

MATSA RESOURCES LIMITED
ABN 48 106 732 487

ANNUAL REPORT
For the Year Ended
30 June 2017

MATSA RESOURCES LIMITED

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MATSA RESOURCES LIMITED

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MATSA RESOURCES LIMITED

CHAIRMAN'S REPORT

Dear Shareholder,

I write this report with excitement, more so than last year.

In last year's annual report, I predicted that the next 12 months would bring changes to your Company. At that time, we said that in Matsa's journey to progress towards being a producer, the acquisition of the Lake Carey project would bring some significant changes to Matsa.

I can now say that after a year of particularly hard work and determination since identifying the project, the Company has commenced first mining activities from the Fortitude gold project in July 2017. This is a goal come true for our Company. Proudly, I note, to get Matsa into production within some 9 months of the project being acquired is quite an achievement, it simply is not an insignificant feat and while still considered a "trial mine" at this stage and with an initial life of some eight months, there are strong chances to transform Fortitude to a more sizeable production longer life asset.

The fact that an Ore Purchase Agreement was entered into with AngloGold Ashanti Australia Limited ("Anglo") for the Fortitude ore to be treated at Sunrise Dam Gold Mine was the significant turnaround point for Fortitude. The agreement demonstrates that there is a requirement for more nearby ore sources and this means that Matsa with its very low capital outlays in establishing a mine in the area can reap further substantial rewards. I would particularly like to thank Anglo and its team for their assistance and professional approach during our first mine building phase and look forward to continue working with them in the future for the continuing benefit of both companies.

In addition to commencing mining, significant exploration has commenced in areas throughout the Lake Carey project with some very promising results. These results to date, whilst preliminary, are extremely interesting and they will require follow-up work with a view to identifying further gold resources. My belief is that these results could be the beginning of something exciting. I stress however, working in a lake environment is a very difficult task, but the Matsa staff have shown great resilience and tenacity in undertaking the exploration programmes set. I am in awe at the strength of character that our exploration team, headed by Dave Fielding has displayed. We trust that in time this fantastic work ethic will bring its rewards.

I am continually indebted to our team of highly dedicated, professional and tireless people both in Australia and Thailand. The Matsa team are simply marvellous and makes our Company what it is today, a well-respected, dedicated and focussed company with strong prospects for success. With the recent increase in activity, our team numbers have increased with new professionals coming on board. I welcome these newcomers into the Matsa family and trust that they too, will become strong contributors to the team whilst gaining self-satisfaction from their efforts.

I am always indebted to our shareholders, especially those that call me regularly, who are extremely loyal and faithful to Matsa and the board, even when sometimes things look upside down. The encouragement that the Matsa board and I personally continually receive from a vast range of shareholders is energising and most pleasing. We sincerely cannot thank you enough.

Last year we were primed for take-off, this year we are taking off commencing with Lake Carey. As always, the board sincerely thanks you all.



PAUL POLI
EXECUTIVE CHAIRMAN

MATSA RESOURCES LIMITED

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INTRODUCTION

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 Fortitude/Lake Carey gold project area was acquired from the receivers of Fortitude Gold Pty Ltd by Matsa on 21 July 2016 with settlement occurring 4 October 2016. This original project comprises 12 tenements covering an area of 128km² and contains a number of gold occurrences including the Fortitude gold deposit.

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 is contiguous with Matsa's existing Mt Weld project. During the year under review Matsa also acquired a number of additional tenements from third parties in the district, which together with the Mt Weld project have been consolidated into a much larger combined project covering ~445km² (Figure 1).

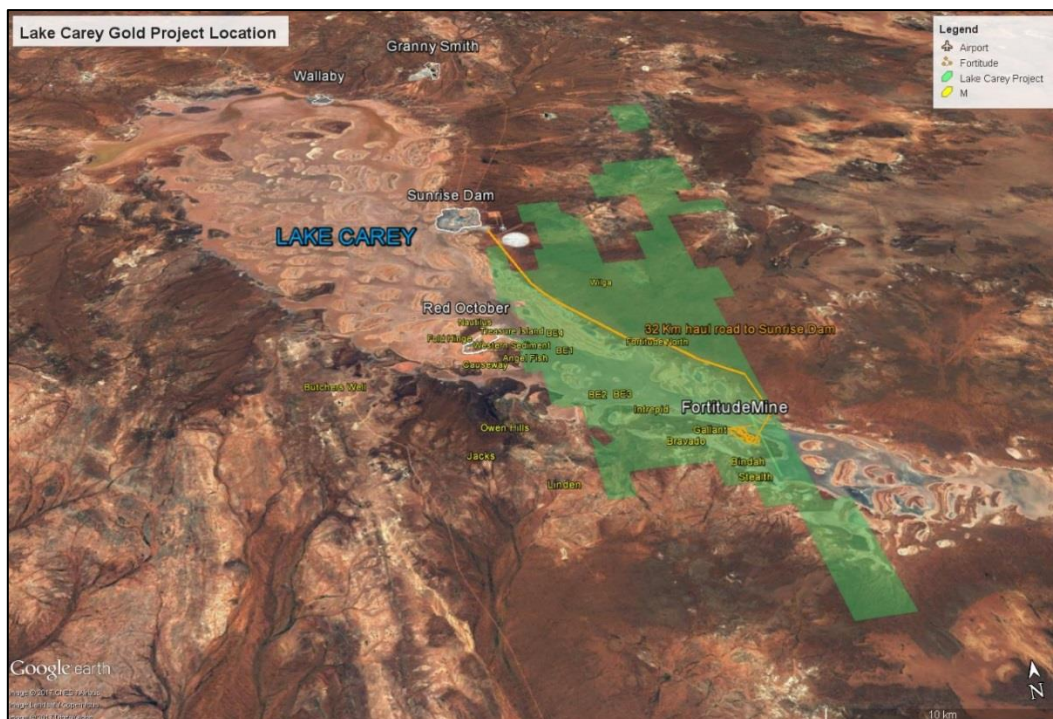


Figure 1: Fortitude Mine and Lake Carey Gold Project – oblique view

Activities on the Lake Carey Gold project during the year under review include:

- Fortitude Pre-feasibility Study
- Fortitude Trial Mining Study
- Fortitude Trial Mine Development

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- Exploration Targeting Study/Data Review
- Tenement Acquisition to increase exploration holdings
- Lake Aircore Drilling Bindah Extended Target Zone
- Diamond Drilling BE 1 Target
- Aeromagnetic survey over previously poorly surveyed part of the project

A final investment decision was made by the Company in June 2017 to proceed with the development of the trial mine.

Fortitude Pre-feasibility Study

Matsa's principal objective was to develop a gold mine at Fortitude with gold ore processed through a local third party processing facility. Activities under the pre-feasibility study to determine the viability of a mining project included the following:

- Diamond drilling to validate and upgrade Fortitude resource model and for geotechnical analysis
- Upgrade of existing resource model to comply with provisions of JORC 2012
- Water bore drilling to determine groundwater parameters
- Environmental and Heritage studies

Diamond Drilling Fortitude

A programme of 21 diamond drill holes for 2,292m were completed and was designed to infill and confirm existing drilling by previous project owners, 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. 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*

Revised Resource Statement Fortitude

A revised resource statement for the Fortitude deposit was announced on 22 February 2017 which incorporates results from Matsa's 2016 diamond drilling programme.

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The revised JORC 2012 Indicated and Inferred Mineral Resource Estimate comprised **5,589,000t @ 2.0g/t Au for 354,600 ounces of gold** (Table 1).

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	2,326	2.1	4,445	2.0	282,200
Total	3,084	1.9	2,505	2.1	5,589	2.0	354,600

Table 1: Fortitude Mineral Resource Statement

*Resource Statement Notes

- Figures have been rounded in compliance with the JORC Code (2012). Rounding errors may cause a column to not add up precisely.
- Mineral Resources are reported in situ (undiluted).
- Mineral Resources are reported to a cut-off grade of 1g/t Au.

Competent Persons Statement

The information in this report that relates to Mineral Resources has been compiled by Matthew Cobb, who is a full-time employee of CSA Global Pty Ltd, and Richard Breyley who is a full time employee of Matsa Resources Limited. Dr Cobb is a Member of both the Australian Institute of Geoscientists and the Australian Institute of Mining and Metallurgy. Mr Breyley is a member of the Australian Institute of Mining and Metallurgy. Both Dr Cobb and Mr Breyley have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities which they are undertaking to qualify as a Competent Persons as defined in the JORC Code (2012). Dr Cobb and Mr Breyley consent to the disclosure of this information in this report in the form and context in which it appears.

Fortitude Trial Mining Study

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. Au
- Cash surplus \$5.2M over 12 months
- Total production 185,000t @ 2.2g/t (12,100 oz. Au)
- Capital outlay \$1.2M
- Total Material movement 1.1M bcm's at a strip ratio of 10.8
- Projected cash flow shown in Figure 2

As part of the trial mining study an Ore Reserve was established (Table 2). The total Ore Reserve for the Fortitude trial mining study is 185,000t @ 2.2g/t Au (12,900 oz Au). The entire Ore Reserve is classified as Probable under the JORC 2012 code. **Each A\$100/oz increase in the gold price over the life of the project is estimated to result in a \$1.21M increase in the cash surplus.**

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Cautionary Statement

This belief is expressed in good faith and believed to have a reasonable basis.

The material in this report is intended to be a summary of current and proposed activities, selected geological data, as well as Mineral Resource estimates and Ore Reserves. This data is based on information available at the time.

It does not include all available information and should not be used in isolation as a basis to invest in the Company.

This report includes information and graphics relating to a conceptual mining study, completed Mineral Resource estimate and a scoping study and includes “forward looking statements” which include, without limitation, estimates of gold production based on mineral resources that are currently being evaluated.

While the Company has a reasonable basis on which to express these estimates, any forward looking statement is subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

Risks include, without limitation, gold metal prices, foreign exchange rate movements, project funding capacity and estimates of future capital and operating costs.

The Company does not undertake to release publicly any revisions to forward looking statements included in this report to reflect events or results after the date of this presentation, except as may be required under applicable securities regulations.

Any potential investor should refer to publically available reports on the ASX website and seek independent advice before considering investing in the Company.

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
Total	0	0	185,000	2.2	185,000	2.2	12,900

Table 2: Fortitude Trial Mine 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.

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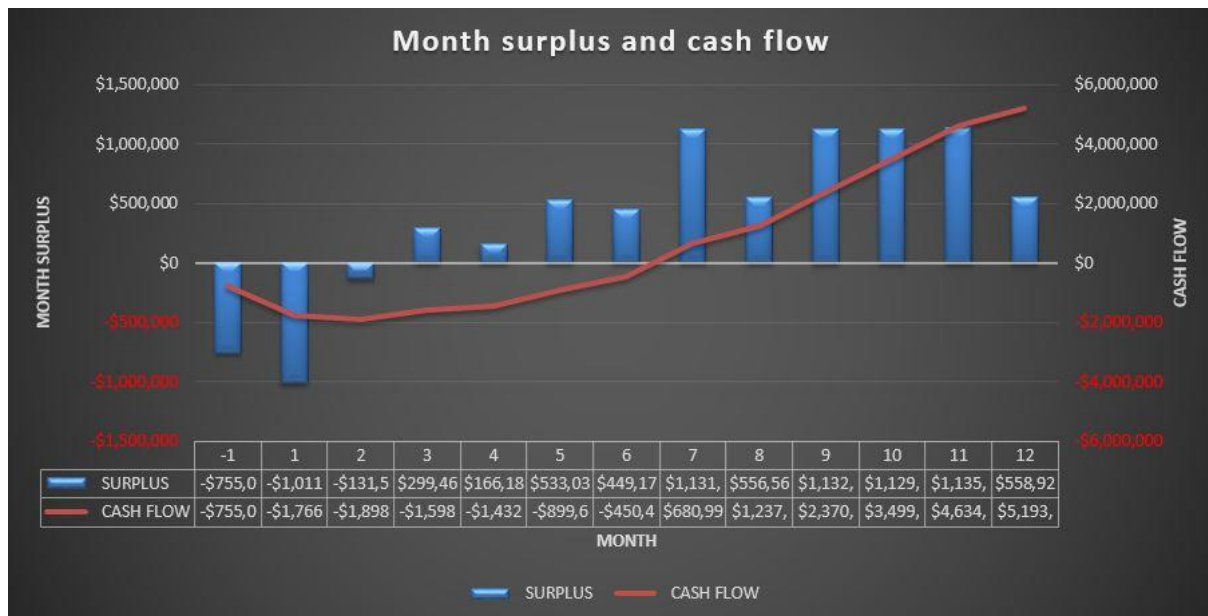


Figure 2: Mining Study Projected Cash Flow

Fortitude Commencement of Trial Mine

During the year under review, the following mining activities were carried out:

- mining contractor mobilized to site
- construction of topsoil dumps and sediment ponds
- bore-field was commissioned and mine dewatering commenced
- topsoil removed and stockpiled from the North Pit, waste dump, admin offices and workshop areas
- construction of offices and workshop was completed and communications established
- RC grade control drilling was completed with all assays received over the three trial pit areas in preparation for the first ore mining
- Results of grade control drilling are currently being incorporated into the resource model

Ore will be trucked and processed at the nearby Sunrise Dam treatment facility only 32km north of Fortitude.



Figure 3. Part of Mining Fleet at Fortitude Gold Mine

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Lake Carey Exploration Targeting Study

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 (Figure 4). Recommendations arising from the study, highlighted a previously untested 9km long section of the gold mineralised Bindah Fault, where it was concealed by Lake Carey. This target termed the “Bindah Extended Target, has been the focus of exploration activities during the year under review.

Aircore Drilling Bindah Extended

Aircore drilling was carried out over a previously untested ~6km section of the gold mineralised Bindah fault (Figure 4). 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 previous 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. A specialised aircore drilling rig was used for this programme which is located on the Lake Carey salt lake. Each drill hole was completed to “refusal” typically fresh to moderately weathered basement at depths ranging from 14m to 121m.

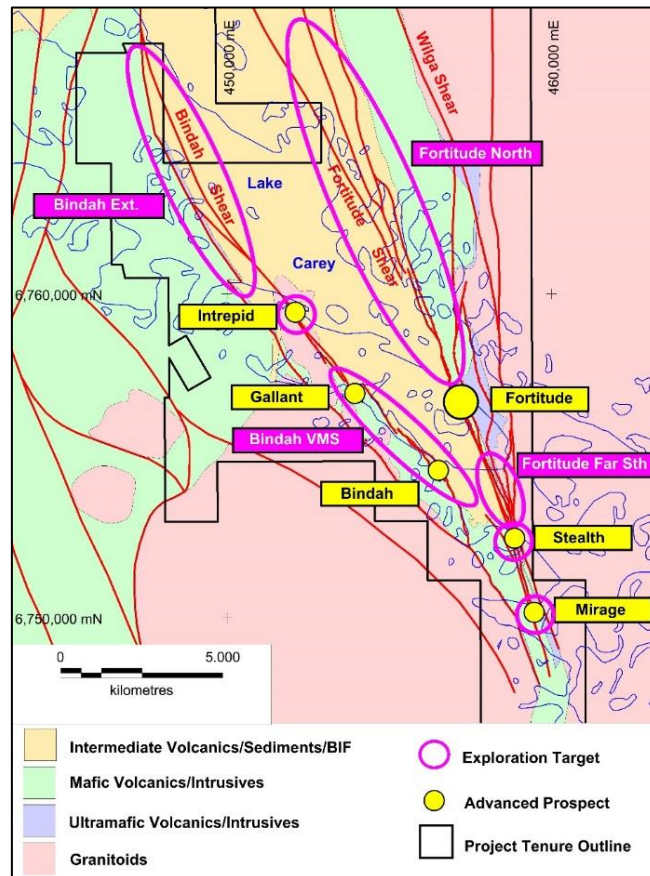


Figure 4: Lake Carey Project Exploration Targets

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Stage 1 Aircore Drilling

Stage 1 aircore drilling was completed for a total of 274 drill holes (16LCAC001 – 17LCAC274) and 22,403m of drilling is broken down as follows:

- 200 first pass drill holes at 100m intervals along EW lines spaced 400m apart for a total of 15,575m of drilling; and
- 74 step out and infill drill holes over BE 1 on 100m centres with selected drill holes at spacings of 50m x 100m for a total of 6,828m of drilling.

Stage 2 Aircore Drilling Bindah Extended

Stage 2 aircore drilling was completed for a total of 136 holes and 10,376m, over the Bindah Extended target zone, focused on infill drilling at BE 2, BE 3 and step out drilling north of BE 1.

Aircore Drilling Results

Drilling 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.

Visual observations made on drill cuttings, and in particular the least weathered bottom of hole rock samples were used to compile a simplified basement geological map and to determine the style and intensity of hydrothermal alteration as a potential vector towards gold mineralisation (Figure 5).

The Stage 1 drilling programme defined three highest priority prospects, BE 1, BE 2 and BE 3 together with a number of isolated anomalous intercepts. Results from the Stage 2 aircore drilling programme have better defined targets BE 2 and BE 3, as well as defining additional highly anomalous values at a new target BE 4.

