

# **MATSA RESOURCES LIMITED**

ABN 48 106 732 487

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## **INTERIM FINANCIAL REPORT**

**31 December 2016**

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# **MATSA RESOURCES LIMITED**

## **COMPANY DIRECTORY**

### **Directors**

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

### **Company Secretary**

Andrew Chapman

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### **Auditors**

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Level 3  
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### **Share Registry**

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110 Stirling Highway  
NEDLANDS WA 6009  
Tel: (08) 9389 8033  
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### **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 the half-year ended 31 December 2016.

### DIRECTORS

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

Mr Paul Poli  
Mr Frank Sibbel  
Mr Andrew Chapman

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

### OPERATING RESULTS

During the half year the Group made a profit of \$1,706,925 (2015: profit of \$636,800).

### REVIEW OF OPERATIONS

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

### LAKE CAREY GOLD PROJECT

The Lake Carey gold project area was acquired by Matsa during the period and consists of 12 tenements covering an area of 128km<sup>2</sup> and contains a number of gold occurrences including the Fortitude gold deposit with a global JORC 2012 Indicated and Inferred Mineral Resource Estimate of **5,589,000t @ 2.0g/t Au for 354,600 ounces of gold.**

Fortitude Deposit 2017 Mineral Resource Estimate (1 g/t Au cut off)							
Type	Indicated		Inferred		Total Resource		
	Tonnes kt	Au g/t	Tonnes kt	Au g/t	Tonnes kt	Au g/t	Au Oz
Transported	3	1.8	0	0.00	3	1.8	200
Oxide	357	2.2	53	2.1	410	2.2	28,300
Transition	378	1.8	125	2.0	503	1.8	29,800
Saprock	227	1.9	1	2.1	228	1.9	14,100
Fresh	2,119	1.8	2326	2.1	4,445	2.0	282,200
<b>Total</b>	<b>3,084</b>	<b>1.9</b>	<b>2,505</b>	<b>2.1</b>	<b>5,589</b>	<b>2.0</b>	<b>354,600</b>

**Table 1: Mineral Resource Statement**

The project is located approximately 220km northeast of Kalgoorlie-Boulder and 70km south of Laverton within the highly productive north-eastern goldfields of Western Australia. The project area is located 25km south of AngloGold Ashanti's Sunrise Dam gold mine, 60km south of the Granny Smith gold mine and 12 km southeast of the Red October gold mine (Figure 1).

It is Matsa's intention to develop a gold mine at Fortitude with gold ore processed through a local third party processing facility. Discussions on favourable terms with nearby processing facilities are at an advanced stage. Purchase and mine development costs are planned to be funded from Matsa's existing cash and liquid assets.

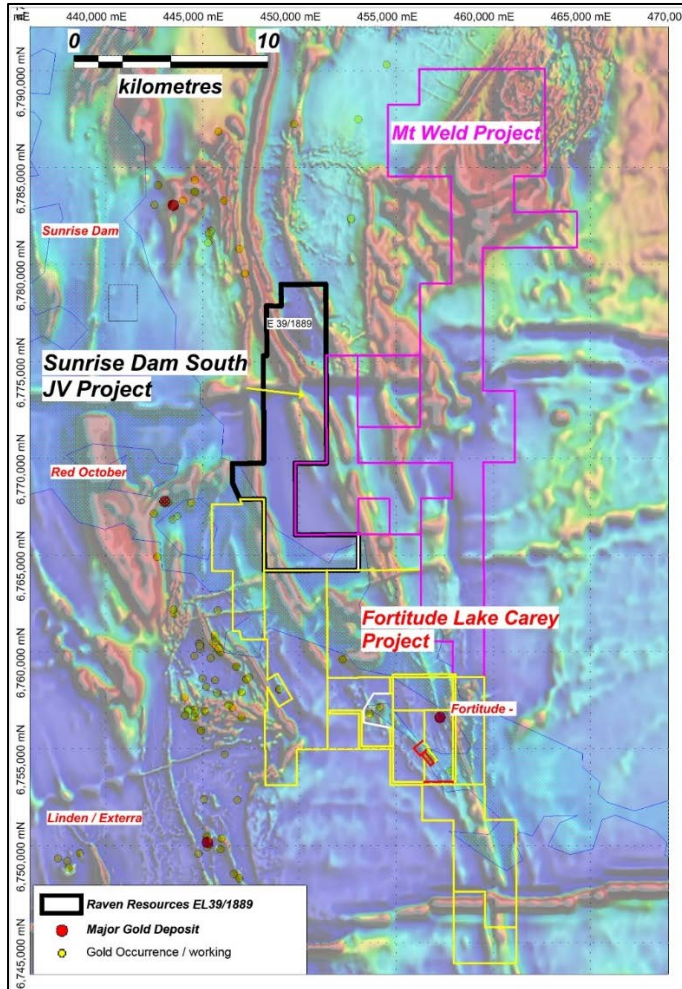
A programme of 21 diamond drill holes for 2,292m was completed during the period and was designed to infill and confirm existing drilling by previous owners of the project, which was based on a nominal 25m by 25m grid. Drilling was designed to upgrade the geological and resource models and metallurgical recoveries at Fortitude and to provide geotechnical data to be incorporated into mine design.

## DIRECTORS' REPORT

All statutory approvals required to commence mining activities are anticipated shortly.

An evaluation of the exploration potential within the project area was also completed during the period. This review highlighted significant exploration potential in the Bindah and Galant deposits and a number of high priority structural and stratigraphic targets were identified along the highly prospective gold mineralised Fortitude and Bindah Shears which were shown to be untested by mostly shallow wide spaced historic drilling, particularly where they are concealed by younger cover in Lake Carey.

Strategically, the Lake Carey gold project is also an excellent geographical fit with Matsa's existing Mt Weld project with a combined project area of 340km<sup>2</sup> (Figure 1).



**Figure 1: Location of Matsa's Lake Carey, Mt Weld and Sunrise Dam JV Projects on aeromagnetic image**

### Fortitude Pre-feasibility Study

The pre-feasibility report is well advanced and significant progress has been made towards project development. As part of the feasibility study a trial mining study was conducted which illustrated a trial mining operation is economically viable at a gold price of A\$1,600 with the following criteria:

- All in sustainable cash cost (AISC) of \$1,140/oz
- Cash surplus \$5.2M over 12 months
- Total production 185,000t @ 2.2g/t (12,100 oz)
- Capital outlay \$1.2M
- Total Material movement 1.1M bcm's at a strip ratio of 10.8

# MATSA RESOURCES LIMITED

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As part of the trial mining study an Ore Reserve was established. The total Ore Reserve for the Fortitude trial mining study is 185,000t @ 2.2g/t (12,900 oz Au). The entire Ore Reserve is classified as Probable under the JORC 2012 code.

