

# **MATSA RESOURCES LIMITED**

ABN 48 106 732 487

---

## **INTERIM FINANCIAL REPORT**

**31 December 2018**

---

## CONTENTS

	Page No
Corporate Directory	1
Directors Report	2
Auditor's Independence Declaration	13
Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Consolidated Statement of Financial Position	15
Consolidated Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17
Notes to the Consolidated Financial Statements	18
Directors Declaration	26
Independent Auditor's Review Report	27

## **MATSA RESOURCES LIMITED**

### **CORPORATE DIRECTORY**

#### **Directors**

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

#### **Company Secretary**

Andrew Chapman

#### **Registered Office**

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

#### **Postal Address**

PO Box 376  
Northbridge WA 6865

**Website** [www.matsa.com.au](http://www.matsa.com.au)

#### **Auditors**

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

#### **Share Registry**

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

#### **Home Stock Exchange**

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

## **MATSA RESOURCES LIMITED**

### **DIRECTORS REPORT**

Your directors submit their report for the half year ended 31 December 2018.

#### **DIRECTORS**

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

Mr Paul Poli  
Mr Frank Sibbel  
Mr Andrew Chapman

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

#### **OPERATING RESULTS**

During the half year the Group made a loss of \$289,388 (2017: loss of \$2,521,184).

#### **REVIEW OF OPERATIONS**

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

#### **COMPANY ACTIVITIES**

##### **LAKE CAREY GOLD PROJECT**

###### **Introduction**

Matsa holds a ground position of ~ 700km<sup>2</sup> at Lake Carey which is highly prospective for new gold discoveries (Figure 1). The Company is committed to becoming a mid-tier gold mining company. The implementation of this vision commenced with the trial mining operation at Fortitude and mining of the Red Dog deposit. Furthermore, studies are continuing into the viability of a full scale open-pit gold mine at Fortitude and the recently announced commencement of underground production at the Red October gold project.

Matsa also sees substantial opportunities for further discoveries in favourable structural and stratigraphic settings within the Lake Carey Project area which remain relatively under-explored. The Fortitude and Bindah Faults are examples of favourable corridors which contain gold mineralisation (eg. Bindah, Fortitude, Jubilee, Misery and Keringal) and Matsa's gold targets (BE 1-4).

Matsa's discovery at Fortitude North and earlier discoveries along the Bindah Fault, provides strong support for Matsa's belief that there are significant areas which remain under-explored despite 30 years of exploration since the discovery of Sunrise Dam in 1988.

##### **FORTITUDE GOLD MINE**

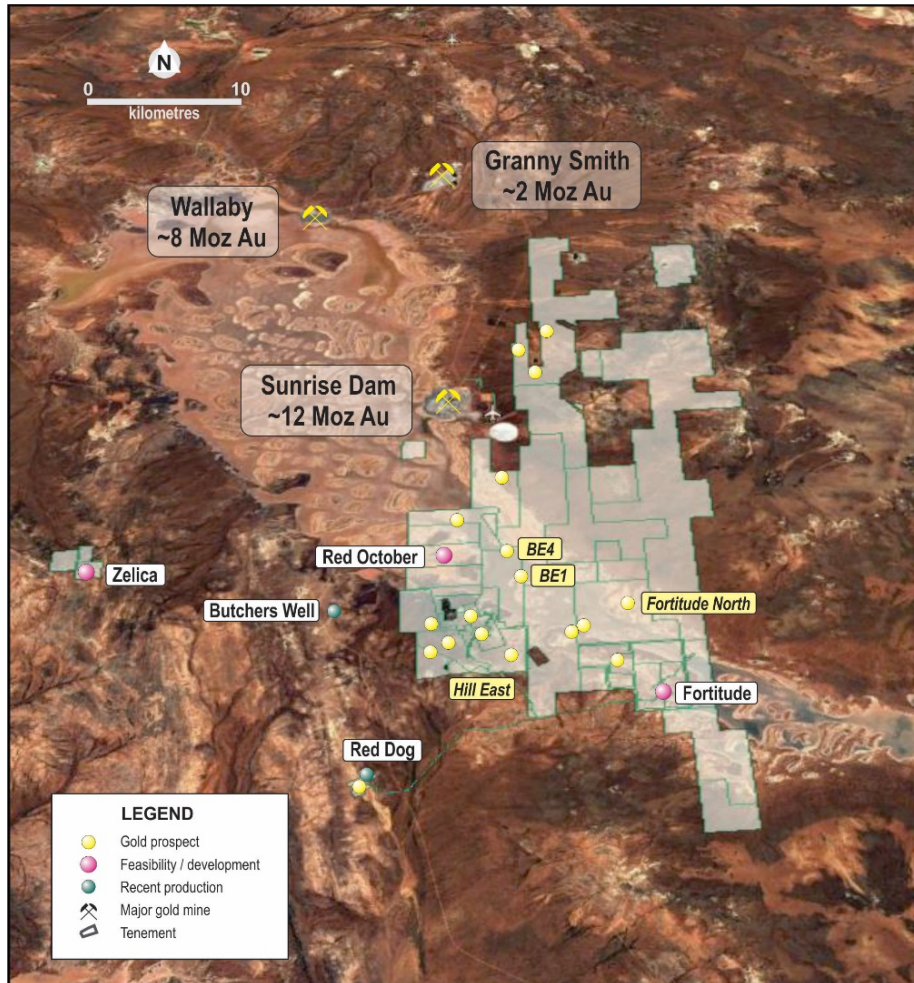
No gold production or exploration was carried out during the period at Fortitude.

The trial mining operation at the Fortitude gold mine was completed at the end of April 2018. Matsa continues to conduct mining studies and prepare budgets into the commencement of a longer-term mining operation at Fortitude.

The strong relationship established with AngloGold Ashanti Australia Limited (AGAA) through the ore purchase agreement which underpinned the trial mining project, also provides an excellent foundation for future mining operations at Fortitude. All mining permits applicable to the Stage 2 mining operation are already in hand as part of the permitting for the trial mine.

# MATSA RESOURCES LIMITED

## DIRECTORS REPORT



**Figure 1: Lake Carey Gold Project Location and Summary**

### RED OCTOBER GOLD MINE

In March 2018 Matsa completed the acquisition of the Red October gold mine. Activities during the period under review remained focused on studies into commencement of mining as soon as possible.

The Red October gold mine has been under care and maintenance while potential for near-term mining is being actively advanced. Dewatering has continued to ensure that all areas of the underground mine are accessible for exploration and mining.

Activities during the six month period under review included:

- Finalisation of Stage 2 mining studies
- Consultant-led geomechanical strain modelling to define near mine exploration targets

In April 2018 Matsa announced that it had entered into Stage 1 high level economic analysis work for the Red October underground gold mine. Stage 1 was completed, with quality resource definition targets and potential mining targets identified throughout the mine.

Stage 1 was an initial high level mine design and financial model, which identified areas within the existing 85,000 oz @ 13.6 g/t Au underground resource with potential for near-term mining. Twelve additional targets outside of the existing resource were identified as having near mine potential and have been flagged for further exploration and evaluation.