Target BE 1

Mineralised intercepts are associated with a dacite porphyry intrusion ~1km x 0.7km in extent (Figure 6). The monzodiorite intrudes a suite of intermediate volcanic rocks and volcanoclastic sediments at a location which is interpreted to be a structurally favourable dilational site along the Bindah fault. Anomalous gold values appear to be associated with quartz veining within and along the margins of the intrusion and appear to reflect structurally controlled gold bearing quartz veins formed in response to brittle fracture of the intrusion by movement along the Bindah fault. Key results include the following:

- **21m @ 1.84 g/t Au** from 87m (17LCAC230)
including 7m @ 5.17 g/t Au
including 1m @ 17.2 g/t Au
- **4m @ 2.49 g/t Au** from 48m (17 LCAC239)
- **1m @ 5.17 g/t Au** from 68m (17 LCAC157)
- **1m @ 1.71 g/t Au** from 73m (17 LCAC195)
- **1m @ 1.58 g/t Au** from 65m (17 LCAC225)
- **1m @ 1.95 g/t Au** from 76m (17 LCAC236)

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- **2m @ 25.3 g/t Au** from 93m (17LCAC245)
including 1m @ 39.8 g/t Au.
- **3m @ 1.94 g/t Au** from 50m (17LCAC239)
including 1m @ 3.43g/t Au.
- **1m @ 2.47 g/t Au** from 45m (17LCAC240)

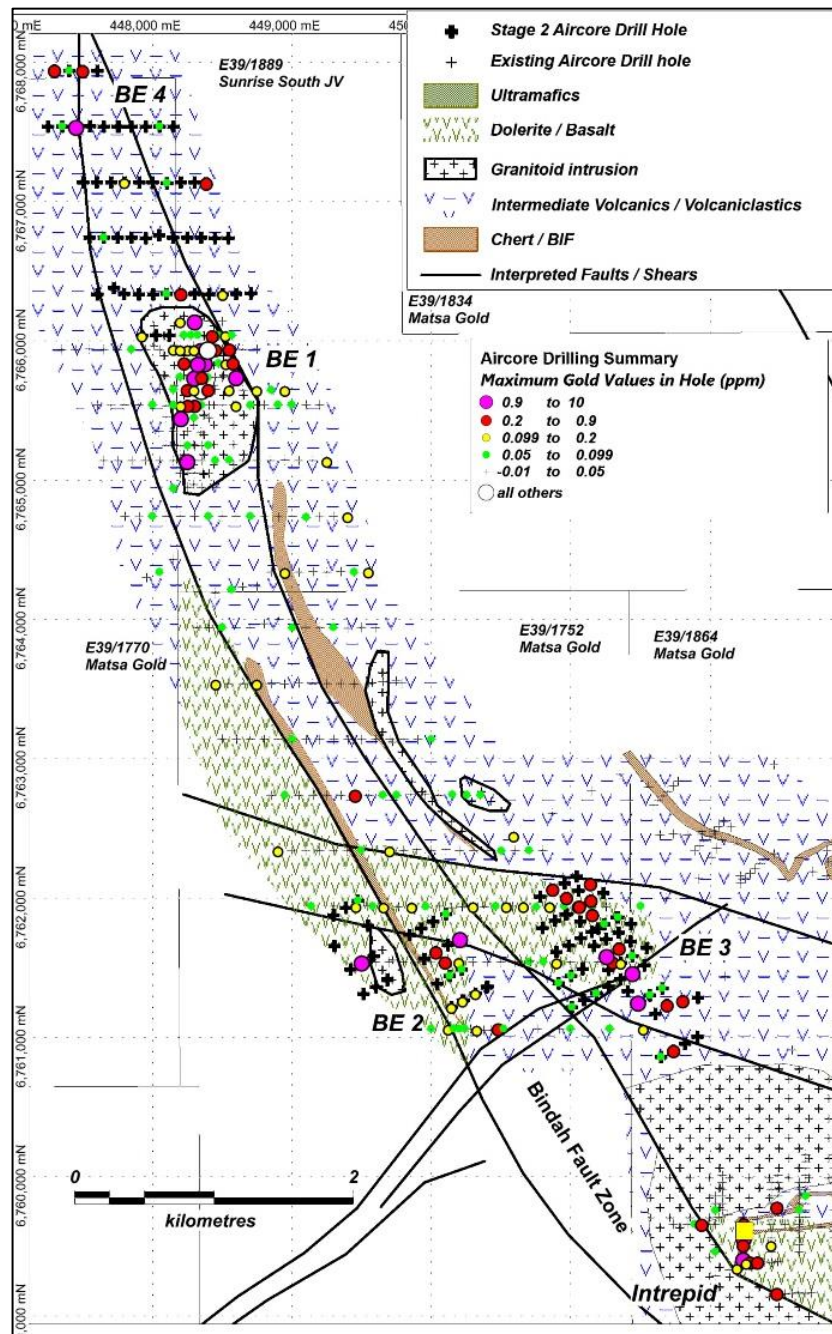


Figure 5: Bindah Extended Stage 1 and Stage 2 aircore drilling summary and interpreted basement geology

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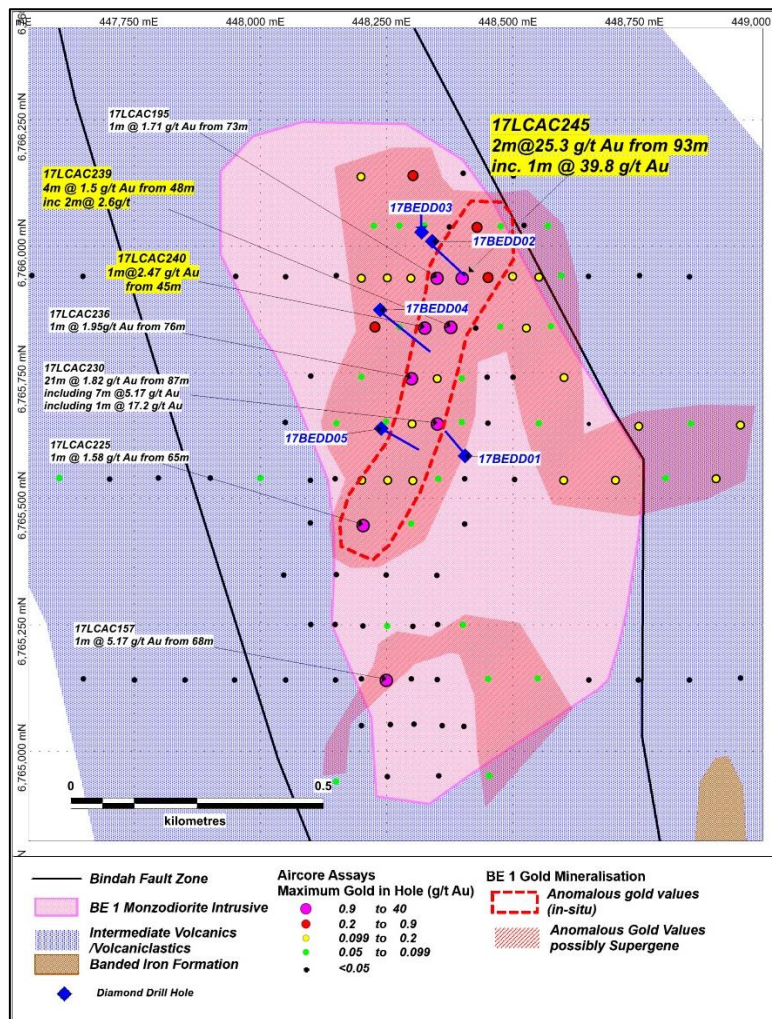


Figure 6: BE 1 Aircore drilling summary

The distribution of gold anomalous intercepts is interpreted as follows:

- A central linear zone (outlined in red on Figure 6) includes the highest gold values (several >1 g/t Au), which are also from the lowest (least-weathered) part of the saprolite profile in monzodiorite basement. This zone is interpreted to reflect in-situ gold mineralisation and a diamond drilling programme is about to commence to test this zone at depth; and
- A broader peripheral zone is defined by intercepts between 0.05 g/t Au and 0.4 g/t Au within both weathered basement (saprolite) and overlying transported lake clays. This broader peripheral anomaly probably reflects gold dispersion by supergene processes including weathering and sedimentation in Lake Carey. There is strong potential for further in-situ mineralisation within this broader envelope.

Diamond drilling carried out to test basement mineralisation is described below.

Target BE 2

This target was defined by a number of highly anomalous gold values in Stage 1 aircore holes, mostly in weathered dolerite with a best intercept of **1m @ 1.56 g/t Au** from 53m (16LCAC004). Infill and step out drilling on 100m centres in the Stage 2 programme.

Stage 2 infill drilling at BE 2 returned further gold anomalous intercepts with a best result of **1m @ 1.46 g/t Au** from 71m (17LCAC313) in deeply weathered dolerite. RC drilling is planned to test continuity of anomalous gold values in bedrock.

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Target BE 3

This target includes historic intersections by Dioro Exploration NL, including **4m @ 0.87 g/t Au** from 40m (16LCAC018). Anomalous gold values were intersected in a pervasively altered dolerite unit which has been almost completely replaced by an alteration assemblage made up mostly of silica, sericite, pyrite, leucoxene and possibly carbonate. The alteration assemblage and highly anomalous gold values compare favourably with a number of dolerite hosted gold deposits in the Eastern Goldfields of WA including the Golden Mile. Stage 2 aircore drilling continued to better define gold target BE 3 as an irregular 1.5km long NW trending zone of highly anomalous gold values in variably weathered dolerite and andesitic volcanics including **3m @ 3.62 g/t Au** from 42m (17LCAC400). RC drilling is planned to test continuity of highly anomalous gold values in bedrock.

Diamond Drilling

Diamond drilling is underway at BE 1, to determine the basement source of in-situ gold mineralisation identified by aircore drilling in clay and deeply weathered feldspar porphyry intrusion (Figure 1).

Anomalous gold values being targeted by diamond drilling are associated with quartz veins in the feldspar porphyry intrusion interpreted to be formed in response to brittle fracture of the intrusion by movement along the Bindah fault. This is the style of gold mineralisation described at the world class ~7 million oz. Granny Smith gold deposit 47km to the north which occurs in and along the margins of a granodiorite intrusion.

The objectives of diamond drilling were to:

- determine the nature and grade of potentially economic gold mineralisation in basement rocks below the depth of aircore refusal (typically 60m-90m below surface);
- determine the orientation(s) of mineralised structures through the use of oriented diamond core; and
- provide a platform for seismic detectors to be deployed as part of an experimental survey which could define acoustic surfaces corresponding with gold mineralised structures. There are potential applications of this technique, if successful, in exploration for structurally controlled gold mineralisation in salt lakes.

Diamond drilling commenced on the 17th May 2017 at BE 1. (*Refer MAT announcement to the ASX 17th May 2017*) A total of 5 drill holes (17BEDD01 – 17BEDD05) were completed for a total of 1,336m of drilling (Figure 2, Table 1). Difficult ground conditions meant that two drill holes (17BEDD03A and 17BEDD05A) were abandoned in unconsolidated lake sediments. In addition, drill hole 17BEDD02 was terminated in weathered basement at a depth 133.6m, above its designed depth of 350m because of difficult ground conditions. Drill collars are summarised in Figure 6.

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Assay Results

Best gold values received by 30th June 2017 are listed in Table 3.

Hole ID	Sample	m From	m To	Au ppm
17BEDD01	139845	79.12	79.26	8.91
17BEDD01	139869	112	113	0.5
17BEDD01	139891	164.35	164.6	0.64
17BEDD01	139897	175.96	176.15	0.86
17BEDD01	139910	206	206.3	0.81
17BEDD02	139976	130.25	131	0.8
17BEDD02	139977	131	132	0.85
17BEDD02	139978	132	133	0.7
17BEDD03	139980	120.2	120.3	1.76
17BEDD03	149534	184	186	0.67
17BEDD03	149558	212	213	0.52
17BEDD03	149566	220	221	0.65
17BEDD04	149663	225.9	227.4	0.52
17BEDD04	149679	242.6	243	1.37
17BEDD04	149680	243	244	1.5
17BEDD05	149847	288	288.4	1.64

Table 3: BE 1 Diamond Drill Holes Assays >0.5 g/t Au

Visible Gold Observed

Diamond drill hole 17BEDD01 was designed to explore the extent of gold mineralisation intersected in aircore drill hole 17LCAC130, namely, **21m @ 1.82 g/t Au** from 87m as shown in Figure 6.

The best diamond drill assay of **0.14m @ 8.91 g/t Au**, coincides with a 14cm wide laminated quartz vein containing visible gold at a drilled depth of 79m in 17BEDD01 which was the first of 5 diamond drill holes at BE 1.

The quartz vein containing visible gold in 17BEDD01, occurs in unconsolidated clays produced by deep lateritic weathering of basement rocks. Core recoveries were very poor through this zone. Only 16 metres of the 25 metre interval (75m-100m) containing the visible gold intercept, was recovered thus the actual mineralised interval may have been significantly reduced by this core loss (Figure 7).

Results from this preliminary diamond drill programme have not explained the highly anomalous gold intercepts by aircore drilling in the weathered zone. BE 1 remains highly prospective for significant gold mineralisation and as such, further drilling is required.

Geology and Mineralisation

All drill holes encountered massive lake clays to a depth of ~90m, underlain by saprolite clays and deeply weathered basement rocks to a downhole depth of ~140m before encountering fresh basement rocks. Basement rocks are dominated by a massive to weakly laminated feldspar porphyry with a fine-grained quartz/feldspar matrix. The mafic component of this rock is made up of large irregular clots of chlorite. The generally massive and consistent texture of this rock confirms the earlier interpretation that it is a high level felsic/intermediate intrusive body emplaced in a dilational position along the Bindah Fault. All elevated gold values >0.1 g/t Au received to date were returned from intersections containing quartz veins and variably altered feldspar porphyry.

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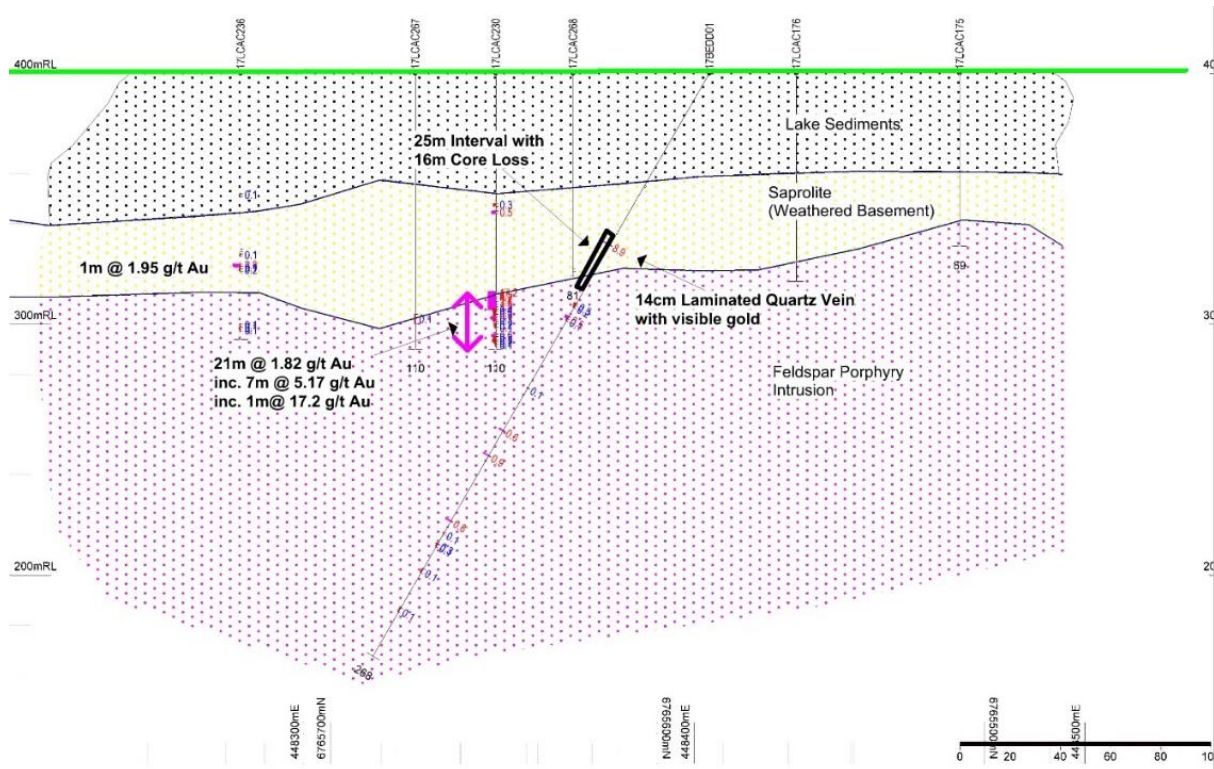


Figure 7: BE 1 Schematic Cross Section 17BEDD01

As noted above, intersections with >0.5 g/t Au coincide with quartz veins typically 0.01m – 0.2m thick. Quartz veins (including the visible gold bearing quartz vein described above) pass outward into hydrothermally altered and bleached feldspar porphyry with the alteration dominated by development of sericite and pyrite.

Research and Development Project

Diamond drill results including structural observations on orientations of potentially mineralised structures, are currently being compiled and interpreted to progress the geological understanding of gold mineralisation at BE 1, and to design the next stage of exploration.

As noted above, one significant objective of the diamond drilling programme has been to use drill holes as platforms for acoustic sensors as part of a Research and Development project into application of Seismic Surveys to define potentially mineralised structures.

The seismic survey is expected to commence in the next financial year.

Aeromagnetic Survey

A ~1,700 line kilometre low level high resolution aeromagnetic survey at Lake Carey centred on the Bindah Extended target area, but essentially replacing early low resolution data over the western part of Matsa's Lake Carey project has commenced. It is planned to integrate aircore drilling results into a comprehensive interpretation of the aeromagnetic survey data in order to develop new targets and to finesse follow up diamond and aircore drilling.

