2019-20 Actuals	September 2020 Quarter Actuals	December 2020 Quarter Actuals	2020-21 YTD 6 months
Mine Production				
Total Tonnes	55,076	28,308	11,940	40,247
Grade (g/t)	4.2	2.66	4.11	3.09
Production (oz equivalent)	7,431	2,421	1,576	3,996
Recovered (oz)	6,391	1,971	1,340	3,311
Ore Sales				
Tonnes	48,826	20,836	23,220	43,666
Grade (g/t)	4.11	3.86	2.66	3.22
Ore Sales (oz)	6,445	2,532	1,987	4,519
Met Recovery (%)	86%	81.4%	85%	82.98%
Recovered (oz)	5,560	2,061	1,689	3,750
Stockpiled Ore (oz)	-	700	259	259
Avg Gold Price (A\$/oz)	2,375	2,668	2,560	2,616
Cash (C1) Costs (A\$/oz)	N/A	1,781	1,259	1,627
AISC (A\$/oz equivalent)	2,051	2,821	2,272	2,686

Table 1: Red October gold production summary

** Previous published quarter results have been adjusted for subsequent receipt of updated tonnages, grades and/or metallurgical recoveries. Figures may not be precise due to rounding. Differences between production and sales represents ore mined and changes to ROM pad inventory*

The Red October underground operations continued during the period with a focus on increasing both tonnes produced and grades. While mined ore grades increased in accordance with mine plans, substantial decline and development drives were required during the period to access deeper parts of the mine for exploration and future mining.

Mining Activities – ROSZ North Production and Development

Production during the period came from the ROSZ lodes on the N1275, N1260, N1240 and N1225 levels and stopes were mined on the Smurfette structures on the 1138 and 1042 levels.

MATSA RESOURCES LIMITED

DIRECTORS REPORT

Following recently completed exploration drilling, the Company commenced extending the South Decline down to access the lower 822 Level to continue mining the Marlin 410 Lode. A crosscut into the Marlin Lode at the 822 was completed late in December 2020 and ore drives are being established. Upon completion of the 822 ore drive, stopes from the Marlin lode will be ready for mining.

Red October Mine Plan Extension

Matsa considers that the Red October resource remains open and under-explored along strike and down-dip. There is evidence of high-grade gold intersections within the existing drilling dataset, both within and outside of the existing mine footprint. Recent drilling supports this view and additional drilling can add new ounces to the mine plan.

Existing drill data strongly supports the idea that potential exists to expand the resource for long term mining both:

- Within the existing resource wireframes, adjacent to existing workings and further afield through additional resource definition drilling (Figure 2); and
- Outside the existing resource wireframes where potential is demonstrated by existing high-grade drill results >10 g/t Au (Figure 3) and requires further exploratory drilling.

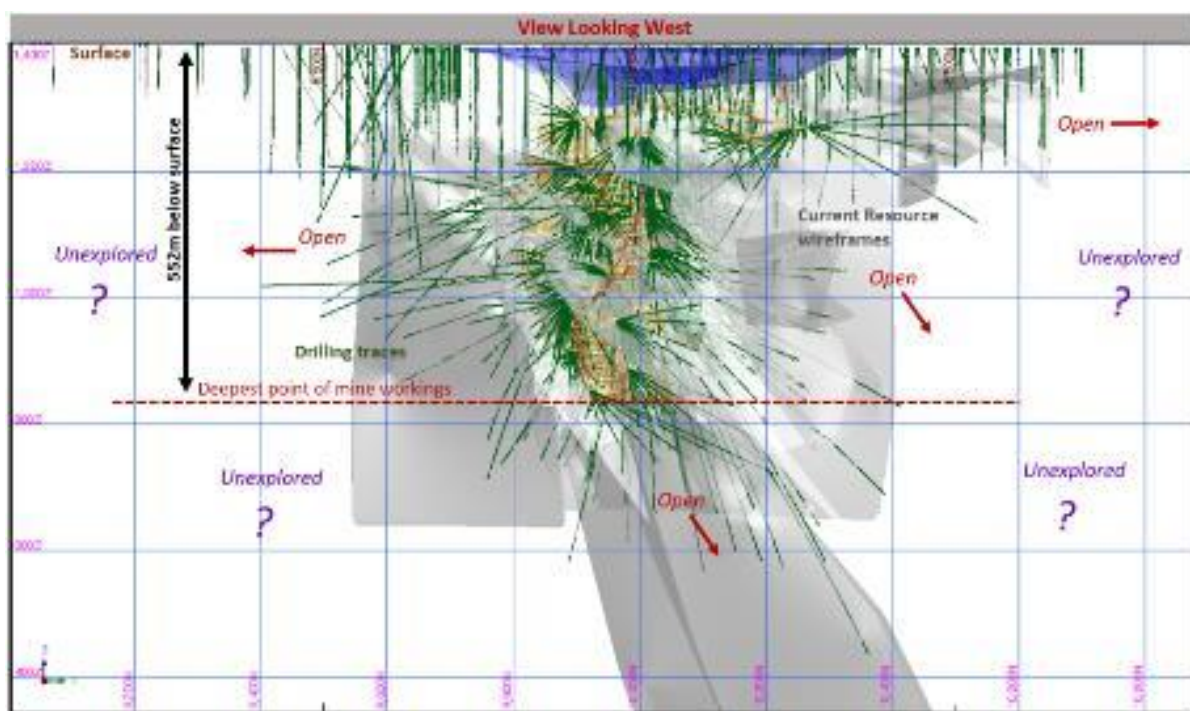


Figure 2: Red October, longitudinal section showing existing Resource wireframes, drilling and mine workings (RO mine grid co-ordinates)

In December 2020, Matsa announced a revised Resource of 173,000oz (Table 2) that forms the basis of a new resource and reserve growth strategy to develop a long term mining plan. Significant opportunities at Red October exist through ongoing work including:

- Initial mine designs centred on the existing 173,000oz Resource base
- Resource conversion through definition drilling of the 81,000oz Inferred Resource
- Optimisation work on existing database to assist with mine planning and grade control drilling
- Detailed mine designs to establish Red October reserves

