

MATSA RESOURCES LIMITED
ABN 48 106 732 487

ANNUAL REPORT
For the Year Ended
30 June 2019

MATSA RESOURCES LIMITED

CORPORATE DIRECTORY

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Franciscus (Frank) Sibbel	Director
Andrew Chapman	Director

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Andrew Chapman

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MATSA RESOURCES LIMITED

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MATSA RESOURCES LIMITED

CHAIRMAN'S REPORT

Dear Shareholder,

I welcome you to another year at Matsa, during which, in my opinion, we have continued to develop and grow, and I trust we have demonstrated that we have delivered on our forecasts and predictions.

We have accomplished much during the year, but most importantly our relationship with AngloGold Ashanti has continued to develop positively. Matsa has executed another ore purchase agreement, this time a 5 year ore purchase agreement with Anglo. I believe this is a vote of confidence in the performance of the whole Matsa team and the operations at Lake Carey. I cannot understate the importance of this relationship and I sincerely thank Anglo for their professionalism and openness in all their dealings with us.

This year we have reopened the Red October underground mine which we expect to become a long term operation delivering considerable shareholder value over many years. The operations are running smoothly and we look forward to increasing production, which will allow us to develop and progress towards becoming a mid-size gold producer in time. This asset, while the key focus right now, is one of several high value projects that we are proudly working on at Lake Carey.

While we will continue our exploration activities with some impressive targets, we will also concentrate on bringing the Fortitude Stage 2 mine into production. Stage 2 is a company changer in my mind, because it should develop a substantial cashflow which we will be able to utilise to further develop our assets and resources into a much stronger operation at Lake Carey. The sole focus is on developing our company into a safe, environmentally aware, mid-size gold producer in Western Australia. We will continue to investigate all opportunities and nurture and develop all of those opportunities diligently.

We have now been operating as a producer for approximately 2 years, and I am proud to say that we have not had a major safety incident or serious work injury within the entire Lake Carey project area. Safety is extremely important to us all and must be at the forefront of our minds at all times. I ask all members of Matsa and the wider community who visit our project area to remain vigilant.

I take this opportunity to thank all staff, contractors, fellow board members and members of the whole Matsa community for their tireless dedication and high work ethic. It's because of "the Team" that Matsa can flourish and provide deserved rewards to all stakeholders.

Importantly, together with all at Matsa, I sincerely express my gratitude and thanks to all shareholders who continue day to day to support and encourage our work, and we trust our supporters are aware that we know that without them, we cannot continue our endeavours.



PAUL POLI
EXECUTIVE CHAIRMAN

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

INTRODUCTION

Matsa is an ASX listed exploration and gold mining company operating in the north eastern goldfields of Western Australia. The corporate office is located in Perth, Western Australia with also an office in Bangkok, Thailand.

Matsa is pleased to present its report on its activities during FY2019.

The Company's activities during the year under review were principally focused within its ~ 673km² Lake Carey project which includes the Fortitude gold mine and the Red October gold mine where mining has commenced (Figure 1). The Company is committed to becoming a mid-tier gold mining company, and the implementation of this vision commenced last year with its trial mining operation at Fortitude. During the year under review, mining of the Red Dog deposit was also completed with subsequent underground mining commencing at the Red October gold mine. Concurrently, studies continued into the viability of commencing the Stage 2 mine at Fortitude.

REVIEW OF OPERATIONS

LAKE CAREY GOLD PROJECT

Activities during the year include:

- Completion of mining at Red Dog which produced a substantial cash surplus of \$A5.4M
- Transitioning the high grade underground Red October gold mine from care and maintenance to a mining operation
- Advancing within mine exploration underground at Red October
- Continuation of studies into the viability of commencing the Stage 2 gold mine at Fortitude
- Exploration drilling at a number of targets including Fortitude North and Red Dog
- Acquisition of additional highly prospective mining and exploration areas including the Devon Mine and a number of high grade historical workings in the Linden field

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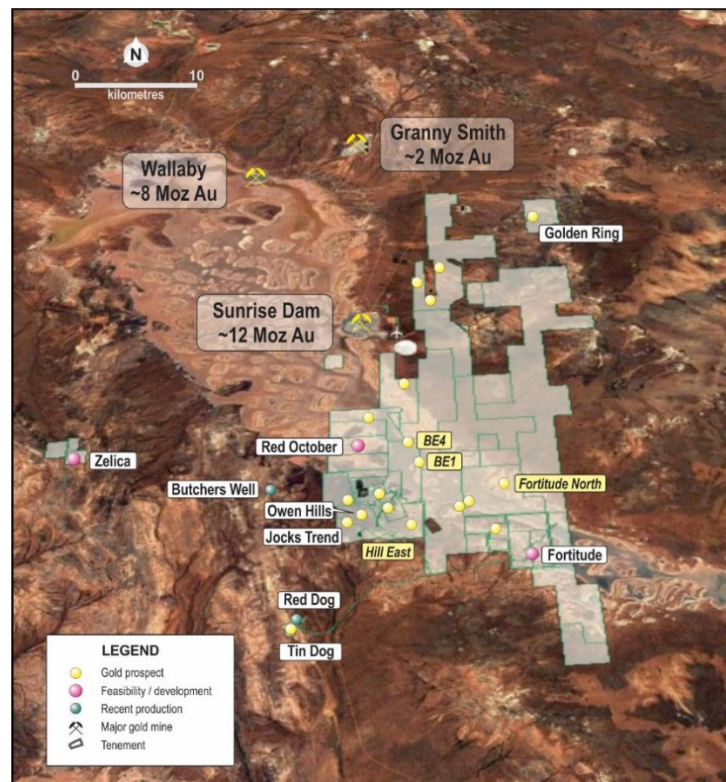


Figure 1: Lake Carey Gold Project

FORTITUDE GOLD MINE

The trial mining operation at Fortitude was completed during April 2018 with no further gold production or exploration being carried out at Fortitude during the year.

Matsa has continued to conduct mining studies and prepare budgets into the commencement of a longer-term Stage 2 mining operation at Fortitude throughout the year.

A strong relationship has been established with AngloGold Ashanti Australia Limited (AGAA) through several ore purchase agreements which underpinned the trial mining project. It provides an excellent foundation for future mining operations at Fortitude and elsewhere at Lake Carey. All mining permits applicable to the Stage 2 mining operation are already in hand.

Subsequent to the end of the year under review, Matsa released outcomes of the mining study which provides a compelling case for commencement of a Stage 2 mining project at Fortitude based on the following:

- o Total cash surplus **A\$21.8M over 22 months**
- o Total production of **54,400 oz gold at 93% recovery**
- o Capital outlay A\$6.6M which includes pre-stripping
- o Operating **cash cost of A\$1,628/oz gold**
- o Assumed average gold price of A\$2,150
- o Total material movement 5.85M bank cubic metres (bcm's) at a waste to ore ratio of 14.4

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RED OCTOBER GOLD MINE

During March 2018, Matsa completed the acquisition of the Red October gold mine. Activities during the year under review remained focused on bringing the mine into production which occurred during April 2019.

The Red October gold mine was actively maintained under care and maintenance while potential for near-term mining was being advanced. Dewatering and equipment maintenance continued throughout the year to ensure that all areas of the underground mine were accessible for exploration and mining.

April 2018 saw Matsa announcing that it had entered into Phase 1 high level economic analysis work for the Red October underground gold mine.

Phase 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 also identified as having potential for near-term mining and were flagged for further exploration and evaluation.

Activities during the year have included the following:

- Finalisation of Phase 1 mining studies
- Grade control diamond drilling
- Consultant-led geomechanical strain modelling to define near mine exploration targets
- Executed 5 year Ore Purchase agreement with AGA Sunrise Dam Operations
- Approval of initial mine plan
- Acquired plant equipment for owner operated underground gold mining
- Mining workforce recruited
- Commencement of mining February 2019

Mining Studies

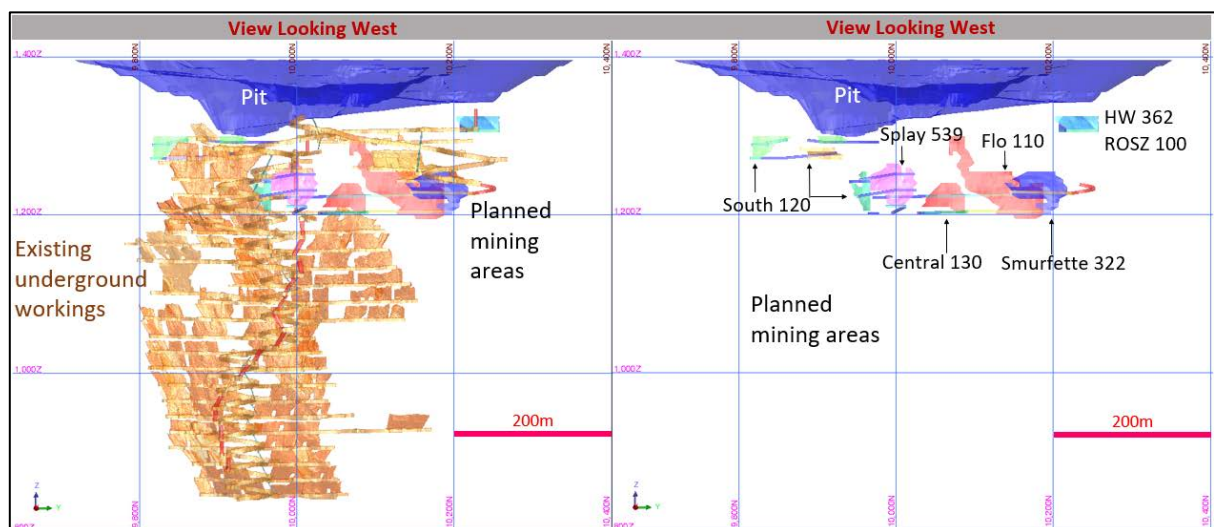


Figure 2: Planned mining areas identified at Red October (Long-section view)

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Initial Mine Plan

Mine studies delivered a comprehensive mine plan which forecasts a profitable targeted mining operation over an initial seven month period.

The initial phase 1 mine plan is expected to produce 56,673 tonnes of ore at 5.61g/t for 10,222oz of gold sourced from 8 lodes. The mine is operated by Matsa as an owner operator with all mining equipment and machinery being previously purchased (Table 1).

This mining operation is forecast to generate revenue of A\$16.09 million and deliver a net cash surplus A\$4.075 million at a gold price of A\$1,750 per oz gold. (MAT announcement to ASX 18 February 2019).

Strong potential is seen to extend the mining operation at Red October beyond the initial mine plan.

Key Project Statistics	
Mineral Resources (Underground)	
Indicated Resources: 89,000t at 12.1 g/t Au	35,000 oz
Inferred Resources: 106,000t at 14.6 g/t Au	50,000 oz
Total Resources: 195,000t at 13.6 g/t Au	85,000 oz
Production Summary	
Mine Plan: 56,673t at 5.6 g/t Au	10,222 oz
Initial mining phase (months)	7
Initial mining phase incl. haulage & rehab (months)	8
Metallurgical Recovery	90%
Gold Mined (oz)	10,222 oz
<i>(average stope width of 1.5m)</i>	
Project Economics	
Gold Price (A\$/oz)	1,750
Revenue (A\$M)	16.09
Costs (A\$M)	12.02
Cash Surplus (A\$M)	4.075
AISC (A\$/oz)	1,307

Table 1: Red October Initial 7 month mine Key Parameters (Refer Forward Looking and Cautionary Statements below)

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Forward Looking and Cautionary Statements

Information included in this release constitutes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue” and “guidance” or other similar words, and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, staffing and litigation. Forward looking statements are based on the company and its management’s assumptions made in good faith relating to the financial, market, regulatory and other relevant environments that exist and affect the company’s business operations in the future. Readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements are only current and relevant for the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward-looking statements or advise of any change in events, conditions or circumstances on which such statement is based.

The Company believes that it has a reasonable basis for making the forward-looking statements in this announcement, including with respect to any mining and financial estimates, based on the information compiled in this announcement. Key aspects of the mining study were compiled by specialist consulting groups, each with a particular expertise for the area of study reported. The Company considers that the investigations and studies carried out for this study comply with the requirements of a mining study.

Commencement of Mining

Mining activities commenced in February 2019 and included the following:

- Decline and equipment refurbishment
- Refurbishment and upgrading of electrical facilities, water pumps and ventilation equipment
- Completion of grade control drilling and receipt of assay results
- Grade control drilling results incorporated into block model and updated mine designs produced
- Five year ore purchase agreement was executed with AngloGold Ashanti Australia Limited (AGAA) for ore delivery to the Sunrise Dam processing plant
- Mining commenced during the year for an initial 168 metres of drives being developed in order to access high grade ore in preparation for mining. This resulted in 831 tonnes of low-grade development ore and 8,754 tonnes of waste being produced
- Development was focused on levels N1260, N1290 and N1240, with level N1260 successfully reaching the ore zone at the predicted location
- Finalisation of access, control and preparation of necessary haul roads for ore delivery which commenced in July 2019

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Grade Control Drilling

The grade control drilling programme was designed to fulfil two functions (*MAT announcement to ASX 1st May 2019*):

- de-risk the preliminary mine plan; and
- define new potentially mineable gold mineralisation.

Underground grade control drilling was successfully completed in March 2019 for a total of 38 drill holes for ~1,800m of NQ diamond core (Figure 3). The grade control drilling program was completed on key mining targets in line with the Red October mine plan, and was also designed to prove up additional gold ounces in other near-mine target areas.