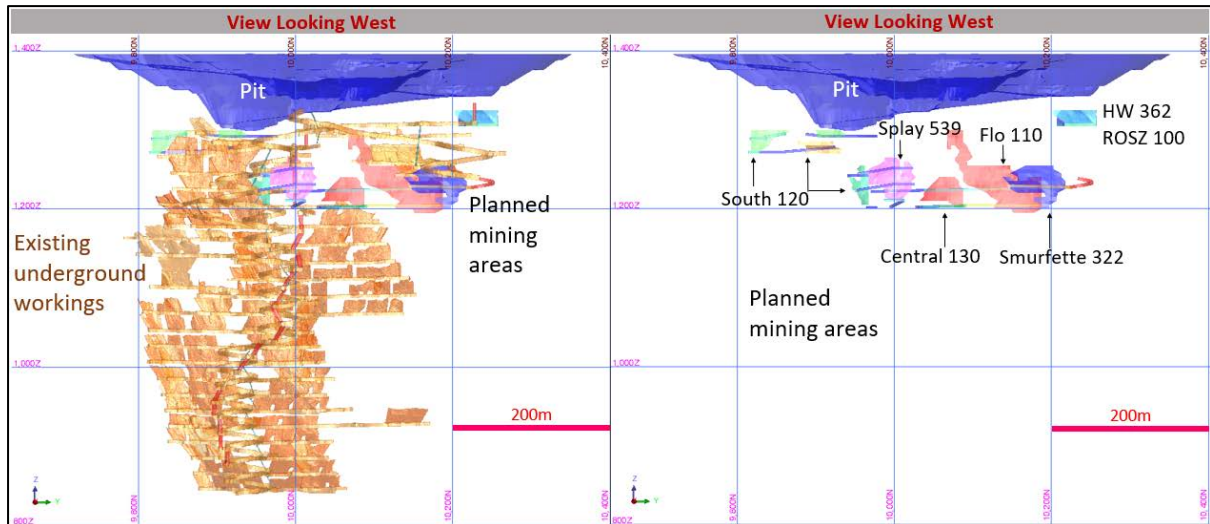
## MATSA RESOURCES LIMITED

### DIRECTORS REPORT

#### Stage 2 Mining Studies

Stage 2 involved detailed mine planning, designs, mine definition drilling designs, cost models and schedules with a view to the commencement of trial mining and diamond drilling. Matsa secured the services of Red Rock Engineering to provide diligent mine planning and stope economic analysis in combination with geology assessments. Mine planning focused on further refinement of Stage 1 targets, plus an optimisation run on the current block model to identify additional mining targets (Figure 2).

Stage 2 also involved obtaining all the necessary permits and approvals, tenders and contracts. To date, all necessary permitting has been approved and the tender/contracting phase is well advanced.



**Figure 2: Stage 2 planned mining areas identified at Red October (Long-section view)**

The Stage 2 mining study comprised of the following components:

- mine infrastructure planning
- development designs
- stope designs and economic analysis
- mine definition drilling designs
- cost models
- mine production schedules
- metallurgy studies
- lodgement of necessary permits and approvals applications
- commence of tenders
- staffing requirements

Results of the Stage 2 mining studies were announced in February 2019 and accordingly a trial mining campaign is expected to commence shortly thereafter upon execution of an ore purchase/toll milling agreement.

#### Geomechanical Strain Modelling

In late 2018, Matsa commissioned the services of GMEX (Dr John McLellan) to construct a geomechanical model to aid in the prediction of mineralised fluid flow within structures. The technique has been used successfully at Red October before under Saracen's ownership, and has also been used at Sunrise Dam. The geomechanical model was instrumental in the 2Moz+ Vogue deposit discovery at Sunrise Dam by AGAA.

## MATSA RESOURCES LIMITED

### DIRECTORS REPORT

The analysis process builds a 3-dimensional interpretative model of the near mine environment constrained by high quality ground magnetics, underground geological mapping and drill hole information including oriented structural data. The objective is to identify “dilatational” target areas of low to moderate strain, where gold-bearing fluids may have accumulated during the complex structural history of the Red October area.

Geomechanical analysis has the potential to be a cost-effective tool to focus on exploration drilling, discovering new gold mineralisation and expanding the gold resource base at Red October.

The Red October model has recently been completed, and initial results show favourable conditions along known structures for localised fluid flow and potential for mineralisation. The model shall be interrogated further during H1 of 2019 to assist with the finalisation of an exploration targeting pipeline in addition to existing structural geology, lithology, geochemistry and geophysics datasets.

#### Red October Gold Mine Background

The Red October gold mine and project area covers 44 km<sup>2</sup> and consists of six granted Mining Leases (ML's), an extensive well-maintained underground mine, a 68-person camp, offices, workshops and exploration base, wet and dry messes, underground mine equipment and a JORC 2012 compliant Mineral Resource of ~99,000 oz of gold, which importantly includes 85,000 oz @ 13.6g/t Au.

The Red October mine is a structurally controlled gold deposit located in the Laverton Tectonic Zone which hosts a number of world class gold mines with resources >25M oz of gold which include Sunrise Dam, Granny Smith, Wallaby and Mt Morgans. Red October is located only 18km west of Matsa's Fortitude Gold Mine.

#### **RED DOG GOLD PROJECT**

Mining at Red Dog commenced in late August 2018 and were completed in late November 2018, and haulage of ore to the Sunrise Dam Gold Mine (SDGM) under Matsa's ore purchase agreement with AGAA was completed in late December.

Mining was as expected and in accordance with the mine budgets and mine plan. Operations proceeded smoothly with mining equipment performing well, with only a few interruptions to production.

The mining at Red Dog delivered an outstanding result, generating production of 12,704 ounces and an operating profit of \$5.5 million, which exceeded the forecast set down in the mining study. Final proceeds from the ore delivered in December were received the week ending 11th January 2019 from AGAA.

The key outcomes from the Red Dog gold project are shown in Table 1 with the open pit mine shown in Figure 3.

	Mining Study July 2018	Actual	% Achieved
Total Tonnes	182,000	185,730	101.88
Grade (g/t)	2.5	2.3	92.00
Strip Ratio (Waste:Ore)	2.4	1.7	70.83
Metallurgical Recovery (%)	92.5	92.5	100
Production (Oz)	13,400	12,704	94.81
Cash Surplus (A\$M)	5.4	5.5	101.85
AISC (A\$ per Oz)	1,294	1,288	(6)*

\* Absolute figure

**Table 1: Red Dog Gold Project Key Outcomes**



## MATSA RESOURCES LIMITED

### DIRECTORS REPORT



**Figure 3: Red Dog Gold Project close to completion of mining**

#### Mining Summary

The mining and haulage operations at Red Dog gold project were conducted over a 4 month period with the establishment of the required infrastructure. Actual mining started in mid-September 2018. Adverse weather conditions impacted haulage of the ore to SDGM which was completed on 24 December 2018, 3 weeks behind schedule. However, the weather delays did not impact mining operations and overall the project exceeded Matsa's forecasts. Importantly the mining was conducted in a safe manner with no time lost due to injuries.

Mining was completed as initially planned with the mine design altered only slightly following grade control drilling resulting in approximately 5% less ounces. These lower ounces were significantly compensated for by a lower stripping ratio which resulted in lower mining costs. A gold price slightly higher than forecast was achieved during the operation. Dilution was contained by using contour mining methods and by implementing stringent geological supervision.