DIRECTORS REPORT

-
- Red October Long Section
- Matsa Resources

- 6 -

MATSA RESOURCES LIMITED

DIRECTORS REPORT

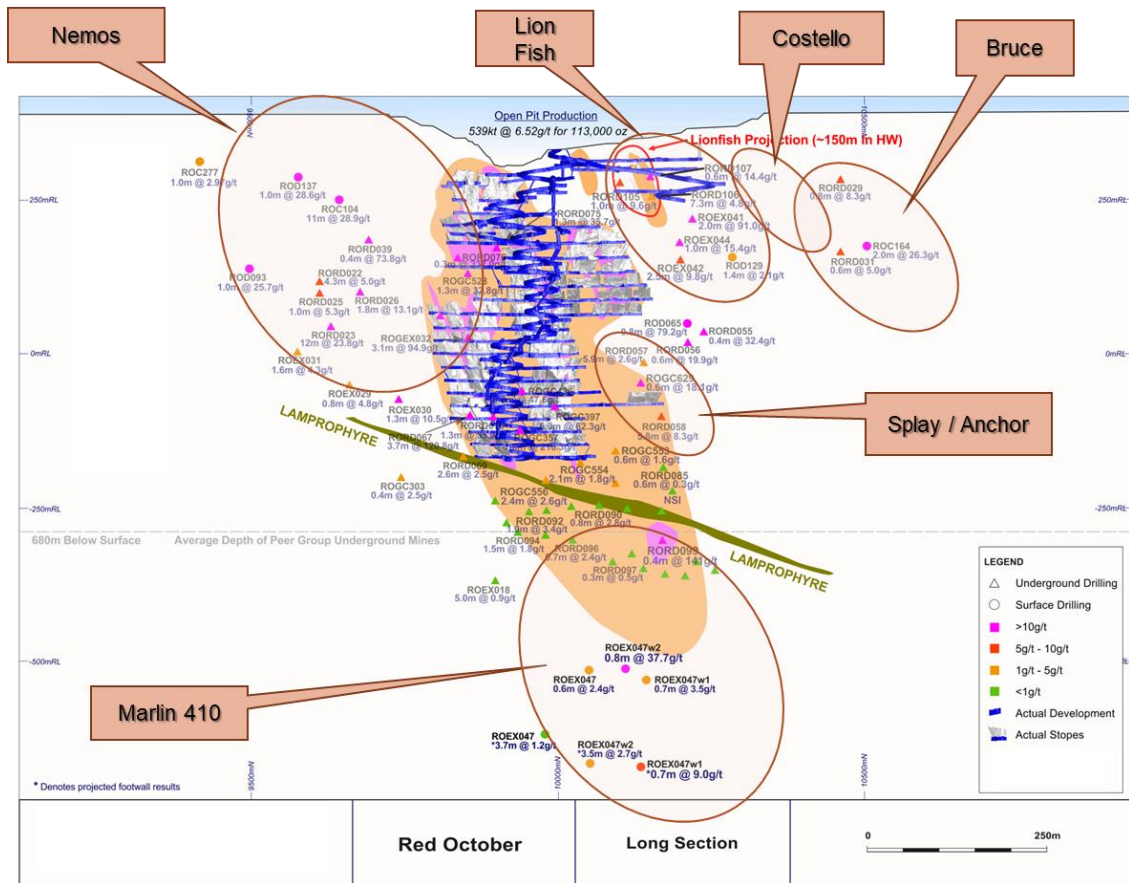


Figure 4: Long section looking west showing planned target drilling areas for 2021-2022 drilling (Results relate to historical drilling pre-Matsa)

Rescat	5g/t Au cutoff			2g/t Au cutoff		
	Tonnes	Au g/t	Oz	Tonnes	Au g/t	Oz
Measured				71,000	8.8	20,000
Indicated	323,906	4.6	47,801	445,000	5.0	72,000
Inferred	98,854	15.3	48,673	416,000	6.1	81,000
Grand Total	422,760	7.1	96,474	932,000	5.8	173,000

Table 2: Red October Mineral Resource Estimate

Resource Statement Notes:

- The geographic region for Gold Mineral Resources is Australia.
- Figures have been rounded in compliance with the JORC Code (2012).
- Rounding errors may cause a column to not add up precisely. Resources exclude recoveries.
- Resource is depleted to 30 June 2020.

Red October Diamond Drilling

A diamond drilling program was conducted during the period with 40 drillholes completed for a total of 4,242m. Whilst more drilling was initially planned, it was decided to temporarily halt drilling activities whilst results were fully assessed against both long term mine plans, including the Red October Mine Plan extension. It also enabled commencement of a global resource potential review to help prioritise grade control, resource development and exploration drilling requirements. Locations for the recent drilling are summarised in Figure 5.

MATSA RESOURCES LIMITED

DIRECTORS REPORT

Assays include very strong results from the Lionfish and Marlin 410 areas and overall provide encouraging insights into the potential for Lionfish, Marlin 410 and Dory targets (Figure 5) to add meaningful ounces to the mine plan, with all of the targets close to existing workings. All assays have been received and updated to new grade control models which will form the basis of the revised mine plan.

The drilling has also identified additional new focus areas, such as MH Fault and Splay, and previously unrecognised mineralisation. Further drilling has the potential to provide additional mineable ounces and offer increased flexibility enabling production from multiple mining fronts.

Drill assays include:

ROGC747: **0.70m @ 137.50g/t Au** from 29.50m – Lionfish HW 357

ROGC747: **0.90m @ 11.25g/t Au** from 79.56m – Lionfish HW 356

ROGC749: **1.59m @ 5.04g/t Au** from 24.65m – Lionfish HW 357

ROGC749: **2.00m @ 16.14g/t Au** from 56.00m – Lionfish Splay 555

ROGC750: **3.00m @ 3.50g/t Au** from 63.40m – Lionfish HW 356

ROGC751: **0.28m @ 161.50g/t Au** from 37.50m – Lionfish HW 356

ROGC752: **2.30m @ 2.75g/t Au** from 28.3m - Marlin 410

ROGC753: **2.81m @ 3.63g/t Au** from 21.0m - ROSZ/Marlin 410

ROGC755: **0.75m @ 61.2g/t Au** from 73.4m - Marlin 410

ROGC767: **5.50m @ 5.60g/t Au** from 70.0m - Lionfish HW 356

ROGC768: **2.02m @ 9.30g/t Au** from 45.0m - Lionfish HW 356

ROGC769: **0.38m @ 15.05g/t Au** from 20.22m - Lionfish HW 357

ROGC770: **5.7m @ 27.94g/t Au** from 50.3m - Lionfish Splay 555

ROGC771: **0.6m @ 25.7g/t Au** from 23.57m - Lionfish HW 357

ROGC773: **0.20m @ 10.35g/t Au** from 140.8m - Nemo 202

and **6.45m @ 2.44g/t Au** from 191m - ROSZ

ROGC774: **2.0m @ 3.11g/t Au** from 3.0m - Smurfette 320

ROGC794: **1.0m @ 17.45g/t Au** from 48.1m – Lionfish Splay 555

ROGC796: **2.67m @ 5.23g/t Au** from 78.85m - new lode

These results confirm the potential for adding gold ounces into the mine plan. With a clear objective of developing a long-term mine plan following the recent work done on both the resource and recent drilling, a two year exploration and resource drill out program has been developed. Matsa is expecting to commence this drilling in 2021.