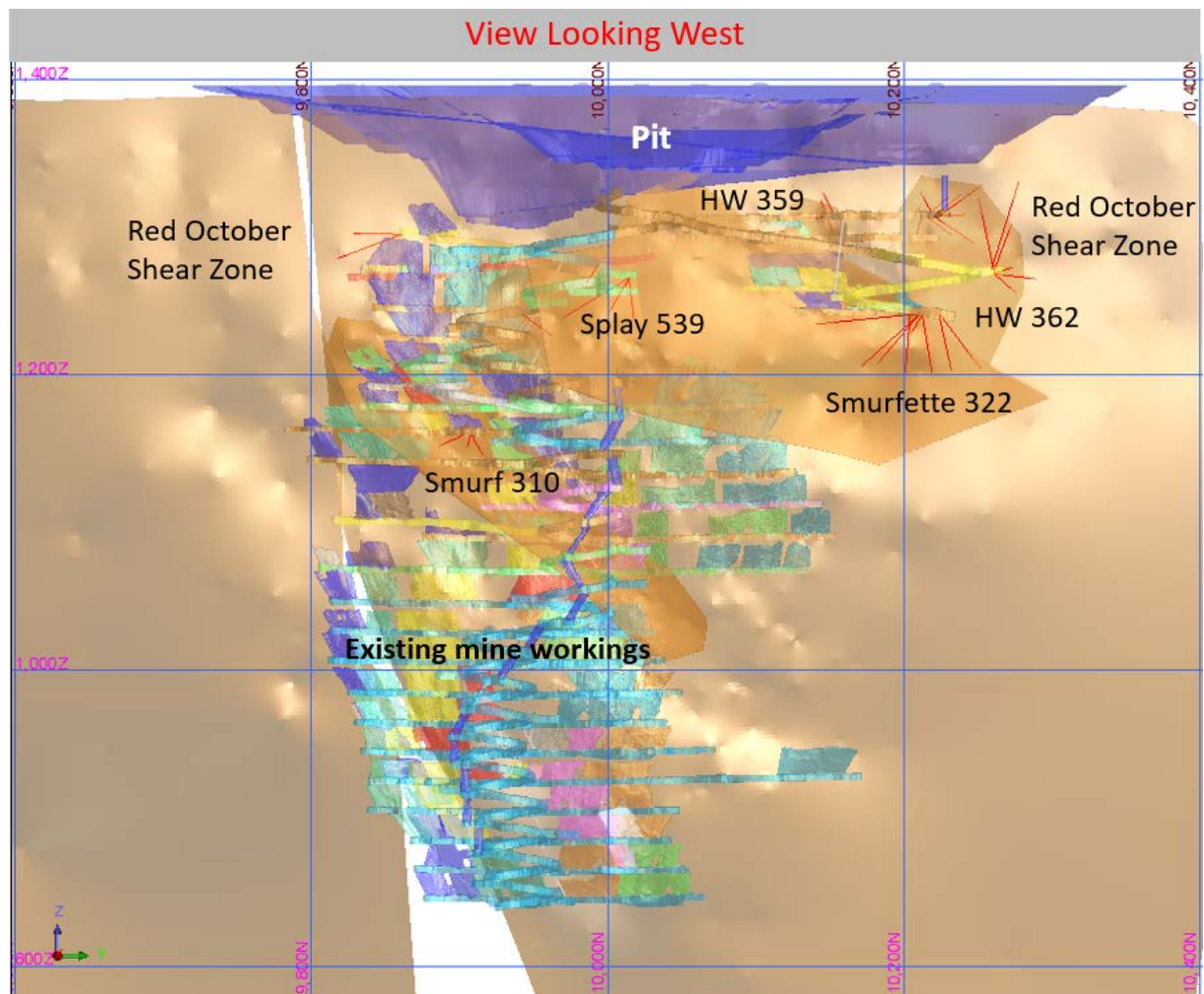


Figure 3: Red October, Summary Longitudinal Section and Location of Grade Control Drilling (in red)

Grade control drilling returned multiple intersections of very high-grade gold and led to the discovery of a new high-grade, moderately north-plunging shoot, within the Red October Shear Zone (ROSZ). The newly discovered shoot plunges moderately to the north. Previous wide spaced drilling in the area

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had defined the mineralised ROSZ but had not intersected the high grade shoot which remains open down-plunge, and indicates strong potential for more shoots to be discovered.

The ROSZ is made up of a sheared mafic package with a quartz breccia, pervasive pyrite and narrow intercalated sedimentary units. Typical alteration minerals seen include biotite, carbonate, silica and sericite. Visible gold is observed in drill core at Red October.

Outstanding gold intercepts in the **Red October Shear Zone North** include:

- o **1.60m @ 36.90g/t Au**
- o **4.32m @ 16.30g/t Au**
- o **2.84m @ 15.95g/t Au**
- o **6.30m @ 4.54g/t Au**

Outstanding results were also seen from the **Red October Shear Zone South** including:

- o **1.60m @ 36.90g/t Au** from 15.20m
- Incl. **0.85m @ 67.60g/t Au** from 15.7m
- o **2.75m @ 3.25g/t Au** from 38.50m

Additional impressive high-grade gold intercepts include:

- o **0.81m @ 181.50g/t Au in HW 362 lode**
- o **1.33m @ 40.51g/t Au in HW 362 lode**
- o **0.80m @ 248.00g/t Au in a new lode**

There are a number of other untested structural junctions along the ROSZ which form dilational fluid traps, potentially causing ideal pressure/temperature ranges conducive to the deposition of gold mineralisation. Grade control drilling also identified new opportunities for immediate mining which included the Smurf 310 lode and the high-grade HW 362 lode which lies adjacent to the ROSZ.

These opportunities can significantly enhance the existing mine plan and further evaluation is being undertaken. Matsa will continue targeting such structural junctions to identify other potential future mining areas along the ROSZ to the north of the current mine workings.

In summary, results have provided a compelling platform for the current mining phase which strongly endorses Matsa's belief that several new high-grade gold mineralisation areas remain to be discovered. Drilling will continue during 2019 on new mining targets within and outside of the existing resource to expand the operations at Red October.

Potential for Extension to Mining

The initial phase 1 of mining currently underway at Red October represents the start of Matsa's planned long-term mining operation at Red October.

At the conclusion of the initial phase seven month mining operation, Matsa's intention is to continue mining operations as mining characteristics and controls on mineralisation become clearer and new mineralisation is defined by further exploration drilling. A number of new targets have already been identified as a result of the mining studies undertaken to date.

The Red October resource remains open, and Matsa considers the deposit as under-explored along strike and down-dip (Figure 4). There is evidence of high-grade gold intersections within the existing drilling dataset, both within and outside the existing mine footprint. This strongly supports the potential to expand mining immediately, both adjacent to existing workings and further afield.

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The initial mining operation represents an opportunity for Matsa to fine-tune narrow-vein mining techniques and to undertake diamond drilling to define new mining areas.

There is also the opportunity to learn more about the detailed geological controls on gold mineralisation to further guide exploration.

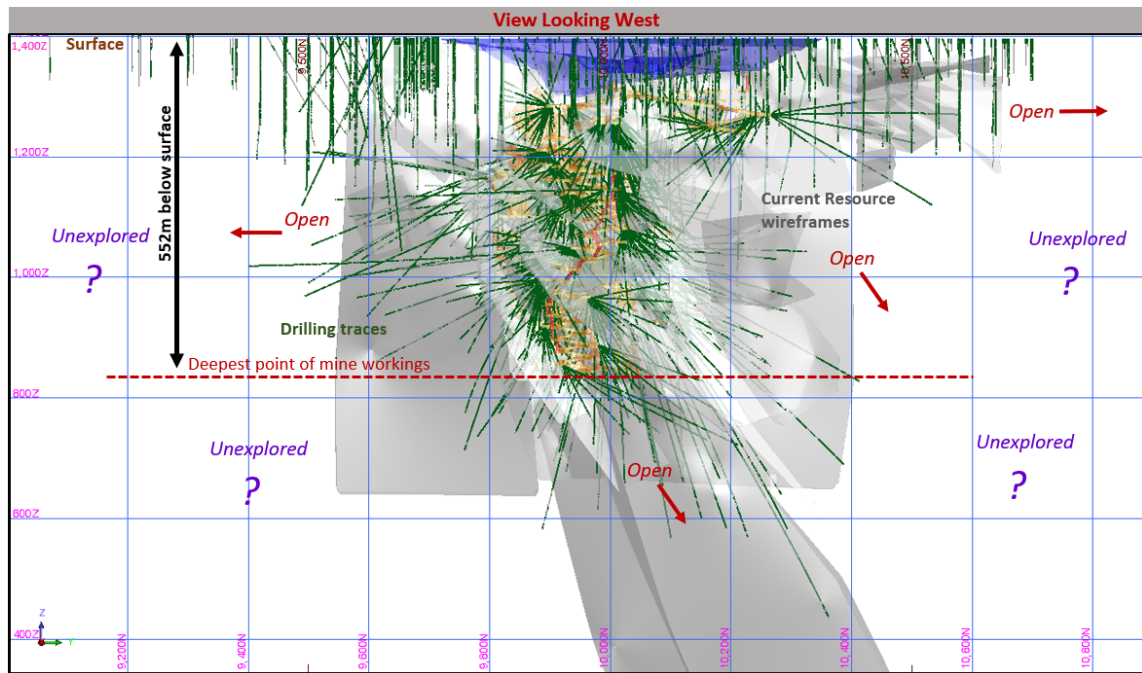


Figure 4: Red October, Longitudinal Section showing existing resource wireframes, drilling and mine workings (RO mine grid co-ordinates)

Production and Development Summary

Matsa commenced underground activities during February 2019, with site establishment, pump refurbishment, equipment mobilisation, ventilation, compliance and electrical works and underground mining and access development commencing on April 24th 2019.

Initially, dayshift only operations were undertaken with a focus on geological diligence where a small underground crew also undertook development mining including access to the ROSZ North ore in preparation for ore production.

A summary of the development carried out during the year under review is shown in Table 2.

Development (m)		Gold Ore		
Waste	Ore	Tonnes	Grade *	Ounces
157.9	9.7	831	1.81	48.4

Table 2: Red October Mine Development Summary for FY 2019

**Estimate only, assays pending*

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Mining Activities Production

There was no stoping (ore production) carried out at Red October during the year.

Mining Activities – Development

Development of the N-1260 level advanced towards the high-grade shoot within the ROSZ North which was discovered by Matsa's recent drilling as noted above. Development is also underway to access the same shoot on the N-1240 and the N-1290 levels.

The N-1260 is the first level being developed in this area which creates a production front north of the existing mine workings (Figures 5 and 6).

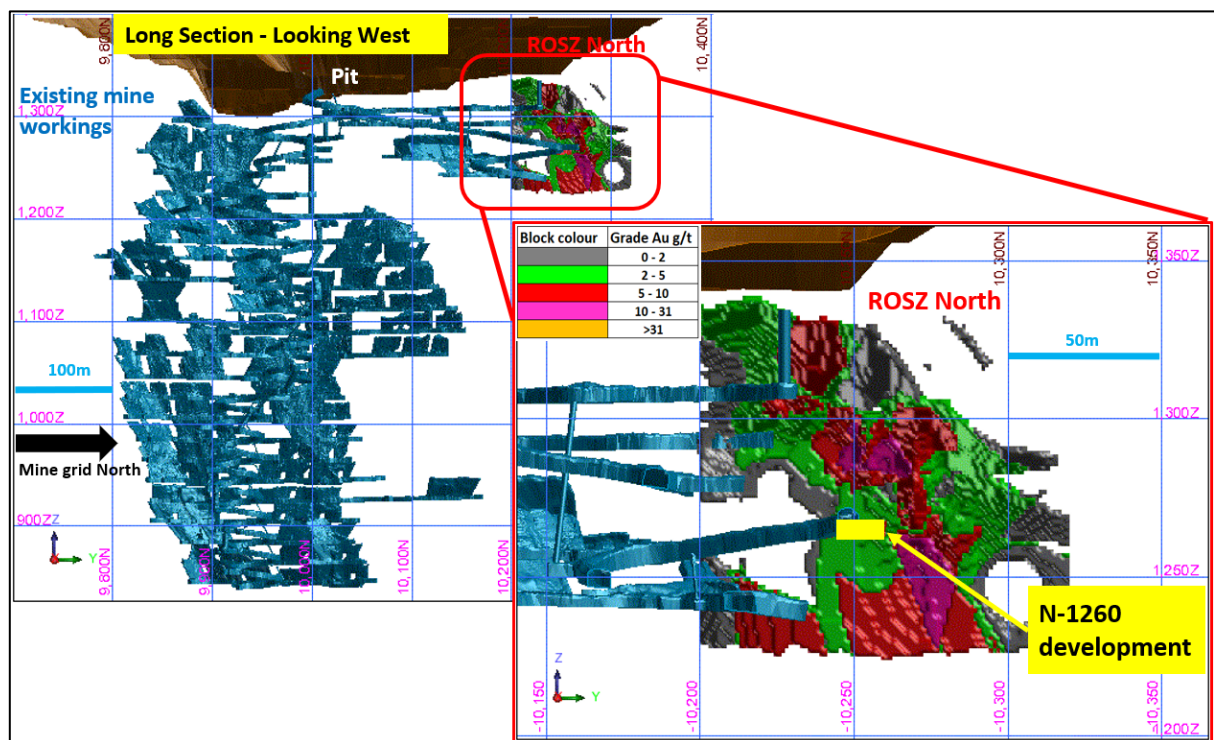


Figure 5: Long section looking West (mine grid) – ROSZ block model showing grade Au g/t >1g/t

It is planned to continue development and mining of the newly discovered high grade shoot in the ROSZ with development almost reaching the southern end of the high grade shoot by 30th June 2019. It is planned for stoping to commence during the new financial year as a source of high-grade ore. (MAT announcement to the ASX 31st July 2019).

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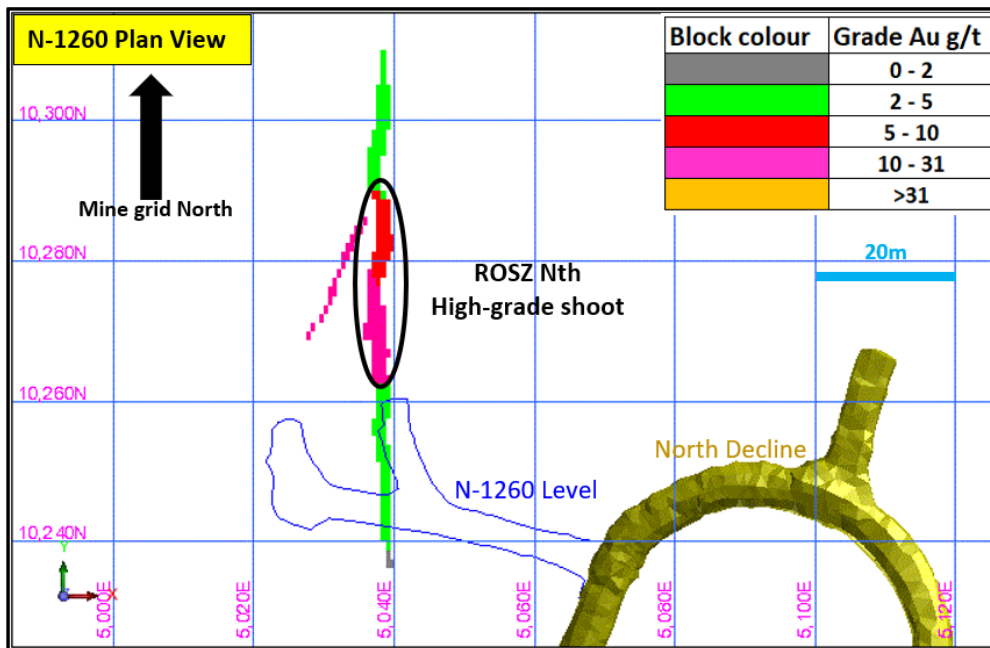


Figure 6: N-1260 level ROSZ development during FY 2019 (blue outline), on the edge of the high grade

At the time of reporting, the tenor of the high grade zone and its spatial position has been confirmed, with visible gold seen in development (Figure 7).



Figure 7: Visible gold from the N-1260 level ROSZ North high grade shoot

Development also commenced on the N-1290 and N-1240 levels to access ROSZ North ore to create multiple stopping levels for near term mining. These development drives could also access other potential nearby lodes which could be added to the ore production profile and thus contribute to longer-term mining operations.