#### **LAKE CAREY EXPLORATION**

Exploration at Lake Carey during the period comprised the following:

- Lake aircore drilling to complete coverage of Fortitude North and BE4 prospects
- Resampling of historic drill holes in the Capella Mining leases
- Complete airborne magnetic and radiometric survey of Capella and Red October
- Review of results from R&D Seismic Survey over BE1

#### Lake Aircore Drilling Programme

Matsa carried out the drilling using a specially designed lake aircore rig capable of operating on the surface of salt lakes. A total of 55 drill holes were completed for a total of 4,361m of drilling as summarised in Table 1. Of these drill holes, 29 drillholes for 2,622m were completed at Fortitude North, 20 drillholes for 1,347m at BE 4 and a further 6 drill holes for 392m were carried out over regional aeromagnetic target AF 1.

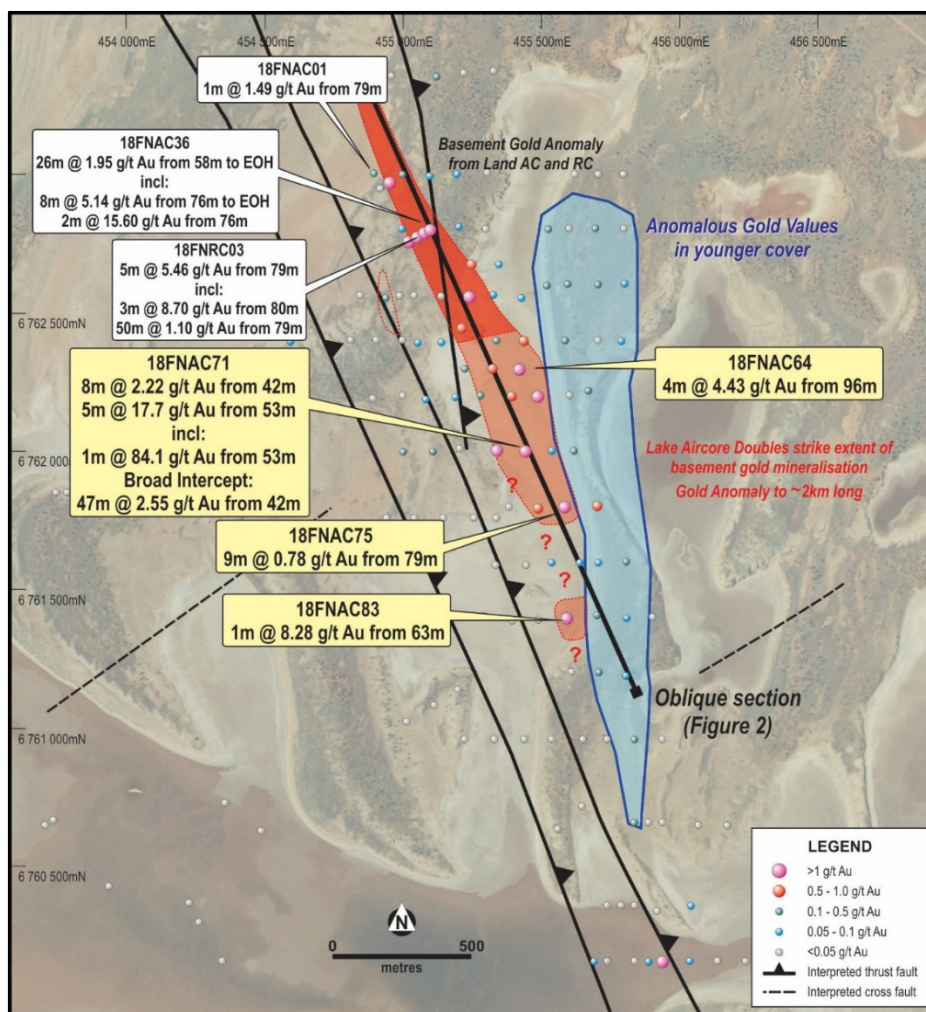


# MATSA RESOURCES LIMITED

## DIRECTORS REPORT

### Drilling Results Fortitude North

The Fortitude North Target is located ~7km northwest of Matsa's Fortitude Gold Mine, and is also located along the Fortitude Fault. Drilling to date has defined a linear zone of bedrock mineralisation almost 2km long. Recent lake drilling almost doubled the strike extent of this zone (Figures 4 and 5).



**Figure 4: Fortitude North Summary Drill Results and Interpretation**

(Significant new drill results in yellow boxes)

Assays received from lake aircore drilling carried out during the current quarter at Fortitude North returned a number of significant gold values, with the following best intercepts as previously announced (MAT announcement to ASX 9<sup>th</sup> November 2018):

**47m @ 2.55 g/t Au from 42m** (18FNAC071)

*incl. 8m @ 2.22 g/t Au from 42m*

*and 5m @ 17.7 g/t Au from 53m*

*incl. 1m @ 84.1 g/t Au from 53m*

*and 2m @ 1.10 g/t Au from 79m*

**4m @ 4.43 g/t Au from 96m** (18FNAC064)

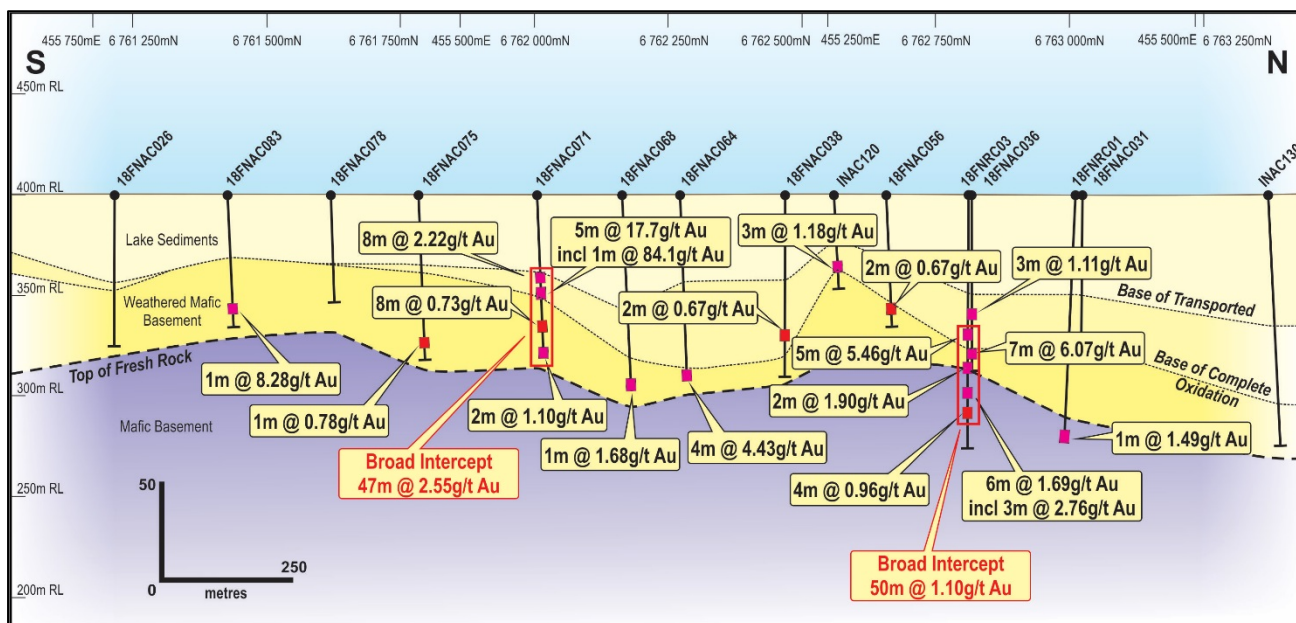
**1m @ 1.87 g/t Au from 42m** (18FNAC070)

**9m @ 0.78 g/t Au from 79m** (18FNAC075)

**1m @ 8.28 g/t Au from 63m** (18FNAC083)

# MATSA RESOURCES LIMITED

## DIRECTORS REPORT



**Figure 5: Fortitude North Interpreted Oblique Longitudinal Section showing gold intercepts in weathered basement rocks**

These new intercepts are in deeply weathered basement rocks (mostly metabasalt and dolerite) and has extended gold mineralisation by more than 1km under the lake and has now been defined for a distance of almost 2km along the Fortitude Fault.