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Further Tenement Acquisition Lake Carey

Matsa pursued an active policy of increasing the exploration footprint through acquisition of third party tenements adjacent to Lake Carey. The 6 licences below were acquired for a total of 153.11 km²:

- E39/1796 and E38/2938 (43.32 km²) Acquisition of 90% interest from Bruce Legendre Pty Limited
- E39/1889 (46.32 km²) Acquisition of 90% interest from Raven Resources Pty Limited
- E39/1837 (25.07 km²) Acquisition of 100 % interest from Sammy Resources Pty Limited
- E39/1864 and E39/1863 (38.4 km²) Acquisition of 100% interest from Willie Grocer Pty Limited

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 8).

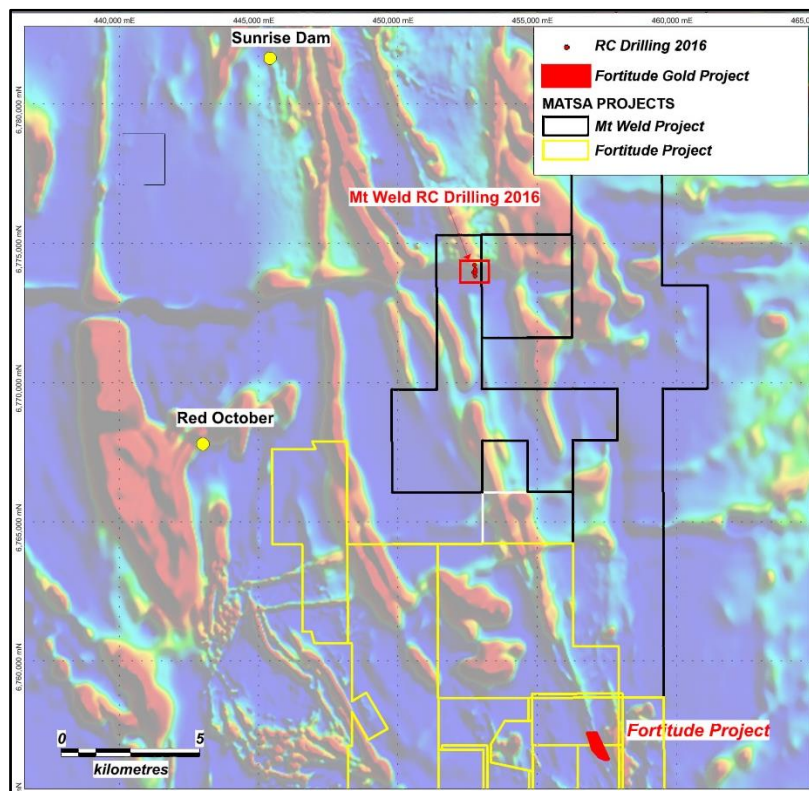


Figure 8: Mt Weld Project Location of RC drilling on aeromagnetic image

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.

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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 1,037m, was completed at the Wilga South prospect in the Mt Weld project during the year. 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.

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	Waste gap at 192-196m
	109784	0.94	188	192	
	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 909km² 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.

Exploration during the year has been focused on the Chang 1 and Siam 2 copper targets. Exploration was significantly affected by confusion as to whether the Agricultural Land Reform Office (ALRO) had the ability to permit exploration and mining activities to be undertaken on ground under their control. This confusion halted drilling and affected a large proportion of Matsa's tenements, in particular, Chang 1, Siam 1 and Siam 2. The Thai government has invoked a ruling under Section 44 of the Thailand Constitution 2014, which now removes this confusion relating to ALRO ground. Accordingly, Matsa has now been informed that full ALRO consent over tenements covering ALRO ground should be forthcoming within 90 days of declaration.

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

Chang 1 Copper Prospect

Multi-element assays previously identified a soil copper anomaly over an area of ~1.2km 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. Importantly, Chang 1 is in an area with strong support for mining and the local community is working hand in hand with Matsa during the exploration phase.

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.

During the year the following exploration was carried out over the Chang 1 prospect:

- 335 Auger soil samples collected with base metal assays by portable XRF
- 22.4 line kilometres of detailed ground magnetic surveying
- Diamond drilling with 11 holes for 1926.2 metres completed (Figure 9).

Soil Auger sampling

A total of 335 soil auger samples have been collected and results of the program were used in conjunction with the ground magnetic interpretation to finesse drilling. These include 40 infill auger samples in the area of highest grade soil anomalism at Chang 1 to assist with drill hole targeting. Samples were assayed with a field portable XRF analyser (PXRF) with results providing a peak copper value of 1,240ppm Cu and a very high average value of 558ppm Cu. The work has highlighted the highest grade Cu soil anomaly has a northerly trend and is southeast of the bulk of existing drilling (Figure 6). A second, north trending soil copper anomaly with a peak value of 1,010ppm Cu to the south has been defined and presents as an additional drill target at Chang 1.

Ground Magnetism

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 magnetism 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 aligned sub-parallel with copper-mineralised fractures and veins as interpreted 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 / fracture controlled mineralisation.

Diamond Drilling

A total of 11 diamond holes (16SCDD003-17SCDD013) were completed at the Chang 1 prospect for the year under review for a total of 1,964.3 metres. Drilling tested a combination of targets based on dipole-dipole IP surveys carried out last year, auger soil copper geochemistry and ground magnetic surveys. As noted above, the prospect is defined by a large (1.8km x 1.2km) soil copper geochemical anomaly which overlies a complex magnetic feature. Drilling has confirmed the presence of an altered and copper mineralised diorite intrusion at shallow depth (Figure 10)

OPERATIONS REVIEW

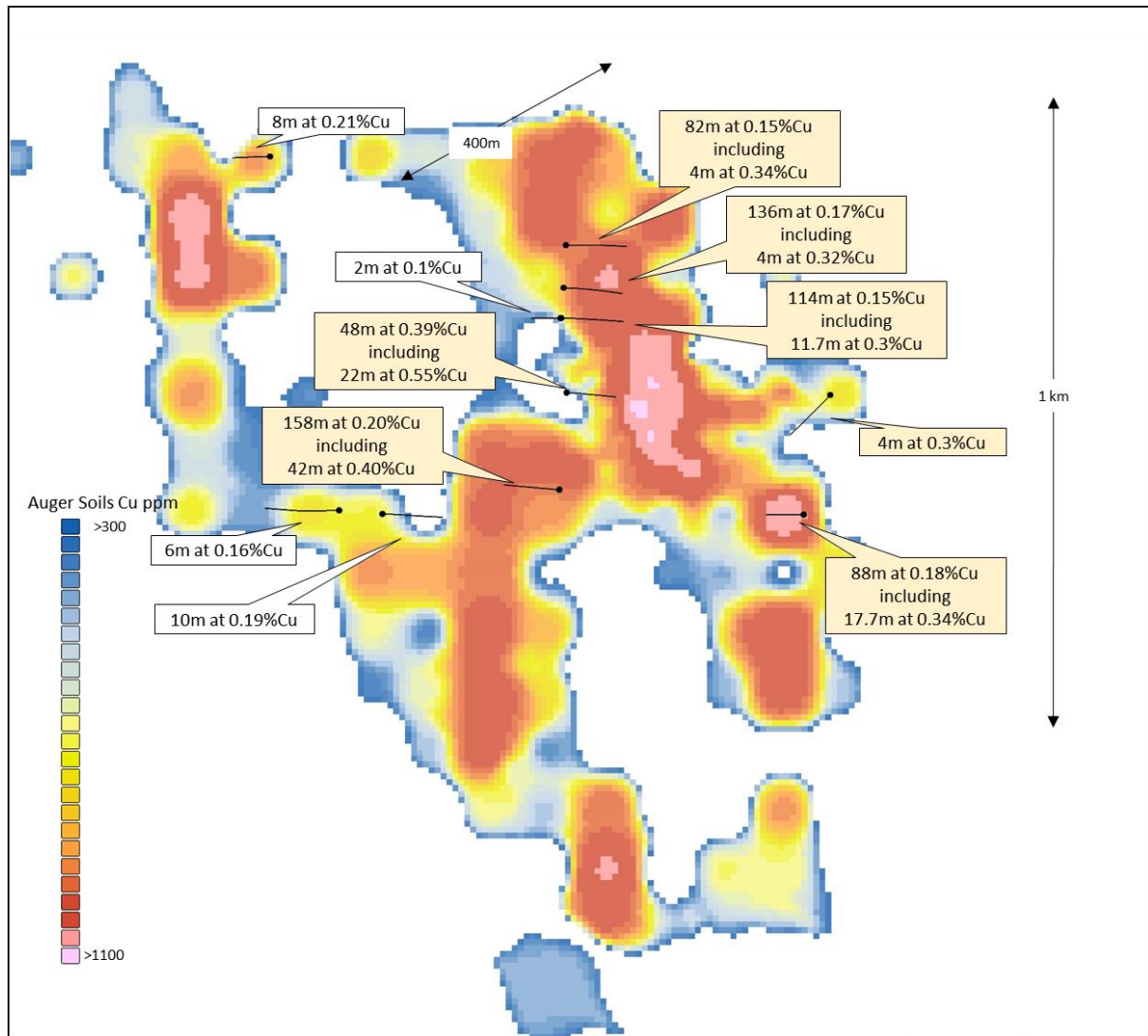


Figure 9: Chang 1, Diamond intercepts over gridded soil copper values

The significant Cu assays results >0.1%Cu are summarised below:

- **88m at 0.12% Cu** from 24m, including **17.7m at 0.22% Cu** from 94.3m(16SCDD005)
- **8m at 0.14% Cu** from 88m, and **4m at 0.24% Cu** from 114m(16SCDD006)
- **47m at 0.29% Cu** from 104m, including **22m at 0.4% Cu** from 106m and **6m at 0.12% Cu** from 160m (16SCDD007)
- **8m at 0.21% Cu** from 24m (16SCDD008)
- **158m at 0.2% Cu** from 18m, including **42m @ 0.4% Cu** from 18m (17SCDD009)
- **2m at 0.1% Cu** from 35m (17SCDD010)
- **114m at 0.15% Cu** from 64m, including **11.7m @ 0.3% Cu** from 68.3m (17SCDD011)
- **136m at 0.17% Cu** from 48m, including **4m @ 0.32% Cu** from 128m (17SCDD012)
- **82m at 0.15% Cu** from 19m, including **4m @ 0.34% Cu** from 19m (17SCDD013)

OPERATIONS REVIEW



Figure 10: Vein chalcopyrite and pyrite in diamond drill hole 17SCDD009

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.

SIAM PROJECT (COPPER)

Activities during the period included:

- 1,100 auger soil samples over the very large (~9 x ~3km) Siam 2 Copper Target
- 37.3 line kilometres of ground magnetics

AUGER SOIL SAMPLING

Infill soil sampling to a nominal 100m spacing at Siam 2 North continued during the year with 1,100 auger samples collected and analysed by PXRF.

Soil auger sampling and assay with Matsa's Innovex portable XRF (PXRF) analyser were carried out. (Figure 11). Infill sampling has delineated several NW trending zones of anomalous Cu in soil values (Figure 6). Siam 2 North (Siam 2N) is part of a very large 9km long soil anomaly. Results have identified two significant soil Cu anomalies adjacent to the contact between basaltic volcanics and limestone.

The southern anomaly which is over 1km in length and 600m wide, is supported by values >200ppm Cu. Internal to the soil anomaly, a NE trend of higher values >1,000ppm Cu and a peak value of 1,775ppm Cu, is apparent with parallel structures noted in ground magnetic data.

OPERATIONS REVIEW

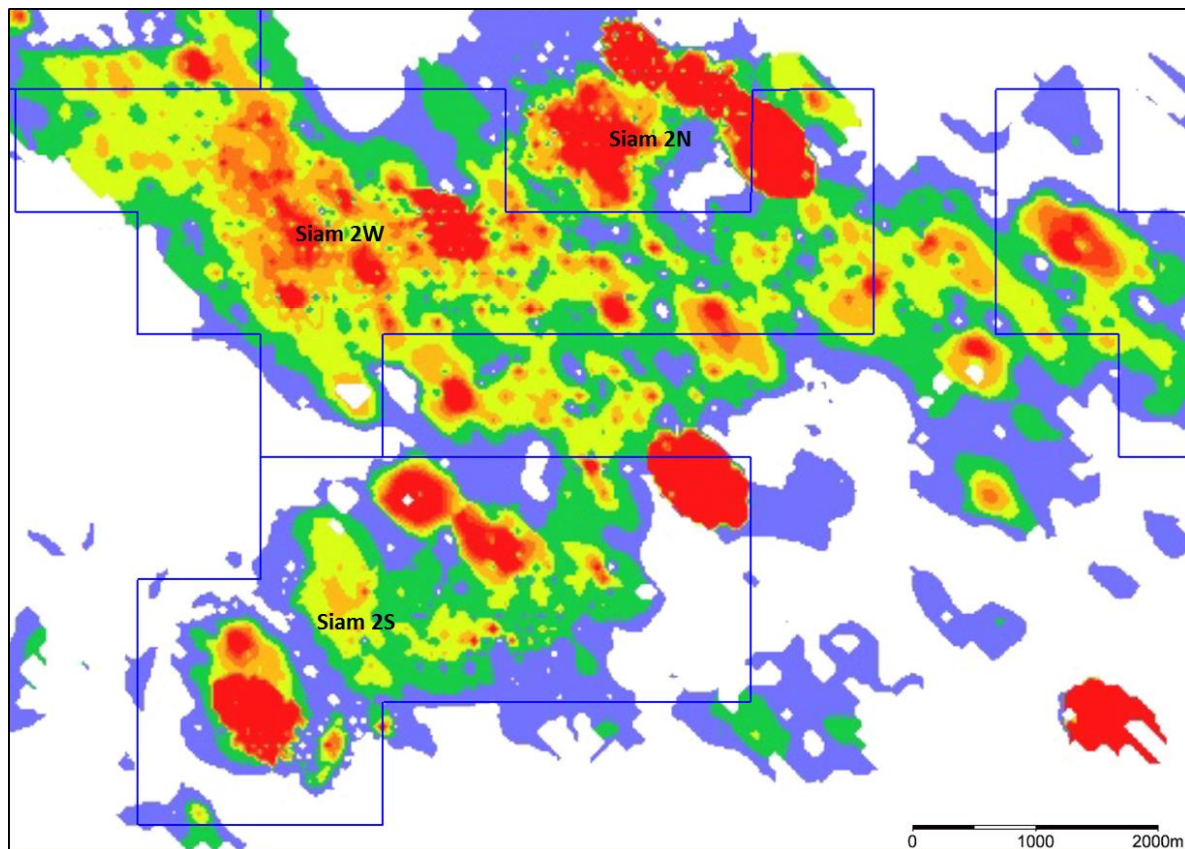


Figure 11: Siam 2 prospect Auger soil copper values Siam. Red shading >200ppm Cu

The northern anomaly is approximately 400m in extent with a peak value of 2,581ppm Cu. Andradite (garnet) has been noted in this area, supporting an interpretation that the Siam 2 North prospect is a potential high grade Cu skarn system. It is apparent that observed trends in anomalous soil copper values reflect structures noted in regional magnetics and it is interpreted that NW faults have provided fluid pathways and potential trap sites for copper mineralisation. Exploration is ongoing and upon receipt of the ALRO providing consent as discussed above, drilling will commence as soon as practicable.

Ground Magnetics

A total of 37.3 line kilometres of ground magnetics was completed at Siam 2 as part of a program to provide better resolution to the widely spaced regional aerial magnetic data available over Matsa's areas of interest.

KILLALOE PROJECT (GOLD/NICKEL)

The Killaloe Project comprises 11 licences as summarised in Figure 4. S2 Resources Ltd.'s (S2R) recent announcements 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.

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 (Figure 12). Past drilling for gold at Killaloe by Matsa and others has been shallow RAB drilling and very limited shallow RC drilling.

OPERATIONS REVIEW

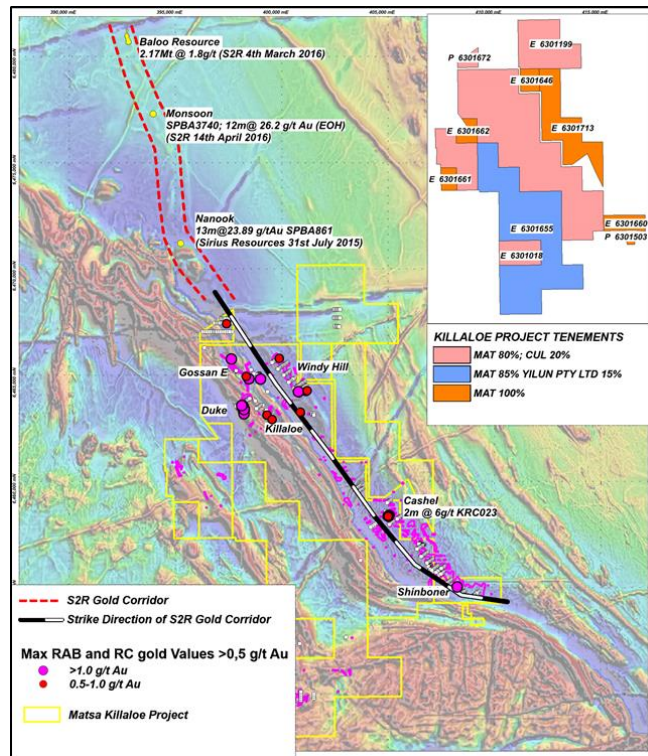


Figure 12: Killaloe project, gold prospects on regional aeromagnetic image

Dipole-dipole array IP surveys were completed over the Duke and Shinboner prospects last year 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.