Mining Activities – Exploratory Development

Exploratory development occurred in a number of areas with detailed geological mapping carried out with the aim of providing additional geological information relevant to nearby lodes (Figure 8).

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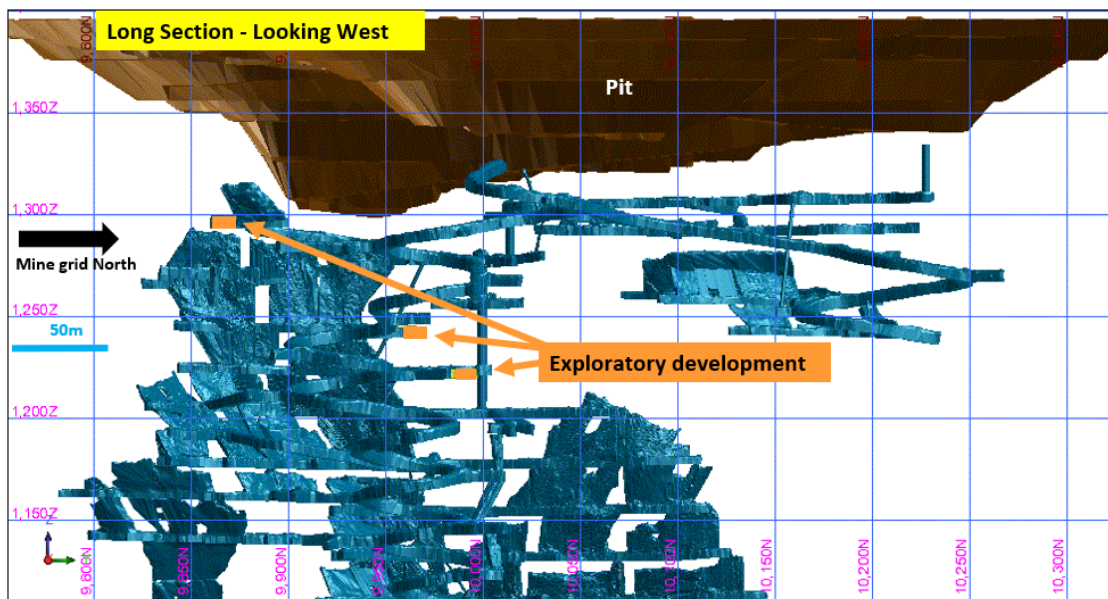


Figure 8: Exploratory development during FY2019

Potential to Extend Mining beyond Initial Phase 1

The initial phase of mining at Red October represents the start of Matsa's planned long-term mining operation.

Matsa considers that the Red October resource remains open and under-explored along strike and down-dip. There is evidence of high-grade gold intersections within the existing drilling dataset, both within and outside of the existing mine footprint. This dataset strongly supports the idea that potential exists to continue mining beyond the initial phase 1 both:

- within the existing resource wireframes, adjacent to existing workings and further afield (Figure 7)
- outside the existing resource wireframes where potential is demonstrated by existing high-grade drill results (Figure 9)

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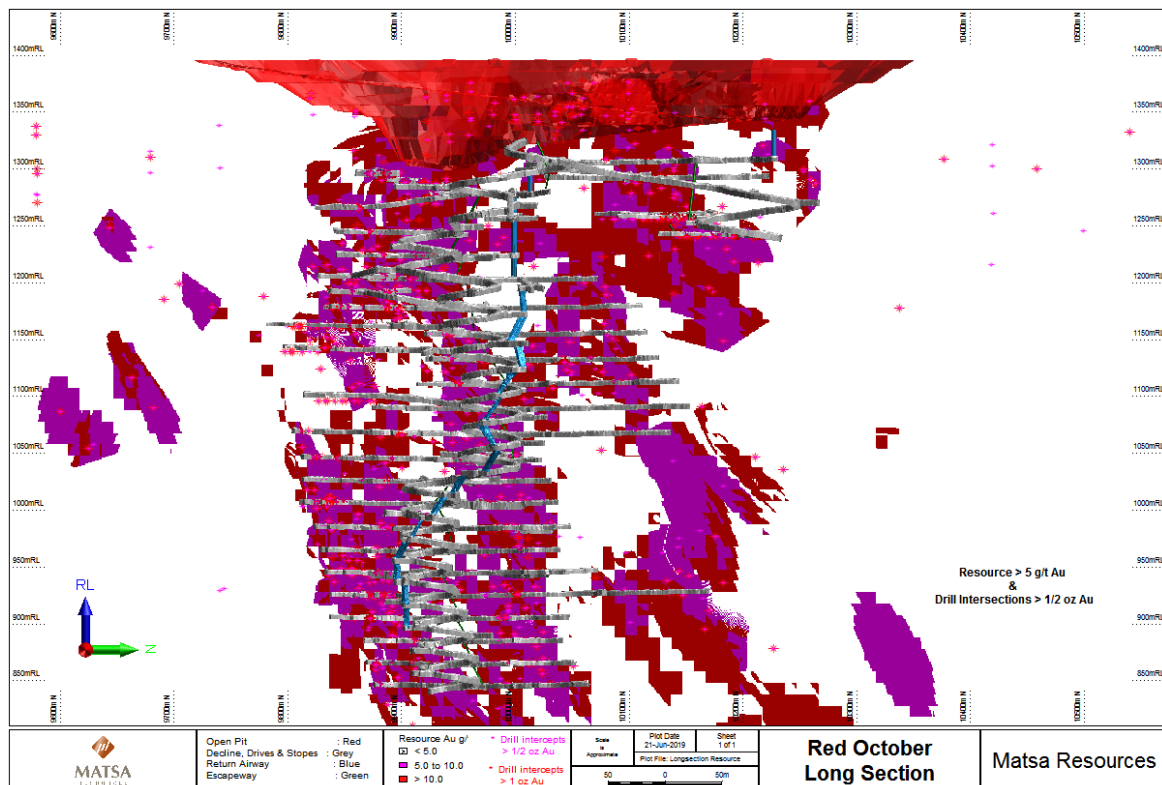


Figure 9: Red October, Longitudinal Projection with summary of high grade gold mineralisation >5g/t Au (RO mine grid co-ordinates) (June 2016 Saracen Resource Model)

A number of new targets have already been identified for future mining as a result of studies undertaken to date. The initial phase 1 mining operation represents an opportunity for Matsa to fine-tune narrow-vein mining at Red October, and gain a better understanding of geological controls on gold mineralisation.

Exploration drilling both underground and from surface, will define new mineralisation and continue to build the resource base.

Geomechanical Strain Modelling

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

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 later in 2019 to assist with the finalisation of an exploration targeting pipeline in addition to existing structural geology, lithology, geochemistry and geophysics datasets.

Initial gold targets from first pass interpretation of the geomechanical model are shown in Figure 10.

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Further interrogation of the model in conjunction with existing structural geology, lithology, geochemistry and geophysics datasets, will be a key aspect in developing an exploration targeting pipeline.

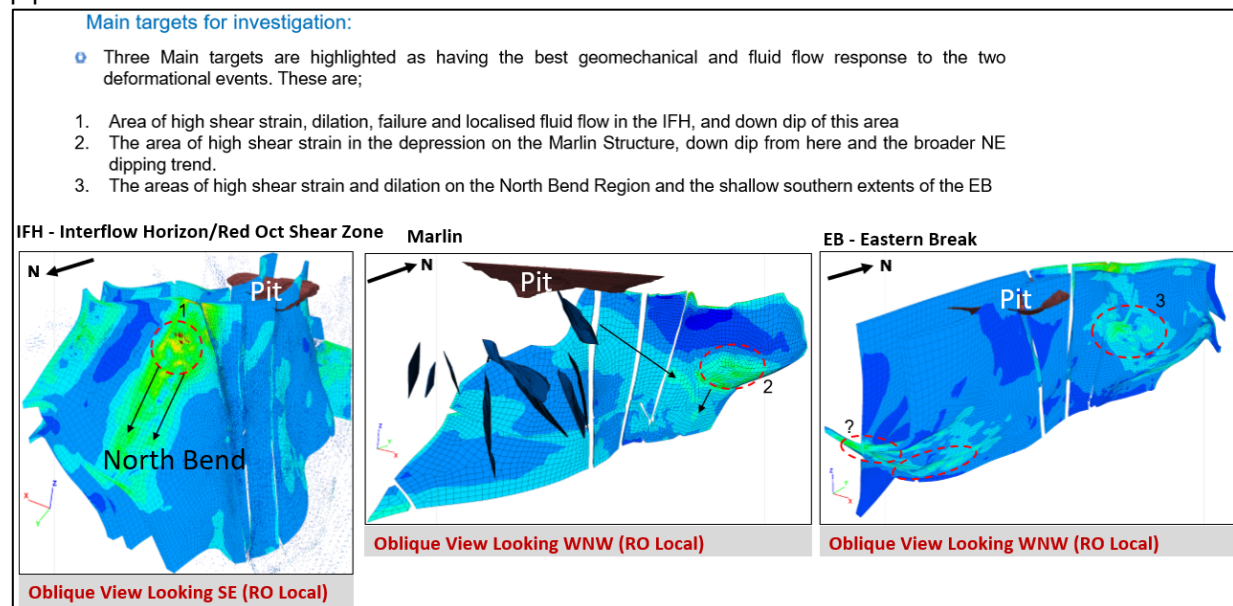


Figure 10: Initial Exploration Target Areas from the GMEX Geomechanical Mode

RED DOG GOLD MINE

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

Mine operating results were in accordance with the mine budgets and mine plan. The operations proceeded smoothly with mining equipment performing well.

The mining at Red Dog delivered an outstanding result, generating production of 12,704 ounces and an operating profit of \$5.4 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 3 with the open pit mine shown in Figure 11.

	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 3: Red Dog Gold Project Key Outcomes

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Figure 11: Red Dog Gold Project close to completion of mining

Mining Summary

The mining and haulage operations at the Red Dog gold mine were conducted over a 4 month period after the establishment of the required infrastructure. Actual mining started in mid-September 2018 and was completed as initially planned with the mine design being altered minimally following grade control drilling resulting in approximately 5% less ounces. These reduced 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.

Adverse weather conditions impacted haulage of the ore at times to SDGM which was completed on 24th December 2018. Importantly, the weather delays did not impact mining operations and overall the project exceeded Matsa's forecasts. Mining was conducted in a safe manner with no time lost due to injuries.

LAKE CAREY EXPLORATION

Exploration at Lake Carey during the year under review comprised the following:

- Fortitude North Lake Aircore, RC and Diamond Drilling
- BE4 Lake Aircore Drilling
- Golden Ring RC Drilling
- 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
- Red Dog Diamond Drilling
- Tin Dog RC and diamond drilling 31 RC drill holes for 1,372m
- Acquisition of third party gravity survey

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These programmes were previously announced as **MAT reports** 11th July 2018, 20th July 2018, 22nd October 2018, 9th November 2019, 17th December 2018, and 7th May 2019.

Fortitude North

Drilling

The Fortitude North Target is located ~7km northwest of Matsa's Fortitude Gold Mine, and is also located along the Fortitude Fault. Matsa's land aircore drilling programme carried out in the previous year detected basement gold mineralisation. Drilling during the year comprised Lake Aircore drilling followed by RC and diamond drilling outside the lake at the northern end of the target, using a truck mounted multipurpose drilling rig.

The following drill holes were completed during the year as summarised in Figure 12.

Lake Aircore drilling	29 drillholes for 2,622m
RC drilling	10 drillholes for 1,860m
Diamond drilling	1 drill hole for 329m

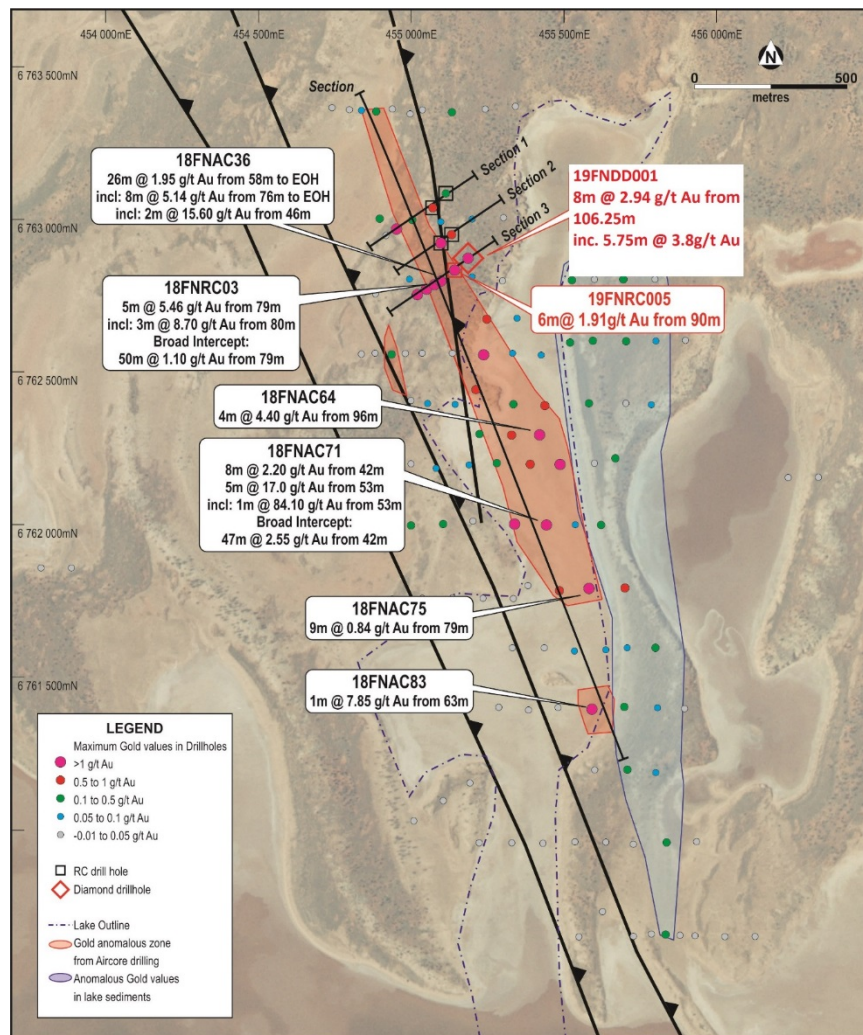


Figure 12: Fortitude North Summary Drill Results showing location of Aircore, RC and Diamond Drill Holes

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Aircore drilling including earlier drilling off the lake, has defined a linear zone of anomalous bedrock gold mineralisation ~1.8km long with most of this mineralisation located under the lake where access is restricted to specialised lake drilling equipment.

Diamond and RC drilling has only been completed off the lake at the northern end of the 1,800m basement gold mineralised zone and this is the only section of the target which has been tested below aircore refusal. Consequently ~1,500m of the target which is located under the lake remains untested at depth.

RC drilling in September 2018 (18FNRC001-5) was carried out on 3 sections (Sections 1-3 Figure 12) with drilling facing towards the NE.