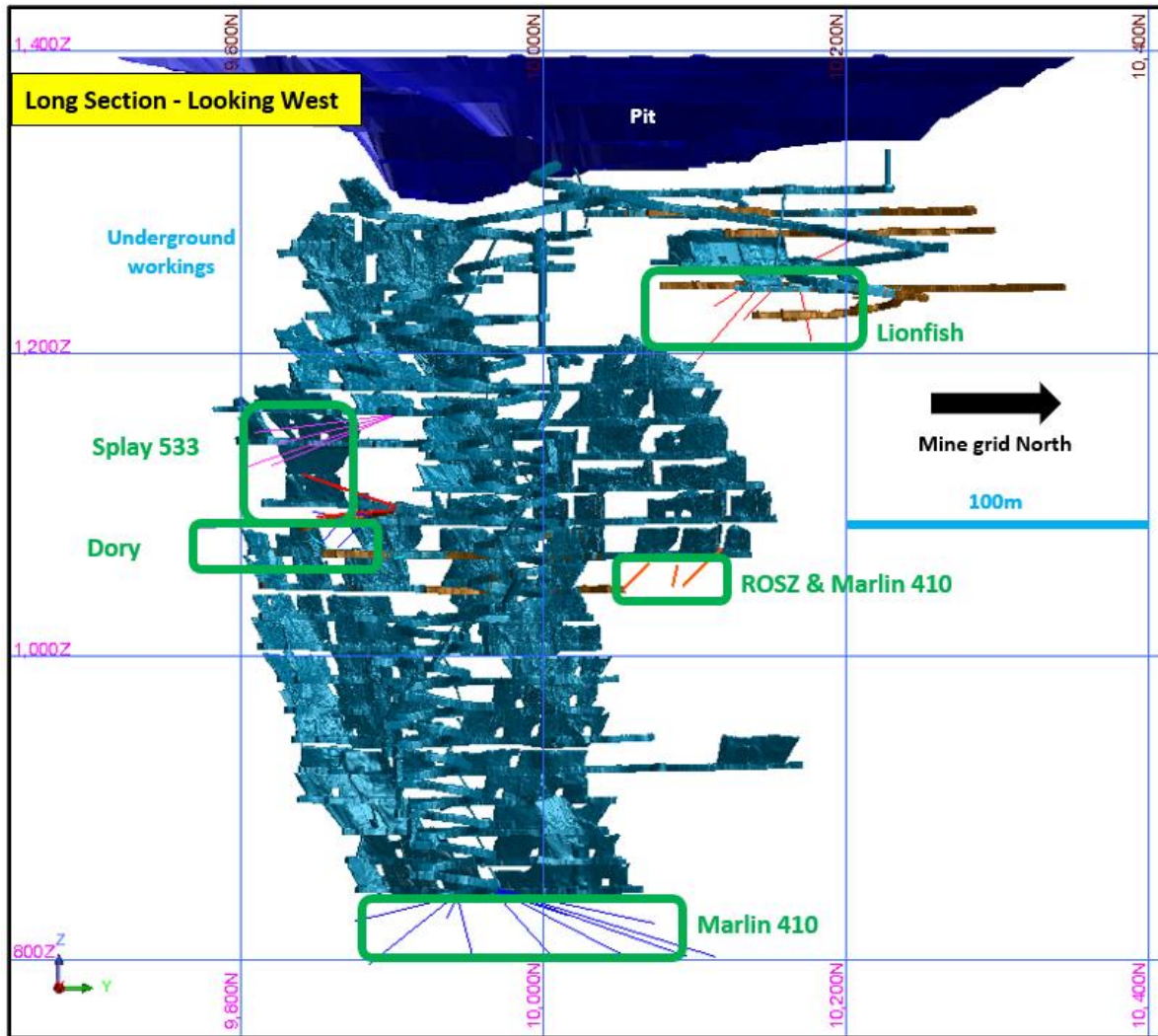


Figure 5: Long section looking west – Q3/Q4 drilling areas

FORTITUDE

Fortitude Gold Mine Stage 2 is a 22-month open pit project, which is expected to produce 54,400 ounces of gold. All permits required to commence Stage 2 mining are in place.

The Fortitude Stage 2 pit will significantly benefit from the outcomes of the CPC study into a Matsa owned and operated 600,000tpa treatment plant.

MATSA RESOURCES LIMITED

DIRECTORS REPORT

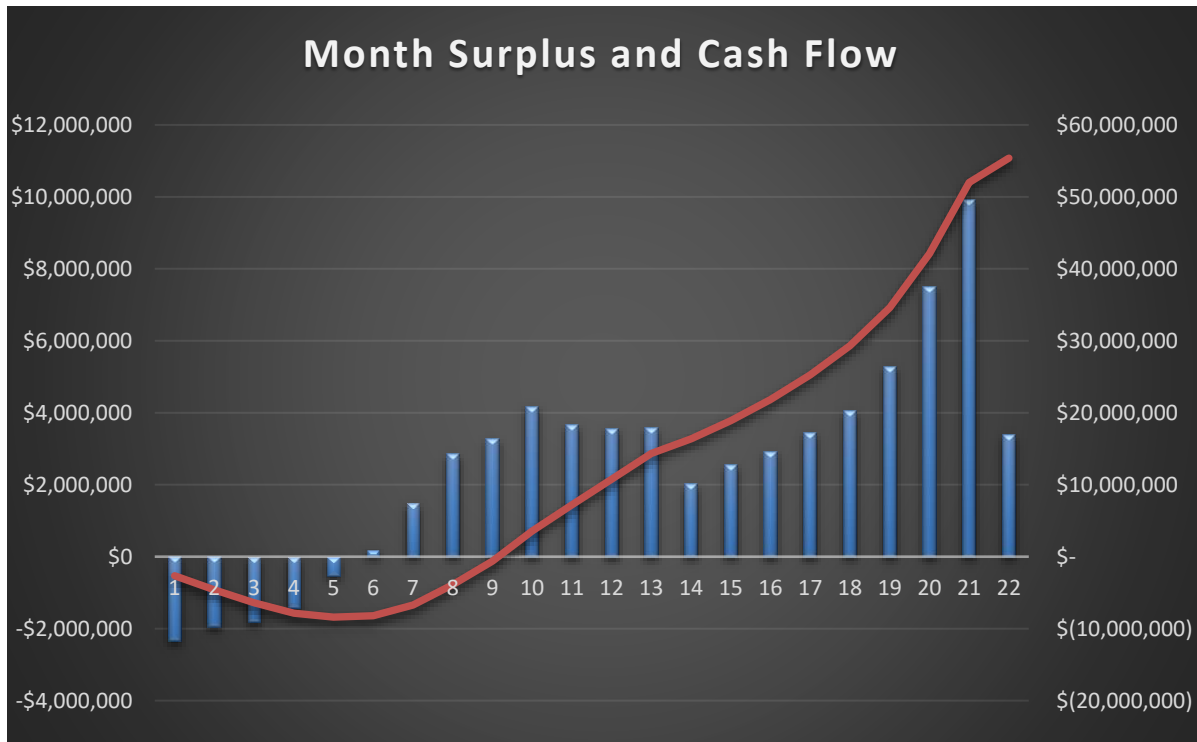


Table 3: Revised Fortitude Stage 2 Mining Study Projected Cash Flow, cumulative A\$55.4M cashflow demonstrated in red

LAKE CAREY EXPLORATION

In August 2020 the Company announced its Exploration Target Statement* whereby these Targets were identified as having the highest potential for discovery of new gold mineralisation (Table 4).