The selected higher-grade intercepts in drill hole 18FNAC071 are all located within a broad intersection with gold values up to 84.1 g/t Au, with the average assay grade based on 1m samples.

The highest grades in aircore drill hole 18FNAC71 are interpreted to reflect supergene enrichment in the weathering profile above primary gold mineralisation.

Anomalous gold up to 0.78 g/t Au in transported lake clays to the east of the zone of basement mineralisation is interpreted as the product of erosion and dispersion of adjacent basement gold mineralisation during deposition of the lake sediments (Figure 6).

### Next Steps at Fortitude North

Currently gold mineralisation is defined by comparatively wide spaced (200m x 100m) aircore drilling and two RC drill sections outside the lake. Further infill and step out drilling is planned to more accurately define the extents of the mineralised zone and to determine whether there is more than one mineralised zone.

The initial follow up drilling programme made up of RC and diamond drilling commenced in early January 2019 along three sections spaced 100m apart. Current drilling will test the interpreted mineralised zone which dips at a shallow to moderate angle towards the east as previously announced (MAT announcement to ASX 22nd October 2018).

### Drilling Results BE4

Step out lake aircore drilling 2km north of BE 1 in mid-2017 intersected anomalous gold values up to 3m @ 2.62 g/t Au at a new gold target which was named BE 4 (Figure 1). Subsequent aircore in early 2018 using a land based drilling rig, returned best values of 1m @ 1.22 g/t Au in one drill hole and a number of significantly anomalous gold results > 0.5 g/t Au.

Drilling included a best intercept of 3m @ 2.01 g/t Au from 62m in drill hole 18BN053. This result is located on the western end of a drill traverse which remains open to the west. Anomalous gold values are located over a NS distance of ~2km and follow the western edge of the Bindah Fault corridor which has undergone a major strike change from NNW to N trending. This change in strike direction is interpreted to be a structurally favourable location for accumulation of gold mineralisation along the Bindah Fault. The anomalous gold values occur in deeply weathered intermediate and mafic volcanics.



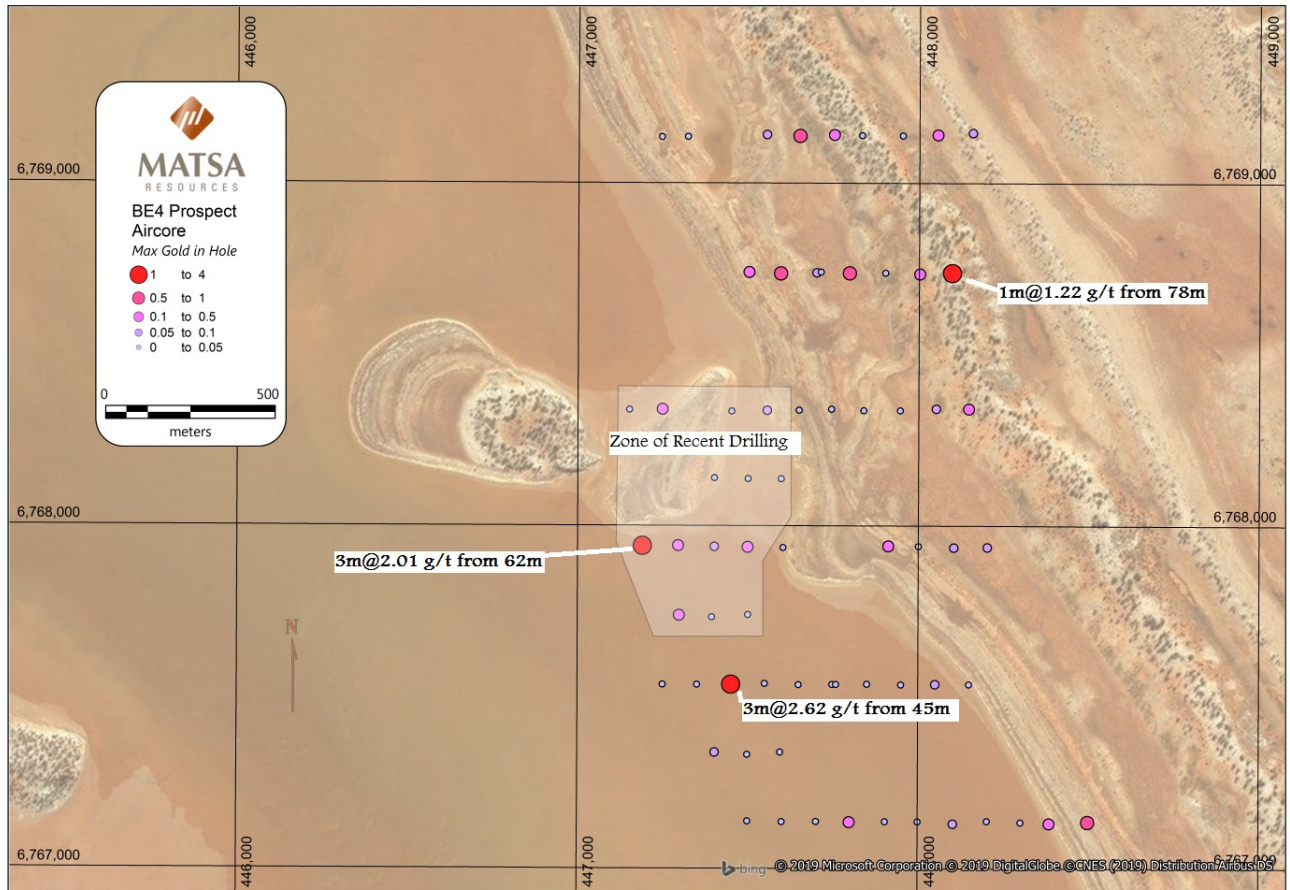
## MATSA RESOURCES LIMITED

### DIRECTORS REPORT

Further infill and step-out aircore drilling is proposed in order to better define this target for RC and diamond drilling.

#### Drilling Results AF 1

This prospect is located approximately 5km SW of BE 1 and comprised a discrete linear magnetic anomaly. No significantly anomalous results were returned from drill samples in six drill holes completed on this prospect. No further work is proposed at this stage.