Subsequent RC drilling in February 2019 was carried out on the same three sections but with drilling facing towards the SW to test the working hypothesis that mineralisation intersected in the first RC drillholes on Section 3, dipped moderately towards the east.

Diamond drilling was carried out in conjunction with the second Stage RC drilling and appears to confirm a moderate dipping mineralised zone as discussed below (Figure 13).

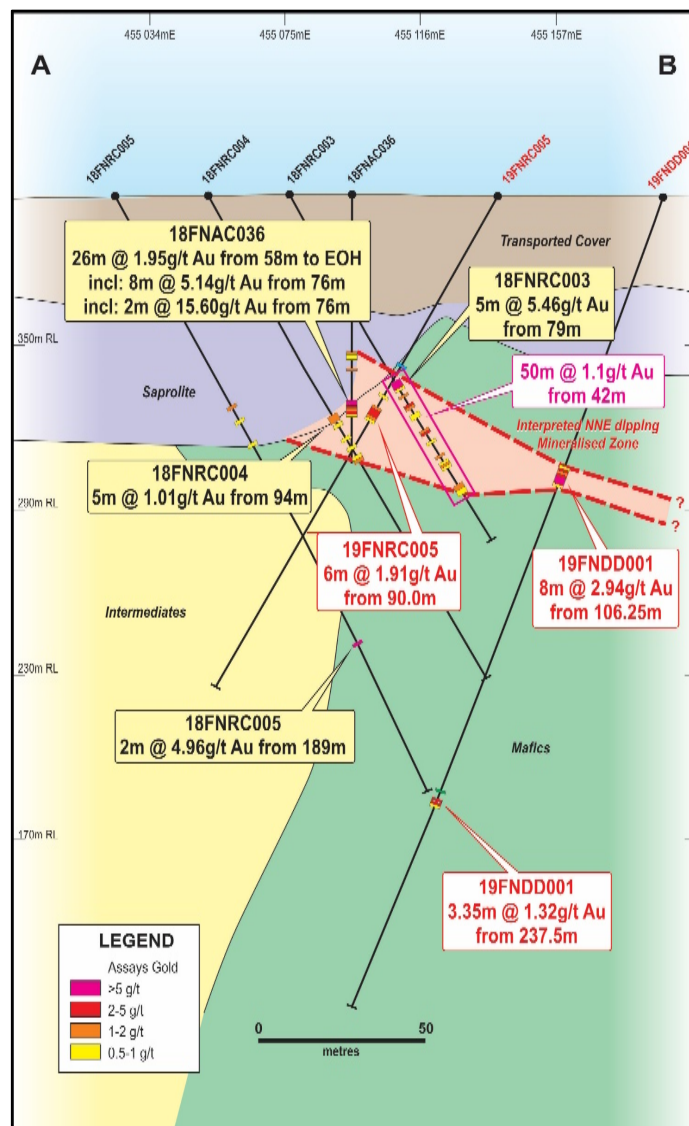


Figure 13: Fortitude North, Cross Section Line 3

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Fortitude North - Lake aircore drill hole results

Aircore drilling assays returned a number of significant gold values, with the best intercepts highlighted as follows:

47m @ 2.55 g/t Au from 42m	(18FNAC071)
<i>incl.</i> 8m @ 2.22 g/t Au from 42m	
<i>and</i> 5m @ 17.7 g/t Au from 53m	
<i>incl.</i> 1m @ 84.1 g/t Au from 53m	
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)

Lake aircore intercepts were all from deeply weathered basement rocks (mostly metabasalt and dolerite) and has extended gold mineralisation under the lake for a distance of approximately 1.8km along the Fortitude Fault.

The selected higher-grade intercepts in drill hole 18FNAC071 are all located within a broad intersection of **47m @ 2.55 g/t Au** from 42m with gold values up to 84.1 g/t Au. The highest grades in aircore drill hole 18FNAC71 are interpreted to reflect supergene enrichment in the weathering profile above primary gold mineralisation.

Anomalous gold values up to 0.78 g/t Au in transported lake clays to the east of the zone of basement mineralisation are interpreted to represent the product of erosion and dispersion of adjacent basement gold mineralisation during deposition of the lake sediments (Figure 12).

Fortitude North - RC and Diamond Drill Hole Assay Results

RC drilling was carried out in two campaigns (Stages 1 and 2) at the northern end of the bedrock gold anomaly where access is possible for truck mounted drilling equipment. Drilling was designed to discover primary mineralisation beneath/adjacent to the supergene mineralisation discovered by aircore drilling in the weathered profile.

Drill holes encountered variably to strongly sheared and altered basalt beneath ~40m of lake sediments and 20-60m of weathered basement.

Fortitude North - Stage 1 RC Drilling Results

RC drill hole 18FNRC003 on Section 3 returned significant intersections as follows:

50m @ 1.1 g/t Au from 42m (18FNRC003)
Inc. **5m @ 5.46 g/t Au** from 79m

RC drill hole 18FNRC005 intersected a narrow zone of higher grade gold mineralisation at depth as follows:

2m @ 4.96 g/t Au from 190m

The interpretation of Stage 1 RC drilling is of a gold-mineralised zone dipping moderately towards the NE as shown in Figure 13 (*MAT announcement to ASX 22nd October 2018*).

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Fortitude North - Stage 2 RC Drilling Results

The Stage 2 drilling programme comprised one stratigraphic/structural diamond drill hole (19FNDD01) and 5 RC drill holes (19FNRC01-19FNRC05). The programme was designed to test the hypothesis of a moderately dipping mineralised zone dipping towards the east with the added objective that the diamond hole was to provide a stratigraphic section and to provide core suitable for sonic logging in order to provide information for Matsa's ongoing R&D seismic survey programme MRIWA M514 being undertaken by Curtin University.

Assay results for Stage 2 drilling were announced in early May (*MAT announcements to ASX 7th May 2019*) and include a number of gold intersections which Matsa believes to be significant as follows (Figure 12 and Figure 13).

19FNDD01 **8m @ 2.94 g/t Au** from 106.25m
 incl. **5.75m @ 3.8g/t Au**
 and **1.3m @ 6.73 g/t Au**
 3.35m @ 1.32 g/t Au from 237.5m
19FNRC05 **6m @ 1.91 g/t Au** from 90m

The upper, higher grade diamond drill intercept (8m @ 2.94 g/t Au) is interpreted as a down-dip extension of the mineralised intercept in 19FNRC05 and the earlier high grade intercepts in weathered rocks referred to above. Mineralisation is associated with quartz veining in a broader zone of alteration characterised by albite and pyrite (Figure 14) and supports the previously announced interpretation of a moderately ENE dipping gold mineralised zone (*MAT announcement to ASX 22nd October 2018*).

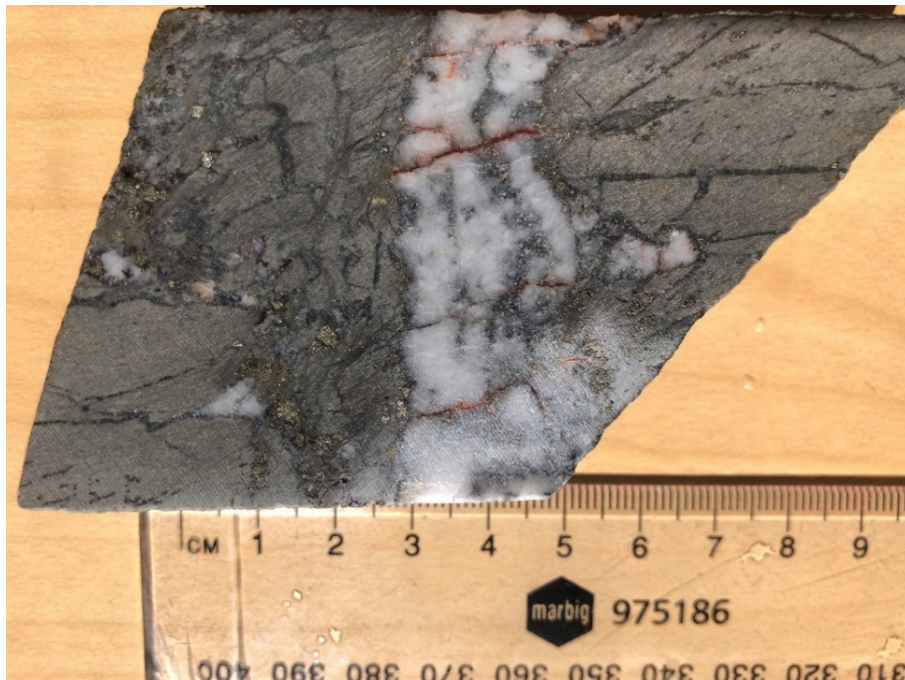


Figure 14: Primary Mineralisation comprising quartz veins, coarse disseminated pyrite in brecciated and albite altered dolerite (107m in 19FNDD01).

This mineralisation remains open to the south where Matsa's basement gold anomaly extends for a further 1.5km (Figure 1).

Results from drilling on Sections 1 and 2 (Figure 12) indicate that significant mineralisation does not extend to the north.

OPERATIONS REVIEW

Next Steps at Fortitude North

A total of 10 RC and one diamond hole have been completed at Fortitude North to date with full assay results from the current diamond and RC programme received. This represents only ~20% of the interpreted 1.8km strike extent of bedrock mineralisation. The southern 80% of the mineralised zone has only been defined by comparatively wide spaced (200m x 100m) aircore drilling.

Diamond drilling using specialised lake drilling equipment is planned to target primary gold mineralisation in and adjacent to this zone.

BE4 Lake Aircore Drilling

A total of 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. Drilling at BE 4 was carried out to follow up anomalous gold values up to **3m @ 2.62 g/t Au** in lake aircore drilling 2km north of **BE 1** in mid-2017 (Figure 15). Initial follow up 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.

Lake aircore drilling during FY2019 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 follows 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. Further infill and step-out aircore drilling is planned in order to better define this target for diamond drilling.

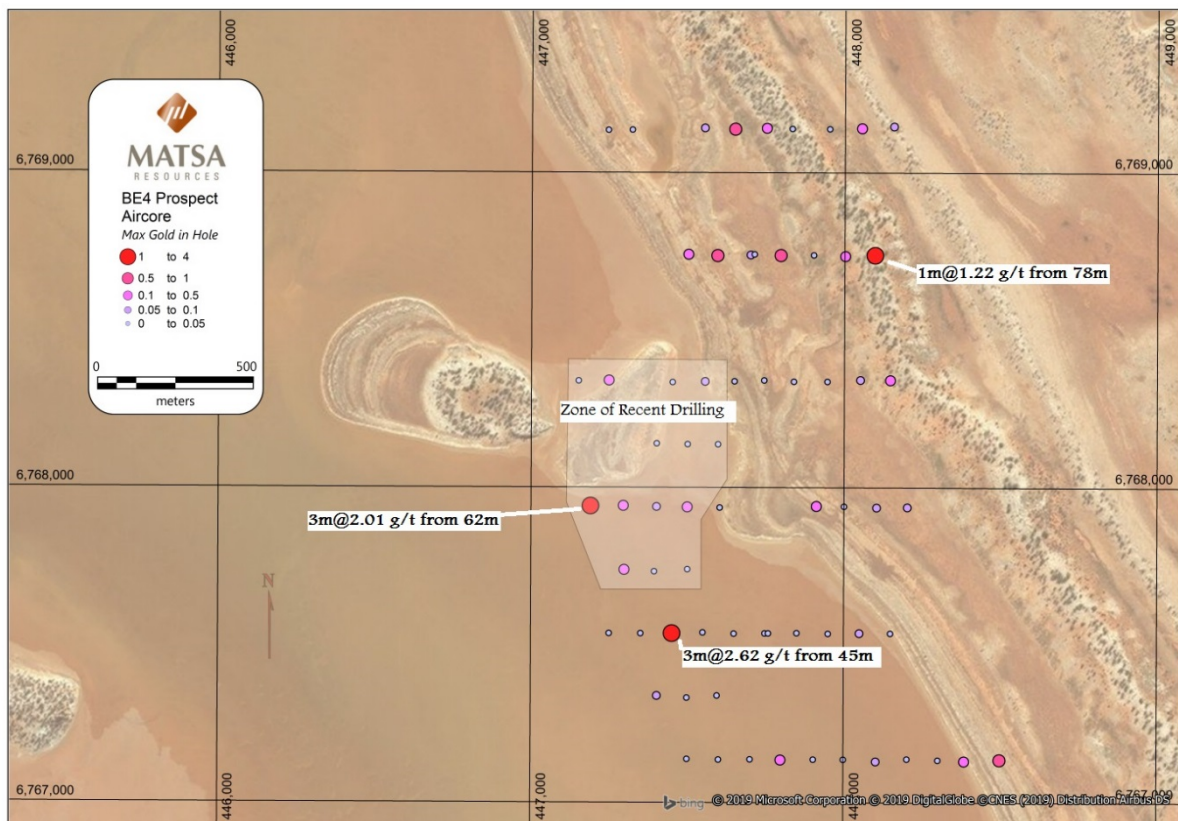


Figure 15: BE 4 Aircore Drilling Summary

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Angel Fish 1 Lake Aircore Drilling Results

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.

Capella, Re-sampling of Historic Aircore Drill Holes

Matsa revisited its Capella drill sites in late 2018 and found small quantities of fresh drill-cuttings at 447 drill sites which were sampled for a multi-element suite of assays including gold and also samples for mineralogical analysis (Figure 16). The objective of this sampling was to use multi-element and mineralogical data to refine basement geology, potentially identify pathfinder element signatures, and use multi-element assays as a tool to map hydrothermal alteration footprints thereby identifying and prioritising targets for further drilling.