The exploration program to test the Exploration Targets under consideration will be carried out in conjunction with a program of regional exploration of greenfields targets.

**The Exploration Target is based on available information to guide exploration and prioritise drill hole planning. The potential quantity and grade of an Exploration Target is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.*

MATSA RESOURCES LIMITED

DIRECTORS REPORT

EXPLORATION TARGETS						
EXPLORATION TARGET	Lower Case Target			Upper Case Target		
	Tonnes	Grade	Ounces Gold	Tonnes	Grade	Ounces Gold
Red October	900,000	6.9	200,000	1,740,000	6.1	340,000
Devon	1,040,000	3.0	100,000	2,600,000	3.0	250,000
Olympic	180,000	4	20,000	560,000	6	110,000
Fortitude North Supergene	1,130,000	4.7	170,000	2,020,000	4.7	310,000
Fortitude North Primary	1,350,000	3.2	140,000	2,810,000	3.2	290,000
Fortitude North Total	2,480,000	3.9	310,000	4,830,000	3.8	600,000
Hill East (HE 1)	60,000	1.7	3,000	120,000	1.7	6,000
Hill East Exploration Target	252,000	1.7	13,000	470,000	1.7	26,000
Gallant	280,000	2.2	20,000	350,000	2.2	25,000
Totals	5,192,000	4.0	666,000	10,670,000	3.9	1,357,000
EXISTING RESOURCES						
Fortitude	5,448,000	2.0	342,600			
Red October	932,000	5.8	173,000			
TOTAL EXISTING RESOURCES	6,380,000	2.5	515,600			

Table 4: Exploration Targets Lake Carey (Totals may not add due to rounding)

DEVON GOLD PROJECT

The following activities were carried out during the period at Devon:

- RC drilling at Devon pit with 46 holes for a total of 5,075m of drilling
- RC drilling at Olympic with 12 holes for 1,437m
- RC drilling at Democrat with 10 holes for 446m
- A Sub Audio Magnetics (SAM) survey was completed at Hill East immediately south of Devon pit, for a total of 91-line kilometres and covering an area of ~4km²

Devon Pit RC Drilling Program

The RC drilling program at the Devon pit was designed to test the gold grades, continuity and depth and strike extents of the moderately SW dipping Main Lode and the adjacent more steeply dipping Hanging Wall Lode (Figure 6).

Drilling results has shown gold mineralisation remains open down plunge and at depth within both the Main Lode and Hanging Wall Lodes.

MATSA RESOURCES LIMITED

DIRECTORS REPORT

Key intercepts based on 1m split assays are listed below:

Main Lode Zone Intercepts

20DVRC016: **5m @ 2.13 g/t Au** from 75m incl **1m @ 8.43 g/t Au**

20DVRC028: **1m @ 22.07 g/t Au** from 70m

20DVRC031: **4m @ 15.5 g/t Au** from 71m, incl **3m @ 19.6 g/t Au**

20DVRC033: **2m @ 8.23 g/t Au** from 65m, incl **1m @ 15.19 g/t Au**

20DVRC034: **2m @ 11.9 g/t Au** from 59m, incl **1m @ 21.71 g/t Au** from 59m

20DVRC036: **3m @ 10.56 g/t Au** from 119m, incl **1m @ 25.93 g/t Au**

20DVRC037: **2m @ 11.3 g/t Au** from 95m, incl **1m @ 20.95 g/t Au**

20DVRC039: **5m @ 2.44 g/t Au** from 110m, incl **1m @ 9.1 g/t Au**

Hanging Wall Lode Intercepts

20DVRC020: **1m @ 18.71 g/t Au** from 46m

20DVRC022: **12m @ 8.97 g/t Au** from 14m, incl **2m @ 24.08 g/t Au** & **1m @ 50.39 g/t Au**

20DVRC032: **2m @ 6.56 g/t Au** from 72m, incl **1m @ 12.23 g/t Au**

20DVRC050: **3m @ 3.93 g/t Au** from 62m

Interpretation and comments on drilling results can be summarised as follows:

- Mineralisation in the Main Lode appears to plunge at a shallow angle to the north and remains open and next phase drilling is planned to more fully define the mineralisation
- Drilling confirms the complex structural nature of both the Main and the Hanging Wall lodes
- High grade gold mineralisation in the Hanging Wall Lode including very shallow intersections in the weathering profile in 20DVRC022 (**12m @ 8.97 g/t Au** from 14m) and in previous Matsa drill hole 19DVRC003 (**15m @ 20.78 g/t Au** from 23m), remain open to the north and at depth (Figure 6)
- The Hanging Wall Lode, which does not outcrop at surface and with no historic mining, remains very sparsely drilled. Future drilling will seek to test the shallow depth potential and extensions to mineralisation to the north which remains open

Modelling of drilling results commenced during the period and an updated resource statement within an optimised pit shell is expected in the first half of 2021.

MATSA RESOURCES LIMITED

DIRECTORS REPORT



Figure 6: Devon RC drilling summary

Olympic RC Drilling Program

The RC drilling program at Olympic comprised a total of 12 holes (20ODRC009-20ODRC020) for 1,437m of drilling.

Drilling was focused on the continuity and strike extent of gold mineralisation and in particular, domains of thicker and/or higher grade mineralisation.

Key intercepts include:

- **5m of 23.84 g/t Au from 63m, incl. 1m of 114.5 g/t Au from 63m**
- **2m of 5.19 g/t Au from 38m**
- **1m of 13.9 g/t Au from 71m**
- **2m of 3.78 g/t Au from 84m**
- **2m of 6.35 g/t Au from 169m**

MATSA RESOURCES LIMITED

DIRECTORS REPORT

- **1m of 4.72 g/t Au** from 22m

Drill results have confirmed continuity of gold mineralisation over a distance of 500m which remains open at depth. Results will be updated into an Olympic model following completion of the Devon model.