**Figure 6: BE4 Aircore Drilling Summary**

#### Capella, Re-sampling of Historic Aircore Drill Holes

Matsa has re sampled drill spoil from 447 aircore drill holes completed by previous explorers including Saracen Minerals, in the Capella mining leases south of Red October. Exploration records for these drill holes include assays for gold only and the objective was to obtain samples for multi element analysis and mineralogical scanning. There is potential to use this data to detect hydrothermal alteration footprints associated to prioritise areas for follow up drilling. This sampling was carried out by locating drill collars in the field and carefully sampling cuttings which have been least affected by weathering in each drill hole. Assay results are awaited.

#### Airborne Magnetic and Radiometric Survey Capella

During the period Matsa carried out a detailed aeromagnetic survey over the western part of the Lake Carey gold project including the Capella/Red October mining leases. This is the first survey of this kind carried out over the Red October mine. Matsa has integrated this data into the project-wide aeromagnetic coverage and it can be seen to have significantly increased the resolution of potentially important structures and rock types.

# MATSA RESOURCES LIMITED

## DIRECTORS REPORT

### New Tenement Acquisitions Lake Carey

During the period under review Matsa expanded its Lake Carey gold project through tenement acquisitions which significantly add to its portfolio. These include:

- Tin Dog gold project, option to purchase from Scott Wilson;
- Devon gold mine purchase from GME Resources Ltd - ASX GME;
- Devon gold project option to purchase from Anova Metals Ltd – ASX AWW; and
- Zelica gold project purchase from Anova Metals Ltd - ASX AWW.

### Tin Dog Project Acquisition

In November 2018 Matsa entered into an option to purchase agreement with Scott Wilson to acquire a granted mining lease adjoining Matsa's Red Dog gold mine which Matsa believes to be a part of the same gold mineralised system and to be highly prospective for significant further gold mineralisation.

This project includes a number of significant gold intercepts from historic drilling including:

- **6m at 13.8 g/t Au from 20m and**
- **16m at 2.9 g/t Au from 55m**

Mineralisation appears to be related to the presence of syenite intrusions adjacent to the Mt Hornet shear zone and may be similar to the Anglo/Saracen JV project at Butchers Well which is also associated with syenite intrusions on the same structure. Mineralisation at Matsa's Red Dog mine is interpreted to form part of this potentially much larger gold-mineralised system. Matsa is currently integrating drilling, aeromagnetic and geological data from the two projects to guide exploration drilling.

### Acquisitions from Anova Metals Ltd

In November 2018 Matsa entered into two agreements with Anova Metals Ltd ("Anova") whereby Matsa can acquire two projects:

- Five mining leases and one exploration licence making up Anova's 17.8 km<sup>2</sup> Devon gold project; and
- One mining lease, one exploration licence and one miscellaneous licence making up Anova's Zelica gold project located 20km NW of Matsa's Red October gold mine

### *Devon Gold Project*

The Devon tenements are located immediately south of Red October and are contiguous with Matsa's Red October tenements. The tenements hold multiple historical workings that produced approximately 23,000 ounces of gold with quoted average gold grades of ~ 50 g/t Au, over outcropping and near surface quartz veins. The acquisition is of particular interest as it forms a large contiguous land package with existing gold targets already to hand and strongly complements the recently acquired Red October gold mine.

Significant historical drill results at Devon highlight a number of gold mineralised areas with associated historic gold workings. Better results from recent drilling by Anova Metals include:

1m at 37.1 g/t Au from 4m  
2m at 13.3 g/t Au from 16m  
5m at 4.7 g/t Au from 43m  
10m at 2.0 g/t Au from 16m

Matsa has already identified a number of excellent drill ready exploration opportunities which are currently being compiled and assessed for further drilling.

### *Zelica Project*

The Zelica gold project is located 20km to the NW of Red October.

Historical drilling at Zelica has advanced the project to the status of a JORC 2004 Resource of 358,200t @ 1.65 g/t Au for a total of 19,036 ounces of gold.

## MATSA RESOURCES LIMITED

### DIRECTORS REPORT

Exploration activities undertaken by Anova prior to acquisition of the project by Matsa have concentrated on carrying out optimisation studies on the in-situ gold resources. Work included drilling on the low grade stockpile to confirm grades from historic drilling and a programme of pit floor trenching, mapping and sampling.

Anova also identified the potential presence of near-surface, high-grade zones within the main ore zone, most notably in the central parts, and near the southern pit ramp.

Matsa is currently evaluating the potential of the project for near-term mining.

#### Devon Gold Mine Acquisition from GME Resources Ltd

In December 2018 Matsa entered into a Sale and Purchase Agreement ("SPA") with GME Resources Ltd ("GME Resources") to acquire 2 mining leases and one miscellaneous licence comprising the Devon gold mining project and the adjacent New Years Gift exploration licence. The tenements acquired under this agreement make up the rest of the greater Devon project as acquired from Anova and gives Matsa control of the known gold mineralised areas surrounding the Devon mine, which is currently on care and maintenance.

The Devon open pit gold mine was initially trial mined by GME Resources in May 2015, producing approximately 13,590t at 5.36g/t for 2,195 oz of gold. The pit was extended in 2016 with GME Resources reporting production of 47,032t at 5.3g/t for 7,398oz gold over the six month mining operation. GME Resources reported drilling below the pit and old workings indicated mineralisation remains open at depth and had planned to test down dip extensions. However, access for drilling for potential extensions of the open pits was limited by tenure. Matsa's recent agreement with Anova on the surrounding ground in M39/500 removes this tenure obstacle and will now allow Matsa to progress exploration of this exciting high grade opportunity.

The New Year's Gift prospect which was also acquired from GME Resources, is located less than 2km north of the Devon mine. This prospect is hosted within the same north-northwest trending greenstone package as Devon. This prospect which was defined by a number of historical gold workings and has undergone minimal recent exploration. In 2015, GME drilled 4 RC holes over the New Year's Gift prospect. All holes intersected mineralisation with gold values greater than 1 g/t Au and potential for high grade mineralisation was confirmed in two holes with better results of (GME announcement to ASX 6th July 2015 and 4th November 2015):

4m at 10.6g/t Au from 25m  
1m at 23.6g/t Au from 23m

Matsa is planning a follow-up RC drilling programme to better define and assess the potential of this high-grade mineralisation to commence in the first half of 2019.

#### **PARABURDOO PROJECT**

During the period ended 31 December 2018 a field programme was conducted to follow up further anomalous gold values in stream sediment samples as previously reported.

The field programme was carried out in June 2018 and was focused over the area of reported gold nugget discoveries, and gold anomalous drainages. A total of 9 stream sediment samples, 116 soil samples and 7 rock chip samples were collected with the following results:

- Stream sediment samples returned values up to 0.48 g/t confirming earlier results which point to mechanical dispersion of gold along drainages.
- A number of weakly anomalous soil gold values up to 16 ppb Au appear to reflect geochemical dispersion of gold in the vicinity of a reported gold nugget discovery area.
- All rock chip results were below the 10 ppb Au detection limit.

## **MATSA RESOURCES LIMITED**

### **DIRECTORS REPORT**

#### **THAILAND EXPLORATION**

As previously reported Matsa is working with the ALRO to finalise land access and allow more intensive exploration and mining activities. Concurrently, Matsa has received permits from the Forestry Department to access Forestry Land for exploration and potential mining at the Siam 1, Siam 2 and Siam 5 projects.

On-ground work during the period under review comprised low key exploration activities pending the outcome of discussions between the company and ALRO.