Fortitude Deposit 2017 Ore Reserve Trial Mining Operation 2017 (1 g/t Au cut-off)							
Type	Proven		Probable		Total		
	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Au Oz
Oxide	0	0	185,000	2.2	185,000	2.2	12,900
<b>Total</b>	<b>0</b>	<b>0</b>	<b>185,000</b>	<b>2.2</b>	<b>185,000</b>	<b>2.2</b>	<b>12,900</b>

**Table 2: Ore Reserve Statement**

- \* Figures have been rounded in compliance with the JORC code. Rounding errors may cause the column not to add up precisely.
- \*\* Ore Reserves are reported inclusive of marginally economic material and diluting material delivered for treatment (diluted).
- \*\*\* Ore Reserves are reported to a cut-off grade of 1g/t Au.

### Diamond drill results

The better intercepts from the diamond drilling programme are listed below:

- **2m @ 17.57g/t Au** from 33m (Hole 16LCDD008) Including **1m @ 30.2g/t Au**
- **6.7m @ 6.66g/t Au** from 24m (Hole 16LCDD011) including **0.7m @ 25.7g/t Au**
- **4.7m @ 6.68g/t Au** from 48.3m (Hole 16LCDD011)
- **4.5m @ 21.8g/t Au** from 147.5m including **0.8m @ 89.6g/t Au** (16LCDD004)
- **10.3m @ 3.09g/t Au** from 87.7m including **0.9m @ 14.5g/t Au** (16LCDD012)
- **35.3m @ 3.21g/t Au** from 49.7m including **12.2m @ 6.12g/t Au** from 50.3m which includes **1m @ 15.7g/t Au** and **0.6m @ 23.2g/t Au** (16LCDD013)

\* All intervals are downhole lengths and not true widths

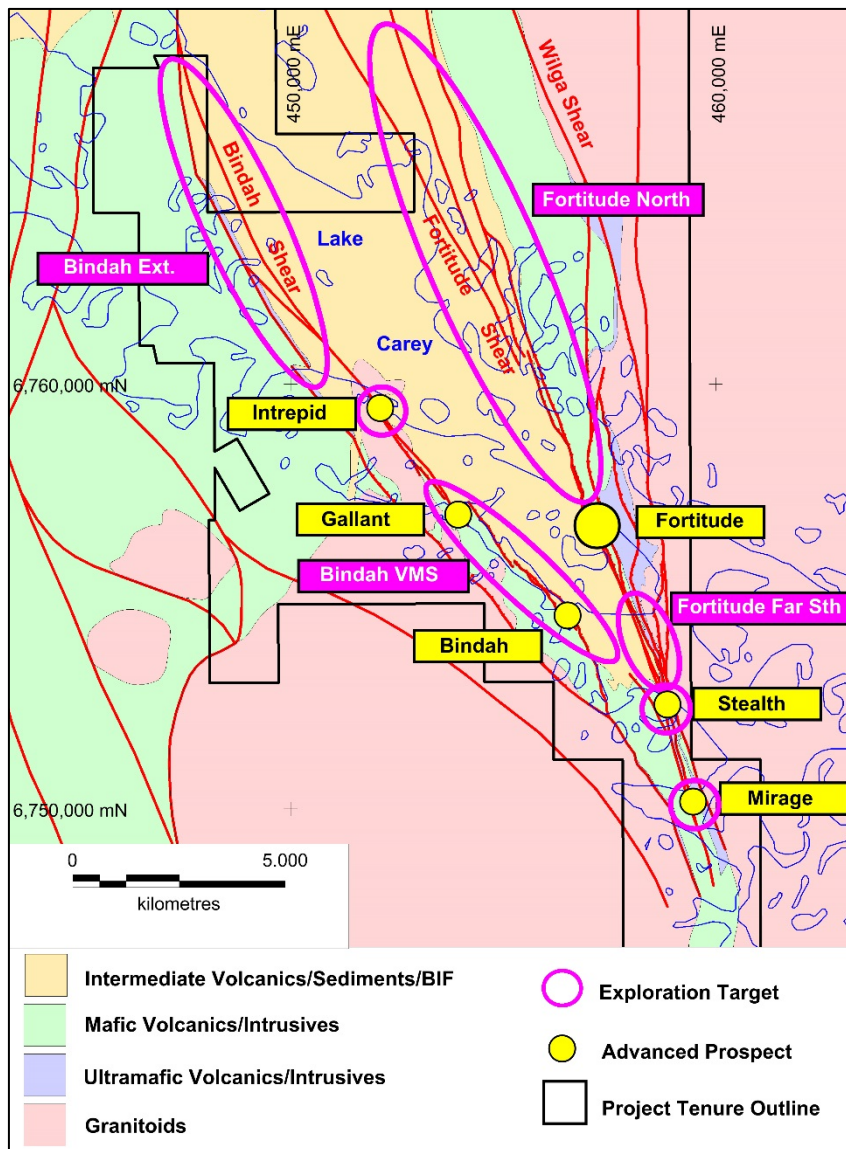
\*\*No top cuts applied

### **Lake Carey Exploration**

#### Aircore Drilling Bindah Extended

Aircore drilling commenced during the period on targets along a previously untested 8km section of the gold mineralised Bindah fault (Figure 2). This highly prospective structural and stratigraphic setting, is an extension of a gold mineralised corridor with mineralisation in a number of locations including the Bindah and Galant deposits. A review of available open file reports indicates minimal previous exploration within the Bindah Extended target area. Limited aircore drilling at the southern end of the target returned highly anomalous gold intercepts in 4 drill holes including **4m @ 0.87 g/t Au**. This target is located only 8km SE of Saracen's Red October gold mine. Targets are concealed by Lake Carey and remain untested by previous drilling.

DIRECTORS' REPORT



**Figure 2: Lake Carey Project Exploration Targets**

A specialised aircore drilling rig was used for this programme which is located on the Lake Carey salt lake. Drill holes are spaced at 100m intervals along EW lines spaced 400m apart. Each drill hole was completed to “refusal” typically fresh to moderately weathered basement at depths ranging from 14m to 121m.