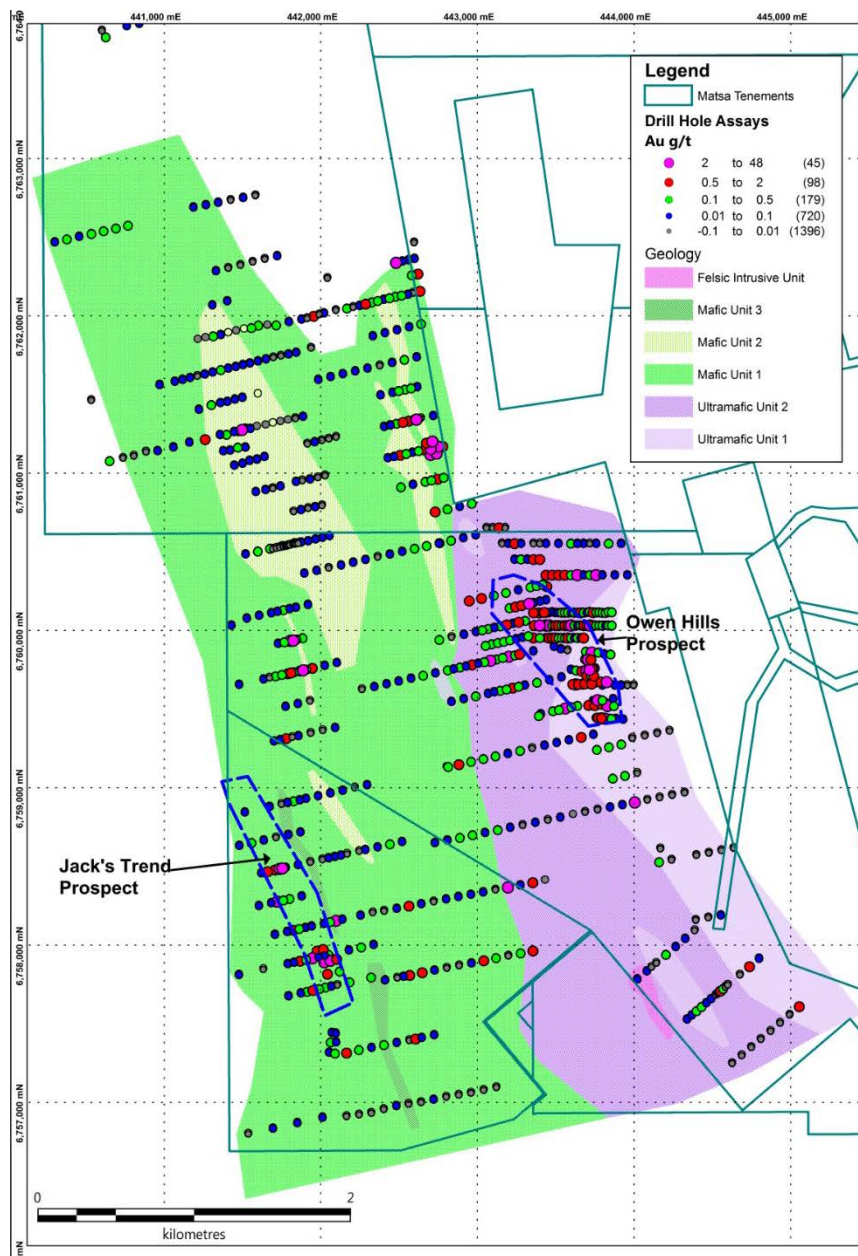


Figure 16: Capella Summary of previous drill holes showing maximum gold values

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Summary Statistics of selected pathfinder element assay results is given in Table 3. Summary sampling and assay protocols are described in Appendix 1.

447 rows - Univariate	Au_ppm	As_ppm	Sb_ppm	Pb_ppm
Count	443	446	446	447
Unique Values	96	187	101	22
Minimum	-0.001	0.1	-0.05	-2
Maximum	2.13	>250	11.65	83
Mean	0.05	21.59	0.36	5.33
Median	0.005	3.9	0.15	4
Range	2.13	250	11.63	82
Interquartile Range	0.02	10.45	0.24	7
Standard Deviation	0.21	49.37	0.77	5.74
25 percentile	0.001	1.68	0.08	-2
75 percentile	0.02	12.13	0.32	8
90 percentile	0.06	55.71	0.86	10
95 percentile	0.16	132.00	1.40	11
99 percentile	1.50	250.10	3.74	20.56

Table 4: Capella ML's Selected Pathfinder Element Assay Results

A re-interpretation of litho-geochemical data, has resulted in a new geological interpretation, which separates an eastern ultramafic group mostly made up of pyroxenite and minor peridotite, from a mafic unit in the west made up of basalts and minor dolerite. Small granite intrusions are also evident from this re-interpretation (Figure 16).

Furthermore, a comprehensive review of major element data from the fresh sample materials, has given two areas (Jacks Trend and Owen Hills) with geochemical patterns which can be interpreted to represent larger areas of hydrothermal alteration. The predominant alteration signature at Jacks Trend is a moderate sericite overprint, while Owen Hills is characterised by a very strong albite chlorite signature.

Drilling data is currently being reviewed in order to plan selective deeper drilling on these two targets.

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 area. 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.

RC Drilling - Golden Ring Prospect

A total of 4 RC drill holes for 432m of drilling were completed at the Golden Ring/Golden Orb prospect. Drilling was carried out to test for extensions to outcropping high grade quartz-vein hosted mineralisation exposed in historic gold workings. Results of this drilling have been received and returned a best result of 1m @ 0.62g/t Au from 70m in drill hole 19GRR04 This drilling has downgraded this prospect and no further work is planned at this stage (Table 5).

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Hole ID	Sample	From (m)	To (m)	Au ppm
19GRR002	RDO3172	67	68	0.16
19GRR003	RDO3247	58	59	0.44
19GRR003	RDO3248	59	60	0.12
19GRR004	RDO3360	45	46	0.34
19GRR004	RDO3361	46	47	0.26
19GRR004	RDO3385	70	71	0.62
19GRR004	RDO3386	71	72	0.16
19GRR004	RDO3394	79	80	0.21

Table 5: Golden Ring Prospect, assay values >0.1 g/t Au

Collar and setup data for drilling was announced previously (MAT announcement to the ASX 18th April 2019).

Red Dog - Diamond Drilling

Assays were received from diamond drill hole 19RDD01 which was completed at Red Dog where Matsa completed mining in late 2018. The drill hole was designed to target down-dip extensions of the Red Dog orebody to the SW, towards the interpreted position of the NNW trending Mt Horner shear zone (Figure 17).

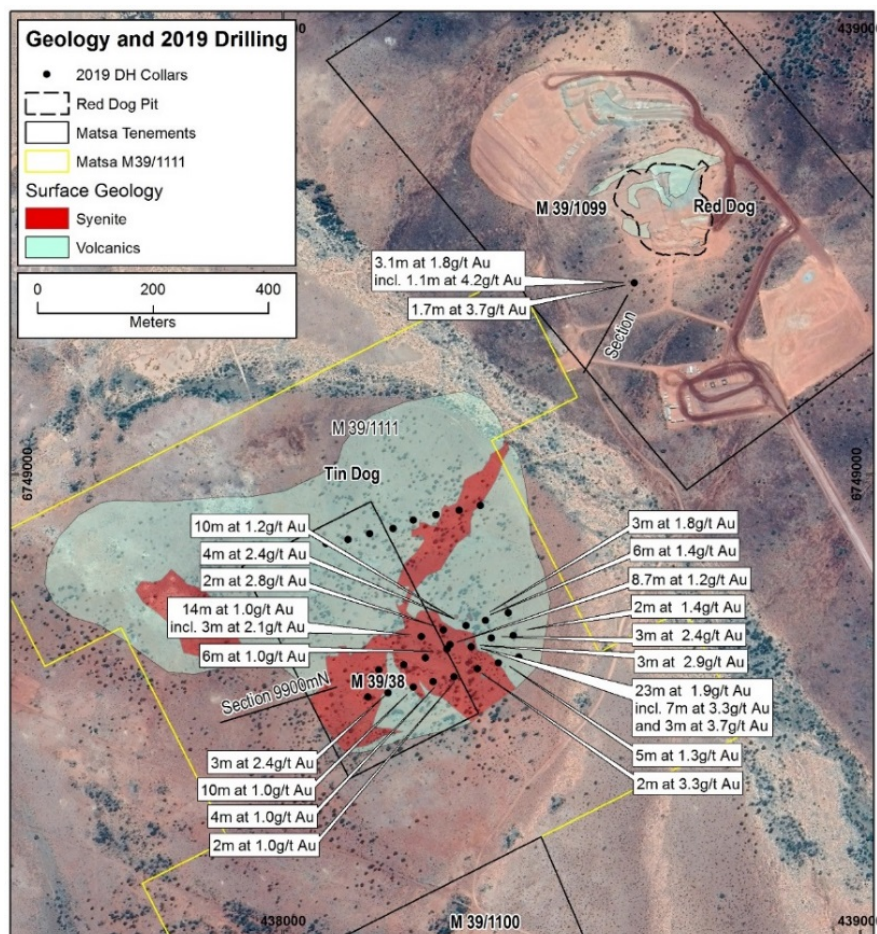


Figure 17: Red Dog and Tin Dog Projects, Drilling Summary

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Drill hole 19RDD001 demonstrated that mineralisation continues down-plunge towards the Mt Horner shear to the southwest where mineralisation remains open down-plunge with better intercepts as follows (Figure 18):

1.7m at 3.7g/t Au from 14.5m

3.1m at 1.8g/t Au from 46.3m

Gold mineralisation can be seen to coincide with zones of narrow quartz veins within a broader envelope of hematite, carbonate and pyrite altered meta-basalt. Mineralised syenite intruding the meta-basalt host rock, was intersected over a short interval at shallow depth, potentially linking Red Dog with the larger Tin Dog syenite-related gold mineralised system to the west.

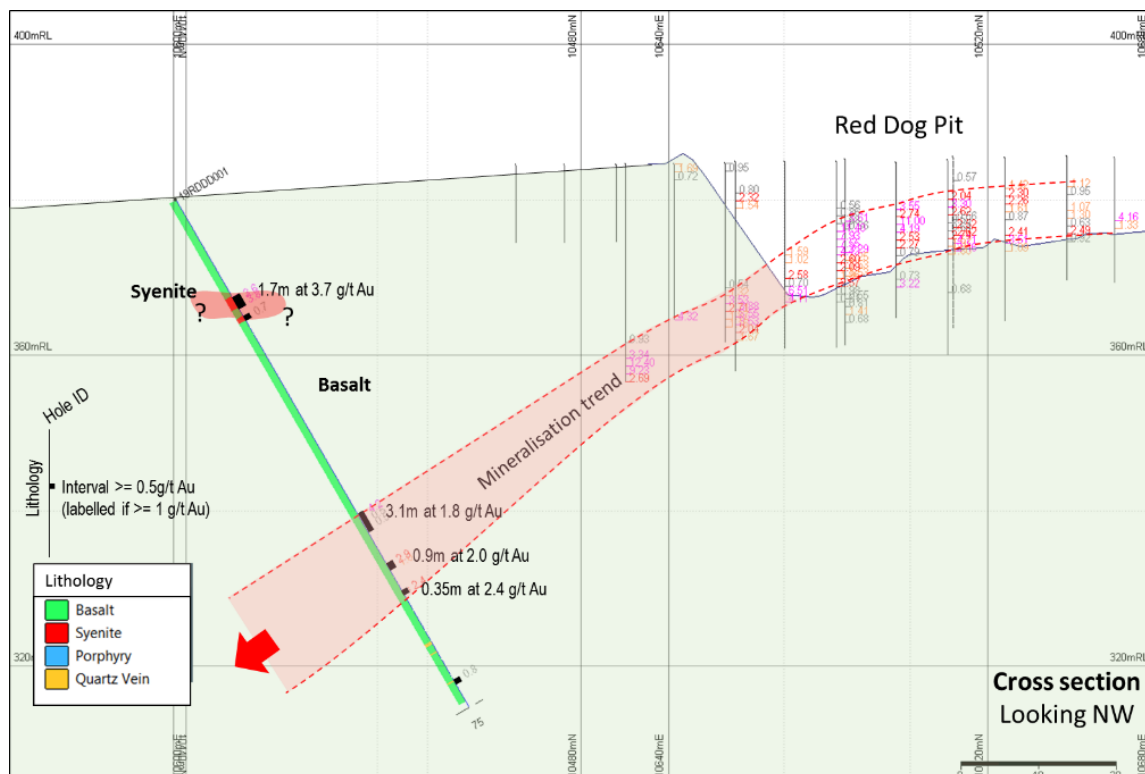


Figure 18: Red Dog Diamond Drilling Oblique cross section

RC and Diamond Drilling Tin Dog

The drilling program at Tin Dog was planned to follow up significant drill results by previous explorers and was primarily designed to target shallow gold mineralisation similar to the nearby Red Dog orebody (Figure 11).

Drilling at Tin Dog produced a number of significant gold intersections including the following of which some are shown in Figure 19:

- 19RDRC023: **3m at 2.9g/t Au** from 14m
- 19RDRC023: **7m at 3.3g/t Au** from 45m
- and* **3m at 3.7g/t Au** from 56m
- within* **23m at 1.9g/t Au** from 37m
- 19RDRC022: **3m at 2.1g/t Au** from 4m
- within* **14m at 1.0g/t Au** from 2m
- 19RDRC020 **10m at 1.2g/t Au** from 35m

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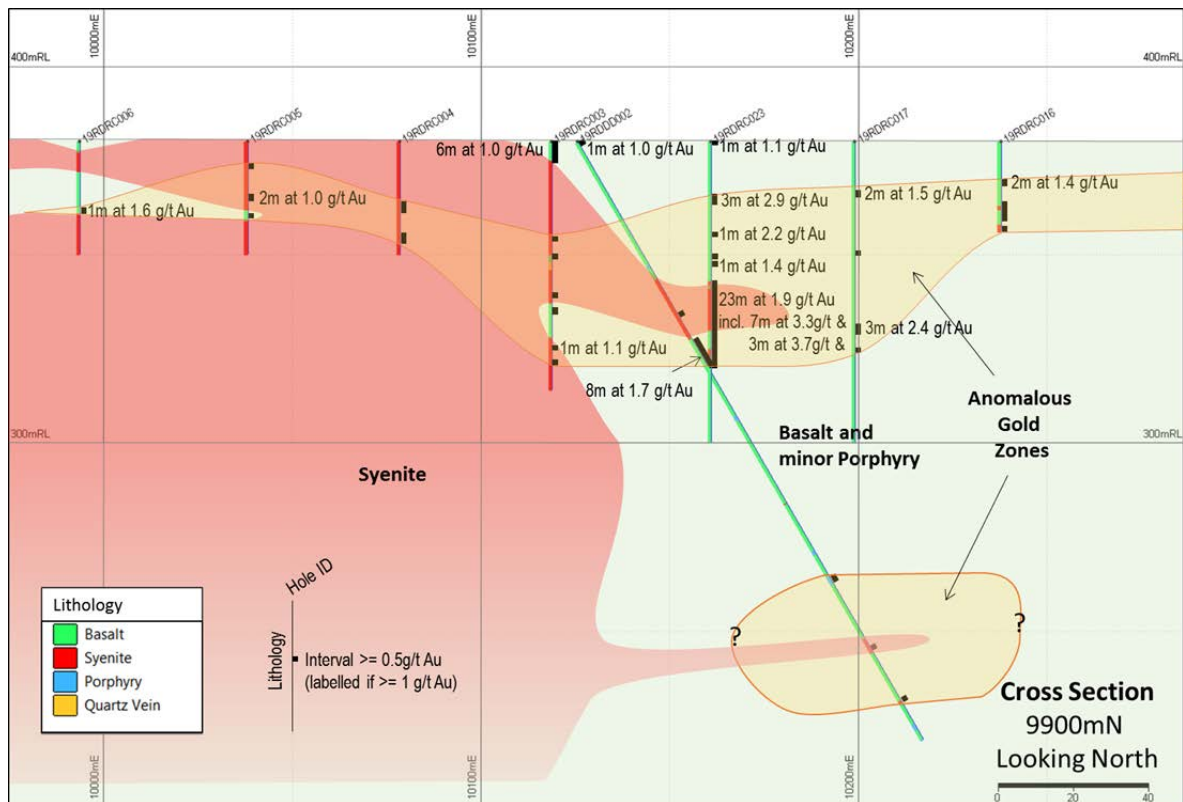


Figure 19: Tin Dog cross section 9900mN, interpreted geology and summary results

Gold mineralisation at Tin Dog occurs in a mixed suite of rocks mostly made up of basaltic volcanics and intrusive syenite, and located close to the major NW trending Mt Horner shear zone. It is noteworthy that the Butchers Well gold deposit currently being explored by AGAA is geologically very similar to the Tin Dog/Red Dog project and is located 16km to the NW, also on the Mt Horner Shear Zone. At Tin Dog, gold mineralisation is interpreted to have formed in and adjacent to quartz-calcite veins within a broader hematite-carbonate-pyrite alteration zone and is located in close proximity to intrusive syenite bodies.