Work Completed during the year

Exploration carried out at Killaloe during the year included the following:

- Gradient array IP surveys at the Duke and Windy Hill prospects (Figure 12);
- Dipole-dipole array IP surveys at the Cashel and Shinboner prospects for a total of 6 line kilometres;
- Audio-frequency magnetotellurics (AMT) soundings were carried out as a Research and Development project using data collected during the gradient array IP surveys;
- 16 RC holes for 2,241m of drilling were completed at Duke, Windy Hill, Cashel and Shinboner; and
- Assays of 567 composite RC samples for gold only.

Dipole-dipole IP surveys

These were carried out over the Cashel and Shinboner prospects survey lines are shown in Figure 12.

Shinboner

A single orientation line was completed parallel with the geological strike over a distance of 3.4 kms. Results clearly show three strong chargeability anomalies SB01 to SB03, with each of these coinciding in part, with moderate strength resistive zones. SB01-SB03 were interpreted to reflect zones of strongly developed disseminated sulphides (pyrite). The three targets are reasonably similar in amplitude and character which could be attributable to the presence of a stratabound chargeable unit located immediately adjacent to and sub-parallel with the survey line. Accordingly, RC drilling was carried out to test the strongest chargeable zone to determine the source.

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

Cashel

A single orientation line was completed over a distance of 1 km in a NE direction approximately at right angles to the geological strike. IP and resistivity data was strongly influenced by “EM effects” probably caused by the presence of strongly conductive carbonaceous and pyritic shale units at shallow depth. The survey did not define a disseminated sulphide type response.

Gradient Array (GAIP) IP Surveys

Two gradient array IP surveys were carried out over targets selected from the first pass dipole-dipole IP surveys carried out during the June quarter at the Duke and Windy Hill prospects (Figure 6). AMT data is being retrieved from the gradient data measurements and the final data has yet to be received.

Duke IP03

The GAIP survey confirmed the chargeability and resistivity features at this target and was interpreted to indicate a SE trending 200m x 400m chargeable zone thereby confirming the IP anomaly. The orientation of this chargeable zone was used to design a fence of three RC drill holes as described below.

Windy Hill IPO2

The GAIP survey defined a complex chargeability feature bounded by a NE trending fault and partly coinciding with a well-defined soil gold anomaly but did not confirm the deeper IP anomaly that the GAIP survey was centred on. A fence of three RC drill holes was designed to test this chargeability anomaly.

AMT-IP trial survey

Trial audio-frequency magnetotellurics (AMT) – survey was carried out in conjunction with the GAIP surveys on the Windy Hill IPO3 and Duke 02 dipole-dipole IP targets. The AMT survey was carried out as part of an R & D study making use of data which was not used in the past due to limitations in sensor technology and computing power.

The aim of the R&D project was to test and demonstrate the ability to glean AMT data from IP time series using Zonge receiving equipment and software. The AMT data derived from time series collected for a GAIP survey has the potential to provide resistivity information at depth for each survey line. Inversion modelling incorporating AMT data, extends the usual 2D nature of GAIP data at depth to allow a 3D visualisation of the structure. This has the potential to increase the effectiveness of this comparatively cost-effective survey technique.

RC Drilling

A total of 16 RC holes for 2,241m were drilled during the year 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 12).

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

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.

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

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-serpentine 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 5 below.

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 5: 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 6).

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 6: Shinboner Prospect RC Drilling Assays > 0.1 g/t Au

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

SYMONS HILL PROJECT (NICKEL)

E69/3070 of 96km² 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.

Collaborative Research Project with CSIRO

The collaborative research project continued during the year 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 year, for a total consideration of \$1,750,000. It subsequently acquired some adjacent tenements to expand its overall Lake Carey project.

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

Matsa holds a 26.8% interest in Bulletin Resources Limited (Bulletin). Bulletin conducted an in-specie distribution of 1 Pantoro share 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 year it sold down its interests in each of these investments generating approximately \$9.6M in proceeds.

On 8 August 2017 Matsa entered into loan agreements with two separate parties for a \$4M 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.

Exploration results

The information in this report that relates to Exploration results is based on information compiled by David Fielding, who is a Fellow of the Australasian Institute of Mining and Metallurgy. David Fielding is a full time employee of Matsa Resources Limited. David Fielding has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David Fielding consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2017.

DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr Paul Poli Bachelor of Commerce, FCPA (Executive Chairman)

Mr Poli is a fellow of the Australian Society of Certified Practicing Accountants and was the founder and managing partner of an accounting firm since 1989. He is well versed in all aspects of accounting and taxation and has considerable experience in business through his role as a consultant to many varied clients and through his own involvement in ownership of businesses in Western Australia, the Northern Territory and South East Asia.

As a former registered Securities Trader and a significant investor in the mining industry, Mr Poli is particularly well qualified to drive the creation of a significant new mining and exploration company.

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

Bulletin Resources Limited (Appointed 24 June 2014)

Mr Frank Sibbel B.E.(Hons) Mining, F.Aus.IMM

Mr Sibbel is a Mining Engineer who has over 40 years of extensive operational and management experience in overseeing large and small scale mining projects from development through to successful production. He was formerly the Operations Director of Tanami Gold NL until his resignation on 30 June 2008, and has worked as the Principal in his own established mining consultancy firm where he has undertaken numerous projects for both large and small mining companies. Mr Sibbel is currently a director and former Chairman of Bulletin Resources Limited.

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

Bulletin Resources Limited (Appointed 13 August 2013)

Mr Andrew Chapman CA F Fin

Mr Chapman is a chartered accountant with over 20 years' experience with publicly listed companies where he has held positions as Company Secretary and Chief Financial Officer and has experience in the areas of corporate acquisitions, divestments and capital raisings. He has worked for a number of public companies in the mineral resources, oil and gas and technology sectors.

Mr Chapman is an associate member of the Institute of Chartered Accountants (ICAA) and a Fellow of the Financial Services Institute of Australasia (Finsia).

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

Carnavale Resources Limited (Appointed 31 March 2015; resigned 28 April 2017)

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

COMPANY SECRETARY

Mr Chapman is also the Company Secretary and Chief Financial Officer of Matsa. Refer to the directors' particulars as noted above.

PRINCIPAL ACTIVITIES

During the year the principal activities of entities within the consolidated entity were gold and other base metal exploration in Australia and Thailand.

There were no significant changes in the nature of these activities during the year.

Operating Results for the Year

The Group's net profit/(loss) for the year after income tax is \$2,289,075 (2016: \$1,597,568 loss).

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

- A gain of \$2,138,590 (2016: \$422,188) on the sale of shares held in listed investments.
- Impairment losses of \$1,278,272 (2016: \$3,770,178) attributable to the Group's exploration projects.
- Impairment losses of \$Nil (2016: \$815,756) on available-for-sale investments
- The write-off of exploration expenditure of \$298,733 (2016: \$991,486).
- Share based payments expense of \$1,167,432 (2016: \$22,650)
- Income of \$852,560 (2016: \$1,760,818) relating to a tax refund for eligible research and development expenditure.
- Share of gain from investment in associate Bulletin Resources Limited of \$4,305,782 (2016: \$304,790 loss).

Review of Financial Position

The net assets attributable to the shareholders of the parent have increased by \$3,835,720 from 30 June 2016 to \$17,485,009 at 30 June 2017.

\$151,250 was raised during the financial year from the exercise of unlisted employee options that resulted in the issue of 550,000 fully paid ordinary shares.

Cash reserves at 30 June 2017 were \$2.06 million compared to \$1.56 million in the previous financial year.

DIVIDENDS

No dividend was paid or declared by Matsa in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend.

CORPORATE STRUCTURE

Matsa is a company limited by shares, which is incorporated and domiciled in Australia.

EMPLOYEES

The Group had 26 employees of which 21 were full-time as at 30 June 2017 (2016: 16 full-time equivalent employees).

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

Review of Operations

A full review of the operations of the Group during the year ended 30 June 2017 is included on pages 4 to 26.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year other than as disclosed in this report or the consolidated financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 25 July 2017 Matsa announced that mining had officially commenced at the Fortitude Gold Project in accordance with the Trial Mining Study.

On 8 August 2017 Matsa advised that it has entered into loan agreements with two separate parties for a \$4M 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 continue to conduct further exploration at Lake Carey where previous exploration results at BE 1 and BE 3 have shown significant assay results from aircore drilling. The key terms of the loan facility are outlined in Note 30.

The Company sold the remaining balance of its Metals X shares for total gross proceeds of \$0.59M and sold 50,000 Westgold shares for gross proceeds of \$0.1M after the end of the financial year.

On 26 September 2017 Matsa announced that it has entered into an Asset Sale and Purchase Agreement ("ASPA") with Saracen Mineral Holdings Limited ("Saracen"; ASX: SAR) to acquire the Red October Gold Project from Saracen for a combination of cash and shares to the deemed value of \$2 million.

The consideration for the acquisition of the Red October Gold Project is:

1. A deposit of \$150,000 in cash at the time of execution of the ASPA (paid);
2. At completion Matsa will issue 4,545,000 fully paid ordinary shares to Saracen at a deemed value of \$0.22 each. The shares will be issued under Listing Rule 7.1 and does not require shareholder approval.
3. 90 days after completion Matsa will pay Saracen a deferred cash consideration of \$850,000; and
4. Adoption of all rehabilitation of the existing mine area.

There have been no other matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

FUTURE DEVELOPMENTS

As described above there are no further likely developments.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The group's exploration activities are subject to various environmental laws and regulations under Australian and Thai Legislation. The Group has adequate systems in place for the management of its environmental obligations. The directors are not aware of any breaches of the legislation during the financial year which are material in nature.

DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Paul Poli	5	5
Frank Sibbel	5	5
Andrew Chapman	5	5

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of Matsa Resources Limited were:

	Number of Ordinary Shares	Number of \$0.30 Options	Number of \$0.25 Options
Paul Poli	10,600,000	2,750,000	2,750,000
Frank Sibbel	268,048	750,000	1,500,000
Andrew Chapman	40,000	750,000	1,500,000

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company has granted 6,250,000 options over unissued ordinary shares for no consideration in the Company to directors or officers of the Company as part of their remuneration.

SHARE OPTIONS

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

Date of Expiry	Exercise Price	Number under Option
30 November 2017	\$0.25	2,650,000
30 November 2017	\$0.30	4,250,000
30 November 2019	\$0.25	4,325,000
30 November 2019	\$0.25	5,750,000
		<u>16,975,000</u>

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares Issued on Exercise of Options

During or since the end of the financial year, the Company has issued 550,000 ordinary shares as a result of the exercise of options. Each option had an exercise price of \$0.275 each.

REMUNERATION REPORT - Audited

Principles of Compensation

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the four executives in the parent and the Group receiving the highest remuneration.

For the purposes of this remuneration report, the term 'executive' includes the Executive Directors, Senior Executives and Secretary of the Parent and the Group.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Board oversight of remuneration
3. Non-executive Director remuneration arrangements
4. Executive remuneration arrangements
5. Company performance and the link to remuneration
6. Executive contractual arrangements
7. Equity instruments disclosures

Individual Key Management Personnel Disclosures

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

Key Management Personnel

Name	Position	Date of Appointment	Date of Resignation
Directors			
P Poli	Executive Chairman	23 December 2008	-
F Sibbel	Director	25 October 2010	-
A Chapman	Director and Company Secretary	17 December 2009*	-
Executives			
D Fielding	Group Exploration Manager	12 April 2010	-

*A Chapman was appointed Company Secretary on 6 November 2007.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

There were no other changes to key management personnel after reporting date and before the date the financial report was authorised for issue.

Board Oversight of Remuneration

Remuneration Committee

In the opinion of the directors the Company is not of sufficient size to warrant the formation of a remuneration committee. It is the board of directors' responsibility for determining and reviewing compensation arrangements for the directors and the senior executives.

The Board assesses the appropriateness of the nature and amount of remuneration of Non-Executive Directors and Executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team.

Remuneration Approval Process

The Board approves the remuneration arrangements of the Executive Directors and Executives and all awards made under the long-term incentive plan. The Board also sets the aggregate remuneration of non-executive directors which is then subject to shareholder approval.

Remuneration Strategy

The Company's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To this end, the Company embodies the following principles in its remuneration framework:

- retention and motivation of key executives;
- attraction of quality management to the Company; and
- performance incentives which allow executives to share the rewards of the success of the Company.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Senior Management remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Remuneration Policy

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The current aggregate remuneration is \$250,000 per year.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. No external advice was received during the year. Each Director receives a fee for being a Director of the Company.

Non-Executive Directors are encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the Company on whose Board he or she sits.

Structure

The remuneration of Non-Executive Directors consists of directors' fees. Non-Executives are entitled to receive retirement benefits and to participate in any incentive programs. There are currently no specific incentive programs.

The Executive Chairman receives no additional directors' fee in addition to his executive remuneration. The other non-executive directors received a base fee of \$42,000 per annum during the financial year for being a director of the Group.

There are no additional fees for serving on any board committees. Non-executive directors can receive additional fees for work conducted for the Company outside the scope of their normal duties subject to being authorised by the Board.

The remuneration report for the Non-Executive Directors for the year ending 30 June 2017 and 30 June 2016 is detailed in this report.

Managing Director and Executive Remuneration Structure

Remuneration Policy

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The current remuneration policy adopted is that no element of any executive package be directly related to the Company's financial performance. Indeed there are no elements of any executive remuneration that are dependent upon the satisfaction of any specific condition. Remuneration is not linked to the performance of the Company but rather to the ability to attract and retain executives of the highest calibre. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth.

Structure

In determining the level and make-up of executive remuneration, the Board engages external consultants as needed to provide independent advice.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary and superannuation); and
- Variable remuneration (short and long term incentives).

The proportion of fixed remuneration and variable remuneration for each executive for the period ending 30 June 2017 and 30 June 2016 is detailed in this report.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Fixed Remuneration

Executive contracts of employment do not include any guaranteed base pay increase. Fixed remuneration is reviewed annually by the Board. The process consists of a review of the Company, business unit and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component for executives for the period ending 30 June 2017 and 30 June 2016 is detailed in this report.

Variable Remuneration – Short Term Incentive (STI)

The objective of the STI is to link the increase in shareholder value over the year with the remuneration received by the Executives charged with achieving that increase. The total potential STI available is set at a level so as to provide sufficient incentive to the Executives to achieve the performance goals and such that the cost to the Group is reasonable in the circumstances.

Annual STI payments granted to each Executive depend on their performance over the preceding year and are based on recommendations from the Executive Chairman following collaboration with the Board. Typically included are measures such as contribution to strategic initiatives, risk management and leadership/team contribution.

The aggregate of annual STI payments available for Executives across the Group is subject to the approval of the Board. Payments are usually delivered as a cash bonus. During the year there were no STI payments.

Variable Remuneration – Long Term Incentive (LTI)

The objective of the LTI plan is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive and the responsibilities the Executive assumes in the Group.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options are issued in accordance with the Company's Share Option Plan.

Typically, the grant of LTI's occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time. However, under certain circumstances, including breach of employment conditions, the Directors may cause the options to expire prior to their vesting date.

The Group does have a policy to prohibit executives or directors from entering into arrangements to protect the value of unvested LTI awards.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Other Benefits

Key management personnel can receive additional benefits as non-cash benefits as part of the terms and conditions of their appointment. Non-cash benefits typically include car parking and expenses where the Company pays fringe benefits tax on these benefits.

Company Performance and the Link to Remuneration

Remuneration is not linked to the performance of the Company, but based on the ability to attract and retain executives of the highest calibre. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth.

The Matsa Resources Limited Long Term Incentive Plan has no direct performance requirements but has specified time restrictions on the exercise of options and performance rights. The granting of options and performance rights is in substance a performance incentive which allows executives to share the rewards of the success of the Company.

Service Agreements

It is the Board's policy that service contracts are entered into with all key management personnel and that these contracts have no termination date.

Mr Paul Poli, Executive Chairman, has a contract of employment with the Company. Mr Poli receives a salary of \$375,000 plus statutory superannuation. This contract is for an unlimited term and is capable of termination by Mr Poli on one month's notice. The Group has the right to terminate the employment contract by giving Mr Poli six months' notice or making payment equal to six months' pay in lieu of notice.

Mr David Fielding, Group Exploration Manager, has a contract of employment with the Company. Mr Fielding receives a salary of \$221,000 plus statutory superannuation. This contract is for an unlimited term and is capable of termination on one month's notice. The Group retains the right to terminate the contract immediately, by making payment equal to one month's pay in lieu of notice.

Mr Frank Sibbel, Non-Executive Director, has a consultancy contract with the Company. Mr Sibbel is paid an hourly rate for the provision of consultancy services outside those provided as a director as required. This contract is capable of termination on one month's notice. The Group retains the right to terminate the contract immediately, by making payment equal to one month's pay in lieu of notice.

Mr Andrew Chapman, Director and Company Secretary, has a contract of employment with the Company and is remunerated on an hourly basis for the provision of company secretarial services and acting as Chief Financial Officer.