Drilling has encountered a variety of archaean basement lithologies ranging from andesite lavas, tuffs and volcanoclastics, through banded iron formation, ultramafic lavas and a variety of intermediate to felsic intrusive rocks including granodiorite, dacite, monzogranite and syenite. Quartz veining and variable alteration of basement rocks was recognised in a number of drill holes with potential for associated gold mineralisation.

### Sunrise Dam South Farm-in

On 5 December 2016 Matsa announced that it had executed a binding Farm-In and Joint Venture agreement with private company Raven Resources Pty Ltd (Raven) over granted tenement E39/1889 known as the Sunrise Dam South project. Matsa can earn up to an 80% interest in Sunrise Dam South prior to Raven being required to contribute.

The joint venture project area of 46.32km<sup>2</sup> adjoins Matsa's Lake Carey and Mt Weld projects

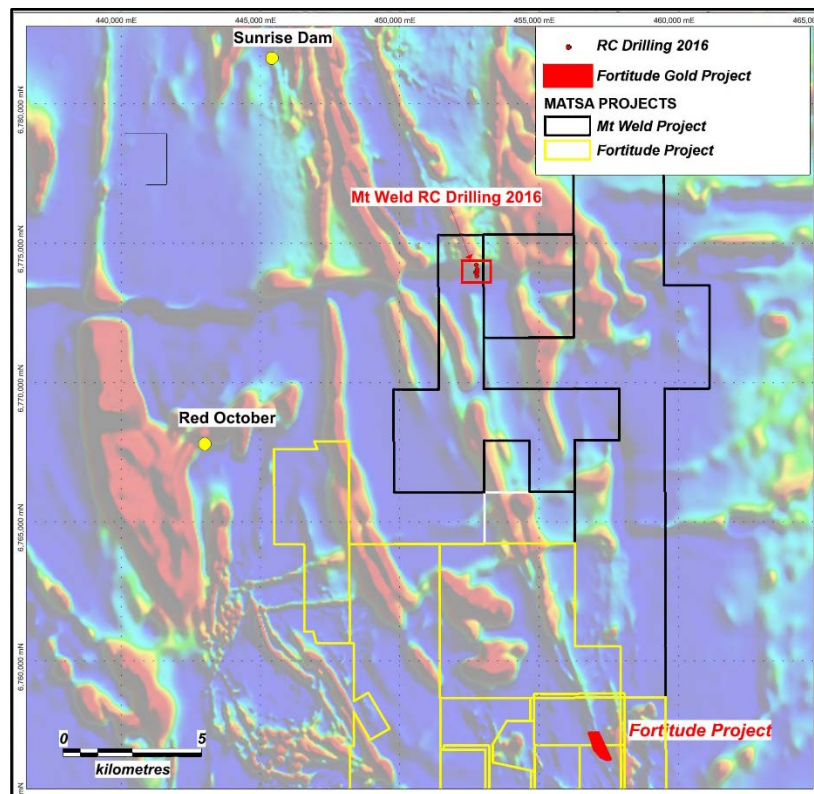


## DIRECTORS' REPORT

significantly increasing Matsa's exploration footprint to a total of 432km<sup>2</sup>. Importantly, the project is located next door to the tenements surrounding AngloGold Ashanti's Sunrise Dam gold mine. A number of structural/stratigraphic gold targets have been identified within the Sunrise Dam South project with the current focus on part of the 8km long Bindah Extended target where a total of 130 aircore drill holes are planned as an adjunct to Matsa's current 177 drill hole aircore drilling program.

### MT WELD PROJECT (GOLD)

Mt Weld gold project is located 60km south of Laverton, 12km SE of AngloGold Ashanti's Sunrise Dam gold mine and 11km NE of Saracen Minerals Ltd (ASX:SAR) Red October gold mine. The project is immediately adjacent to Matsa's newly acquired Lake Carey gold project and includes areas with potentially significant shallow drill intercepts at Wilga South (Figure 3).



**Figure 3: Mt Weld Project Location of RC drilling on aeromagnetic image**

The current exploration target is gold mineralisation associated with a ~2km long gold anomaly at Wilga South, defined by historic RAB and aircore drilling along the sheared contact between intermediate and mafic volcanics in the Laverton Tectonic Zone.

Basement rocks have been weathered to depths greater than 30m and weathered basement is overlain in places by transported sediments associated with the Lake Carey drainage system. Strong linear magnetic features in aeromagnetic data are evident and these are interpreted to define major structural and stratigraphic boundaries in the archaean basement. Basement in the area of interest, is made up mostly of basalts with lesser andesitic volcanics, felsic porphyry and dolerite.

### Drilling

A total of 5 RC drill holes, for 1037m, was completed at the Wilga South prospect in the Mt Weld project during this quarter (Table 3). These holes were designed to test the down-dip continuity of the gold mineralisation defined from historic drilling on this target. Rocks encountered from these holes are mainly basalts and dolerite with lesser andesitic volcanics and metasediments. Mineralised zones are associated with weakly sulphidic narrow quartz veins in foliated basalt and dolerite.



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Hole_ID	Grid ID	GDAE	GDAN	Orig_RL	Max_Depth	Azimuth	Dip
16MTWRC01	MGA94_51	452761	6773814	416	199	270	-60
16MTWRC02	MGA94_51	452718	6773952	416	211	270	-60
16MTWRC03	MGA94_51	452780	6773957	416	211	270	-60
16MTWRC04	MGA94_51	452781	6774057	416	217	270	-60
16MTWRC05	MGA94_51	452738	6774218	416	199	270	-60

**Table 3: Wilga South Prospect RC Drilling 2016**

A total of 260 composite samples were submitted to ALS in Kalgoorlie and analysed for gold. Better composite sample assays are summarised in Table 4 below.

Hole ID	Sample ID	Au g/t	m from	m to	Remarks
16MTWRC01	109624	0.44	172	176	8m @ 0.63 g/t Au from 172m
	109625	0.81	176	180	
16MTWRC02	109659	0.92	112	116	
16MTWRC04	109769	0.82	128	132	
	109784	0.94	188	192	Waste gap at 192-196m
	109786	0.18	196	200	
16MTWRC05	109827	0.19	140	144	

**Table 4: Wilga South RC Drilling, Assays >0.1g/t Au**

## THAILAND

Matsa's Thailand projects cover 909km<sup>2</sup> within the Loei-Ko Chang fold belt which contains important mineral deposits. 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.

During the period exploration work included a diamond drilling programme over the Chang 1 copper prospect. Exploration including drilling at Chang 1 has progressed smoothly without interruption. The local Thai community supports copper and base metal exploration.