Gravity Survey

Results of a gravity survey carried out by AGAA as part of their regional exploration of their adjoining tenements, were made available to Matsa under the MOU between the two companies. *Matsa takes this opportunity to thank AGAA for their co-operation and assistance to Matsa.*

A preliminary inspection of the gravity data in conjunction with drilling and geological mapping, has identified a ring-shaped gravity feature at Tin Dog which may reflect the chilled margin or “hornfels” zone around a larger syenite body at depth. A second ENE trending linear gravity feature can be seen to partly coincide with the Red Dog gold orebody. Matsa is currently carrying out a detailed review of the project and further drilling is being considered.

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 Mr Scott Wilson;
- Devon gold mine purchase from GME Resources Ltd - ASX GME;

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- 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 Mr 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.

Linden Gold Project (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 km² 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.

The Zelica project area was subsequently sold in June for the same value as its acquisition cost and as a result Matsa has no further interest in Zelica project area.

Devon Gold Project (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 mine and gold project area 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 delivers to Matsa the 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 option to acquire 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.

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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

The Linden and Devon projects 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.

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 2020.

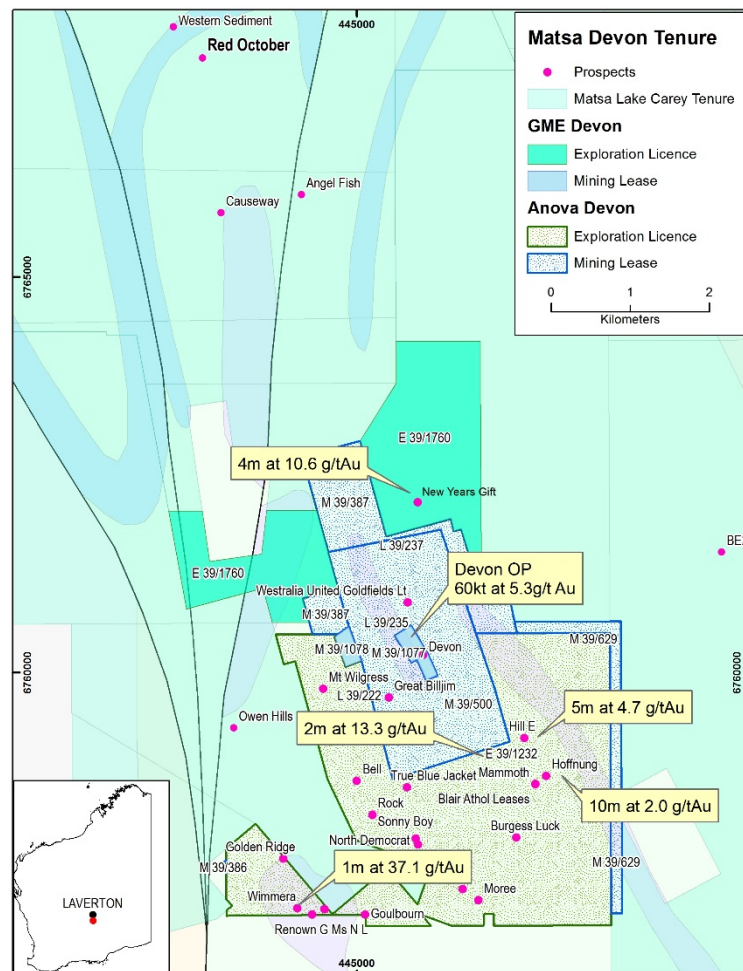


Figure 20: Summary of the Anova-Devon and GME-Devon Projects and Significant Drill Results

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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.

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.

Following a detailed review of the Zelica gold project during the year as a potential open pit mining operation, the decision was taken to sell this project because it did not meet the Company's development criteria.

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.

SYMONS HILL (Nickel Fraser Range)

Matsa engaged in an R&D programme comprising a 2D Seismic Survey over its 100% owned Symons Hill project in March 2019 (Figure 15). (*MAT announcement to ASX 18th April 2019*).

The following activities were carried out during the year:

- preliminary results were presented by Curtin University researchers
- Seismic velocity measurements were made in diamond core from 15SHDD07 (300.8m) and 16SHDD10 (612.6m) which Matsa completed on the project in 2015 and 2016 respectively.

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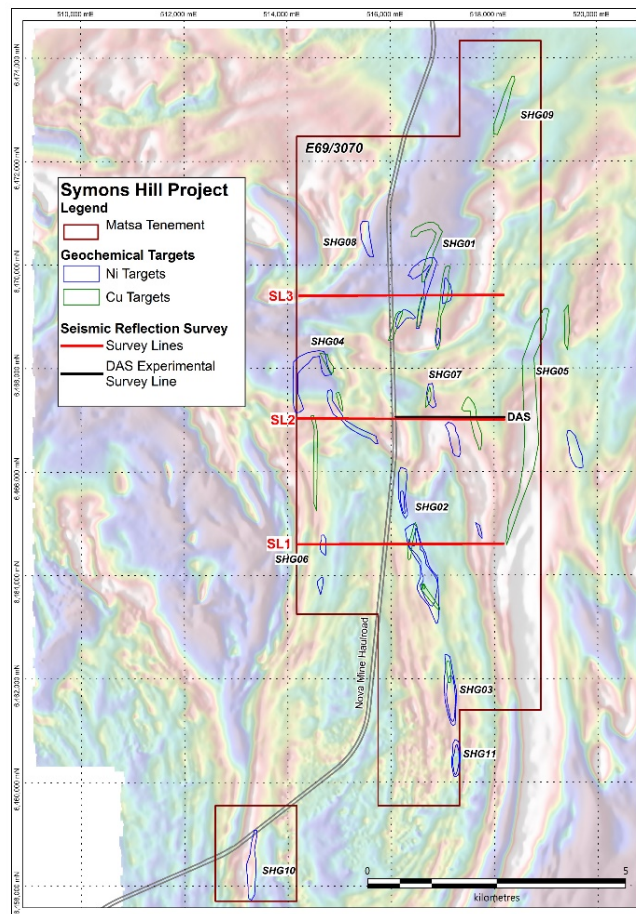


Figure 15: Symons Hill E69/3070 Showing Experimental Seismic Survey Location on Summary Magnetics and Basement Geochemistry

Symons Hill Preliminary Seismic Results

Results from the three survey lines completed in March defined a distinctive seismic pattern recognizable in three sections over a distance of ~5km. Curtin's working hypothesis is that this represents a coherent geological unit which plunges gently towards the north. Diamond drill hole 16SHDD10 was projected ~200m onto the southern seismic section (Figure 16). A comparison of the drill hole geology and nickel assay results suggests that the geological unit highlighted in the Seismic survey may be correlated with nickel enriched troctolite gabbro.

Symons Hill Seismic velocity measurements

Matsa carried out seismic velocity measurements using an ultrasonic tool provided by Curtin. Results are currently being integrated with the survey data obtained in March and will be used to refine the interpretation of the seismic survey data which is being carried out as part of an ongoing research and development project.

Symons Hill Seismic Survey Background

The survey was carried out by Curtin University's Department of Geophysics. Survey lines were designed to pass over nickel bearing troctolite gabbros identified in earlier drilling programmes. These gabbro bodies are interpreted to be very similar to the host rocks at the nearby Nova mine.

The innovative use of seismic survey techniques in the district by Independence Group (ASX-IGO), operator of Nova nickel mine, announced encouraging results from seismic surveys at Nova. (IGO Quarterly Report to the ASX, Dec 2018).

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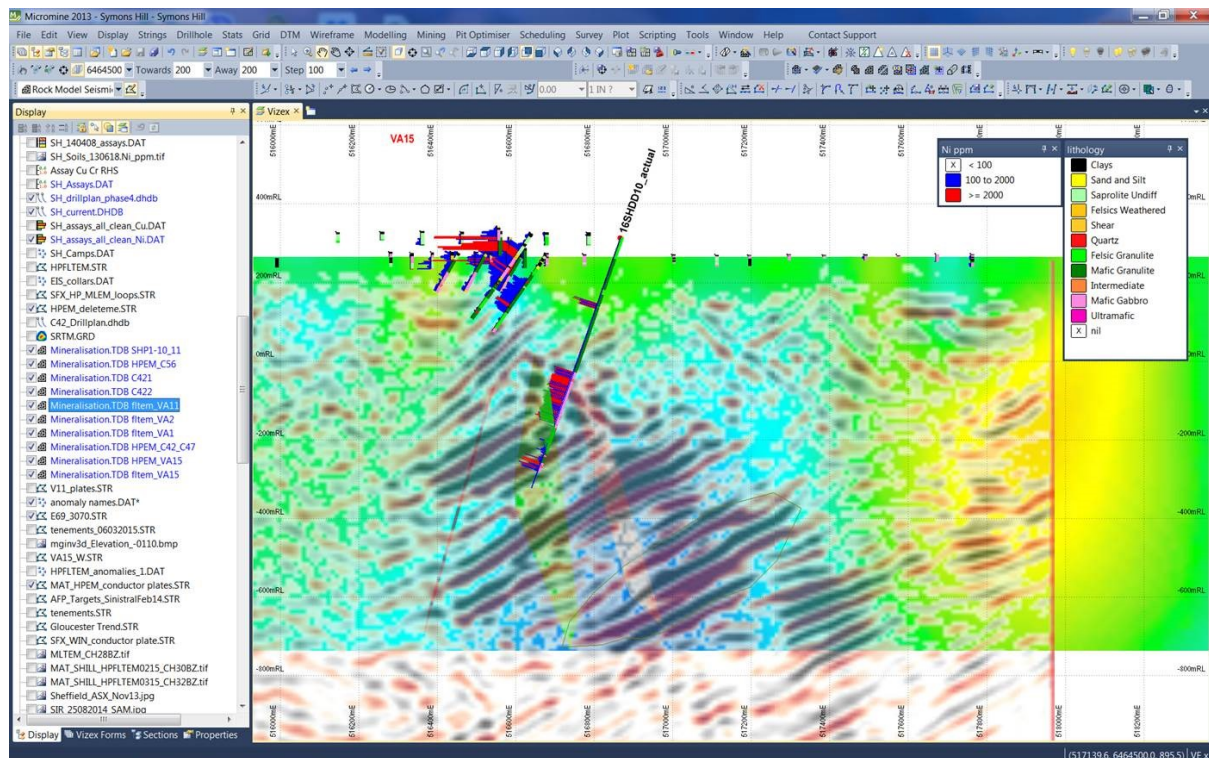


Figure 16: Symons Hill Project Seismic Section SL01 showing trace of diamond drill hole SHDD10 and distinctive seismic survey results. (Drill hole projected approximately 200 metres onto cross section)

Objectives of the survey were to:

- evaluate equipment and in particular the cost-effective use of fibre-optic cable which has potential to significantly reduce the traditionally astronomical cost of seismic surveys and make them more generally applicable to the search for base metals
- determine the effectiveness of 2D seismic in mapping potential mineralized structures and geological units

THAILAND EXPLORATION

Matsa is determining how to approach the Thailand Agricultural Land Reform Office “ALRO” so that clear access to tenement areas can be obtained which would allow more intensive exploration and mining activities. Importantly, Matsa has already received permits from the Forestry Department to access Forestry Land for exploration 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 Lontown Resources Limited (“Lontown”; ASX: LTR) for the sale of Matsa’s Killaloe Project to Lontown. 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 Lontown 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.

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In August 2017, Matsa entered into loan agreements with two separate parties for a \$4M loan facility of which \$3M was drawn down immediately, with the balance of \$1M available at call but remained undrawn. The loan attracts an interest rate of 12%, and was repayable by 31 July 2019 and 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.

Subsequently, Matsa reached agreement with the lenders to extend the loan repayment date to 31 July 2020, and increase the debt facility to A\$5 million and draw down a further A\$1 million, to be used for the acquisition of underground mining equipment and refurbishment of the equipment to be used at Red October underground mine.. Terms and conditions of the loan have not changed.

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 2019.

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 for 19 years from 1989 to 2008. 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.

He has been chairman of Matsa Resources Limited for 10 years and 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 Franciscus (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 30 June 2008, and 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. Since 1993 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 Chartered Accountants Australia and New Zealand (CAANZ) 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 loss for the year after income tax is \$4,947,360 (2018: \$5,117,800).

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

- A loss of \$194,649 (2018: gain of \$1,263,661) on the sale of shares held in listed investments.
- A provision for diminution in investments of \$1,248,296 (2018: Nil).
- Impairment losses of \$156,500 (2018: Nil) attributable to the Group's exploration projects.
- Care and maintenance costs on the Red October gold project of \$1,232,675 (2018: \$406,598).
- The write-off of exploration expenditure of \$834,982 (2018: \$755,335).
- Share based payments expense of \$882,611 (2018: Nil).
- Income of \$100,570 (2018: \$276,475) relating to a tax refund for eligible research and development expenditure.
- Share of loss from the investment in associate Bulletin Resources Limited of \$487,915 (2018: \$157,106).

Review of Financial Position

The net assets attributable to the shareholders of the parent have decreased by \$4,064,749 from 30 June 2018 to \$13,245,281 at 30 June 2019.

In the previous financial year \$2,548,143 (before costs) was raised via the issue of 11,325,079 fully paid ordinary shares at an issue price of \$0.225 each with one free unlisted option for every three shares subscribed for with an exercise price of \$0.30 each and expiring 30 November 2019.

In the previous financial year \$375,000 was raised during the financial year from the exercise of unlisted options that resulted in the issue of 1,700,000 fully paid ordinary shares.

Cash reserves at 30 June 2019 were \$0.90 million compared to \$3.79 million in the previous financial year and the Group had investments in listed shares of \$2,082,954.

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.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

EMPLOYEES

The Group had 25 employees of which 20 were full-time as at 30 June 2019 (2018: 20 full-time equivalent employees).

Review of Operations

A full review of the operations of the Group during the year ended 30 June 2019 is included on pages 4 to 33.

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 23 July 2019 Matsa announced that it had sold an 80% interest in the Lake Rebecca gold project to Bulletin Resources Limited for \$125,000 and a 1% net smelter royalty.