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

As at 30 June	2017	2016	2015	2014	2013
Closing share price	\$0.25	\$0.17	\$0.145	\$0.375	\$0.33
Net comprehensive income/(loss) per year ended	2,517,038	(2,231,886)	(7,425,418)	5,516,405	(4,937,321)

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

2017	Short Term Benefits		Post-employment Benefits	Share-based payments	Total	% Performance Related	% of Remuneration that consists of securities
	Salary & Fees \$	Other \$	Superannuation \$	Securities \$			
Key Management Person							
Directors							
Paul Poli ¹	384,178	4,265	18,886	317,075	724,404	43.77	43.77
Frank Sibbel ²	105,162	-	-	172,950	278,112	62.19	62.19
Andrew Chapman ³	199,917	-	16,736	172,950	389,603	44.39	44.39
Total	689,257	4,265	35,622	662,975	1,392,119	-	-
¹ Mr Poli receives part of his salary and fees via a related party, Strategic Siam Co Ltd which totalled \$51,007 during the year. Mr Poli receives travel and internet allowances as part of his terms of employment.							
² Mr Sibbel provided consultancy services to the Company totalling \$63,162 during the year.							
³ Mr Chapman provided company secretarial services to the Company totalling \$157,071 during the year.							
Executives							
David Fielding	224,967	-	17,883	57,650	300,500	19.18	19.18
Total	224,967	-	17,883	57,650	300,500	19.18	19.18

2016	Short Term Benefits		Post-employment Benefits	Share-based payments	Total	% Performance Related	% of Remuneration that consists of securities
	Salary & Fees \$	Other \$	Superannuation \$	Securities \$			
Key Management Person							
Directors							
Paul Poli ¹	369,694	26,460	19,308	22,650	438,112	5.17	5.17
Frank Sibbel ²	98,208	-	-	-	98,208	-	-
Andrew Chapman ³	155,365	-	14,513	-	169,878	-	-
Total	623,267	26,460	33,821	22,650	706,198	-	-
¹ Mr Poli receives part of his salary and fees via a related party, Strategic Siam Co Ltd which totalled \$69,389 during the year. Mr Poli receives travel and internet allowances as part of his terms of employment.							
² Mr Sibbel provided consultancy services to the Company totalling \$56,208 during the year.							
³ Mr Chapman provided company secretarial services to the Company totalling \$113,365 during the year.							
Executives							
David Fielding	224,400	-	19,308	-	243,708	-	-
Total	224,400	-	19,308	-	243,708	-	-

Compensation Options Granted and Vested during the year

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

2017	Vested	Granted	Grant Date	Value per Security at Grant Date	Exercise Price	First Exercise Date	Expiry Date
	No.	No.		Cents	Cents		
P Poli	2,750,000	2,750,000	24.11.16	11.53	25	24.11.16	30.11.19
F Sibbel	1,500,000	1,500,000	24.11.16	11.53	25	24.11.16	30.11.19
A Chapman	1,500,000	1,500,000	24.11.16	11.53	25	24.11.16	30.11.19
D Fielding	500,000	500,000	24.11.16	11.53	25	24.11.16	30.11.19

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

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

The maximum value of the award is equal to the number of options granted multiplied by the fair value at the grant date. The minimum value of the award in the event of forfeiture is zero.

There were no shares issued on exercise of compensation options during the year.

Value of Options granted as part of remuneration

2017	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options during the year
	\$	\$	\$	%
Paul Poli	317,075	-	-	43.77
Frank Sibbel	172,950	-	-	62.19
Andrew Chapman	172,950	-	-	44.39
David Fielding	57,650	-	34,466	19.18

Option holdings of key management personnel

2017	Balance 1 July	Granted as remuneration	Exercised	Net change other	Balance on Resignation	Balance 30 June	Vested & Exercisable	Not Exercisable
	No.	No.	No.	No.	No.	No.	No.	No.
P Poli	2,750,000	2,750,000	-	-	-	5,500,000	5,500,000	-
A Chapman	750,000	1,500,000	-	-	-	2,250,000	2,250,000	-
F Sibbel	750,000	1,500,000	-	-	-	2,250,000	2,250,000	-
D Fielding	600,000	500,000	-	(200,000)	-	900,000	900,000	-
	4,850,000	6,250,000	-	(200,000)	-	10,900,000	10,900,000	-

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

Option holdings of key management personnel (continued)

2016	Balance 1 July	Granted as remuneration	Exercised	Net change other	Balance on Resignation	Balance 30 June	Vested & Exercisable	Not Exercisable
	No.	No.	No.	No.	No.	No.	No.	No.
P Poli	5,500,000	-	-	(2,750,000)	-	2,750,000	2,750,000	-
A Chapman	2,000,000	-	-	(1,250,000)	-	750,000	750,000	-
F Sibbel	2,250,000	-	-	(1,500,000)	-	750,000	750,000	-
D Fielding	850,000	-	-	(250,000)	-	600,000	600,000	-
	10,600,000	-	-	(5,750,000)	-	4,850,000	4,850,000	-

Shareholdings of key management personnel

2017	Balance 1 July	Granted as remuneration	Options exercised	Net change other	Balance on resignation	Balance 30 June
	No.	No.	No.	No.	No.	No.
P Poli	10,600,000	-	-	-	-	10,600,000
A Chapman	40,000	-	-	-	-	40,000
F Sibbel	268,048	-	-	-	-	268,048
D Fielding	91,176	-	-	363,000	-	454,176
	10,999,224	-	-	363,000	-	11,362,224

2016	Balance 1 July	Granted as remuneration	Options exercised	Net change other	Balance on resignation	Balance 30 June
	No.	No.	No.	No.	No.	No.
P Poli	10,600,000	-	-	-	-	10,600,000
A Chapman	40,000	-	-	-	-	40,000
F Sibbel	268,048	-	-	-	-	268,048
D Fielding	91,176	-	-	-	-	91,176
	10,999,224	-	-	-	-	10,999,224

End of Audited Remuneration Report

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

INDEMNIFYING OFFICERS

The Company's Constitution provides that, subject to and so far as permitted by the Corporations Act 2001, the Company must, to the extent the person is not otherwise indemnified, indemnify every officer of the Company out of the assets of the Company to the relevant extent against any liability incurred by the officer in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the duties of the officer.

Since the end of the previous financial year, the Company has paid insurance premiums in respect of Directors' and Officers' liability. The policy indemnifies all Directors and Officers of the Company and its controlled entities against certain liabilities. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium. The Directors have not included details of the nature of the premium paid in respect of Directors' and Officers' liability as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence as the nature of the services provided did not compromise the general principles relating to auditor independence.

The following fees for non-audit services were paid/payable to the external auditors, or by related practices of the external auditors, during the year ended 30 June 2017:

Taxation services	\$6,600
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AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 40.

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



Paul Poli

Executive Chairman

Dated this 29th day of September 2017.

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

To the directors of Matsa Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

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

**Nexia Perth Audit Services Pty Ltd**

PTC Kloppe
Director

Perth
29 September 2017

MATSA RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
Other income	5(a)	3,126,741	7,064,492
Depreciation expense	5(c)	(59,358)	(71,234)
Other expenses	5(d)	(3,531,326)	(2,728,871)
Exploration and evaluation expenditure written off/provided for	11	(1,577,005)	(4,761,664)
Impairment loss on available-for-sale assets		-	(815,756)
Results from operating activities		(2,040,948)	(1,313,033)
Finance income	5(b)	26,625	24,686
Finance costs		(2,384)	(4,431)
Net finance income		24,241	20,255
Share of profit/(loss) of equity-accounted investee, net of tax	10	4,305,782	(304,790)
Profit/(loss) before income tax expense		2,289,075	(1,597,568)
Income tax expense	6	-	-
Net profit/(loss) for the year attributable to equity holders of the company		2,289,075	(1,597,568)
Other comprehensive income to be reclassified subsequently through profit or loss			
Equity-accounted investees – share of other comprehensive income	10	(26,497)	101,370
Net change in fair value of available-for-sale financial assets		654,543	(583,313)
Available-for-sale financial assets – reclassified to profit or loss		(400,083)	(152,375)
Other comprehensive income/(loss) for the year, net of tax		227,963	(634,318)
Total comprehensive profit/(loss) for the year attributable to equity holders of the company		2,517,038	(2,231,886)
Loss for the year is attributable to:			
Owners of the parent		2,289,081	(1,597,530)
Non-controlling interest		(6)	(38)
		2,289,075	(1,597,568)
Total comprehensive profit/(loss) for the year is attributable to:			
Owners of the parent		2,517,044	(2,231,848)
Non-controlling interest		(6)	(38)
		2,517,038	(2,231,886)
Basic profit/(loss) per share attributable to ordinary equity holders of the parent	20	1.58	(1.11)
Diluted Profit/(loss) per share attributable to ordinary equity holders of the parent	20	1.58	(1.11)

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	23	2,067,018	1,563,165
Trade and other receivables	7	68,522	239,618
Other assets	8	510,913	478,098
Total current assets		2,646,453	2,280,881
Non-current assets			
Other assets	8	277,952	289,427
Available-for-sale financial assets	9	2,109,065	5,580,750
Investments in associates	10	987,987	300,138
Exploration and evaluation assets	11	8,488,310	5,940,113
Property, plant and equipment	13	179,204	54,449
Mine properties and development	12	4,953,967	-
Total non-current assets		16,996,485	12,164,877
Total assets		19,642,938	14,445,758
Current liabilities			
Trade and other payables	14	1,684,304	409,503
Borrowings	15	49,611	13,767
Provisions	16	218,881	177,700
Total current liabilities		1,952,796	600,970
Non-current liabilities			
Borrowings	15	42,707	8,053
Provisions	16	162,426	187,446
Total non-current liabilities		205,133	195,499
Total liabilities		2,157,929	796,469
Net assets		17,485,009	13,649,289
Equity			
Issued capital	17	40,688,126	40,536,876
Reserves	18	9,117,162	7,721,767
Accumulated losses	19	(32,397,626)	(34,686,707)
Total equity attributable to equity holders of the Company		17,407,662	13,571,936
Non-controlling interests		77,347	77,353
Total equity		17,485,009	13,649,289

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital Ordinary \$	Accumulated Losses \$	Other Reserves \$	Equity Settled Benefits Reserve \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2015	40,536,876	(33,251,277)	1,102,429	7,393,106	15,781,134	77,391	15,858,525
Comprehensive gain/(loss) for the period	-	(1,597,530)	(634,318)	-	(2,231,848)	(38)	(2,231,886)
Total comprehensive gain/(loss) for the period	-	(1,597,530)	(634,318)	-	(2,231,848)	(38)	(2,231,886)
<i>Transactions with owners recorded directly in equity</i>							
Performance rights not vested	-	162,100	-	(162,100)	-	-	-
Share based payment	-	-	-	22,650	22,650	-	22,650
Balance at 30 June 2016	40,536,876	(34,686,707)	468,111	7,253,656	13,571,936	77,353	13,649,289
Balance at 1 July 2016	40,536,876	(34,686,707)	468,111	7,253,656	13,571,936	77,353	13,649,289
Comprehensive gain/(loss) for the period	-	2,289,081	227,963	-	2,517,044	(6)	2,517,038
Total comprehensive gain/(loss) for the period	-	2,289,081	227,963	-	2,517,044	(6)	2,517,038
<i>Transactions with owners recorded directly in equity</i>							
Issue of shares	151,250	-	-	-	151,250	-	151,250
Share based payment	-	-	-	1,167,432	1,167,432	-	1,167,432
Balance at 30 June 2017	40,688,126	(32,397,626)	696,074	8,421,088	17,407,662	77,347	17,485,009

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Other income		1,026,347	1,779,447
Dividend income		-	-
Payments to suppliers and employees		(2,047,526)	(2,501,550)
Interest received		26,625	28,722
Net cash used in operating activities	23	(994,554)	(693,381)
Cash flows from investing activities			
Payments for available-for-sale financial assets		(12,737)	(642,694)
Payments for investment in associate		(8,564)	(159,548)
Proceeds from sale of available-for-sale financial assets		9,586,369	4,839,495
Purchase of plant and equipment		(104,006)	(29,217)
Exploration and evaluation expenditure (capitalised)		(3,680,346)	(2,837,558)
Proceeds on sale of plant and equipment		91	-
Payments for mine properties		(4,399,912)	-
(Payments for)/refund of security deposits		(16,042)	375,917
Net cash provided by investing activities		1,364,853	1,546,395
Cash flows from financing activities			
Proceeds from issue of shares		151,250	-
Repayment of lease liabilities		(15,312)	(24,514)
Interest paid		(2,384)	(4,431)
Net cash provided by financing activities		133,554	(28,945)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of financial year		1,563,165	739,096
Cash and cash equivalents at end of financial year	23	2,067,018	1,563,165

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. CORPORATE INFORMATION

The consolidated financial statements of Matsa Resources Limited for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 29 September 2017.

Matsa Resources Limited (the "Company") is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company, its subsidiaries (together referred to as the "Group" or "Consolidated Entity") and the Group's interest in associates.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The consolidated financial statements have been prepared on the historical cost basis except for the available-for-sale financial assets which have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and also International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Adoption of new accounting standards

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2016. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

New and amended standards and interpretations issued but not yet effective

The following standards and interpretations have been issued by the AASB, but are not yet effective and have not been adopted by the Group for the period ending 30 June 2017. The Directors have not yet determined the impact of new and amended accounting standards and interpretations applicable 1 July 2018.

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2017**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Classification and measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. - Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. - Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. - Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. Financial liabilities Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: - The change attributable to changes in credit risk are presented in other comprehensive income (OCI). - The remaining change is presented in profit or loss. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.	1 January 2018	1 July 2018

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2017**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 15	Revenue from Contracts with Customers	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	1 January 2018	1 July 2018
AASB 16	Leases	The key features of AASB 16 are as follows: Lessee accounting • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.	1 January 2019	1 July 2019

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 16	Leases	- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	1 January 2019	1 July 2019

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

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries ('the Group') as at 30 June each year.

Control is achieved where the company has exposure to variable returns from the entity and the power to affect those returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a consolidated entity controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

Changes in ownership interest of a subsidiary (without a change in control) are accounted for as a transaction with owners in their capacity as owners.

(d) Segment Reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Segment Reporting (continued)

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(e) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of AASB 139, it is measured in accordance with the appropriate IFRS.

(f) Foreign currency transactions and balances

(i) Functional and presentation currency

The functional currency of each entity within the Consolidated Entity is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency transactions and balances (continued)

Non monetary items are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences in the consolidated financial report are recorded in profit and loss.

(iii) Transactions of subsidiary Companies' functional currency to presentation currency

The results of the subsidiaries are translated into Australian Dollars (presentation currency). Income and expenses are translated at the exchange rates at the date of the transactions. Assets and liabilities are translated at the closing exchange rate for each balance date. Share capital, reserves and accumulated losses are converted at applicable historical rates.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity. On consolidation, exchange differences arising from the translation of the net investment in subsidiaries are taken to the foreign currency translation reserve. If a subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

(g) Financial instruments

Non derivative financial instruments

Non derivative financial instruments comprise investments in equity securities, other receivables, cash and cash equivalents and trade and other payables.

Investments are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When non-derivative financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A financial instrument is recognised if the Group becomes a party to the contracted provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from that financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Available-for-sale financial assets

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (continued)

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

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

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

Other

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

(h) Investments in associates

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

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investments in associates (continued)

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

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Finance Leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Consolidated Entity are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income.

(j) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(k) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the statement of financial position.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(m) Interests in Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements.

(n) Property, plant and equipment

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

Capital work-in-progress is stated at cost and comprises all costs directly attributable to bringing the assets under construction ready to their intended use. Capital work-in-progress is transferred to property, plant and equipment at cost on completion.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset which ranges between 3 and 5 years except for buildings which are depreciated over 20 years.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(o) Exploration, evaluation and development expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and:

- i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
- ii) exploration and evaluation activities are continuing in an area of interest, but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Exploration, evaluation and development expenditure (continued)

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the statement of comprehensive income or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the statement of comprehensive income.

(p) Mine properties and development

Expenditure on the acquisition and development of mine properties within an area of interest are carried forward at cost separately for each area of interest. Accumulated expenditure is amortised over the life of the area of interest to which such costs relate on a production output basis.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Impairment

The carrying value of capitalised mine properties and development expenditure is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(q) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received, less directly attributable transaction costs.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Interest-bearing loans and borrowings (continued)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(s) Borrowing costs

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

(t) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(u) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(v) Share-based payment transactions

The Consolidated Entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Consolidated Entity has one plan in place that provides these benefits. It is the Employee Share Option Plan ("ESOP") which provides benefits to all employees including Directors. The scheme has no direct performance requirements. The terms of the share options are as determined by the Board. Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited. Where a participant ceases employment after the vesting of their share options, the share options automatically lapse after one month of ceasing employment unless the Board decides otherwise at its discretion.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Share-based payment transactions (continued)

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black & Scholes model. Further details of which are given in note 26.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Consolidated Entity, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Consolidated Entity, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(w) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue (continued)

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

R&D Refund

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

Dividend Income

Revenue is recognised on receipt of dividends from listed investments.

Finance income

Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(x) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Income tax (continued)

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised income taxes are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(y) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(z) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ab) Financial Position

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 profit for the year of \$2,289,075 (2016: loss \$1,597,568) and a cash outflow from operating activities of \$994,554 (2016: \$693,381).

At year end, the Group had \$2,067,018 in cash and term deposit balances. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Significant accounting estimates and assumptions

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black & Scholes model, using the assumptions as discussed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities in the next annual reporting period but may impact expenses and equity.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Consolidated Entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Impairment of available-for-sale investments

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

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of “value in use” (being net present value of expected future cash flows of the relevant cash generating unit) and “fair value less costs to sell.”

In determining the value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which in turn could impact future financial results.

4. SEGMENT REPORTING

Identification of reportable segment

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

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

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

4. SEGMENT REPORTING (Continued)

Information about reportable segments

Information relating to each reportable segment is shown below.