### Chang 1 Copper Prospect

Multi-element assays previously identified a soil copper anomaly over an area of ~1km x 1.8km. Geochemical zoning is evident with a central zone of highly anomalous Cu with supporting Ag and Ni values, surrounded by anomalous Pb, Zn, etc. values on the periphery.

Dipole-dipole IP surveying previously returned moderate IP responses (up to 12mV/V), which partly coincide with the Chang 1 soil copper anomaly and were interpreted to reflect disseminated sulphides in fresh underlying rocks. Soil copper and IP anomalies are located within a large complex magnetic anomaly strongly supporting the presence of intrusion-related hydrothermal copper sulphide mineralisation.

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During the period the following exploration was carried out:

- Diamond drilling Chang 1, with completion of 2 holes for 319m of drilling
- Assays received
- 22.4 line kilometres of detailed ground magnetic surveys
- 295 Auger soil samples collected with base metal assays by portable XRF

#### Diamond Drilling

A total of 8 holes were completed at the Chang 1 prospect for 1,098.3 metres. The significant Cu assays results >0.1%Cu are summarised below:

- **88m at 0.12% Cu** from 24m (Hole 16SCDD005), including **17.7m at 0.22% Cu** from 94.3m
- **8m at 0.14% Cu** from 88m (Hole 16SCDD006), and **4m at 0.24% Cu** from 114m
- **47m at 0.29% Cu** from 104m (Hole 16SCDD007), including **22m at 0.4% Cu** from 106m and **6m at 0.12% Cu** from 160m
- **8m at 0.21% Cu** from 24m (Hole 16SCDD008)

Copper mineralisation was observed in diamond drill core to be associated with sheared and hydrothermally brecciated diorite with accompanying chalcopyrite, covellite, magnetite and lesser pyrite as well as quartz and carbonate veining. Silica and K-feldspar alteration with associated carbonate and biotite is also present. Higher grade copper mineralisation is interpreted to be controlled by faults which have had the effect of focusing mineralised hydrothermal fluids. The distribution of copper in soils is interpreted to reflect these mineralised structures.

Samples have been submitted for petrographic analysis in order to shed more light on the likely mineralisation style.

#### Ground Magnetics

As previously noted, Chang 1 is associated with a complex magnetic anomaly underlying the soil copper anomaly. Based on available wide-spaced aeromagnetic data, the magnetic anomaly appears to reflect strongly developed magnetite alteration in the underlying diorite intrusion. Ground magnetic surveys have been undertaken to improve the resolution of the anomaly and to define potentially mineralised faults for drilling.

Matsa completed 22.4km of infill ground magnetics to a nominal line spacing of 100m at Chang 1 to produce a much more detailed picture of the magnetic anomaly. Interpretation of the detailed data has identified a series of NW and NE faults which appear to parallel copper-mineralised fractures and veins in oriented diamond drill core. Higher copper grades e.g. 17.7m at 0.22% Cu (16SCDD005) and 22m at 0.4% Cu (16SCDD007) are interpreted to coincide with fault intersections. Three further holes (CH109 – CH111) are planned to test interpreted fault positions in early 2017.

#### Soil Auger sampling

A total of 227 infill soil auger samples have been collected and results of the program will be used in conjunction with the ground magnetic interpretation to finesse drilling.

#### SIAM PROJECT (COPPER)

Activities during the period comprised infill auger soil sampling within the very large 9km long Siam 2 soil copper anomaly. Results to date are being compiled to identify prospective features for drilling.

#### KILLALOE PROJECT (GOLD/NICKEL)

S2 Resources Ltd's (S2R) announcement of high grade gold at its Polar Bear project have highlighted a gold "corridor" defined by new gold discoveries at Baloo, Monsoon and Nanook within S2R's Polar Bear project.

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The corridor can be extended to the SE over a distance of ~20km into the Killaloe project area, thereby highlighting extensive soil gold anomalism and shallow gold intersections in previous drilling including 2m @ 6g/t Au in drill hole KRC023 at the Cashel prospect.

Past drilling for gold at Killaloe by Matsa and others has been tested by shallow RAB drilling and very limited shallow RC drilling. (*MAT announcement to ASX 5<sup>th</sup> July 2016*).

Dipole-dipole array IP surveys were previously completed over the Duke Shinboner, Windy Hill, Cashel and Shinboner prospects to test for the presence of sulphides at depth, as a potential vector for primary gold mineralisation beneath extensive soil gold anomalies and sporadic intersections in shallow drill holes. An assessment of results led to gradient-array IP (GAIP) surveys being carried out at Killaloe during the period. The survey was carried out under a research project to determine whether previously redundant AMT data obtained by the GAIP survey technique had potential to significantly enhance the ability to detect sulphide gold mineralisation.