Democrat RC Drilling

RC drilling was designed to test for extensions of high-grade mineralisation away from the historic Democrat workings. The position of the historic lode, mined to a vertical depth of ~ 200m was established using detailed mine survey plans. Drilling comprised 10 shallow drill holes for 446m of drilling to test for potential strike extents away from the old workings. Results from composite 3m samples were disappointing with no significant assays returned.

Hill East Sub Audio Magnetic Survey (SAM)

The survey was carried out over a large part of Devon, which includes the structurally complex deeply weathered area hosting Hill East. The survey area includes a discrete 1km long soil geochemical anomaly over the Hill East targets which are made up of a number of high grade auriferous quartz veins with historic workings.

To date, drilling at Hill East has targeted shallow supergene mineralisation in deeply weathered basaltic volcanics which is interpreted to be underlain by a zone of gold depletion and as a result, most of the drilling in this area remains relatively shallow (<50m).

The objective of the SAM survey was to map potential mineralised structures concealed by deep weathering as a guide for further drilling for both supergene mineralisation, and for potential deeper primary mineralisation below the zone of gold depletion in the weathering profile.

The survey area comprised an area of approximately 4km² for a total of 91 line-kilometres. A report by Southern Geosciences Consulting identified up to 38 targets of various levels of confidence based on SAM data. The SAM data has been integrated with existing drill hole data and interpretation and target selection are in progress.

FRASER RANGE NICKEL PROJECT

Symons Hill Project (Matsa 100%; IGO Earning 80%)

During the period the following exploration activities were completed by IGO Limited (IGO) within tenement E69/3070, which is subject to an Option Agreement between IGO and Matsa:

- Data review and interpretation of previous drilling programs and geophysical surveys to help plan future exploration activities
- Database integration: combining previous soil sample results, VTEM stations, aircore drilling results, diamond drill results, petrology reports and 2D seismic results, into the IGO database

Proposed Moving Loop Electromagnetic (MLEM) survey was delayed due to bushfire season.

LAKE REBECCA GOLD PROJECT (80% BNR; 20% MAT)

The 576km² Lake Rebecca project is located 150km east north-east of Kalgoorlie, Western Australia and is immediately along strike of Apollo Consolidated Limited's ("Apollo"; ASX: AOP) 1.03M oz Rebecca gold project. Matsa holds a 20% free carried interest in two tenements totaling 172km².

During the period, Bulletin Resources Limited commenced a new major aircore drilling program focused on the lake at Lake Rebecca targeting prospective areas within the salt lake. The drilling program concluded on 15 January 2021 and totaled 182 holes for 7,307m.

The lake aircore drill program tested folds and other structural features of the Lake Rebecca Complex beneath the lake that are considered prospective for gold.

MATSA RESOURCES LIMITED

DIRECTORS REPORT



Drilling on Lake Rebecca

CORPORATE

During the period the Company appointed CPC Project Design to undertake an engineering concept study in relation to a 600,000tpa gold ore treatment plant as part of its long term strategy at Lake Carey. The outcomes and details of that study were released to the ASX on 22 January 2021.

In September 2020 the Company completed a \$6.6 million placement via the issue of 44 million shares at \$0.15 per share (including a free 1 for 1 unlisted option exercisable at 30c within 2 years). The capital raising was very well supported and highly successful and, importantly has brought a number of new institutional and sophisticated investors to Matsa's share register.

The funds from the capital raising were used to conduct:

1. New underground exploration and development aimed at extending the current mine life within the Red October underground gold mine
2. New drilling programs at Devon and Fortitude North aimed at expanding and increasing gold resources
3. Discovery of new target areas to build on the Company's strategic to build its gold resources

GOING CONCERN

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

The Group has reported a working capital deficiency of \$3,146,880 (2019: \$3,043,799), a loss for the period of \$4,912,060 (2019: \$3,446,449) and a cash outflow from operating activities of \$1,138,235 (2019: \$2,373,303).

MATSA RESOURCES LIMITED

DIRECTORS REPORT

At the end of the half year, the Group had \$1,379,472 in cash and term deposit balances and investments in listed companies with a market value of approximately \$4,000,000. The Group also had borrowings of \$4,000,000 due and payable on 31 July 2022. The Directors also manage discretionary expenditure in line with the Group's cash flow and are confident that there are sufficient funds to meet the Group's working capital and funding requirements for a minimum of 12 months from the date of this report.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds and extension of borrowings. In the event that the Group is not successful in raising funds from the issue of new equity or extension of borrowings, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

SUBSEQUENT EVENTS

On 28 January 2021, the Company announced a significant change in its strategy whereby it would focus on exploration in the highly prospective Lake Carey gold project and other quality targets to drive resource growth. As a result, production of ore at Red October gold project will be wound down with mining focused on development of access drives to support a future major mine drilling campaign.

On 2 February 2021, the Company and Bulletin Resources Limited (Bulletin) have through their 80/20 joint venture sold a 400m wide strip (1.35km²) of the 576km² Lake Rebecca gold project to Apollo Consolidated Limited (Apollo) for a total consideration of approximately \$5.6 million.

On 17 February 2021, the Company appointed Pascal Blampain as an Executive Director. Mr Blampain is a highly experienced geologist who will have responsibility for and immediately focus on, leading the exploration and technical advancement of the Lake Carey gold project

Other than the above, no matter or circumstance that hasn't already been discussed above has arisen subsequent to the reporting date, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

AUDITOR'S DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 17 and forms part of the directors' report for the half year ended 31 December 2020.

This report is signed in accordance with a resolution of the Board of Directors.



Paul Poli
Executive Chairman
Dated this 16th day of March 2021

To the Board of Directors of Matsa Resources Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

I declare that to the best of my knowledge and belief, in relation to the review of the interim financial report for the period ended 31 December 2020 there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Nexia Perth Audit Services



PTC Kloppe

Partner

16 March 2021

MATSA RESOURCES LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the half year ended 31 December 2020