#### **CORPORATE ACTIVITIES**

On 20 August 2018, Matsa executed a binding agreement with Liontown Resources Limited ("Liontown"; ASX: LTR) for the sale of Matsa's Killaloe Project to Liontown. The agreement covers the sale of all tenements held 100% and its 80% interest in two other tenements held in joint venture with Cullen Resources Limited ("Cullen").

The consideration for the sale of the project was:

1. The issue of 20 million fully paid ordinary shares in Liontown to Matsa in two tranches; and
2. The grant of a 1% Net Smelter Royalty ("NSR") to Matsa on all minerals recovered and produced from the Killaloe Project.

As a result of the highly successful outcome at the Red Dog gold project, the Company announced it has determined to pay a maiden dividend to shareholders of 1 cent for every 5 shares held (0.2 cents per share).

#### **SUBSEQUENT EVENTS**

On 18 February 2019 Matsa announced it had commenced mining at the Red October gold project with drilling commencing on key mining targets and first ore expected to be produced in April 2019.

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

#### **AUDITOR'S DECLARATION**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 13 and forms part of the directors' report for the half year ended 31 December 2018.

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



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

Dated this 15th day of March 2019



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

To the Directors of Matsa Resources Limited,

I declare that, to the best of my knowledge and belief, in relation to the review of the interim financial report for the period ended 31 December 2018 there have been:

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

**Nexia Perth Audit Services Pty Ltd**

**M. Janse Van Nieuwenhuizen**  
**Director**

Perth  
15 March 2019

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the six months ended 31 December 2018

	Note	31 Dec 18 \$	31 Dec 17 \$
Revenue		11,563,369	1,860,258
Mining operations		(5,953,789)	(2,583,193)
Amortisation and depreciation	9	(532,569)	(846,102)
		<u>5,077,011</u>	<u>(1,569,037)</u>
Net gain on sale of investments		-	871,606
Net gain on sale of tenements		160,985	-
Net gain on sale of fixed assets		61,483	-
Other income	4	102,665	36,183
<b>Other expenses</b>			
Depreciation expense		(192,264)	(36,429)
Salaries and employment benefits expenses		(574,241)	(383,201)
Exploration expenditure written off	10	(1,545)	(202,145)
Impairment of exploration expenditure	10	(654,669)	(386,108)
Other administration expenses		(1,567,965)	(589,137)
Share based payments expense	13	(882,612)	-
Unrealised loss on financial assets at fair value		(1,216,353)	-
		<u>312,495</u>	<u>(2,258,268)</u>
<b>Results from operating activities</b>			
Finance income		17,129	15,556
Finance costs		(246,525)	(192,678)
		<u>(229,396)</u>	<u>(177,122)</u>
<b>Net finance cost</b>			
Share of loss of equity-accounted investee, net of tax		(372,487)	(85,794)
		<u>(289,388)</u>	<u>(2,521,184)</u>
<b>Loss before income tax expense</b>			
Income tax expense		-	-
<b>Net loss for the period attributable to equity holders of the company</b>		<u>(289,388)</u>	<u>(2,521,184)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Equity-accounted investees – share of other comprehensive income		-	8,797
Net change in fair value of available-for-sale financial assets		-	877,500
Available-for-sale financial assets – reclassified to profit or loss		-	(340,072)
<b>Other comprehensive income for the period, net of income tax</b>		<u>-</u>	<u>546,225</u>
<b>Total comprehensive loss for the period attributable to equity holders of the company</b>		<u>(289,388)</u>	<u>(1,974,959)</u>
<b>Loss for the period is attributable to:</b>			
Owners of the parent		(289,388)	(2,521,184)
Non-controlling interest		-	-
		<u>(289,388)</u>	<u>(2,521,184)</u>
<b>Total comprehensive loss for the period is attributable to:</b>			
Owners of the parent		(289,388)	(1,974,959)
Non-controlling interest		-	-
		<u>(289,388)</u>	<u>(1,974,959)</u>
<b>Earnings per share:</b>			
Basic/diluted profit/(loss) per share attributable to ordinary equity holders of the parent (cents per share)		(0.16)	(1.71)

The notes on pages 18 to 25 are an integral part of these consolidated interim financial statements.

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2018

		31 Dec 18 \$	30 June 18 \$
<b>Current Assets</b>			
Cash and cash equivalents		1,628,046	3,791,684
Trade and other receivables	5	5,742,980	900,405
Other assets		240,924	222,304
<b>Total Current Assets</b>		<u>7,611,950</u>	<u>4,914,393</u>
<b>Non-Current Assets</b>			
Other assets		310,384	288,943
Financial assets	7	2,201,893	2,683,246
Investments in associates		471,045	843,533
Exploration and evaluation assets	10	15,699,996	14,874,547
Property, plant and equipment	8	1,649,628	748,454
Mine properties and development	9	423,561	473,973
<b>Total Non-Current Assets</b>		<u>20,756,507</u>	<u>19,912,696</u>
<b>Total Assets</b>		<u>28,368,457</u>	<u>24,827,089</u>
<b>Current Liabilities</b>			
Trade and other payables		4,485,606	1,714,010
Borrowings	11	3,036,581	71,590
Provisions		219,697	217,567
<b>Total Current Liabilities</b>		<u>7,741,884</u>	<u>2,003,167</u>
<b>Non-Current Liabilities</b>			
Borrowings	11	23,248	2,955,286
Provisions		2,700,071	2,558,606
<b>Total Non-Current Liabilities</b>		<u>2,723,319</u>	<u>5,513,892</u>
<b>Total Liabilities</b>		<u>10,465,203</u>	<u>7,517,059</u>
<b>Net Assets</b>		<u>17,903,254</u>	<u>17,310,030</u>
<b>Equity</b>			
Issued capital	12	44,292,467	44,292,467
Reserves		9,396,963	10,455,642
Accumulated losses		(35,863,465)	(37,515,368)
<b>Total equity attributable to equity holders of the Company</b>		17,825,965	17,232,741
<b>Non-controlling Interests</b>		<u>77,289</u>	<u>77,289</u>
<b>Total Equity</b>		<u>17,903,254</u>	<u>17,310,030</u>

The notes on pages 18 to 25 are an integral part of these consolidated interim financial statements.

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the six months ended 31 December 2018

	Issued Capital Ordinary \$	Accumulated Losses \$	Equity Settled Benefits Reserve \$	Other Reserves \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2018	44,292,467	(37,515,368)	8,528,195	1,927,447	17,232,741	77,289	17,310,030
Adjustments on the initial application of AASB 9	-	1,941,291	-	(1,941,291)	-	-	-
Comprehensive loss for the period	-	(289,388)	-	-	(289,388)	-	(289,388)
Total comprehensive loss for the period	-	(289,388)	-	-	(289,388)	-	(289,388)
<i>Transactions with owners in their capacity as owners</i>							
Share Issue Costs	-	-	-	-	-	-	-
Share based payment	-	-	882,612	-	882,612	-	882,612
Balance at 31 December 2018	44,292,467	(35,863,465)	9,410,807	(13,844)	17,825,965	77,289	17,903,254
Balance at 1 July 2017	40,688,126	(32,397,626)	8,421,088	696,074	17,407,662	77,347	17,485,009
Comprehensive loss for the period	-	(2,521,184)	-	546,225	(1,974,959)	-	(1,974,959)
Total comprehensive loss for the period	-	(2,521,184)	-	546,225	(1,974,959)	-	(1,974,959)
<i>Transactions with owners in their capacity as owners</i>							
Issue of Shares	2,923,143	-	-	-	2,923,143	-	2,923,143
Share Issue Costs	(182,452)	-	-	-	(182,452)	-	(182,452)
Share based payment	-	-	107,107	-	107,107	-	107,107
Balance at 31 December 2017	43,428,817	(34,918,810)	8,528,195	1,242,299	18,280,501	77,347	18,357,848

The notes on pages 18 to 25 are an integral part of these consolidated interim financial statements.