### RC Drilling (Figure 4)

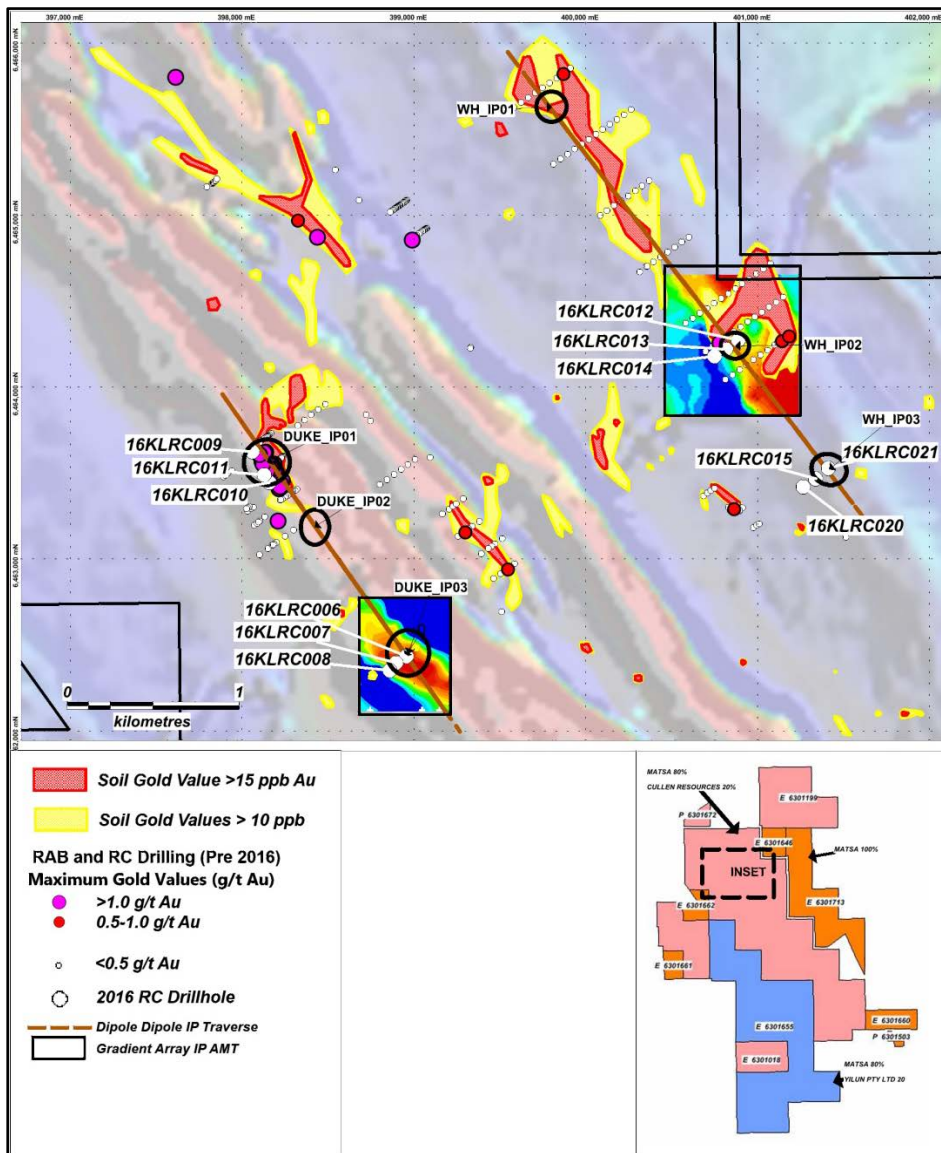
A total of 16 RC holes for 2,241m were drilled in the September quarter at Killaloe primarily to test new IP targets at Duke, Windy Hill and Shinboner, and to test depth extents of known mineralisation at Duke and Cashel prospects (Figure 4).

Sampling comprised 4m composite samples with gold assays carried out by ALS Kalgoorlie. Significant results are tabulated in Table 5.

Hole_ID	Hole_Type	Orig_East	Orig_North	Max_Depth	Azimuth	Dip	Prospect/Target
16KLRC006	RC	398958	6462437	150	54	-60	DUKE IP03
16KLRC007	RC	398897	6462397	150	54	-60	DUKE IP03
16KLRC008	RC	398859	6462352	150	54	-60	DUKE IP03
16KLRC009	RC	398060	6463626	163	90	-60	DUKE IP01
16KLRC010	RC	398158	6463446	163	90	-60	DUKE IP01
16KLRC011	RC	398129	6463491	163	90	-60	DUKE IP01
16KLRC012	RC	400889	6464272	139	54	-60	WINDY HILL IP02
16KLRC013	RC	400817	6464221	150	54	-60	WINDY HILL IP02
16KLRC014	RC	400750	6464179	85	54	-60	WINDY HILL IP02
16KLRC015	RC	401339	6463468	150	54	-60	WINDY HILL IP03
16KLRC016	RC	405047	6458474	100	234	-60	CASHEL
16KLRC017	RC	408060	6455055	103	54	-60	SHINBONER
16KLRC018	RC	408122	6455069	150	54	-60	SHINBONER
16KLRC019	RC	408006	6454992	147	54	-60	SHINBONER
16KLRC020	RC	401267	6463421	151	54	-60	WINDY HILL IP03
16KLRC021	RC	401411	6463529	127	54	-60	WINDY HILL IP03

**Table 5: Killaloe 2016 RC Drill holes**

DIRECTORS' REPORT



**Figure 4: IP Surveys and Drilling Cashel and Shinboner**

Duke

RC drill holes 16KLRC006 to 16KLRC008 were completed over the Duke IP03 target and encountered predominantly serpentinised olivine orthocumulate komatiites together with minor spinifex textured komatiites and gabbro. Only trace amounts of sulphides were encountered at this target and in this case, fibrous minerals in the serpentinised komatiite appear to be the source of a non-metallic IP response and are interpreted to explain this moderate strength chargeability anomaly. There were no significantly elevated gold values in composite sample assays.

RC drill holes 16KLRC009 to 16KLRC011 were targeted on the down-dip extension of the gold mineralisation at Duke IP01. These holes also encountered serpentinised olivine orthocumulate komatiites and sheared talc-serpentinite rock. Weak gold anomalism associated with quartz veining was intersected in sheared komatiites and correspond with the down-dip extension of the gold mineralisation at this target. Anomalous gold intercepts are presented in Table 6 below.

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Hole_ID	Sample	m from	m to	Au ppm
16KLRC009	109908	60	64	0.11
	109911	72	76	0.34
	109912	76	80	0.15
	109913	80	84	0.15
	109917	96	100	0.11
16KLRC010	109957	92	96	0.15
	109958	96	100	0.17
16KLRC011	110000	100	104	0.13

**Table 6: Duke Prospect RC Drilling Assays > 0.1 g/t Au**

### Windy Hill

Drill holes 16KLRC012, 16KLRC013 and 16KLRC014, was completed over the Windy Hill IP02. They intersected predominantly mafic volcanoclastics and fine grained metasediments including siltstones and pyritic black shales. Blocky spinifex fragments are common in the volcanoclastics sections which suggests proximity to ultramafic source rocks. Pyrite disseminations and blebs were observed through most of the metasedimentary sequence and the presence of these sulphides adequately explains the strong IP anomaly at this target. The last 1m sample from 16KLRC014 which was terminated due to adverse ground conditions, returned the best gold result from this target of 1m @ 0.26 g/t Au from 84m. Further work is contemplated.

Drill holes 16KLRC015, 16KLRC020 & 16KLRC021 were completed over Windy Hill IP03. These drill holes intersected a similar sequence of rocks to those at Windy Hill IP02 which intersected strongly pyritic volcanoclastics and siltstones which are interpreted to be the source of the IP anomaly. No significant assays were returned from these holes.

### Cashel

A single hole, 16KLRC016, was drilled to test the structural target beneath the gold lode at Cashel. This hole intersected several narrow quartz veins within the regolith profile followed by fine grained metasediments and volcanoclastics. No significant assays were returned.