	Note	31 Dec 20 \$	31 Dec 19 \$
Revenue from customers		5,510,538	3,385,691
Mining operations		(7,249,814)	(4,293,499)
Amortisation and depreciation		(1,646,317)	(322,440)
		<u>(3,385,593)</u>	<u>(1,230,248)</u>
Net gain on sale of investments		97,750	57,563
Net gain/(loss) on sale of tenements		-	(8,206)
Net gain/(loss) on sale of fixed assets		-	2,141
Other income	4	132,395	186,884
Other expenses			
Depreciation expense		(81,753)	(67,485)
Salaries and employment benefits expenses		(766,178)	(632,419)
Exploration expenditure written off		-	(248)
Impairment of exploration expenditure		-	(203,373)
Other administration expenses		(627,148)	(885,276)
Share based payments expense	13	(141,237)	(297,042)
Unrealised gain/(loss) on financial assets at fair value		53,550	51,740
		<u>(4,718,214)</u>	<u>(3,025,969)</u>
Results from operating activities			
Finance income		17,140	7,716
Finance costs		(366,863)	(299,329)
		<u>(349,723)</u>	<u>(291,613)</u>
Net finance cost			
Share of profit/(loss) of investment in associates, net of tax		155,877	(128,867)
		<u>(4,912,060)</u>	<u>(3,446,449)</u>
Loss before income tax expense			
Income tax expense		-	-
Net loss for the period attributable to equity holders of the company		<u>(4,912,060)</u>	<u>(3,446,449)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period attributable to equity holders of the company		<u>(4,912,060)</u>	<u>(3,446,449)</u>
Loss for the period is attributable to:			
Owners of the parent		(4,911,659)	(3,446,449)
Non-controlling interest		(401)	-
		<u>(4,912,060)</u>	<u>(3,446,449)</u>
Total comprehensive loss for the period is attributable to:			
Owners of the parent		(4,911,659)	(3,446,449)
Non-controlling interest		(401)	-
		<u>(4,912,060)</u>	<u>(3,446,449)</u>
Earnings per share:			
Basic/diluted profit/(loss) per share attributable to ordinary equity holders of the parent (cents per share)		(1.92)	(1.75)

The notes on pages 22 to 29 are an integral part of these condensed consolidated interim financial statements.

MATSA RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

		31 Dec 20 \$	30 Jun 20 \$
Current Assets			
Cash and cash equivalents		1,379,472	1,797,098
Trade and other receivables	5	521,084	1,532,009
Other assets		79,172	82,084
Inventories		481,011	573,871
Total Current Assets		2,460,739	3,985,062
Non-Current Assets			
Other assets		324,895	324,895
Financial assets	7	210,375	351,600
Investments in associates		311,610	155,735
Exploration and evaluation assets	10	20,401,971	18,537,147
Property, plant and equipment	8	2,295,811	1,901,017
Mine properties and development	9	3,073,963	1,669,003
Right-of-use assets		213,912	186,813
Total Non-Current Assets		26,832,537	23,126,210
Total Assets		29,293,276	27,111,272
Current Liabilities			
Trade and other payables		5,155,331	4,621,880
Borrowings	11	55,170	-
Lease liabilities		85,050	92,009
Provisions		312,068	304,552
Total Current Liabilities		5,607,619	5,018,441
Non-Current Liabilities			
Borrowings	11	3,984,116	3,973,264
Lease liabilities		99,095	60,514
Provisions		2,771,046	2,650,819
Total Non-Current Liabilities		6,854,257	6,684,597
Total Liabilities		12,461,876	11,703,038
Net Assets		16,831,400	15,408,234
Equity			
Issued capital	12	57,477,574	51,348,741
Reserves		9,958,981	9,752,588
Accumulated losses		(50,682,481)	(45,770,822)
Total equity attributable to equity holders of the Company		16,754,074	15,330,507
Non-controlling Interests		77,326	77,727
Total Equity		16,831,400	15,408,234

The notes on pages 22 to 29 are an integral part of these condensed consolidated interim financial statements.

MATSA RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2020

	Issued Capital Ordinary \$	Accumulated Losses \$	Equity Settled Benefits Reserve \$	Other Reserves \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2020	51,348,741	(45,770,822)	9,752,588	-	15,330,507	77,727	15,408,234
Comprehensive loss for the period	-	(4,911,659)	-	-	(4,911,659)	(401)	(4,912,060)
Total comprehensive loss for the period	-	(4,911,659)	-	-	(4,911,659)	(401)	(4,912,060)
<i>Transactions with owners in their capacity as owners</i>							
Issue of share capital	6,611,901	-	-	-	6,611,901	-	6,611,901
Share issue costs	(483,068)	-	-	-	(483,068)	-	(483,068)
Share based payment	-	-	206,393	-	206,393	-	206,393
Balance at 31 December 2020	57,477,574	(50,682,481)	9,958,981	-	16,754,074	77,326	16,831,400
Balance at 1 July 2019	44,292,467	(40,521,595)	9,410,806	(13,844)	13,167,834	77,447	13,245,281
Comprehensive loss for the period	-	(3,446,449)	-	-	(3,446,449)	-	(3,446,449)
Total comprehensive loss for the period	-	(3,446,449)	-	-	(3,446,449)	-	(3,446,449)
<i>Transactions with owners in their capacity as owners</i>							
Issue of share capital	6,000,000	-	-	-	6,000,000	-	6,000,000
Share issue costs	(430,423)	-	-	-	(430,423)	-	(430,423)
Share based payment	-	-	341,782	-	341,782	-	341,782
Balance at 31 December 2019	49,862,044	43,968,044	9,752,588	(13,844)	15,632,744	77,447	15,710,191

The notes on pages 22 to 29 are an integral part of these condensed consolidated interim financial statements.

MATSA RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2020

	2020	2019
	\$	\$
Cash flows from operating activities		
Receipts from customers	6,707,369	2,920,727
Other income	138,686	123,577
Payments to suppliers and employees	(8,001,430)	(5,425,323)
Interest received	17,140	7,716
Net cash used in operating activities	(1,138,235)	(2,373,303)
Cash flows from investing activities		
Proceeds from sale of financial assets	292,625	414,919
Purchase of plant and equipment	(760,877)	(151,965)
Exploration and evaluation expenditure	(2,346,875)	(1,571,723)
Refund of/(payments for) security deposits	2,911	(15,635)
Proceeds on sale of tenements	-	125,000
Payments for tenements	-	(177,166)
Payments for mine properties and development	(2,212,533)	-
Net cash used in investing activities	(5,024,749)	(1,376,570)
Cash flows from financing activities		
Proceeds from issue of shares	6,611,901	6,000,000
Costs of issue	(417,912)	(385,682)
Repayment of other borrowings	(129,046)	-
Interest paid	(251,641)	(240,415)
Repayment of lease liabilities	(67,944)	(91,987)
Net cash provided by financing activities	5,745,358	5,281,916
Net (decrease)/increase in cash and cash equivalents	(417,626)	1,532,043
Cash and cash equivalents at beginning of the period	1,797,098	901,148
Cash and cash equivalents at end of the period	1,379,472	2,433,191

The notes on pages 22 to 29 are an integral part of these condensed consolidated interim financial statements.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2020

1. CORPORATE INFORMATION

The financial report of Matsa Resources Limited and its controlled entities for the half year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 16 March 2021.

Matsa Resources Limited is a for profit company incorporated in Australia and limited by shares, which 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 address of the registered office is Suite 11, 139 Newcastle Street Perth WA 6000.

2. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of preparation of the half-year financial report

The half year financial report is prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*, applicable accounting standards and other mandatory professional reporting requirements.

The condensed consolidated interim financial report does not include all notes of the type normally included within the consolidated annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the consolidated annual financial report.

It is recommended that the condensed consolidated interim financial report be read in conjunction with the consolidated annual financial report of Matsa Resources Limited for the year ended 30 June 2020 and considered together with any public announcements made by Matsa Resources Limited and its controlled entities during the half year ended 31 December 2020 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2020.

(b) Changes in accounting policies and disclosures

Since 1 July 2020 the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2020. The adoption of any new and revised standards and interpretations effective from 1 July 2020 has not resulted in any changes to the Group's accounting policies and has had no material effect on the amounts reported to the current or prior period. The Group has not elected to early adopt any new standards or interpretations that are not mandatory effective.

(c) Basis of Consolidation

The condensed consolidated interim financial statements comprise the financial statements of Matsa Resources Limited and its controlled entities ('the Consolidated Entity' or 'Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intragroup balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2020

2. SUMMARY OF ACCOUNTING POLICIES (cont.)

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.

Non-controlling interests not held by the Consolidated Entity are allocated their share of net profit after tax in the consolidated statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

(d) Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

The Group has reported a working capital deficiency of \$3,146,880 (2019: \$3,043,799), a loss for the period of \$4,912,060 (2019: \$3,446,449) and a cash outflow from operating activities of \$1,138,235 (2019: \$2,373,303).

At the end of the half year, the Group had \$1,379,472 in cash and term deposit balances and investments in listed companies with a market value of approximately \$4,000,000. The Group also had borrowings of \$4,000,000 due and payable on 31 July 2022. The Directors also manage discretionary expenditure in line with the Group's cash flow and are confident that there are sufficient funds to meet the Group's working capital and funding requirements for a minimum of 12 months from the date of this report.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds and extension of borrowings. In the event that the Group is not successful in raising funds from the issue of new equity or extension of borrowings, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

3. SEGMENT INFORMATION

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.

The Group operates primarily in small scale mining and mineral exploration in Western Australia and Thailand. The Group considers that it operates in two geographical segments but within the same operating segment. The decision to allocate resources to individual projects is predominantly based on available cash reserves, technical data and the expectation of future metal prices.

The financial information presented in the statement of profit and loss and other comprehensive income and statement of financial position is the same as that presented to the chief operating decision maker. For financial reporting purposes, the Australian and the Thai segments are presented separately.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2020

3. SEGMENT INFORMATION (continued)

Information about reportable segments

The following table presents revenue and profit/(loss) information regarding the Consolidated Entity's operating segments for the half years ended 31 December 2020 and 31 December 2019.

Half-year ended 31 December 2020	Reportable Segments		
	Australia	Thailand	Total
	\$	\$	\$
External revenues			
- Revenue from customers	5,510,538	-	5,510,538
- Other income	71,963	60,432	132,395
Net gain on sale of investments	151,300	-	151,300
Segment revenue	5,733,801	60,432	5,794,233
Segment loss before tax	(4,690,877)	(221,183)	(4,912,060)
Half-year ended 31 December 2019			
External revenues			
- Revenue from customers	3,385,691	-	3,385,691
- Other income	184,069	12,672	196,741
Net gain on sale of investments	49,357	-	49,357
Segment revenue	3,619,117	12,672	3,631,789
Segment loss before tax	(3,159,954)	(306,495)	(3,446,449)
Segment assets			
At 31 December 2020	28,764,934	528,342	29,293,276
Segment assets			
At 30 June 2020	26,458,786	652,486	27,111,272
Segment liabilities			
At 31 December 2020	12,460,905	971	12,461,876
Segment liabilities			
At 30 June 2020	11,700,985	2,053	11,703,038

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2020

4. OTHER INCOME

	31 Dec 20 \$	31 Dec 19 \$
Foreign currency exchange gain	-	14,046
Other income	132,395	186,884
	<u>132,395</u>	<u>200,930</u>

5. TRADE AND OTHER RECEIVABLES

	31 Dec 20 \$	30 Jun 20 \$
Trade debtors	226,838	1,423,669
Amounts receivable from Australian Taxation Authorities	199,522	9,363
Other receivables	94,724	98,977
	<u>521,084</u>	<u>1,532,009</u>

6. COMMITMENTS

Exploration and Expenditure Commitments

In order to maintain the mineral tenements in which the Consolidated Entity 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 requirements for the next year is \$2,302,904 (30 June 2020: \$2,128,754). These obligations are capable of being varied from time to time. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

7. FINANCIAL ASSETS

- (i) The Company holds shares in Panoramic Resources Limited, which is involved in the mining and exploration of base metals in Australia. Panoramic is listed on the Australian Securities Exchange.

At the end of the period the fair value of the investment was \$112,875 (30 June 2020: \$194,400) which is based on Panoramic Resources Limited's quoted share price at 31 December 2020.

- (ii) The Company holds shares in Anova Minerals Limited (AWV), which is involved in exploration and development of gold in Western. AWV is listed on the Australian Securities Exchange.

At the end of the period the Company's investment was \$97,500 (30 June 2020: \$157,200) which is based on AWV's quoted share price at 31 December 2020.

8. PROPERTY, PLANT AND EQUIPMENT

During the half year ended 31 December 2020 the Group acquired items of property, plant and equipment with a cost of \$760,877 (2019: \$223,525).

During the half year ended 31 December 2020 the Group disposed of items of property, plant and equipment with a written down value of \$Nil (2019: \$Nil).

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2020

9. MINE PROPERTIES AND DEVELOPMENT

	31 Dec 20	30 Jun 20
	\$	\$
Mine properties		
Balance at beginning of half year	377,568	649,941
Depreciation/amortisation expense for the period	(106,187)	(272,373)
Balance at end of half year	<u>271,381</u>	<u>377,568</u>
Mine capital development		
Balance at beginning of half year	1,291,435	-
Transferred from/(to) exploration and evaluation assets	482,051	-
Additions	2,212,533	3,235,276
Amortisation expense for the period	(1,183,437)	(1,943,841)
Balance at end of half year	<u>2,802,582</u>	<u>1,291,435</u>
Total mine properties and development at the end of half year	<u>3,073,963</u>	<u>1,669,003</u>

10. EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 20	30 Jun 20
	\$	\$
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase	<u>20,401,971</u>	<u>18,537,147</u>
Movements in carrying amounts		
Balance at beginning of period	18,537,147	16,355,239
Acquisition of tenements	-	177,166
Disposal of tenements	-	(758,306)
Exploration and evaluation incurred	2,346,875	3,504,250
Expenditure written off/provided for	-	(741,202)
Transferred from/(to) mine properties and development	(482,051)	-
Balance at end of half year	<u>20,401,971</u>	<u>18,537,147</u>