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the six months ended 31 December 2018

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	7,064,388	934,900
Other income	109,225	42,521
Payments to suppliers and employees	(5,525,634)	(1,584,081)
Interest received	21,940	15,556
	<hr/>	<hr/>
<b>Net cash provided by/(used in) operating activities</b>	1,669,919	(591,104)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Payments for financial assets	(225,000)	-
Proceeds from sale of financial assets	-	1,650,601
Purchase of plant and equipment	(796,545)	(111,113)
Exploration and evaluation expenditure	(2,102,879)	(1,987,815)
Refund of/(payments for) security deposits	(40,061)	(11,270)
Deposit for new tenement acquisition	-	(150,000)
Payments for mine properties	(463,722)	(3,575,014)
Proceeds on sale of plant and equipment	80,000	-
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(3,548,207)	(4,184,611)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	2,923,143
Costs of issue	-	(111,270)
Borrowings	-	3,000,000
Interest paid	(242,361)	(222,107)
Repayment of lease liabilities	(42,989)	(32,546)
	<hr/>	<hr/>
<b>Net cash provided by/(used in) financing activities</b>	(285,350)	5,557,220
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	(2,163,638)	781,505
Cash and cash equivalents at beginning of the period	3,791,684	2,067,018
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	1,628,046	2,848,523
	<hr/>	<hr/>

The notes on pages 18 to 25 are an integral part of these consolidated interim financial statements.

## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2018

#### 1. REPORTING ENTITY

Matsa Resources Limited (the "Company") is a company domiciled in Australia. The condensed consolidated financial report of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office at Suite 11, 139 Newcastle Street, Perth WA 6000 or at [www.matsa.com.au](http://www.matsa.com.au).

This condensed consolidated interim financial report was authorised for issue in accordance with a resolution of the Board of Directors on 15 March 2019.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

It is recommended that the condensed consolidated interim financial report be read in conjunction with the consolidated annual financial report of Matsa Resources Limited for the year ended 30 June 2018 and considered together with any public announcements made by Matsa Resources Limited and its controlled entities during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2018 except for the following:

##### *AASB 9 Financial Instruments*

On 1 July 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the Group. The main effects resulting from this is the reclassification from available-for-sale to FVPL.

Certain investments in listed equity securities were reclassified from available-for-sale to financial assets at FVPL (\$2,683,246 as at 1 July 2018). They do not meet the AASB 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

When adopting AASB 9, the Group has applied for transitional relief and elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as of 1 July 2018. Related fair value gains of \$1,941,291 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 July 2018. This has been disclosed in the statement of changes in equity for the half year ended 31 December 2018.

There is no further significant impact under AASB 9.



## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2018

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

##### *AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. It applies to annual reporting periods commencing on or after 1 January 2018. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

##### *Revenue from sale of goods*

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer which occurs when control of goods or services have been transferred to the buyer and the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue from ore sales is brought to account when the control of goods or services is transferred have transferred to the buyer and selling prices are known or can be reasonably estimated.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

#### **(b) Basis of Consolidation**

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

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

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

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

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

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

## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2018

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

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

AASB 16 Leases removes the lease classification test for lessees and requires most leases (including operating leases) to be brought onto the balance sheet. AASB 16 will become mandatory for the Group's 30 June 2020 financial statements, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. The Group is currently making detailed assessments on the impact of this standard.

##### (d) 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 working capital deficiency of \$129,934 (2017: \$1,103,406), a loss for the period of \$289,388 (2017: \$2,521,184) and a cash inflow from operating activities of \$1,669,919 (2017: \$813,211 outflow).

At the end of the half year, the Group had \$1,628,046 in cash and term deposit balances and investments in listed companies of \$2,672,938. The Group also had borrowings of \$3,000,000 due and payable on 31 July 2019. The Group has already had preliminary discussions and received written confirmation from the lenders that the repayment date will be extended for a further twelve months. Formal documentation is being prepared to reflect this. 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. SEGMENT INFORMATION

##### Identification of reportable segment

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

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

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

##### Basis of accounting for purposes of reporting by operating segments

###### *Accounting policies adopted*

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

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the six months ended 31 December 2018

**3. SEGMENT INFORMATION (continued)**

**Information about reportable segments**

The following table presents revenue and profit/(loss) information regarding the Consolidated Entity's operating segments for the half-years ended 31 December 2018 and 31 December 2017.

<b>Half-year ended 31 December 2018</b>	<b>Reportable Segments</b>		<b>Total</b>
	<b>Australia</b>	<b>Thailand</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>
External revenues	11,732,715	11,931	11,744,646
Net gain on sale of investments	160,985	-	160,985
<b>Segment revenue</b>	<b>11,893,700</b>	<b>11,931</b>	<b>11,905,631</b>
<b>Segment profit/(loss) before tax</b>	<b>601,756</b>	<b>(891,144)</b>	<b>(289,388)</b>
<b>Half-year ended 31 December 2017</b>			
External revenues	1,893,880	2,561	1,896,441
Net gain on sale of investments	871,606	-	871,606
Inter-segment revenue	-	-	-
<b>Segment revenue</b>	<b>2,765,486</b>	<b>2,561</b>	<b>2,768,047</b>
<b>Segment profit/(loss) before tax</b>	<b>(1,909,332)</b>	<b>(611,852)</b>	<b>(2,521,184)</b>
<b>Segment assets</b>			
At 31 December 2018	27,168,587	1,199,870	28,368,457
<b>Segment assets</b>			
At 30 June 2018	23,014,060	1,813,029	24,827,089
<b>Segment liabilities</b>			
At 31 December 2018	10,454,976	10,227	10,465,203
<b>Segment liabilities</b>			
At 30 June 2018	7,513,564	3,495	7,517,059

**4. OTHER INCOME**

	<b>31 Dec 18</b>	<b>31 Dec 17</b>
	<b>\$</b>	<b>\$</b>
Foreign currency exchange gain	-	-
Other income	102,665	36,183
	<b>102,665</b>	<b>36,183</b>

**5. TRADE AND OTHER RECEIVABLES**

	<b>31 Dec 18</b>	<b>30 Jun 18</b>
	<b>\$</b>	<b>\$</b>
Trade debtors	5,685,163	723,436
Other receivables	57,817	176,969
	<b>5,742,980</b>	<b>900,405</b>

## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2018

#### 6. COMMITMENTS

##### Exploration and Expenditure Commitments

In order to maintain the mineral tenements in which the Consolidated Entity and other parties are involved, the Consolidated Entity is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. The minimum estimated expenditure commitment requirements for the next year is \$2,212,294 (30 June 2018: \$1,480,098). These obligations are capable of being varied from time to time. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

##### Acquisition of Devon Gold Project

On 13 December 2018 the Consolidated Entity entered into an agreement with GME Resources Limited for the acquisition of the Devon gold project as detailed in the Operations Review for a cash sum of \$100,000. This amount was paid on 8 January 2019.