### Shinboner

Three RC holes, 16KLRC017 to 16KLRC019, were completed to test IP anomaly SB\_IP03. The geology is similar to Windy Hill prospect and these holes encountered a sequence of mafic volcanoclastics and fine grained metasediments. Spinifex textured komatiitic basalt fragments are common in the volcanoclastics. The sequence is moderately to strongly pyritic and is interpreted to be the source of the IP anomaly at this target. Weakly anomalous gold values were intersected in hole 16KLRC018 and 16KLRC019 (Table 7).

Hole_ID	Sample	m from	m to	Au ppm
16KLRC018	108682	104	108	0.12
16KLRC019	108698	16	20	0.15
	108702	32	36	0.11

**Table 7: Shinboner Prospect RC Drilling Assays > 0.1 g/t Au**

## SYMONS HILL PROJECT (NICKEL)

E69/3070 of 96km<sup>2</sup> is located within the Fraser Range Tectonic zone, 6kms SSW of Independence Group Ltd's (ASX:IGO) Nova nickel mine. There is currently significant M&A activity in the locality and accordingly the Symons Hill project is recognised as a valuable area for any accumulator of tenements in this highly prospective locality.

## **MATSA RESOURCES LIMITED**

### **DIRECTORS' REPORT**

#### **Collaborative Research Project with CSIRO**

The collaborative research project continued during the quarter with the main activities being whole-rock geochemical datasets for 89 selected samples were received and undergoing interpretation.

New data will be incorporated into an assessment of how the geochemistry of different lithological units in unweathered basement rocks relates to the geochemistry of the saprolite and to the transported cover. The study examines how trace elements disperse vertical and laterally within the Symons Hill landscape framework in particular, how transition and rare metals are distributed throughout the cover. This information aims to develop guidelines for how, where and which regolith unit to use as sample media for mineral exploration in this area, as well as to track element dispersion trends or paths. In addition, a number applications for grant have been prepared and submitted for additional government funding to further develop this project into the next stages including integration of Matsa's comprehensive geophysical datasets into the current study.

#### **MT DAY PROJECT (NICKEL)**

The Mt Day nickel project is located 25km north of Maggie Hayes and Emily Anne nickel mines near Lake Johnstone.

Shallow drilling at Mt Day by previous explorers achieved nickel intercepts up to 1.51% Ni with strong supporting copper values up to 0.17% Cu in weathered ultramafics. These anomalous intercepts occur within a distinctive hook shaped high amplitude magnetic anomaly reflecting concealed komatiite lavas which may be an extension of the host rocks to the Emily Anne and Maggie Hayes deposits 25km to the south. This ultramafic belt is referred to as the Johnson Sandplain (JS) prospect. While significant past drilling has been carried out over the JS prospect, only two diamond holes intersected unweathered basement.

#### **RC Drilling**

The drilling program at Mt Day comprised 7 RC drill holes, for a total of 1,049m, to test a number of nickel targets in the JS prospect. Two of these holes tested EM anomalies with the remainder testing for the presence of nickel sulphides in fresh komatiite beneath a nickel anomalous regolith zone, with previous intercepts of up to 1.5% Ni.

The best result from the drilling was 16m @ 0.85%Ni, 0.05% Cu and 0.09% Co from 32m.

#### **CORPORATE ACTIVITIES**

Matsa acquired the Lake Carey project (consisting of the Lake Carey, Phantom Well and Wilga Gold projects), including all exploration and mining data during the period, for a total consideration of \$1,750,000. It subsequently acquired some adjacent tenements to expand its overall Lake Cary project.

Matsa holds a 26.8% interest in Bulletin Resources Limited (Bulletin). Bulletin conducted an in-specie distribution of 1 Pantoro shares for every 2 Bulletin shares held to Bulletin shareholders in July 2016. This resulted in Matsa receiving 24M Pantoro shares valued at \$3.6M. This is an excellent result and the value of the Pantoro shares received exceeds the original cost of Matsa's investment in Bulletin.

Matsa holds interests in several ASX listed mining companies. During the period it sold down its interests in each of these investments generating approximately \$6.6M in proceeds during the period.

#### **SUBSEQUENT EVENTS**

No matter or circumstance that hasn't already been discussed above has arisen subsequent to the balance 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.



## MATSA RESOURCES LIMITED

### DIRECTORS' REPORT

#### AUDITOR'S DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 14 and forms part of the directors' report for the six months ended 31 December 2016.

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



**Paul Poli**  
**Executive Chairman**

Dated this 16th day of March 2017

#### **Competent Persons Statement**

*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.*

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

To the Directors of Matsa Resources Limited,

I declare that, to the best of my knowledge and belief, in relation to the review of the interim financial report for the period ended 31 December 2016 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



**Nexia Perth Audit Services Pty Ltd**



**Theuns Klopper**  
Director

**Perth**  
16 March 2017

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the six months ended 31 December 2016

	Note	2016 \$	2015 \$
Net gain on sale of investments		1,327,251	132,577
Other income	4	28,391	4,858,314
<b>Other expenses</b>			
Depreciation expense		(25,021)	(39,742)
Salaries and employment benefits expenses		(685,167)	(557,310)
Exploration expenditure written off	8	(46,505)	(367,185)
Impairment of exploration expenditure	8	(1,197,400)	(1,102,108)
Other administration expenses		(695,582)	(530,021)
Share based payments expense	10	(1,167,432)	(22,650)
Provision for doubtful debts		-	(183,910)
Impairment loss on investments		(8,247)	(1,440,756)
<b>Results from operating activities</b>		(2,469,712)	747,209
Finance income		13,163	9,513
Finance costs		(1,044)	(2,942)
<b>Net finance income</b>		12,119	6,571
Share of profit/(loss) of equity-accounted investee, net of tax		4,164,518	(116,980)
<b>Profit before income tax expense</b>		1,706,925	636,800
Income tax expense		-	-
<b>Net profit for the period attributable to equity holders of the company</b>		1,706,925	636,800
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Equity-accounted investees – share of other comprehensive income		112,881	89,633
Net change in fair value of available-for-sale financial assets		1,317,087	(1,020,563)
Available-for-sale financial assets – reclassified to profit or loss		(400,041)	(152,375)
<b>Other comprehensive income for the period, net of income tax</b>		1,029,927	(1,083,305)
<b>Total comprehensive profit/(loss) for the period attributable to equity holders of the company</b>		2,736,852	(446,505)
<b>Profit for the period is attributable to:</b>			
Owners of the parent		1,706,925	636,789
Non-controlling interest		-	11
		1,706,925	636,800
<b>Total comprehensive loss for the period is attributable to:</b>			
Owners of the parent		2,736,852	(446,516)
Non-controlling interest		-	11
		2,736,852	(446,505)
<b>Earnings per share:</b>			
Basic/diluted profit per share attributable to ordinary equity holders of the parent (cents per share)		1.18	0.44

The notes on pages 19 to 24 are an integral part of these consolidated interim financial statements.