2017	Reportable Segments		Total
	Australia	Thailand	
	\$	\$	\$
External revenues	3,126,741	-	3,126,741
Inter-segment revenue	-	-	-
Segment revenue	3,126,741	-	3,126,741
Segment profit/(loss) before tax	3,363,442	(1,074,367)	2,289,075
Interest income	21,310	5,315	26,625
Interest expense	(2,384)	-	(2,384)
Depreciation and amortisation	(49,958)	(9,400)	(59,358)
Share of profit/(loss) of equity accounted investees	4,305,782	-	4,305,782
Other material non-cash items			
- Impairment of losses of non-financial assets	-	-	-
Segment assets	17,535,218	2,107,720	19,642,938
Equity accounted investees	987,987	-	987,987
Capital expenditure	183,270	843	184,113
Segment liabilities	2,157,929	-	2,157,929

2016	Reportable Segments		Total
	Australia	Thailand	
	\$	\$	\$
External revenues	7,064,492	-	7,064,492
Inter-segment revenue	-	-	-
Segment revenue	7,064,492	-	7,064,492
Segment profit/(loss) before tax	(633,302)	(964,266)	(1,597,568)
Interest income	17,601	7,085	24,686
Interest expense	(4,431)	-	(4,431)
Depreciation and amortisation	(64,139)	(7,095)	(71,234)
Share of profit/(loss) of equity accounted investees	(304,790)	-	(304,790)
Other material non-cash items			
- Impairment of losses of non-financial assets	(3,778,438)	-	(3,778,438)
- Reversal of impairment losses on non-financial assets	-	8,260	8,260
- Provision for doubtful debts	-	(183,910)	(183,910)
Segment assets	12,697,811	1,747,947	14,445,758
Equity accounted investees	300,138	-	300,138
Capital expenditure	3,098	26,118	29,216
Segment liabilities	796,469	-	796,469

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2017**

	2017	2016
	\$	\$
5. Revenue		
The loss before income tax includes the following revenues whose disclosure is relevant in explaining the performance of the entity:		
(a) Other income		
R&D tax incentive refund	852,560	1,760,818
Net gain on sale of plant and equipment	91	-
Net gain on sale of investments	2,138,590	422,188
Net gain on sale of exploration assets	-	4,829,721
Other income	135,500	51,765
	<u>3,126,741</u>	<u>7,064,492</u>
(b) Finance income		
Interest earned	26,625	24,686
	<u>26,625</u>	<u>24,686</u>
(c) Expenses included in the statement of comprehensive income		
Depreciation of plant and equipment	59,358	71,234
(d) Other expenses		
(i) Employee benefits expense		
Salaries and wages	1,066,957	1,058,109
Superannuation expenses	60,814	49,398
Share based payments	1,167,432	22,650
Total employee benefits expense	<u>2,295,203</u>	<u>1,130,157</u>
(ii) Administration and other expenses		
Operating lease rentals	142,110	149,150
Administration expenses	1,094,013	1,265,654
Provision for doubtful debts	-	183,910
	<u>1,236,123</u>	<u>1,598,714</u>
	<u>3,531,326</u>	<u>2,728,871</u>

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2017**

	2017	2016
	\$	\$
6. Income taxes		
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income)	-	-
	-	-

Income tax recognised in profit or loss

The prima facie income tax expense/(income) on the pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(income) in the financial statements as follows:

Profit/(loss) from continuing operations	2,289,075	(1,597,568)
Income tax expense/(benefit) calculated at 27.5% (2016: 30%)	629,496	(479,270)
Over/(under) provision of tax in prior periods	186,303	756,725
Section 40-880 expenses	(7,867)	(19,331)
Exploration expenses	(1,180,985)	1,657,469
Determining taxable profit		
- Permanent differences	607,447	302,612
Effect of income that are not assessable in determining taxable profit	(253,299)	(526,945)
Effect of change in income tax rate	447,776	-
Temporary differences relating to investments	(21,377)	242,923
Use of tax losses	-	(1,970,772)
Deferred tax assets not recognised in relation to current year tax losses	(407,494)	36,589
	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% (2016: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

	2017	2016
	\$	\$
Unrecognised deferred tax assets/(liabilities)		
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	5,677,540	6,165,881
Investments	475,755	919,252
Temporary differences - exploration	(3,128,149)	(1,782,034)
Section 40-880 expenses	7,402	16,657
Other temporary differences	236,693	53,554
	3,269,241	5,373,310

The ability of the Group to utilise unrecognised tax losses will depend on whether the Group meets the statutory requirements for utilising tax losses as and when it generates taxable profit.

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2017**

	2017	2016
	\$	\$
7. Trade and other receivables		
Current		
Amounts receivable from Australian Taxation Authorities	45,137	82,151
Other receivables	23,385	157,467
	<u>68,522</u>	<u>239,618</u>
	2017	2016
	\$	\$
8. Other current assets		
Current		
Prepayments	36,296	14,548
Cash backed performance bond (i)	474,617	463,550
	<u>510,913</u>	<u>478,098</u>
Non-current		
Deposits held (ii)	277,952	289,427
	<u>277,952</u>	<u>289,427</u>

- (i) The Company's bankers have provided performance bonds as security for the due and proper performance of leases in accordance with the tenement conditions associated with certain Group tenements. The Company has cash-backed these performance bonds with fixed term deposits with the bank.
- (ii) The Company has cash deposits held with the Thailand government with respect to a number of tenement applications in Thailand. Should the applications not be successful 75% of the deposits will be returned to the Company. A cumulative impairment (representing the non-recoverable 25%) of \$92,651 (2016: \$96,476) has been made against the deposits held of \$370,603 (2016: \$385,903). An amount of \$7,311 (2016: Nil) was expensed on granting of Thailand applications.

	2017	2016
	\$	\$
9. Other investments		
Available-for-sale financial assets	2,109,065	5,580,750
	<u>2,109,065</u>	<u>5,580,750</u>
	\$	\$
Movements in available-for-sale financial assets:		
At 1 July	5,580,750	3,022,500
Additions	4,244,324	8,727,694
Disposals	(8,370,552)	(4,770,375)
Net change in fair value of available-for-sale financial assets	654,543	(583,313)
Impairment loss	-	(815,756)
At 30 June	<u>2,109,065</u>	<u>5,580,750</u>

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

9. Other investments (continued)

Listed shares

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

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

10. Equity Accounted Investments

The Company has a 26.77% (2016: 26.82%) interest in Bulletin Resources Limited, which is involved in the exploration of precious and base metals in Australia. Bulletin is listed on the Australian Securities Exchange.

	2017 \$	2016 \$
Movements in carrying value of the Company's investment in associate:		
At 1 July	300,138	344,010
Additions	8,564	159,548
Share of gain/(losses) after income tax	4,305,782	(274,446)
Share of losses after income tax from discontinued operations	-	(30,344)
In-specie distribution of Pantoro shares	(3,600,000)	-
Share of change in reserves	(26,497)	101,370
At 30 June	987,987	300,138

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

Current assets	5,899,058	6,314,267
Non-current assets	-	-
Current liabilities	(1,637,102)	(4,811,376)
Non-current liabilities	-	-
Equity	4,261,956	1,502,981
Company's share of gain/(loss) for the year	4,305,782	(304,790)

The associate had no contingent liabilities or capital commitments as at 30 June 2017.

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2017**

	2017	2016
	\$	\$
11. Exploration and evaluation assets		
Exploration expenditure capitalised at cost		
-exploration and evaluation phase	8,488,310	5,940,113
	<u>8,488,310</u>	<u>5,940,113</u>

Movements in carrying amounts

Exploration and evaluation phase

Balance at beginning of year	5,940,113	11,513,690
Acquisition of tenements	2,031,130	-
Disposal of tenements	-	(3,346,761)
Exploration and evaluation incurred	6,876,571	2,534,848
Expenditure written off/provided for	(1,577,005)	(4,761,664)
Transferred to mine property and development	(4,782,499)	-
Balance at end of year	<u>8,488,310</u>	<u>5,940,113</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas. Upon a review of current exploration projects the board elected to provide for impairment of \$1,278,272 (2016: \$3,770,178) in the financial year.

	2017	2016
	\$	\$
12. Mine Property and Development		
Mine properties		
Balance at beginning of year	-	-
Transferred from exploration and evaluation assets	4,782,499	-
Balance at end of year	<u>4,782,499</u>	<u>-</u>
Mine capital development		
Balance at beginning of year	-	-
Additions	171,468	-
Balance at end of year	<u>171,468</u>	<u>-</u>
Total mine properties and development	<u>4,953,967</u>	<u>-</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
13. Property, plant and equipment		
Buildings at cost	-	-
Accumulated depreciation	-	-
	-	-
Plant and equipment at cost	1,231,685	1,014,586
Accumulated depreciation	(1,052,481)	(960,137)
	179,204	54,449
Total property, plant and equipment	179,204	54,449

Movements in carrying amounts

	Buildings	Plant and Equipment	Total
	\$	\$	\$
Consolidated			
Balance 30 June 2015	-	96,467	96,467
Additions	-	29,216	29,216
Disposals	-	-	-
Depreciation expense	-	(71,234)	(71,234)
Balance 30 June 2016	-	54,449	54,449
Additions	-	184,113	184,113
Disposals	-	-	-
Depreciation expense	-	(59,358)	(59,358)
Balance 30 June 2017	-	179,204	179,204

The Group leases motor vehicles and plant and equipment under a number of finance lease agreements. The leased equipment secures the lease obligations. At 30 June 2017 the net carrying amount of leased plant and equipment was \$82,162 (2016: \$5,483). During the year, the Group acquired leased assets of \$86,253 (2016: \$Nil).

	2017	2016
	\$	\$
14. Trade and other payables		
Unsecured liabilities		
Trade payables	1,532,885	232,007
Sundry creditors and accrued expenses	151,419	177,496
	1,684,304	409,503

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2017**

	2017	2016
	\$	\$
15. Borrowings		
Current		
Secured liabilities		
Finance lease liabilities (i)	49,611	13,767
	<u>49,611</u>	<u>13,767</u>
Non Current		
Secured liabilities		
Finance lease liabilities (i)	42,707	8,053
	<u>42,707</u>	<u>8,053</u>

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

	2017	2016
	\$	\$
16. Provisions		
Current		
Provision for annual leave	218,881	177,700
	<u>218,881</u>	<u>177,700</u>
Non-current		
Provision for long service leave	138,114	90,409
Provision for mine restoration	24,312	97,037
	<u>162,426</u>	<u>187,446</u>
 Movement in long service leave provision		
Opening balance 1 July	90,409	25,334
Increase in provision	47,705	65,075
Closing balance 30 June	<u>138,114</u>	<u>90,409</u>
 Movement in provision for mine restoration		
Opening balance 1 July	97,037	238,929
Disposal of tenements	-	-
Increase/(decrease) in provision	(72,725)	(141,892)
Closing balance 30 June	<u>24,312</u>	<u>97,037</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016	2017	2016
	\$	\$	\$	\$
17. Issued capital				
144,706,779 (2016: 144,156,779) fully paid ordinary shares	40,688,126	40,536,876	40,688,126	40,536,876
	No.	No.	\$	\$
Ordinary shares				
At the beginning of reporting period	144,156,779	144,156,779	40,536,876	40,536,876
Exercise of options	550,000	-	151,250	-
Transaction costs	-	-	-	-
At reporting date	144,706,779	144,156,779	40,688,126	40,536,876

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

The movement of the options on issue during the financial year is set out below:

Exercise Price	Expiry Date	Balance at beginning of year	Issued	Exercised	Lapsed	Balance at end of year
\$0.40	30 September 2016	925,000	-	-	(925,000)	-
\$0.25	30 November 2017	2,650,000	-	-	-	2,650,000
\$0.30	30 November 2017	4,250,000	-	-	-	4,250,000
\$0.275	22 May 2018	615,000	-	(550,000)	(65,000)	-
\$0.25	30 November 2019	-	4,375,000	-	-	4,375,000
\$0.25	30 November 2019	-	5,750,000	-	-	5,750,000
		8,440,000	10,125,000	(550,000)	(990,000)	17,025,000

	2017	2016
	\$	\$
18. Reserves		
Equity settled transaction	8,421,088	7,253,656
Available-for-sale reserve	696,074	468,111
	9,117,162	7,721,767
Equity settled transaction reserve		
Balance at beginning of financial year	7,253,656	7,393,106
Share based payment	1,167,432	22,650
Performance rights not vested	-	(162,100)
Balance at end of financial year	8,421,088	7,253,656

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

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2017**

18. Reserves (continued)

Available-for-sale reserve

Balance at beginning of financial year	468,111	1,102,429
Reclassified to profit and loss	(400,083)	(152,375)
Net change in fair value of available-for-sale financial assets	628,046	(481,943)
Balance at end of financial year	696,074	468,111

19. Accumulated losses

Accumulated losses at beginning of financial year	34,686,707	33,251,277
Loss/(profit) for the year	(2,289,081)	1,597,530
Transfer from option reserve	-	(162,100)
Accumulated losses at end of financial year	32,397,626	34,686,707

20. Loss per share

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

Profit/(loss)	2,289,075	(1,597,568)
	No.	No.
Weighted average number of ordinary shares	144,644,999	144,156,779

Diluted loss per share

Diluted loss per share has not been calculated as the Company's potential ordinary shares are not considered dilutive and do not increase loss per share.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

21. Commitments and Contingencies

Exploration and expenditure commitments

In order to maintain the mineral tenements in which the Company and other parties are involved, the consolidated entity is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. The minimum estimated expenditure commitment requirement for granted tenements for the next year is \$1,869,584 (2016: \$1,581,954). This amount has not been provided for in the financial report. These obligations are capable of being varied from time to time. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

Mine Development and Operating Commitments

The mine development and operating costs are determined on a time and cost basis.

Finance lease commitments

	2017 \$	2016 \$
Commitments in relation to finance leases are payable as follows:		
Within one year	54,206	14,642
Later than one year but not later than five years	44,236	8,280
Minimum lease payments	98,442	22,922
Less: Future finance charges	(6,124)	(1,102)
	92,318	21,820
Recognised as a liability		
Representing lease liabilities:		
Current (note 15)	49,611	13,767
Non-current (note 15)	42,707	8,053
	92,318	21,820

Operating lease commitments

Future operating lease rentals of office space provided for in the financial statements and payable:

- Not later than one year	79,240	76,560
- Later than one year but not later than five years	47,154	126,394
	126,394	202,954

Contingencies

There are no contingent assets or contingent liabilities as at 30 June 2017.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

22. Subsidiaries

	Country of Incorporation	Percentage Owned (%)	
		2017	2016
Parent Entity			
Matsa Resources Limited	Australia		
Subsidiary			
Matsa Gold Pty Ltd	Australia	100	100
Killaloe Minerals Pty Ltd	Australia	100	100
Lennard Shelf Exploration Pty Ltd	Australia	100	100
Australian Strategic and Precious Metals Investment Pty Ltd	Australia	100	100
Matsa Resources (Aust) Pty Ltd	Australia	100	100
Matsa Iron Pty Ltd	Australia	100	100
Cundeelee Pty Ltd	Australia	100	100
Matsa (Thailand) Co Ltd	Thailand	100	100
PVK Mining Loei Co Ltd	Thailand	100	100
Khlong Tabæk Co Ltd	Thailand	95	95
Paisali Mining Co Ltd	Thailand	95	95
Wichan Buri Resources Co Ltd	Thailand	100	100
Siam Copper Resources Co Ltd	Thailand	100	100
Loei Mining C o Ltd	Thailand	100	100

23. Cash flow information

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2017 \$	2016 \$
Cash and cash equivalents	2,067,018	1,563,165

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

23. Cash flow information (Continued)

Reconciliation of loss for year to net cash flows from operating activities

	2017 \$	2016 \$
Profit/(loss) for year	2,289,075	(1,597,568)
Non-cash flows in loss from ordinary activities:		
Share-based payments	1,167,432	22,650
Depreciation	59,358	71,234
Exploration expenditure written off	298,733	991,486
Provision for impairment	1,278,272	3,770,178
Share of investee (profit)/loss	(4,305,782)	304,790
Net (gain) on sale of available-for-sale investments	(2,138,590)	(422,188)
Net (gain) on sale of exploration asset	-	(4,829,721)
Net (gain)/loss on disposal of plant and equipment	(91)	-
Impairment loss on available-for-sale assets	-	815,756
Interest expense classified as financing cash flow	2,384	4,431
Insurance	-	34,724
Provision for doubtful debts	-	183,910
Changes in assets and liabilities:		
Decrease (increase) in receivables	62,254	(145,015)
Increase (decrease) in trade creditors and accruals	203,514	160,954
Increase (decrease) in provisions	88,887	(59,002)
Cash flow from operations	(994,554)	(693,381)

Non-cash financing and investing activities

During the 2016 financial year Matsa disposed of its 30% interest in the Mt Henry Gold Project to Metals X Limited (MLX). Matsa received 6.6 million fully paid ordinary shares in MLX on settlement in September 2015.

During the financial year nil (2016: nil) shares were issued as consideration for the acquisition of exploration tenements.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

24. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2017 the parent company of the Group was Matsa Resources Limited.