##### Acquisition of Zelica Gold Project

On 29 October 2018 the Consolidated Entity entered into an agreement with Anova Metals Limited for the acquisition of the Zelica gold project as detailed in the Operations Review for a cash sum of \$150,000. This amount was paid on 15 January 2019.

#### 7. FINANCIAL ASSETS

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

At the end of the period the fair value of the investment was \$1,621,875 (30 June 2018: \$2,681,500) which is based on Panoramic Resources Limited's quoted share price.

- (ii) The Company acquired 20 million shares in Liontown Resources Limited (LTR), which is involved in exploration and development of lithium in Western Australia as consideration for the sale of its Killaloe project. LTR is listed on the Australian Securities Exchange.

At the end of the period the Company's investment was \$480,000 (30 June 2018: Nil) which is based on LTR's quoted share price at 31 December 2018.

- (iii) The Company purchased 10 million shares for \$225,000 in Anova Minerals Limited (AWV), which is involved in exploration and development of gold in Western. AWV is listed on the Australian Securities Exchange.

At the end of the period the Company's investment was \$100,000 (30 June 2018: Nil) which is based on AWV's quoted share price at 31 December 2018.

#### 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018 the Group acquired items of property, plant and equipment with a cost of \$1,061,547 (2017: \$126,813).

During the six months ended 31 December 2018 the Group disposed of items of property, plant and equipment with a written down value of \$18,517 (2017: \$Nil).

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the six months ended 31 December 2018

**9. MINE PROPERTIES AND DEVELOPMENT**

	31 Dec 18 \$	30 Jun 18 \$
Mine properties		
Balance at beginning of year	473,973	4,782,499
Transferred from/(to) exploration and evaluation assets (i)	-	(1,834,040)
Additions	-	502,701
Depreciation expense for the period	(50,412)	(26,028)
Amortisation expense for the period	-	(2,951,159)
Balance at end of year	<u>423,561</u>	<u>473,973</u>
Mine capital development		
Balance at beginning of year	-	171,468
Additions	532,369	46,188
Amortisation expense for the period	(532,369)	(217,656)
Balance at end of year	<u>-</u>	<u>-</u>
Total mine properties and development	<u>423,561</u>	<u>473,973</u>

- (i) Costs transferred to mine properties and development in the year ended 30 June 2017 incorrectly included amounts that have been classified as exploration and evaluation expenditure. This has been corrected in the period ended 30 June 2018 rather than in the comparative period as the error was not deemed material under AASB 108 as it did not result in a change to profit or loss, equity and working capital.

**10. EXPLORATION AND EVALUATION EXPENDITURE**

	31 Dec 18 \$	30 Jun 18 \$
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase	<u>15,699,996</u>	<u>14,874,547</u>
<b>Movements in carrying amounts</b>		
Balance at beginning of period	14,874,547	8,488,310
Acquisition of tenements	700,000	2,813,526
Exploration and evaluation incurred	1,663,247	2,494,006
Disposal of tenements (i)	(349,015)	-
Expenditure written off/provided for	(656,214)	(755,335)
Transferred from/(to) mine properties and development	<u>(532,569)</u>	<u>1,834,040</u>
Balance at end of period	<u>15,699,996</u>	<u>14,874,547</u>

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

- (i) The consideration for the disposal of the tenements was:

1. The issue of 20 million fully paid ordinary shares in Liontown to Matsa in two tranches; and
2. The grant of a 1% Net Smelter Royalty ("NSR") to Matsa on all minerals recovered and produced from the Killaloe Project.

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the six months ended 31 December 2018

**11. BORROWINGS**

	31 Dec 18 \$	30 Jun 18 \$
<b>Current</b>		
Secured liabilities		
Loan (i)	2,968,463	-
Finance lease liabilities (ii)	68,118	71,590
	3,036,581	71,590
<b>Non Current</b>		
Secured liabilities		
Loan (i)	-	2,937,521
Finance lease liabilities (ii)	23,248	17,765
	23,248	2,955,286

- (i) 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 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:	\$3,000,000 (\$3M immediately and \$1M any time 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 2019
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 principal loan balance of \$3M has been offset by the value of the options issued. At the end of the period the carrying value of the loan was \$2,968,463.

For the six months ended 31 December 2018, the Group has recognised \$30,942 of the above share based payment expense as an interest charge in the income statement (2017: \$44,628).

- (ii) The finance lease liabilities are secured over the Company's motor vehicles and plant and equipment.

**12. ISSUED CAPITAL**

	31 Dec 18 \$	30 Jun 18 \$
176,917,368 (30 June 2018: 176,917,368) ordinary shares	44,292,467	44,292,467
<b>Issue of options during the period</b>	<b>Number of options</b>	<b>\$</b>
Opening balance at 1 July 2018	13,700,025	8,528,195
Unlisted options issued to employees and directors	8,700,000	882,612
Options expired during the period	-	-
Options exercised during the period	-	-
	22,400,025	9,410,807



## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2018

#### 13. SHARE BASED PAYMENTS

During the six months ended 31 December 2018 under the Company's Long Term Incentive Plan (LTIP), 3,700,000 share options were issued to employees and 5,000,000 share options were issued to directors.

The options vest immediately at the date of grant. The contractual life of each option is three years and there is no cash settlement of the options.

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

The fair value of the options granted during the six months ended 31 December 2018 was estimated at the date of grant using the following assumptions:

Grant Date	23 November 2018	6 December 2018
Number of Share Options	5,000,000	3,700,000
Dividend Yield (%)	Nil	Nil
Expected Volatility (%)	140.56	140.56
Risk-free interest rate (%)	2.09	1.95
Expected Life (years)	3.01	2.97
Exercise Price (cents)	17 cents	17 cents
Fair Value per Option (cents)	9.79	10.62
<b>Total Value of Options (\$)</b>	<b>489,753</b>	<b>392,859</b>

For the six months ended 31 December 2018, the Group has recognised \$882,612 of share based payment expense in the income statement (2017: Nil).

#### 14. RELATED PARTIES

Please refer to the above in note 13 for share options issued to directors. Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2018 consolidated annual financial report.

#### 15. SUBSEQUENT EVENTS

On 18 February 2019 Matsa announced it had commenced mining at the Red October gold project with drilling commencing on key mining targets and first ore expected to be produced in April 2019.

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

#### 16. CONTINGENT LIABILITIES

In the opinion of the directors, there are no further contingent assets or liabilities as at 31 December 2018 and no changes in the interval between 31 December 2018 and the date of this report.

**MATSA RESOURCES LIMITED**

**DIRECTORS DECLARATION**

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

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2018 and the performance for the half-year ended on that date of the Consolidated Entity; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Paul Poli**  
**Director**

Dated this 15th day of March 2019

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

### **Conclusion**

We have reviewed the accompanying interim financial report of Matsa Resources Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of accounting policies, other explanatory notes 1 to 16, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the interim period.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the interim ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Matsa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## **Independence**

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

Handwritten signature in grey ink, appearing to read 'NPAS'.

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

Handwritten signature in grey ink, appearing to read 'M. Janse Van Nieuwenhuizen'.

**M. Janse Van Nieuwenhuizen**  
*Director*

Perth  
15 March 2019