The recoverability of the carrying amount of the exploration and evaluation expenditure assets is dependent on the continuance of the Group's rights to tenure of the interest, the results of future exploration, and the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2020

11. BORROWINGS

	31 Dec 20 \$	30 Jun 20 \$
Current		
Other	55,170	-
	55,170	-
Non Current		
Secured liabilities		
Loan (i)	3,984,116	3,973,264
	3,984,116	3,973,264

- (i) On 8 August 2017 Matsa entered into loan agreements with two separate parties for a \$4,000,000 facility with the funds being predominantly used as a working capital facility to ensure smooth operations of the trial mine at the Fortitude Gold Project and to conduct further exploration at Lake Carey. The repayment date was initially 31 July 2018 but was extended by mutual consent on 12 April 2018 to 31 July 2019. On 5 May 2019 a further \$1,000,000 was borrowed and the repayment date extended to 31 July 2020. On 29 May 2020, the repayment date was extended to 31 July 2022. On this basis the loan has been disclosed as non-current.

The key terms of the finance facility are as follows:

Principal Amount: \$5,000,000 (\$4,000,000 drawn down)
Interest Rate: 12% per annum paid monthly in arrears (penalty rate of 18% if Matsa is in default)
Term: Repayable by 31 July 2022
Security: The loan facility is secured by a mortgage over the Fortitude gold project and the mining equipment and motor vehicles of Red October gold project.

At the time of the original loan Matsa agreed to issue a total of 1,000,000 options in the Company, split equally amongst the parties, with an exercise price of \$0.20 each with a two year life from the date of issue. The principal loan balance of \$4,000,000 has been offset by the value of the options issued. At the end of the period the carrying value of the loan was \$3,984,116. In return for the loan extension, Matsa agreed to pay each of the lenders an annual Facility Fee of 150,000 fully paid ordinary shares for every year or part year that the loans remain outstanding. There is one Facility Fee of 150,000 fully paid ordinary shares to be issued on or about 1 June 2021.

For the half year ended 31 December 2020, the Group has recognised \$10,852 of the above share based payment expense as an interest charge in the condensed consolidated statement of profit or loss and other comprehensive income (2019: \$18,147).

12. ISSUED CAPITAL

	31 Dec 20 \$	30 Jun 20 \$
271,146,709 (30 June 2020: 227,067,368) ordinary shares	57,477,574	51,348,741
Movement in ordinary shares on issue during the period	Number of shares on issue	\$
Opening balance at 1 July 2020	227,067,368	51,348,741
Issued capital (at \$0.15 per share)	44,079,341	6,611,901
Share issue costs	-	(483,068)
Closing balance at 31 December 2020	271,146,709	57,477,574

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2020

13. SHARE BASED PAYMENTS

During the half year ended 31 December 2020 the following options were issued:

1. 4,100,000 share options with an exercise price of \$0.21 each, were issued to employees and key management personnel. The options vest immediately at the date of grant. The contractual life of each option is three years and there is no cash settlement of the options.
2. 2,000,000 share options with an exercise price of \$0.25 each, were issued to Taylor Collison Limited as part of their fee for acting as Lead Managers to the share placement. The contractual life of each option is 2 years and there is no cash settlement of the options.
3. 2,000,000 share options with an exercise price of \$0.35 each, were issued to Taylor Collison Limited as part of their fee for acting as Lead Managers to the share placement. The contractual life of each option is 2 years and there is no cash settlement of the options.

The options vest immediately at the date of grant.

The fair value of the options granted is estimated at the date of grant using a Black Scholes Option Valuation Model, taking into account the terms and conditions upon which the options were granted.

The fair value of the options granted during the half year ended 31 December 2020 was estimated at the date of grant using the following assumptions:

Grant Date	27 November 2020	30 November 2020	30 November 2020
Number of Share Options	4,100,000	2,000,000	2,000,000
Dividend Yield (%)	Nil	Nil	Nil
Expected Volatility (%)	67.78	71.02	71.02
Risk-free interest rate (%)	0.13	0.11	0.11
Expected Life (years)	2.92	2.0	2.0
Exercise Price (cents)	21 cents	35 cents	25 cents
Fair Value per Option (cents)	3.44	1.26	2.00
Total Value of Options (\$)	141,237	25,147	40,009

For the half year ended 31 December 2020, the Group has recognised \$141,237 of share based payment expense in the condensed consolidated statement of profit or loss and other comprehensive income (2019: \$297,042).

For the half year ended 31 December 2020, the Group has recognised \$65,156 of share based payment expense in equity as share issue costs in the condensed consolidated statement of financial position (2019: \$44,740).

14. RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2020 consolidated annual financial report.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2020

15. SUBSEQUENT EVENTS

On 28 January 2021, the Company announced a significant change in its strategy whereby it would focus on exploration in the highly prospective Lake Carey gold project and other quality targets to drive resource growth. As a result, production of ore at Red October gold project will be wound down with mining focused on development of access drives to support a future major mine drilling campaign.

On 2 February 2021, the Company and Bulletin Resources Limited (Bulletin) have through their 80/20 joint venture sold a 400m wide strip (1.35km²) of the 576km² Lake Rebecca gold project to Apollo Consolidated Limited (Apollo) for a total consideration of approximately \$5.6 million.

On 17 February 2021, the Company appointed Pascal Blampain as an Executive Director. Mr Blampain is a highly experienced geologist who will have responsibility for and immediately focus on, leading the exploration and technical advancement of the Lake Carey gold project.

No matter or circumstance has arisen subsequent to the reporting date, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

16. CONTINGENT LIABILITIES

In the opinion of the Directors, there are no further contingent assets or liabilities as at 31 December 2020 and no changes in the interval between 31 December 2020 and the date of this report.

MATSA RESOURCES LIMITED

DIRECTORS DECLARATION

In accordance with a resolution of the directors of Matsa Resources Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2020 and the performance for the half year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Paul Poli
Executive Chairman

Dated this 16th day of March 2021

Independent Auditor's Review Report to the members of Matsa Resources Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Matsa Resources Limited (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of accounting policies, selected other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half year end or from time to time during the half year period.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Matsa Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half year period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Interim Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(d) in the interim financial report, which indicates that the Group incurred a net loss of \$4,912,060 (2019: \$3,446,449) during half year ended 31 December 2020 and, as of that date, the Company's current liabilities exceeded its current assets by \$3,146,880 (2019: \$3,043,799). As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Nexia Perth Audit Services Pty Ltd



PTC Kloppe
Director

Perth
16 March 2021