	Company	
	2017	2016
	\$	\$
Result of the parent Entity		
Profit/(loss) for the year	3,710,738	(4,112,843)
Other comprehensive gain/(loss)	254,460	(735,688)
Total comprehensive profit/(loss) for the year	3,965,198	(4,848,531)
Financial position of parent entity at year end		
Current assets	1,981,388	1,437,912
Total assets	16,857,004	12,025,179
Current liabilities	611,737	609,023
Total liabilities	832,680	796,469
Total equity of the parent entity comprising of:		
Share capital	40,688,126	40,536,875
Reserves	9,113,799	7,718,406
Accumulated losses	(33,777,601)	(37,026,571)
Total equity	16,024,324	11,228,710

25. Financial instruments

Financial risk management

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash balances at bank, deposits with statutory authorities.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

25. Financial instruments (Continued)

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia and South-East Asia. At the balance date there were no significant concentrations of credit risk.

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating of no less than AA rating.

Trade and other receivables

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated Carrying amount	
	2017	2016
	\$	\$
Trade and other receivables	23,385	157,467
Cash and cash equivalents	2,067,018	1,563,165
Deposits held	370,603	385,903
Impairment of deposits (refer Note 8 (ii))	(92,651)	(96,476)

The Group has \$183,910 in other receivables that are past due (2016: \$183,910).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The Company has leased assets financed by way of finance leases and has taken out a premium funding facility over their insurance requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2017

	Weighted average interest rate	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
		\$	\$	\$	\$	\$	\$
Trade and other payables	N/A	1,684,304	1,684,304	1,684,304	-	-	-
Finance lease liabilities	6.57	92,318	92,318	25,219	24,392	42,707	-
		<u>1,776,622</u>	<u>1,776,622</u>	<u>1,709,523</u>	<u>24,392</u>	<u>42,707</u>	<u>-</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

25. Financial instruments (Continued)

30 June 2016

	Weighted average interest rate	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
		\$	\$	\$	\$	\$	\$
Trade and other payables	N/A	409,503	409,503	409,503	-	-	-
Finance lease liabilities	6.16	21,820	21,820	10,304	3,463	8,053	-
		<u>431,323</u>	<u>431,323</u>	<u>419,807</u>	<u>3,463</u>	<u>8,053</u>	<u>-</u>

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on investments and purchases that are denominated in a currency (Thai baht) other than the respective functional currencies of Group entities, which is primarily the Australian dollar.

As at the statement of financial position date the Group holds the following financial assets or liabilities which are exposed to foreign currency risk.

	Carrying amount	
	2017	2016
	\$	\$
Other current assets	753,632	754,039
Cash and cash equivalents	230,032	393,280

Sensitivity analysis

The Group is exposed to fluctuations in foreign currencies arising from the acquisition of services from time to time in currencies other than the Group's functional currency. A change of 10% in the foreign currency exchange rate at 30 June 2017 would have increased equity by \$98,366 (2016: \$114,732), an equal change in the opposite direction would have decreased equity by an equal but opposite amount.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures. The Group is not exposed to cash flow volatility from interest rate changes on borrowings as the finance leases carry fixed rates of interest.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 90 day rolling periods or less.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

25. Financial instruments (Continued)

Profile

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	Carrying amount	
	2017	2016
Fixed rate instruments		
Cash and cash equivalents	-	-
Cash backed performance bonds	-	-
Lease liabilities	(92,318)	(21,820)
	<u>(92,318)</u>	<u>(21,820)</u>
Variable rate instruments		
Cash and cash equivalents	2,067,018	1,563,165
Cash backed performance bonds	474,617	463,550
	<u>2,541,635</u>	<u>2,026,715</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as 2016.

	Profit or loss		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
30 June 2017				
Variable rate instruments	25,416	(25,416)	25,416	(25,416)
30 June 2016				
Variable rate instruments	20,267	(20,267)	20,267	(20,267)

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities approximate fair value. The basis for determining fair values versus carrying value of financial instruments not carried at fair value is described below.

- (i) Other receivables, trade and other payables:
Other receivables, trade and other payables are short term in nature. As a result, the carrying amount of these instruments is considered to approximate its fair value.
- (ii) Deposits held on tenement applications :
The deposits held with Thai authorities are recoverable at 75% of their value should the applications not be granted. As a result the carrying amount is considered to approximate its fair value.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

25. Financial instruments (Continued)

Equity Price Risk

Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's investments are solely in equity instruments. These instruments are classified as available-for-sale and carried at fair value with fair value changes recognised directly in other comprehensive income.

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

	Note	30 June 2017 \$	30 June 2016 \$
Listed equities (Level 1 fair value hierarchy)	9	2,109,065	5,580,750

Sensitivity analysis

The Group's equity investments are listed on the Australian Securities Exchange. A 3% increase in stock prices at 30 June 2017 would have increased equity by \$63,272 (2016: \$167,422), an equal change in the opposite direction would have decreased equity by an equal but opposite amount.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities and mine development. The Group monitors capital on the basis of the gearing ratio, while there are no external borrowings as at balance date the Group entered into a short term debt facility subsequent to year end.

The Group encourages employees to be shareholders through the Long Term Incentive Plan and the Executive Share Option Plan.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

26. Share-based payments

Employee Share Option Plan

The Group has an Employee Share Option Plan (ESOP) for the granting of options to staff members, directors and consultants. A new ESOP was approved by shareholders on 27 November 2013 and adopted. Options issued under the ESOP vest on the grant date.

Other relevant terms and conditions applicable to options granted under the ESOP include:

- (a) Options issued pursuant to the plan will generally be issued free of charge.
- (b) The exercise price of the options shall be as the Directors in their absolute discretion determine, provided the exercise price shall not be less than the weighted average of the last sale price of the Company's shares on ASX at the close of business on each of the 5 business days immediately preceding the date on which the Directors resolve to grant the options.
- (c) Subject to the above, the options may be exercised at any time prior to the expiration date from the issue date.
- (d) The Directors may limit the total number of options which may be exercised under the plan in any year.
- (e) Options with a common expiry date may have a different exercise price and exercise date.
- (f) Options shall lapse upon the earlier of:
 - (i) The expiry of the exercise period; and
 - (ii) The expiry of three months after the option holder ceases to be an employee by reason of dismissal, resignation or termination of employment, office or services for any reason, except the Directors may resolve that the options shall lapse on other terms they consider appropriate.
- (g) Upon exercise the options will be settled in ordinary shares of Matsa Resources Limited.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

26. Share-based payments (Continued)

(a) Summary of options issued under the Employee Share Option Plan

The following table summarises the number (No.) and the weighted average exercise price (WAEP) of, and movements in, share options issued during the year to employees other than to key management personnel which have been disclosed in the Remuneration Report.

	2017 Number of Options	2017 Weighted Average Exercise Price \$	2016 Number of Options	2016 Weighted Average Exercise Price \$
Outstanding at the beginning of the year	3,590,000	0.285	4,865,000	0.34
Granted	3,875,000	0.25	-	-
Exercised	(550,000)	0.275	-	-
Expired	(790,000)	0.26	(1,275,000)	0.40
Outstanding at year-end	6,125,000	0.25	3,590,000	0.285
Exercisable at year-end	6,125,000	0.25	3,590,000	0.285

The outstanding balance as at 30 June 2017 is represented by the following options over ordinary shares, exercisable upon meeting the above terms and conditions:

- 2,250,000 options with an exercise price of \$0.25 each and with an expiry date of 30 November 2017. All have vested and are exercisable at balance date.
- 3,875,000 options with an exercise price of \$0.25 each and with an expiry date of 30 November 2019. All have vested and are exercisable at balance date.

Directors and Executives Options

In addition to the ESOP, the Company has issued options to Directors and Executives from time to time. The terms and conditions of those options vary between option holders. There were 6,250,000 (2016: nil) options issued to Directors or Executives during the financial year.

Options issued to the Executive Chairman and the Executive Director and Executives vested immediately.

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

- any Directors or Executives vested options that are unexercised by the anniversary of their grant date will expire or, if they resigned, in accordance with their specific terms and conditions; and
- upon exercise, these options will be settled in ordinary shares of Matsa Resources Limited.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

26. Share-based payments (Continued)

(a) Summary of options issued to Directors and Executives

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

	2017 No.	2017 WAEP \$	2016 No.	2016 WAEP \$
Outstanding at 1 July	4,850,000	0.30	10,600,000	0.37
Granted during the year	6,250,000	0.25	-	-
Expired during the year	(200,000)	0.40	(5,750,000)	0.43
Outstanding at 30 June	10,900,000	0.27	4,850,000	0.30
Exercisable at 30 June	10,900,000	0.27	4,850,000	0.30

There were 6,250,000 options issued during the year.

Directors

- 5,750,000 options over ordinary shares with an exercise price of \$0.25 each, exercisable upon meeting the relevant conditions and until 30 November 2019.

Executives

- 500,000 options over ordinary shares with an exercise price of \$0.25 each exercisable upon meeting the relevant conditions and until 30 November 2019.

(b) Valuation models of options and performance rights issued to Directors and Executives

The fair value of the options is estimated at the date of grant using a Black & Scholes model. The following table gives the assumptions made in determining the fair value of the options granted in the year.

	2017		2016	
	Directors	Executives	Directors	Executives
Dividend yield (%)	-	-	-	-
Expected volatility (%)	91.68	91.68	-	-
Risk-free interest rate (%)	1.92	1.92	-	-
Expected life of options (years)	3.01	3.01	-	-
Option exercise price (\$)	0.25	0.25	-	-
Share price at grant date (\$)	0.21	0.21	-	-
Fair value at grant date (c)	11.53	11.53	-	-

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

26. Share-based payments (Continued)

	Consolidated	
	2017	2016
	\$	\$
Employee Expenses		
Share options granted in 2013		
- equity settled	-	22,650
Share options granted in 2017		
- equity settled	1,167,432	-
Total expense recognised as employee costs	1,167,432	22,650

27. Key management personnel

Details of key management personnel

The directors and other members of key management personnel of the Group during the financial year were:

Name	Position
Directors	
Paul Poli	Executive Chairman
Frank Sibbel	Non-Executive Director
Andrew Chapman	Director, Company Secretary and Chief Financial Officer
Executives	
David Fielding	Group Exploration Manager

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report on pages 31 to 38. These transferred disclosures have been audited.

	2017	2016
	\$	\$
Compensation of Key Management Personnel		
Short-term employment benefits	918,489	874,127
Post-employment benefits	53,505	100,006
Termination benefits	-	-
Share-based payment	720,625	22,650
	1,692,619	996,783

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Company.

Loans to Key Management Personnel

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

27. Key management personnel continued)

Other transactions and balances with Key Management Personnel

- (a) P Poli and F Sibbel are Directors of Bulletin Resources Limited. The Consolidated Entity has an agreement with Bulletin to provide accounting, technical and administrative services on an arms-length basis. In the current period \$78,114 has been charged to Bulletin for these services (2016: \$61,875).

At 30 June 2017 there was an outstanding balance of \$9,338 (2016: \$49,053) for Bulletin.

- (b) P Poli is a director and controlling shareholder of West-Sure Group Pty Ltd which provides alarm monitoring services to the Consolidated Entity. In the current period \$554 has been charged to the Consolidated Entity for this service (2016: \$509).

At 30 June 2017 there was an outstanding balance of \$nil (2016: nil) payable to West-Sure.

- (c) P Poli is a director and controlling shareholder of West-Sure Group Pty Ltd which the Consolidated Entity sub-lets storage space from. In the current period \$6,371 has been charged to the Consolidated Entity for this service (2016: \$6,371).

At 30 June 2017 there was an outstanding balance of \$nil (2016: nil) payable to West-Sure.

Individual directors and executives compensation disclosure

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' report.

No director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

28. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 22.

Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report and Note 27.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

29. Remuneration of auditors

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

	Consolidated	
	2017	2016
	\$	\$
Amounts received or due and receivable by Nexia Perth for an audit or review of the entity and any other entity in the consolidated group.	44,000	42,462
Amounts received or due and receivable by related practices of Nexia Perth for:		
- tax compliance	6,600	8,400
	50,600	50,862

30. Events Subsequent to Balance Date

On 25 July 2017 Matsa announced that mining had officially commenced at the Fortitude Gold Project in accordance with the Trial Mining Study.

On 8 August 2017 Matsa advised that it has entered into loan agreements with two separate parties for a \$4M 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 continue to conduct further exploration at Lake Carey where previous exploration results at BE 1 and BE 3 have shown significant assay results from aircore drilling.

The key terms of the finance facility are as follows:

Principal Amount: \$4,000,000 (\$3M immediately and \$1M any time prior to the 28th February 2018 if required)
Interest Rate: 12% per annum paid monthly in arrears (penalty rate of 18% if Matsa is in default)
Term: Repayable by 31 July 2018
Security: The loan facility is secured by a mortgage over the Fortitude gold project, the Symons Hill project and a Deed of Charge over the Company's shareholdings in Bulletin Resources Limited and Panoramic Resources Limited

In addition to the above Matsa agreed to issue a total of 1 million 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 Company sold the remaining balance of its Metals X shares for total gross proceeds of \$0.59M and sold 50,000 Westgold shares for gross proceeds of \$0.1M after the end of the financial year.

On 26 September 2017 Matsa announced that it has entered into an Asset Sale and Purchase Agreement ("ASPA") with Saracen Mineral Holdings Limited ("Saracen"; ASX: SAR) to acquire the Red October Gold Project from Saracen for a combination of cash and shares to the deemed value of \$2 million.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

30. Events Subsequent to Balance Date (continued)

The consideration for the acquisition of the Red October Gold Project is:

1. A deposit of \$150,000 in cash at the time of execution of the ASPA (paid);
2. At completion Matsa will issue 4,545,000 fully paid ordinary shares to Saracen at a deemed value of \$0.22 each. The shares will be issued under Listing Rule 7.1 and does not require shareholder approval.
3. 90 days after completion Matsa will pay Saracen a deferred cash consideration of \$850,000; and
4. Adoption of all rehabilitation of the existing mine area.

MATSA RESOURCES LIMITED

DIRECTORS DECLARATION

1. In the opinion of the directors of Matsa Resources Limited (the “Company”):
 - (a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity’s financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(b);
 - (c) the remuneration disclosures that are contained in page 31 to 38 of the Remuneration Report in the Directors’ Report comply with the Corporations Act and Australian Accounting Standard AASB 124 Related Party Disclosures and
 - (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the directors;



Paul Poli
Executive Chairman

Perth, 29 September 2017

Independent Auditor's Report to the Members of Matsa Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Matsa Resources Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial report" section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	How our audit addressed the key audit matter
Funding and Liquidity <i>Refer to Note 2 (ab) (Financial position)</i> Matsa Resources Limited and its subsidiaries are West Australian (WA) and Thailand gold and base metal exploration companies and the Group is transitioning to producing gold following the acquisition and development of the Fortitude / Lake Carey gold project. The exploration activities of the Group, except for the Fortitude gold project which commenced mining in July 2017, have not yet advanced to a stage where it is able to generate revenue. Accordingly the Group is reliant on funding from external sources such as capital raisings and loans to support its operations. We focussed on whether the Group had sufficient cash resources and access to funding to allow the Group to continue as a going concern. The adequacy of funding and liquidity as well as the relevant impact on the going concern assessment is a key audit matter due to the inherent uncertainties associated with the future development of the Group's projects and the level of funding required to support that development.	We evaluated the Group's funding and liquidity position at 30 June 2017 and its ability to repay its debts as and when they fall due for a minimum of 12 months from the date of signing the financial report. In doing so, we: • Obtained management's cash flow forecast for the 15 months from the commencement of the 2018 financial year and checked the mathematical accuracy of the forecast; • Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in prior year to the actual performance in the current year; • Assessed the reliability and completeness of management's assumptions by comparing the forecast cash flows to those of current and previous years and as well as our understanding of future events and conditions; • Performed sensitivity analysis on revenue considering future gold prices; • We confirmed the debt funding available to help fund the project to the debt facility agreements • Considered events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment.
Share-based payments <i>Refer to Note 26</i> Share options were issued to directors and employees as detailed in Note 26. Management performed calculations to record the related share-based payment expense in the consolidated statement of comprehensive income. Due to the judgmental estimates used in determining the valuation of the share-based payments and related parties involved we consider management's calculation of the share-based payment expense to be a key audit matter.	Our procedures included, amongst others: • Obtained management's valuation of the fair value of the share options issued during the financial year; • Obtained an understanding and evaluating the appropriateness of the valuation model used by management; • Compared the assumptions and inputs in the valuation model to market-based observable inputs; and • Where valuation inputs and assumptions used by management were unobservable, we assessed the reasonableness of management's assumptions by comparing our assessment of the range of valuation assumptions and inputs to those used by management.

Reclassification of exploration and evaluation assets to development assets Refer to Note 11 Matsa Gold Pty Ltd, a wholly owned subsidiary of Matsa Resources Limited, owns the Lake Carey Project which was acquired in the first half of the 2016-17 financial year. Matsa sought and received mining approvals for the Fortitude Gold Project by the end of May 2017. In early June 2017 Matsa signed an Ore Purchase Agreement with AngloGold Ashanti Australia Limited and awarded Quadrio Earthmoving Pty Ltd (QEM) the contract for the development and subsequent mining of Fortitude. Mobilisation commenced late June 2017 and mining commenced on 25 July 2017. AASB 6 requires that an exploration and evaluation asset no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Commencement of development activities and mining operations results in a requirement to undertake an impairment assessment prior to the reclassification of the exploration and evaluation asset. This is a key audit matter due to the significant judgements and estimates relating to the reclassification of the exploration and evaluation asset as well as management's assessment of recoverable amount.	Our procedures focussed on evaluating management's assessment of impairment of the Fortitude exploration assets before reclassification to development assets: • Obtained management's cash flow forecast supporting the value in use of the Fortitude gold project; • Assessed the objectivity, qualifications and experience of management's internal and external experts whose work formed the basis of the forecasted cash flow; • Tested the internal mathematical accuracy of the impairment model's calculations; • Assessed the significant assumptions in the impairment model including forecast revenue, mining costs, gold prices, and resources as follows: • Tested the mining costs to supporting documentation; • Tested the gold price used in the cash flow forecast to independent industry forecasts; • Compared the forecast quantity and grade of ore to be mined to the Fortitude Deposit Resource Statement prepared in accordance with the Joint Ore Reserves Committee (JORC) requirements; and • Performed sensitivity analyses by increasing the estimated mining costs, and reducing the gold prices within a reasonably foreseeable range.
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Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

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

In preparing the consolidated financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf This description forms part of our auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 38 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Matsa Resources Limited., for the year ended 30 June 2017, complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Nexia Perth Audit Services Pty Ltd



PTC Kloppe
Director

Perth 29 September 2017

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

SHAREHOLDING

Distribution of Shareholders as at 21 September 2017

Category (size of holding)	Number of Shareholders
1 – 1,000	236
1,001 – 5,000	542
5,001 – 10,000	353
10,001 – 100,000	707
100,001 – and over	161
	<u>1,999</u>

The number of shareholdings held in less than marketable parcels is 415.