On 23 September 2019, Matsa announced that it had raised \$6 million via way of a placement of 40 million ordinary fully paid shares at \$0.15 each with one free attaching option for every four shares issued with an exercise price of \$0.25 each and expiring 31 March 2021.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is expected that the Consolidated Entity will continue its exploration, development and mining activities in Australia and Thailand. These are described in more detail in the Review of Operations on page 4.

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	3	3
Frank Sibbel	3	3
Andrew Chapman	3	3

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

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 \$0.25 Options	Number of \$0.17 Options
Paul Poli	11,855,000	2,750,000	2,500,000
Frank Sibbel	494,852	1,500,000	1,250,000
Andrew Chapman	69,000	1,500,000	1,250,000

Options granted to directors and officers of the Company

During the financial year, the Company granted 8,700,000 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 2019	\$0.25	3,900,000
30 November 2019	\$0.25	5,750,000
30 November 2019	\$0.30	3,775,025
30 November 2021	\$0.17	8,600,000
		<u>22,025,025</u>

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

There were no options exercised during the financial year.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT - Audited

Principles of Compensation

This remuneration report for the year ended 30 June 2019 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.

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

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 ended 30 June 2019 and 30 June 2018 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 ended 30 June 2019 and 30 June 2018 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 ended 30 June 2019 and 30 June 2018 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 is entitled to receive 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	2019	2018	2017	2016	2015
Closing share price	\$0.145	\$0.155	\$0.25	\$0.17	\$0.145
Net comprehensive income/(loss) per year ended	(4,947,360)	(3,886,427)	2,517,038	(2,231,886)	(7,425,418)

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

2019	Short Term Benefits		Post-employment Benefits	Share-based payments	Total	% Performance Related	% of Remuneration that consists of securities
	Salary & Fees \$	Other \$	Superannuation \$	Securities \$			
Directors							
Paul Poli ¹	342,336	500	20,531	244,876	608,243	40.26	40.26
Frank Sibbel ²	64,990	-	-	122,438	187,428	65.33	65.33
Andrew Chapman ³	235,066	-	22,322	122,438	379,826	32.24	32.24
Total	642,392	500	42,853	489,752	1,175,497	-	-

¹ Mr Poli is a director and shareholder of Strategic Siam Co Ltd which received payments totalling \$56,441 during the year. Strategic Siam provides administration services to Thai entities. Mr Poli receives an internet allowance as part of his terms of employment.

² Mr Sibbel provided consultancy services to the Company totalling \$22,990 during the year.

³ Mr Chapman provided company secretarial services to the Company totalling \$193,066 during the year.

Executives

David Fielding	221,000	-	20,531	79,634	321,165	24.80	24.80
Total	221,000	-	20,531	79,634	321,165	-	-

2018	Short Term Benefits		Post-employment Benefits	Share-based payments	Total	% Performance Related	% of Remuneration that consists of securities
	Salary & Fees \$	Other \$	Superannuation \$	Securities \$			
Directors							
Paul Poli ¹	341,860	500	20,049	-	362,409	-	-
Frank Sibbel ²	71,642	-	-	-	71,642	-	-
Andrew Chapman ³	221,451	-	19,640	-	241,091	-	-
Total	634,953	500	39,689	-	675,142	-	-

¹ Mr Poli is a director and shareholder of Strategic Siam Co Ltd which received payments totalling \$61,508 during the year. Strategic Siam provides administration services to Thai entities. Mr Poli receives travel and internet allowances as part of his terms of employment.

² Mr Sibbel provided consultancy services to the Company totalling \$29,642 during the year.

³ Mr Chapman provided company secretarial services to the Company totalling \$179,451 during the year.

Executives

David Fielding	221,000	-	20,049	-	241,049	-	-
Total	221,000	-	20,049	-	241,049	-	-

Compensation Options Granted and Vested during the year

The table below sets out options granted during the year to Directors and Executives. There were 5,750,000 options issued to Directors and Executives during the year. 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)

2019	Vested	Granted	Grant Date	Value per Security at Grant Date	Exercise Price	First Exercise Date	Expiry Date
	No.	No.		Cents	Cents		
P Poli	2,500,000	2,500,000	23.11.18	9.79	17	23.11.18	30.11.21
F Sibbel	1,250,000	1,250,000	23.11.18	9.79	17	23.11.18	30.11.21
A Chapman	1,250,000	1,250,000	23.11.18	9.79	17	23.11.18	30.11.21
D Fielding	750,000	750,000	6.12.18	10.62	17	6.12.18	30.11.21

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

2019	Value of options granted during the prior year	Value of options exercised during the year	Value of options lapsed during the prior year	Remuneration consisting of options during the prior year
	\$	\$	\$	%
Paul Poli	244,876	-	-	43.77
Frank Sibbel	122,438	-	-	64.13
Andrew Chapman	122,438	-	-	32.24
David Fielding	79,634	-	-	24.80

Option holdings of key management personnel

2019	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	2,500,000	-	-	-	5,250,000	5,250,000	-
A Chapman	1,500,000	1,250,000	-	-	-	2,750,000	2,750,000	-
F Sibbel	1,500,000	1,250,000	-	-	-	2,750,000	2,750,000	-
D Fielding	500,000	750,000	-	-	-	1,250,000	1,250,000	-
	6,250,000	5,750,000	-	-	-	12,000,000	12,000,000	-

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

Option holdings of key management personnel (continued)

2018	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	2,250,000	-	-	(750,000)	-	1,500,000	1,500,000	-
F Sibbel	2,250,000	-	-	(750,000)	-	1,500,000	1,500,000	-
D Fielding	900,000	-	-	(400,000)	-	500,000	500,000	-
	10,900,000	-	-	(4,650,000)	-	6,250,000	6,250,000	-

*Net change other refers to expiry of options during the year.

Shareholdings of key management personnel

2019	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	11,825,000	-	-	30,000	-	11,855,000
A Chapman	44,000	-	-	25,000	-	69,000
F Sibbel	294,852	-	-	200,000	-	494,852
D Fielding	715,929	-	-	40,000	-	755,929
	12,879,781	-	-	295,000	-	13,174,781

2018	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	-	-	1,225,000	-	11,825,000
A Chapman	40,000	-	-	4,000	-	44,000
F Sibbel	268,048	-	-	26,808	-	294,852
D Fielding	454,176	-	-	261,753	-	715,929
	11,362,224	-	-	1,517,557	-	12,879,781

*Net change other refers to on market purchases and sale and any other corporate action taken by the Company during the year.

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.

CORPORATE GOVERNANCE

In recognising the needs for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is available on the Company's website at:

<http://www.matsa.com.au/company/corporate-governance/>

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 2019:

Taxation services	\$6,000
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AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 47.

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



Paul Poli

Executive Chairman

Dated this 27th day of September 2019

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 2019 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**

M. Janse Van Nieuwenhuizen
Director

Perth
27 September 2019

MATSA RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
Revenue		11,563,369	10,049,231
Mining operations		(8,192,646)	(9,813,882)
Amortisation and depreciation		(695,718)	(3,168,815)
		<u>2,675,005</u>	<u>(2,933,466)</u>
Other income	5(a)	658,587	1,627,149
Depreciation expense	5(c)	(318,615)	(157,078)
Other expenses	5(d)	(5,874,769)	(2,406,655)
Loss on sale of investments		(194,649)	-
Loss on sale of tenements	12	(59,314)	-
Exploration and evaluation expenditure written off/provided for	12	(932,168)	(755,335)
Results from operating activities		(4,045,923)	(4,625,385)
Finance income	5(b)	32,749	38,181
Finance costs		(446,271)	(373,490)
Net finance income		(413,522)	(335,309)
Share of loss of equity-accounted investee, net of tax	11	(487,915)	(157,106)
Loss before income tax expense		<u>(4,947,360)</u>	<u>(5,117,800)</u>
Income tax expense	6	-	-
Net loss for the year attributable to equity holders of the company		(4,947,360)	(5,117,800)
Other comprehensive income to be reclassified subsequently through profit or loss			
Equity-accounted investees – share of other comprehensive income	11	-	12,652
Net change in fair value of available-for-sale financial assets		-	1,638,141
Available-for-sale financial assets – reclassified to profit or loss		-	(419,420)
Other comprehensive income/(loss) for the year, net of tax		-	1,231,373
Total comprehensive loss for the year attributable to equity holders of the company		<u>(4,947,360)</u>	<u>(3,886,427)</u>
Loss for the year is attributable to:			
Owners of the parent		(4,947,518)	(5,117,742)
Non-controlling interest		158	(58)
		<u>(4,947,360)</u>	<u>(5,117,800)</u>
Total comprehensive loss for the year is attributable to:			
Owners of the parent		(4,947,518)	(3,886,369)
Non-controlling interest		158	(58)
		<u>(4,947,360)</u>	<u>(3,886,427)</u>
Basic loss per share attributable to ordinary equity holders of the parent	21	(2.80)	(3.18)
Diluted loss per share attributable to ordinary equity holders of the parent	21	(2.80)	(3.18)

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	24	901,148	3,791,684
Trade and other receivables	7	317,288	900,405
Other assets	8	67,825	222,304
Inventories	9	106,923	-
Total current assets		1,393,184	4,914,393
Non-current assets			
Other assets	8	327,662	288,943
Financial assets	10	1,110,206	2,683,246
Investments in associates	11	355,617	843,533
Exploration and evaluation assets	12	16,355,239	14,874,547
Property, plant and equipment	14	1,785,389	748,454
Mine properties and development	13	649,941	473,973
Total non-current assets		20,584,054	19,912,696
Total assets		21,977,238	24,827,089
Current liabilities			
Trade and other payables	15	1,715,618	1,714,010
Borrowings	16	102,273	71,590
Provisions	17	258,002	217,567
Total current liabilities		2,075,893	2,003,167
Non-current liabilities			
Borrowings	16	4,058,952	2,955,286
Provisions	17	2,597,112	2,558,606
Total non-current liabilities		6,656,064	5,513,892
Total liabilities		8,731,957	7,517,059
Net assets		13,245,281	17,310,030
Equity			
Issued capital	18	44,292,467	44,292,467
Reserves	19	9,396,962	10,455,642
Accumulated losses	20	(40,521,595)	(37,515,368)
Total equity attributable to equity holders of the Company		13,167,834	17,232,741
Non-controlling interests		77,447	77,289
Total equity		13,245,281	17,310,030

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital Ordinary \$	Accumulated Losses \$	Other Reserves \$	Equity Settled Benefits Reserve \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2017	40,688,126	(32,397,626)	696,074	8,421,088	17,407,662	77,347	17,485,009
Comprehensive gain/(loss) for the year	-	(5,117,742)	1,231,373	-	(3,886,369)	(58)	(3,886,427)
Total comprehensive gain/(loss) for the year	-	(5,117,742)	1,231,373	-	(3,886,369)	(58)	(3,886,427)
<i>Transactions with owners recorded directly in equity</i>							
Issue of shares	3,786,793	-	-	-	3,786,793	-	3,786,793
Share based payment	(182,452)	-	-	-	(182,452)	-	(182,452)
	-	-	-	107,107	107,107	-	107,107
Balance at 30 June 2018	44,292,467	(37,515,368)	1,927,447	8,528,195	17,232,741	77,289	17,310,030
Balance at 1 July 2018	44,292,467	(37,515,368)	1,927,447	8,528,195	17,232,741	77,289	17,310,030
Adjustments on the initial application of AASB 9	-	1,941,291	(1,941,291)	-	-	-	-
Comprehensive gain/(loss) for the year	-	(4,947,518)	-	-	(4,947,518)	158	(4,947,360)
Total comprehensive gain/(loss) for the year	-	(3,006,227)	(1,941,291)	-	(4,947,518)	158	(4,947,360)
<i>Transactions with owners recorded directly in equity</i>							
Share based payment	-	-	-	882,611	882,611	-	882,611
Balance at 30 June 2019	44,292,467	(40,521,595)	(13,844)	9,410,806	13,167,834	77,447	13,245,281

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		12,221,038	9,391,562
Other income		442,679	367,266
Payments to suppliers and employees		(11,388,710)	(11,814,450)
Interest received		37,560	33,370
Net cash provided by/(used in) operating activities	24	1,312,567	(2,022,252)
Cash flows from investing activities			
Payments for financial assets		(225,000)	(257,903)
Proceeds from sale of financial assets		838,968	2,166,104
Purchase of plant and equipment		(1,382,217)	(141,750)
Exploration and evaluation expenditure (capitalised)		(3,514,253)	(3,211,242)
Proceeds on sale of plant and equipment		80,000	-
Proceeds on sale of tenements		150,000	-
Payments for mine properties		(739,690)	(518,903)
(Payments for)/refund of security deposits		149,630	333,517
Net cash used in investing activities		(4,642,562)	(1,630,177)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,923,143
Costs of issue		-	(182,452)
Repayment of lease liabilities		(110,817)	(61,512)
Proceeds from borrowings		1,000,000	3,000,000
Interest paid		(449,724)	(302,084)
Net cash provided by financing activities		439,459	5,377,095
Net increase/(decrease) in cash and cash equivalents		(2,890,536)	1,724,666
Cash and cash equivalents at beginning of financial year		3,791,684	2,067,018
Cash and cash equivalents at end of financial year	24	901,148	3,791,684

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. CORPORATE INFORMATION

The consolidated financial statements of Matsa Resources Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 27 September 2019.

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 2019 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.

(c) Changes in Accounting Policies and Disclosures

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 2018. 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 accounting standards adopted by the Group

The following standards relevant to the operations of the Group and effective from 1 July 2018 have been adopted.

- AASB 9: *Financial Instruments*; and
- AASB 15: *Revenue from Contracts with Customers*.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in Accounting Policies and Disclosures (continued)

Impact of adoption of AASB 9: *Financial Instruments* ("AASB 9")

AASB 9 replaces the provisions of AASB 139: *Financial Instruments: Measurement and Recognition*, that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 resulted in minimal changes in accounting policies. The new accounting policies are set out in Note 7 and 10. There was no significant impact on the financial performance to position of the Group on the date of initial application, 1 July 2018, or at reporting date, 30 June 2019. Details are below.

Classification and measurement of financial assets

On the date of initial application, 1 July 2018, the financial instruments of the Group were as follows, with any reclassifications noted.

	Measurement category		Carrying amount		
	Original (AASB 139)	New (AASB 9)	Original \$	New \$	Difference \$
Current and non-current financial assets					
Other receivables	Amortised cost	Amortised cost	4,811	4,811	-
Listed equities	Available-for-sale	Fair value through profit or loss ("FVPL")	2,683,246	2,683,246	-

Related fair value gains of \$1,941,291 were transferred from the available-for-sale financial assets reserve (recognised within other reserves) to retained earnings on 1 July 2018.

The Group elected to present in profit and loss changes in the fair value of all its listed equities previously classified as available-for-sale. As a result, listed equities with a fair value of \$2,683,246 were reclassified from available-for-sale recognised under current available-for-sale financial assets to financial assets at FVPL on 1 July 2018.