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2016

		31 Dec 16 \$	30 June 16 \$
<b>Current Assets</b>			
Cash and cash equivalents		1,408,542	1,563,165
Trade and other receivables		303,924	239,618
Other current assets		280,548	303,975
<b>Total Current Assets</b>		1,993,014	2,106,758
<b>Non-Current Assets</b>			
Deposits held		492,174	463,550
Available-for-sale financial assets	6	4,970,003	5,580,750
Investments in associates		986,101	300,138
Exploration and evaluation assets	8	10,295,422	5,940,113
Property, plant and equipment	7	57,542	54,449
<b>Total Non-Current Assets</b>		16,801,242	12,339,000
<b>Total Assets</b>		18,794,256	14,445,758
<b>Current Liabilities</b>			
Trade and other payables		656,625	409,503
Borrowings		9,423	13,767
Provisions		226,991	177,700
<b>Total Current Liabilities</b>		893,039	600,970
<b>Non-Current Liabilities</b>			
Borrowings		3,271	8,053
Provisions		193,123	187,446
<b>Total Non-Current Liabilities</b>		196,394	195,499
<b>Total Liabilities</b>		1,089,433	796,469
<b>Net Assets</b>		17,704,823	13,649,289
<b>Equity</b>			
Issued capital	9	40,688,126	40,536,876
Reserves		9,919,126	7,721,767
Accumulated losses		(32,979,782)	(34,686,707)
<b>Total equity attributable to equity holders of the Company</b>		17,627,470	13,571,936
<b>Non-controlling Interests</b>		77,353	77,353
<b>Total Equity</b>		17,704,823	13,649,289

The notes on pages 19 to 24 are an integral part of these consolidated interim financial statements.

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the six months ended 31 December 2016

	Issued Capital Ordinary \$	Accumulated Losses \$	Equity Settled Benefits Reserve \$	Other Reserves \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2016	40,536,876	(34,686,707)	7,253,656	468,111	13,571,936	77,353	13,649,289
Comprehensive profit/(loss) for the period	-	1,706,925	-	1,029,927	2,736,852	-	2,736,852
Total comprehensive profit/(loss) for the period		1,706,925	-	1,029,927	2,736,852	-	2,736,852
<i>Transactions with owners in their capacity as owners</i>							
Issue of Shares	151,250	-	-	-	151,250	-	151,250
Share based payment	-	-	1,167,432	-	1,167,432	-	1,167,432
Balance at 31 December 2016	40,688,126	(32,979,782)	8,421,088	1,498,038	17,627,470	77,353	17,704,823
Balance at 1 July 2015	40,536,876	(33,251,277)	7,393,106	1,102,429	15,781,134	77,391	15,858,525
Comprehensive loss for the period	-	636,789	-	(1,083,305)	(446,516)	11	(446,505)
Total comprehensive loss for the period	-	636,789	-	(1,083,305)	(446,516)	11	15,412,020
<i>Transactions with owners in their capacity as owners</i>							
Performance rights not vested	-	162,100	(162,100)	-	-	-	-
Share based payment	-	-	22,650	-	22,650	-	22,650
Balance at 31 December 2015	40,536,876	(32,452,388)	7,253,656	19,124	15,357,268	77,402	15,434,670

The notes on pages 19 to 24 are an integral part of these consolidated interim financial statements.

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the six months ended 31 December 2016

	2016 \$	2015 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,458,615)	(1,201,687)
Interest received	13,163	12,427
Other income	68,792	18,846
Interest paid	(1,044)	(3,395)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	(1,377,704)	(1,173,809)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(28,113)	(26,574)
Exploration and evaluation expenditure	(5,437,848)	(1,536,828)
Refund of/(payments for) security deposits	(156)	401,810
Payments for available-for-sale financial assets	(21,307)	(484,848)
Proceeds from sale of investments	6,568,382	3,340,702
	<hr/>	<hr/>
<b>Net cash provided by investing activities</b>	1,080,958	1,694,262
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	151,250	-
Repayment of lease liabilities	(9,127)	(13,355)
	<hr/>	<hr/>
<b>Net cash provided by/(used in) financing activities</b>	142,123	(13,355)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	(154,623)	507,098
Cash and cash equivalents at beginning of the period	1,563,165	739,096
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	1,408,542	1,246,194
	<hr/>	<hr/>

The notes on pages 19 to 24 are an integral part of these consolidated interim financial statements.



## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2016

#### 1. REPORTING ENTITY

Matsa Resources Limited (the "Company") is a company domiciled in Australia. The condensed consolidated financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company's registered office at Suite 11, 139 Newcastle Street, Perth WA 6000 or at [www.matsa.com.au](http://www.matsa.com.au).

This condensed consolidated interim financial report was authorised for issue in accordance with a resolution of the Board of Directors on 16 March 2017.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

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

This general purpose condensed consolidated financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34 '*Interim Financial Reporting*'.

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 2016 and considered together with any public announcements made by Matsa Resources Limited and its controlled entities during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent consolidated annual financial report.

##### (b) Basis of Consolidation

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

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.

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

## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2016

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (b) Basis of Consolidation (cont.)

within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

##### (c) New and amended accounting standards and interpretations

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

##### (d) Impact of standards issued but not yet applied by the entity

From 1 July 2017, the Group is required to adopt Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2017. The Group has reviewed the impact of these Standards and Interpretations and is continuing to assess whether they will have a significant effect on the financial position or performance of the Group. The Group has not elected to early adopt any new standards or amendments.

#### 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 mineral exploration in Western Australia and Thailand. The Group was awarded Special Prospecting Licences (SPL's) in Thailand in March 2015 for the first time. Accordingly the Group now considers that it operates in two geographical segments but within the same operating segment, mineral exploration. The decision to allocate resources to individual projects is predominantly based on available cash reserves, technical data and the expectation of future metal prices.

Accordingly, the Group effectively operates as one segment, being mineral exploration. The financial information presented in the statement of comprehensive income and statement of financial position is the same as that presented to the chief operating decision maker. For financial reporting purposes, the Australian and the Thai segments are proposed 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.