Twenty Largest Shareholders as at 21 September 2017

Name	No.	%
JP Morgan Nominees Australia Limited	17,411,374	12.03
HF Resources Pty Ltd	11,770,000	8.13
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	10,161,992	7.02
Mr Paul Poli <P Poli Family A/C>	8,550,000	5.91
RASL AU LLC	4,200,000	2.90
Mr William Robert Maunder & Mrs Jeanette Margaret Maunder <Superannuation Fund A/C>	2,777,000	1.92
Mr Steven James Brown <Family A/C>	2,501,100	1.73
Citicorp Nominees Pty Ltd	2,179,538	1.51
Mr Mark John Allison & Mrs Lorraine Frances Allison <The M&L Allison S/F A/C>	2,165,000	1.50
HSBC Custody Nominees (Australia) Limited	2,127,371	1.47
L & S Davies Pty Ltd <Davies International A/C>	2,050,807	1.42
Mr Paul Poli & Mrs Sonya Kathleen Poli <P Poli Super Fund A/C>	2,050,000	1.42
Mr Oliver Nikolovski & Mrs Suzanne Karine Nikolovski <The Nikolovski S/Fund A/C>	2,000,000	1.38
Mr Oliver Nikolovski <The Nikolovski Family A/C>	1,650,000	1.14
Mr John Francis Young & Mr Christopher John Young & Mr Brett William Young <J F Young Super Fund A/C>	1,390,000	0.96
Mr Kimberley Alan Harris <KA & TL Harris Family Account>	1,338,702	0.92
Mr Saul Zaidman	1,300,000	0.90
Mr Robert Genovesi & Mrs Magalay Genovesi & Mr Frank Giannasi & Mrs Maria Giannasi <The Bld Workshop No1 S/F>	1,250,000	0.86
Mr Adam Georgiu <The A Georgiu Family A/C>	1,100,000	0.76
Mr Michael Naughton & Mr Patrick Naughton <M Naughton Super Fund A/C>	1,050,000	0.73
	<u>79,022,884</u>	<u>54.61</u>

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Substantial Shareholders

Ordinary shareholder	Fully paid	
	Number	Percentage
HF Resources Pty Ltd	11,770,000	8.13%
Paul Poli	10,600,000	7.33%

RESTRICTED SECURITIES

The Company has no restricted securities on issue.

STATEMENT OF UNQUOTED SECURITIES

Number of Options	Number of Holders	Exercise Price	Date of Expiry
2,650,000	10	\$0.25	30 November 2017
4,250,000	3	\$0.30	30 November 2017
4,325,000	20	\$0.25	30 November 2019
5,750,000	3	\$0.25	30 November 2019

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Summary of Governance Arrangements and Internal Controls

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

RESOURCE TABLE

Fortitude Gold Project Resource Statement

Type	Resource Category	Tonnes	Au (g/t)	Metal (Au oz) 2017	Metal (Au oz) 2016	Variance 2017 – 2016 (oz)
Transported	Indicated	3,000	1.8	200	-	200
	Inferred	-	-	-	-	-
Oxide	Indicated	357,000	2.2	25,250	-	25,250
	Inferred	53,000	2.1	3,050	-	3,050
Transition	Indicated	378,000	1.8	21,800	-	21,800
	Inferred	125,000	2.0	8,000	-	8,000
Saprock	Indicated	227,000	1.9	14,000	-	14,000
	Inferred	1,000	2.1	100	-	100
Fresh	Indicated	2,119,000	1.8	122,700	-	122,700
	Inferred	2,326,000	2.1	159,500	-	159,500
Total (100%)		5,589,000	2.0	354,600	-	354,600

Table 1: Fortitude Mineral Resource Statement

*Resource Statement Notes

- Figures have been rounded in compliance with the JORC Code (2012). Rounding errors may cause a column to not add up precisely.
- Mineral Resources are reported in situ (undiluted).
- Mineral Resources are reported to a cut-off grade of 1g/t Au.

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Mining and Reserves

Fortitude Gold Project Reserve Statement

Type	Proven		Probable		Total		Metal (Au oz)
	Tonnes	Au (g/t)	Tonnes ('000)	Au (g/t)	Tonnes ('000)	Au (g/t)	
Oxide	-	-	185,000	2.2	185,000	2.2	12,900
Total	-	-	185,000	2.2	185,000	2.2	12,900

Table 2: Fortitude Trial Mine Ore Reserve Statement

Notes to Fortitude Gold Project Resource Table

- 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.

Competent Persons Statement

The information in this report that relates to Mineral Resources has been compiled by Matthew Cobb, who is a full-time employee of CSA Global Pty Ltd, and Richard Breyley who is a full time employee of Matsa Resources Limited. Dr Cobb is a Member of both the Australian Institute of Geoscientists and the Australian Institute of Mining and Metallurgy. Mr Breyley is a member of the Australian Institute of Mining and Metallurgy. Both Dr Cobb and Mr Breyley have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities which they are undertaking to qualify as a Competent Persons as defined in the JORC Code (2012). Dr Cobb and Mr Breyley consent to the disclosure of this information in this report in the form and context in which it appears.

The information in this report that relates to Ore Reserves has been compiled by Jon Pluckhahn who is a full time employee of Matsa Resources Limited. Mr Pluckhahn is a Member of the Australian Institute of Mining and Metallurgy. Mr Pluckhahn has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities which they are undertaking to qualify as a Competent Persons as defined in the JORC Code (2012). Mr Pluckhahn consents to the disclosure of this information in this report in the form and context in which it appears.

MATSA RESOURCES LIMITED
SCHEDULE OF MINING TENEMENTS

Tenement Type and No.	Project	Holder	Status	Share Held
E 15/1380	Dunnsville	Matsa Resources Limited	Live	100%
E 15/1381	Dunnsville	Matsa Resources Limited	Live	100%
E 16/294	Dunnsville	Matsa Resources Limited	Live	100%
E 16/389	Dunnsville	Matsa Resources Limited	Live	100%
E 16/390	Dunnsville	Matsa Resources Limited	Live	100%
E16/443	Dunnsville	Matsa Resources Limited	Live	100%
E 69/3070	Symons Hill	Matsa Resources Limited	Live	100%
E 63/1018 ¹	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 63/1199 ¹	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 63/1646	Killaloe	Matsa Resources Limited	Live	100%
E63/1655	Killaloe	Killaloe Minerals Pty Ltd	Live	85%
E 63/1660	Killaloe	Matsa Resources Limited	Live	100%
E 63/1661	Killaloe	Matsa Resources Limited	Live	100%
E 63/1662	Killaloe	Matsa Resources Limited	Live	100%
E 63/1713	Killaloe	Matsa Resources Limited	Live	100%
M 63/177	Killaloe	Matsa Resources Limited	Live	100%
E 39/1708	Minigwal	Matsa Resources Limited	Live	100%
E 38/2823	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 38/2938	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 38/2948	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 38/2949	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 38/3102	Mount Weld	Matsa Resources Limited	Live	100%
E 28/2600	Mount Weld	Matsa Resources Limited	Live	100%
E 39/1796	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 39/1812	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 39/1834	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 39/1837	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 39/1840	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 28/2635	Mount Weld	Cundeelee Pty Ltd	Live	100%
E 39/1863	Mount Weld	Matsa Resources Limited	Live	100%
E 39/1864	Mount Weld	Matsa Resources Limited	Live	100%

MATSA RESOURCES LIMITED
SCHEDULE OF MINING TENEMENTS

Tenement Type and No.	Project	Holder	Status	Share Held
E 39/1958	Mount Weld	Matsa Resources Limited	Live	100%
E 39/1980	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 39/1981	Mount Weld	Matsa Gold Pty Ltd	Live	100%
E 39/1889	Mount Weld	Matsa Gold Pty Ltd	Live	90%
E 63/1710	Mt Day	Matsa Resources Limited	Live	100%
E 09/2150	North Bore	Cundeelee Pty Ltd	Live	100%
E 09/2162	North Bore	Cundeelee Pty Ltd	Live	100%
E 52/3339	North Bore	Cundeelee Pty Ltd	Live	100%
E 39/1287	Fortitude	Matsa Gold Pty Ltd	Live	100%
E 39/1752	Fortitude	Matsa Gold Pty Ltd	Live	100%
E 39/1770	Fortitude	Matsa Gold Pty Ltd	Live	100%
E 39/1803	Fortitude	Matsa Gold Pty Ltd	Live	100%
E 39/1819	Fortitude	Matsa Gold Pty Ltd	Live	100%
E 39/1889	Fortitude	Matsa Gold Pty Ltd	Live	100%
L 39/247	Fortitude	Matsa Gold Pty Ltd	Live	100%
M 39/1	Fortitude	Matsa Gold Pty Ltd	Live	100%
M 39/1065	Fortitude	Matsa Gold Pty Ltd	Live	100%
M 39/1089	Fortitude	Matsa Gold Pty Ltd	Live	100%
M 39/286	Fortitude	Matsa Gold Pty Ltd	Live	100%
M 39/709	Fortitude	Matsa Gold Pty Ltd	Live	100%
M 39/710	Fortitude	Matsa Gold Pty Ltd	Live	100%
P 39/5293	Fortitude	Matsa Gold Pty Ltd	Live	100%
P 39/5652	Fortitude	Matsa Gold Pty Ltd	Live	100%
P 39/5694	Fortitude	Matsa Gold Pty Ltd	Live	100%
SPL 17/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
SPL 19/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
SPL 20/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
SPL 22/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
SPL 23/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
		Siam Copper Resources		
SPL 27/2558	Siam Project ²	Co., Ltd	Live	100%
SPL 30/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%

MATSA RESOURCES LIMITED
SCHEDULE OF MINING TENEMENTS

Tenement Type and No.	Project	Holder	Status	Share Held
SPL 34/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 37/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 38/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 39/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 40/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 41/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 43/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 44/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 45/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 48/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 51/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 52/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 53/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%

¹= 80% held by Matsa

²= Located in Thailand

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

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

ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at 30 June 2017, and has been approved by the Board of Directors. Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure. All these practices, unless otherwise stated, were in place for the entire year. They comply with the *ASX Corporate Governance Principles and Recommendations (3rd edition)*.

For further information on corporate governance policies adopted by the Company, refer to the corporate governance section of our website: www.matsa.com.au

1. Compliance with Best Practice Recommendations

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	Lay solid foundations for management and oversight		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	2(a)	Yes
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	2(b), 3(b)	Yes
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	3(b)	Yes
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	2(e)	Yes

MATSA RESOURCES LIMITED
CORPORATE GOVERNANCE

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

MATSA RESOURCES LIMITED
CORPORATE GOVERNANCE

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

MATSA RESOURCES LIMITED
CORPORATE GOVERNANCE

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

MATSA RESOURCES LIMITED
CORPORATE GOVERNANCE

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

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

2. THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

The role of the Board is to be accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position provide leadership for and the supervision of the Company's senior management.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Assessing the effectiveness of senior management's implementation of systems and the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately.
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance and assuring itself that the Company practice is

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2. THE BOARD OF DIRECTORS (continued)

consistent with that Code; and other policies; and

- Reporting to and advising shareholders.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

2(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of an Executive Chairman, an Executive Director and a non-executive Director. Details of the members of the Board, their experience, expertise, qualifications, terms of office and independent status are set out in the Directors' Report of the Annual Report under the heading "Directors". The Board composition is such that the Company does not comply with Recommendation 2.1 as there are no independent non-executive directors. There have been no changes to the Board since 1 July 2013.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Chief Executive Officer is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

2(c) Chairman and Chief Executive Officer

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

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2. THE BOARD OF DIRECTORS (continued)

The Board does not comply with the ASX Recommendations 2.2 and 2.3 in that the Chairman has an executive capacity and therefore is not an independent Director (refer to 2(e) Independent Directors). The Board has considered this matter and decided that the non-compliance does not effect the operation of the Company.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- running the affairs of the Company under the delegated authority from the Board.

The roles of the Chairman and the Chief Executive Officer are not separate with the role being undertaken by an Executive Chairman.

2(d) Independent Directors

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Matsa Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Company does not comply with ASX Recommendation 2.4. The Company has two executive Directors and one non-executive Director. In accordance with the definition of independence above the Company is considered to have no independent directors.

The Board believes that the Company is not of sufficient size to warrant the appointment of more independent non-executive Directors in order to meet the ASX recommendation of maintaining a majority of independent non-executive Directors. The Company maintains a mix of Directors from different backgrounds with complementary skills and experience.

2(e) Company Secretary

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

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2. THE BOARD OF DIRECTORS (continued)

2(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

2(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

2(h) Review of Board performance

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Matsu Resources Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

3. BOARD COMMITTEES

3(a) Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.1 as two are executive directors and none are considered to be independent Directors (refer 2(d)). The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Consolidated Entity and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is Nexia Perth's policy to rotate engagement partners on listed companies at least every five years.

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CORPORATE GOVERNANCE

3. BOARD COMMITTEES (continued)

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the Company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

3(a) Audit Committee

The directors are satisfied that the provision of any non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of any non-audit services does not compromise the auditor's independence requirements of the Corporations Act because the services were provided by persons who were not involved in the audit.

3(b) Remuneration and Nomination Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 2.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executives such that it comprises a fixed salary and statutory superannuation. From time to time senior executives are issued options. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration.

The remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

4. TIMELY AND BALANCED DISCLOSURE

4(a) Shareholder communication

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;

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4. TIMELY AND BALANCED DISCLOSURE (continued)

4(a) Shareholder communication (continued)

- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

4(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 4(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

5. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Risk Management Policy"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

5(a) Board oversight of the risk management system

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

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

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5. RECOGNISING AND MANAGING RISK (continued)

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

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

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- a. regular reporting to the Board in respect of operations and the Company's financial position; and
- b. regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

The Company's risk management system is evolving. It is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities.

5(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

5(c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer provide to the Board written certification that in all material respects:

- (a) The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- (b) The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- (c) The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

5(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

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6. ETHICAL AND RESPONSIBLE DECISION MAKING

6(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The “Code of Conduct” sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company’s expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- (i) Comply with the law;
- (ii) Act in the best interests of the Company;
- (iii) Be responsible and accountable for their actions; and
- (iv) Observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of positional conflicts.

6(b) Policy concerning trading in Company securities

The Company’s “Securities Trading Policy” applies to all directors, officers and employees and was last updated in December 2010. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company’s securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company’s securities is when they are not in possession of price sensitive information that is not generally available to the market.

As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- No trading is permitted in the period of two weeks prior to the announcement to the ASX of the Company’s full year, half year and quarterly results or any other designated blackout period;
- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- Obtain the prior written consent of the Chairman (or two of the other Directors/Board if you are the Chairman).

6(c) Policy concerning diversity

The Company encourages diversity in employment throughout the Company and in the composition of the Board, as a mechanism to ensure that the Company is able to draw on a variety of skill, talent and previous experiences in order to maximise the Company’s performance.

The Company’s “Diversity Policy” has been implemented to ensure the Company has the benefit of a diverse range of employees with different skills, experience, age, gender, race and cultural backgrounds, and that the Company reports its results on an annual basis in achieving measurable targets which are set by the Board as part of implementation of the Diversity Policy. The Diversity Policy is available on the Corporate Governance section of the Company’s website.

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6. ETHICAL AND RESPONSIBLE DECISION MAKING (CONTINUED)

The table below outlines the diversity objectives established by the Board, the steps taken during the year to achieve these objectives, and the outcomes.

Objectives	Position
Increase the number of women in the workforce, including management and at board level.	There were no key senior female appointments made during the year. As at 30 June 2017, women represented 25% in the Consolidated Entity's workforce (2016: 25%), nil in key management positions (2016: nil) and Nil at board level (2016: Nil).
Review gender pay gaps on an annual basis and implement actions to address any variances.	As a part of the annual remuneration review, the Board assesses the performance and salaries of all key management personnel and executive directors. Any gender pay disparities are addressed.
Provide flexible workplace arrangements.	During the year Matsa employed 2 employees on flexible work arrangements (2016: 2).
Provide career development opportunities for every employee, irrespective of any cultural, gender and other differences.	Whilst Matsa places special focus on gender diversity, career development opportunities are equal for all employees. Employees are encouraged to attend professional development courses/workshops throughout the year.
Promote an inclusive culture that treats the workforce with fairness and respect.	Matsa has set a zero tolerance policy against discrimination of employees at all levels. The Company provides avenues to employees to voice their concerns or report any discrimination. No cases of discrimination were reported during the year (2016: Nil).