##### Information about reportable segments

The following table presents revenue and profit information regarding the Consolidated Entity's operating segments for the half-years ended 31 December 2016 and 31 December 2015.

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the six months ended 31 December 2016

**3. SEGMENT INFORMATION (cont.)**

Half-year ended 31 December 2016	Reportable Segments		Total
	Australia	Thailand	
	\$	\$	\$
External revenues	1,348,500	7,142	1,355,642
Inter-segment revenue	-	-	-
<b>Segment revenue</b>	<b>1,348,500</b>	<b>7,142</b>	<b>1,355,642</b>
<b>Segment profit/(loss) before tax</b>	<b>2,405,892</b>	<b>(698,967)</b>	<b>1,706,925</b>
<b>Half-year ended 31 December 2015</b>			
External revenues	4,990,891	-	4,990,891
Inter-segment revenue	-	-	-
<b>Segment revenue</b>	<b>4,990,891</b>	<b>-</b>	<b>4,990,891</b>
<b>Segment profit/(loss) before tax</b>	<b>1,091,706</b>	<b>(454,906)</b>	<b>636,800</b>
<b>Segment assets</b>			
At 31 December 2016	16,938,629	1,855,627	18,794,256
<b>Segment assets</b>			
At 30 June 2016	12,697,811	1,747,947	14,445,758
<b>Segment liabilities</b>			
At 31 December 2016	1,089,433	-	1,089,433
<b>Segment liabilities</b>			
At 30 June 2016	796,469	-	796,469

**4. OTHER INCOME**

	31 Dec 16	31 Dec 15
	\$	\$
Foreign currency exchange gain	3,823	2,711
Net gain on sale of exploration assets	-	4,829,721
Other income	24,568	25,882
	<b>28,391</b>	<b>4,858,314</b>

## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2016

#### 5. 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 \$1,681,146 (30 June 2016: \$1,581,954). These obligations are capable of being varied from time to time. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

##### Finance Lease Commitments

The Company has finance lease commitments of \$12,694 outstanding at 31 December 2016 (30 June 2016: \$21,820).

#### 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

At the end of the period the fair value of the investment was \$1,812,076 (30 June 2016: \$1,215,000) which is based on Panoramic Resources Limited's quoted share price.

- (b) The Company holds shares in Pantoro Limited, which is involved in the mining and exploration of gold and base metals in Australia and Papua New Guinea. Pantoro is listed on the Australian Securities Exchange.

At the end of the period the fair value of the investment was \$2,340,000 (30 June 2016: \$390,000) which is based on Pantoro Limited's quoted share price.

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

At the end of the period the fair value of the investment was \$420,000 (30 June 2016: \$3,975,750) which is based on Metals X Limited's quoted share price.

- (d) The Company holds shares in Westgold Resources Limited, which is involved in the mining and exploration of gold in Australia. Westgold is listed on the Australian Securities Exchange.

At the end of the period the fair value of the investment was \$397,927 (30 June 2016: \$Nil) which is based on Metals X Limited's quoted share price.

#### 7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2016 the Group acquired items of property, plant and equipment with a cost of \$28,113 (2015: \$26,574).

During the six months ended 31 December 2016 the Group disposed of items of property, plant and equipment with a written down value of \$Nil (2015: \$Nil).

# MATSA RESOURCES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2016

### 8. EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 16 \$	30 Jun 16 \$
Costs carried forward in respect of areas of interest in: Exploration and evaluation phase	10,295,422	5,940,113
<b>Movements in carrying amounts</b>		
Balance at beginning of period	5,940,113	11,513,690
Purchase of tenements	1,940,040	-
Disposal of tenements	-	(3,346,761)
Exploration and evaluation incurred	3,659,174	2,534,848
Expenditure written off	(46,505)	(991,486)
Provision for impairment	(1,197,400)	(3,770,178)
Balance at end of period	10,295,422	5,940,113

The recoverability of the carrying amount of the exploration and evaluation 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.

	31 Dec 16 \$	30 Jun 16 \$
144,706,779 (30 June 2016: 144,156,779) ordinary shares	40,688,126	40,536,876

Issue of options during the period	Number of options	\$
Opening balance at 1 July 2016	8,440,000	7,253,656
Unlisted options under the ESOP issued during this period	4,375,000	504,446
Unlisted options issued to directors	5,750,000	662,986
Options expired during the period	(990,000)	-
Options exercised during the period	(550,000)	-
	17,025,000	8,421,088

### 10. SHARE BASED PAYMENTS

During the six months ended 31 December 2016 under the Company's Long Term Incentive Plan (LTIP), 4,375,000 share options were issued to employees and 5,750,000 share options were issued to directors.

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.

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 six months ended 31 December 2016 was estimated at the date of grant using the following assumptions:

# MATSA RESOURCES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2016

### 10. SHARE BASED PAYMENTS (cont.)

Grant Date	24 November 2016	24 November 2016
Number of Share Options	4,375,000	5,750,000
Dividend Yield (%)	Nil	Nil
Expected Volatility (%)	91.68	91.68
Risk-free interest rate (%)	1.92	1.92
Expected Life (years)	3.01	3.01
Exercise Price (cents)	25 cents	25 cents
Fair Value per Option (cents)	11.53	11.53
<b>Total Value of Options (\$)</b>	<b>504,446</b>	<b>662,986</b>

For the six months ended 31 December 2016, the Group has recognised \$1,167,432 of share based payment expense in the income statement (2015: \$22,650).

### 11. RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2016 consolidated annual financial report.

### 12. SUBSEQUENT EVENTS

No matter or circumstance has arisen subsequent to the balance 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.

### 13. CONTINGENT LIABILITIES

In the opinion of the directors, there are no further contingent assets or liabilities as at 31 December 2016 and no changes in the interval between 31 December 2016 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 2016 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.



**Paul Poli**  
**Director**

Dated this 16th day of March 2017

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

### **Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Matsa Resources Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2016, 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 interim ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the interim end or from time to time during the interim.

### **Directors' Responsibility for the Interim Financial Report**

The directors of the Group 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*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the interim ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Matsa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an 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.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Matsa Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Conclusion

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 and its controlled entities 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 2016 and of its performance for the interim ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

NPAS

**Nexia Perth Audit Services Pty Ltd**

A handwritten signature in black ink, appearing to read 'Theuns Klopper', enclosed within a large, stylized oval or loop.

**Theuns Klopper**  
Director

**Perth**

16 March 2017