Impairment of other receivables

Prior to the adoption of AASB 9, in accordance with AASB 139 *Financial Instruments: Measurement and Recognition*, the Group applied an incurred credit loss model. Upon adoption of AASB 9, the Group has elected to apply the simplified approach to measuring expected credit losses, which uses the lifetime expected loss allowance for all Other receivables.

Due to the nature of the Group's Other receivables, there was no impact of the expected loss allowance under AASB 9 against the loss incurred under AASB 139 to the Group.

Impact of adoption of AASB 15: *Revenue from Contracts with Customers* ("AASB 15")

AASB 15 replaces AAB 118 *Revenue*. AASB 15 provides a single, principles based five step model to be applied to all contracts with customers.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in Accounting Policies and Disclosures (continued)

The adoption of AASB 15 resulted in minimal changes in accounting policies. The new accounting policies are set out in Notes 2(i) and 2(n). There was no impact on the financial performance to position of the Group on the date of initial application, 1 July 2018, or at reporting date, 30 June 2019.

(d) 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 ended 30 June 2019.

Reference	Title	Summary	Application Date of Standard *	Likely Impact on Initial Application
AASB 16	Leases	AASB 16 requires lessees to account for all leases under a single on- balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. AASB 16 requires lessees to account for all leases under a Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1 January 2019	AASB 16 Leases eliminates the distinction between operating and finance leases, and brings all leases (other than short term leases) onto the balance sheet. The standard does not apply mandatorily before 1 July 2019. The Group plans to adopt the modified retrospective approach on transition, where the lease liability is measured as the present value of future lease payments on the initial date of application being 1 July 2019. Based on the entity's preliminary assessment, the Group estimates that it will recognise right-of-use assets within a range of \$115,000 to \$125,000 and lease liabilities within a range of \$110,000 to \$120,000.

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Likely Impact on Initial Application
AASB 16	Leases		1 January 2019	The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings from 1 July 2019.
IAS 19	Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	This Standards amends AASB 119 Employee Benefits – address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. <i>Determining the current service cost and net interest</i> When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to: • Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event • Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset) <i>Effect on asset ceiling requirements</i> A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.	1 January 2019	There will be no material impact.

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Likely Impact on Initial Application
AASB Interpretation 23, and relevant amending standards	Uncertainty over Income Tax Treatments	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: • Whether an entity considers uncertain tax treatments separately • The assumptions an entity makes about the examination of tax treatments by taxation authorities • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • How an entity considers changes in facts and circumstances.	1 January 2019	The Company is still assessing whether there will be any material impact.
AASB 2018-7	Definition of Material	In October 2018, the IASB issued amendments to AASB 101 Presentation of Financial Statements and AASB 108 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. <i>Obscuring information</i> The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated. <i>New threshold</i> The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users. <i>Primary users of the financial statements</i> The current definition refers to 'users' but does not specify their characteristics, which can be interpreted to imply that an entity is required to consider all possible users of the financial statements when deciding what information to disclose. Consequently, the IASB decided to refer to primary users in the new definition to help respond to concerns that the term 'users' may be interpreted too widely.	1 January 2020	The Company is still assessing whether there will be any material impact

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

(f) 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.

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.

(g) 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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Business combinations (continued)

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.

(h) 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.

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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Trade and other receivables are recognised at amortised cost using the effective interest rate method, less any allowance for expected credit losses.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Group applies the simplified approach permitted by AASB 9 to determine any allowances for expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience. The amounts held in trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these trade and other receivables, it is expected that the amounts will be received when due.

The Group's financial risk management objectives and policies are set out in Note 26.

Due to the short-term nature of these receivables their carrying value is assumed to approximate their fair value.

Financial assets are recognised and derecognised on settlement date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned. They are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group classifies its financial assets as either financial assets at fair value through profit or loss ("FVPL"), fair value through other comprehensive income ("FVOCI") or at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in equity instruments, the classification depends on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVPL or FVOCI.

Financial assets at FVPL

For assets measured at FVPL, gains and losses will be recorded in profit or loss. The Group's derivative financial instruments are recognised at FVPL. Assets in this category are subsequently measured at fair value. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. Refer to Note 26 for additional details. The Group has elected to measure its listed equities at FVPL.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (continued)

Financial assets at OCI

For assets measured at FVOCI, gains and losses will be recorded in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Assets in this category are subsequently measured at fair value. The fair values of quoted investments are based on current bid prices in an active market.

Other

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

Available-for-sale financial assets (policy prior to 1 July 2018 and adoption of AASB 9)

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.

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.

(j) 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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(j) Investments in associates (continued)

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.

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.

(k) 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.

(l) Impairment of non-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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

(n) 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.

(o) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and bringing the inventories to their existing condition and location and is determined using the weighted average cost method.

(p) 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.

(q) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Exploration, evaluation and development expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is capitalised and 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.

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.

(s) 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.

(t) 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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Rehabilitation costs

The Consolidated Entity is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit or loss on a prospective basis over the remaining life of the operation.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets or from plant clean up at closure.

(v) 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.

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.

(w) Borrowing costs

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

(x) 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.

(y) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Provisions (continued)

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.

(z) 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.

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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Share-based payment transactions (continued)

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.

(aa) Revenue

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expected to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled. The following specific recognition criteria must be met before revenue is recognised:

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.

Sale of goods (*policy prior to 1 July 2018 and adoption of AASB 15*)

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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) 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.

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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ac) 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.

(ad) 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.

(ae) Earnings per share

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.

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.

(af) 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 loss for the year of \$4,947,360 (2018: \$5,117,800), a cash inflow from operating activities of \$1,312,567 (2018: outflow \$2,022,252) and a working capital deficit of \$682,709 (2018: \$2,911,226 positive working capital).

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(af) Financial Position

At year end, the Group had \$901,148 in cash and term deposit balances, \$1,830,206 of investments in listed securities and \$1,000,000 of unused loan facilities.

Management has prepared a cash flow forecast and have the ability to manage at their discretionary the forecast expenditure to be in line with the Group's actual cash flow.

Based on the above facts, the Directors consider the going basis of preparation to be appropriate.

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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

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

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 financial assets

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.

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.

Mine rehabilitation provision

The Consolidated Entity assesses its mine rehabilitation provision on an annual basis in accordance with the accounting policy stated in Note 2(u). In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of those future costs (largely dependent on the life of mine) and the estimated level of inflation. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

can also change, for example in response to changes in reserves or to production rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

Information about reportable segments

Information relating to each reportable segment is shown below.

2019	Reportable Segments		Total
	Australia	Thailand	
	\$	\$	\$
External revenues	12,210,506	11,450	12,221,956
Inter-segment revenue	-	-	-
Segment revenue	12,210,506	11,450	12,221,956
Segment profit/(loss) before tax	(3,713,548)	(1,233,812)	(4,947,360)
Interest income	30,566	2,183	32,749
Interest expense	(446,271)	-	(446,271)
Depreciation and amortisation	(1,011,655)	(2,678)	(1,014,333)
Share of profit/(loss) of equity accounted investees	(487,915)	-	(487,915)
Other material non-cash items			
- Impairment of losses of non-financial assets	-	-	-
Segment assets	20,903,675	1,073,563	21,977,238
Equity accounted investees	355,617	-	355,617
Capital expenditure	1,437,218	-	1,437,218
Segment liabilities	8,759,905	(27,948)	8,731,957

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

4. SEGMENT REPORTING (Continued)

2018	Reportable Segments		Total
	Australia	Thailand	
	\$	\$	\$
External revenues	11,676,380	-	11,676,380
Inter-segment revenue	-	-	-
Segment revenue	11,676,380	-	11,676,380
Segment profit/(loss) before tax	(4,291,001)	(826,799)	(5,117,800)
Interest income	33,242	4,939	38,181
Interest expense	(373,490)	-	(373,490)
Depreciation and amortisation	(3,316,398)	(9,495)	(3,325,893)
Share of profit/(loss) of equity accounted investees	(157,106)	-	(157,106)
Other material non-cash items			
- Impairment of losses of non-financial assets	-	-	-
Segment assets	23,014,060	1,813,029	24,827,089
Equity accounted investees	843,532	-	843,532
Capital expenditure	700,300	-	700,300
Segment liabilities	7,513,564	3,495	7,517,059

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

	2019	2018
	\$	\$
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	100,570	276,475
Net gain on sale of plant and equipment	61,483	-
Net gain on sale of investments	-	1,263,661
Net gain on sale of tenements	160,985	-
Other income	335,549	87,013
	658,587	1,627,149
(b) Finance income		
Interest earned	32,749	38,181
(c) Expenses included in the statement of comprehensive income		
Depreciation of plant and equipment	318,615	157,078
(d) Other expenses		
(i) Employee benefits expense		
Salaries and wages	1,185,747	760,006
Superannuation expenses	62,799	51,264
Share based payments	882,611	-
Total employee benefits expense	2,131,157	811,270
(ii) Administration and other expenses		
Operating lease rentals	166,552	171,393
Care and maintenance	1,232,675	406,599
Administration expenses	2,344,385	1,017,393
	3,743,612	1,595,385
	5,874,769	2,406,655

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

	2019	2018
	\$	\$
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:

Loss from continuing operations	(4,947,360)	(5,117,800)
Income tax expense calculated at 27.5% (2018: 30%)	(1,360,524)	(1,535,340)
Effect of temporary differences not recognised in prior periods	-	1,121,942
Non-deductible expenses	244,280	2,066
Non-assessable income	(18,399)	(296,118)
Effect of temporary differences not recognised in current year	1,473,124	92,180
Effect of change in income tax rate	280,118	(297,204)
Effect of temporary differences that would be recognised directly in equity	(530,047)	912,474
Adjustments recognised in the current year in relation to the current tax of previous years	(88,552)	-
	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% (2018: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

	2019	2018
	\$	\$
Unrecognised deferred tax assets/(liabilities)		
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	6,704,156	5,937,681
Investments	343,281	(831,294)
Temporary differences - exploration	(2,362,128)	(2,084,305)
Section 40-880 expenses	42,839	62,310
Other temporary differences	106,396	277,028
	4,834,544	3,361,420

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 2019**

	2019	2018
	\$	\$
7. Trade and other receivables		
Current		
Trade debtors	192,087	723,436
Amounts receivable from Australian Taxation Authorities	7,700	86,557
Other receivables	117,501	90,412
	<u>317,288</u>	<u>900,405</u>

	2019	2018
	\$	\$
8. Other current assets		
Current		
Prepayments	35,953	40,802
Cash backed performance bond (i)	31,872	181,502
	<u>67,825</u>	<u>222,304</u>
Non-current		
Deposits held (ii)	327,662	288,943
	<u>327,662</u>	<u>288,943</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 \$109,221 (2018: \$96,314) has been made against the deposits held of \$436,883 (2018: \$385,258).

	2019	2018
	\$	\$
9. Inventories		
Current		
Stores and spares at cost	106,923	-
	<u>106,923</u>	<u>-</u>

	2019	2018
	\$	\$
10. Other		
Other financial assets	1,110,206	2,683,246
	<u>1,110,206</u>	<u>2,683,246</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10. Other (continued)

	2019 \$	2018 \$
Movements in financial assets:		
At 1 July	2,683,246	2,109,065
Additions	735,000	259,649
Disposals	(1,059,744)	(1,323,609)
Net change in investments	(1,248,296)	1,638,141
At 30 June	1,110,206	2,683,246

Other financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

Listed shares

- (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 year the fair value of the investment was \$1,051,238 (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. The Company disposed of its entire interest during the year.

- (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 year the Company's investment was \$58,750 (30 June 2018: Nil) which is based on AWV's quoted share price.

11. Equity Accounted Investments

The Company has a 26.77% (2018: 26.77%) 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.

	2019 \$	2018 \$
Movements in carrying value of the Company's investment in associate:		
At 1 July	843,533	987,987
Share of loss after income tax	(487,915)	(157,106)
Share of change in reserves	-	12,652
At 30 June	355,617	843,533

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

11. Equity Accounted Investments (continued)

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

	2019 \$	2018 \$
Current assets	2,277,397	3,608,830
Non-current assets	85,484	250,000
Current liabilities	(224,172)	(136,489)
Non-current liabilities	-	-
Equity	2,138,709	3,722,341
Company's share of loss for the year	(487,915)	(157,106)

The associate had no contingent liabilities or capital commitments as at 30 June 2019.

	2019 \$	2018 \$
12. Exploration and evaluation assets		
Exploration expenditure capitalised at cost		
-exploration and evaluation phase	16,355,239	14,874,547
	16,355,239	14,874,547

Movements in carrying amounts

Exploration and evaluation phase

Balance at beginning of year	14,874,547	8,488,310
Acquisition of tenements	823,910	2,813,526
Disposal of tenements	(499,015)	-
Exploration and evaluation incurred	2,955,816	2,494,006
Expenditure written off/provided for	(991,482)	(755,335)
Transferred from/(to) mine property and development	(808,537)	1,834,040
Balance at end of year	16,355,239	14,874,547

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 \$Nil (2018: \$Nil) in the financial year.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
13. Mine Property and Development		
Mine properties		
Balance at beginning of year	473,973	4,782,499
Transferred from/(to) exploration and evaluation assets	275,968	(1,834,040)
Additions	-	502,701
Depreciation expense for the period	(100,000)	(26,028)
Amortisation expense for the period	-	(2,951,159)
Balance at end of year	649,941	473,973
Mine capital development		
Balance at beginning of year	-	171,468
Additions	532,569	46,188
Amortisation expense for the period	(532,569)	(217,656)
Balance at end of year	-	-
Total mine properties and development	649,941	473,973
	2019	2018
	\$	\$
14. Property, plant and equipment		
Plant and equipment at cost	3,239,946	1,761,966
Accumulated depreciation	(1,454,557)	(1,013,512)
	1,785,389	748,454
Total property, plant and equipment	1,785,389	748,454
Movements in carrying amounts	Plant and Equipment	Total
	\$	\$
Consolidated		
Balance 30 June 2017	179,204	179,204
Additions	700,300	700,300
Disposals	-	-
Depreciation expense	(131,050)	(131,050)
Balance 30 June 2018	748,454	748,454
Additions	1,437,217	1,437,217
Disposals	(18,518)	(18,518)
Depreciation transferred to mine properties	(63,149)	-
Depreciation expense	(318,615)	(381,764)
Balance 30 June 2019	1,785,389	1,785,389

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 2019 the net carrying amount of leased plant and equipment was \$200,379 (2018: \$89,355). During the year, the Group acquired leased assets of \$189,400 (2018: \$67,539).

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

	2019	2018
	\$	\$
15. Trade and other payables		
Unsecured liabilities		
Trade payables	1,177,144	1,275,655
Sundry creditors and accrued expenses	538,474	438,355
	<u>1,715,618</u>	<u>1,714,010</u>
	2019	2018
	\$	\$
16. Borrowings		
Current		
Secured liabilities		
Finance lease liabilities (i)	102,273	71,590
	<u>102,273</u>	<u>71,590</u>
Non Current		
Secured liabilities		
Loan (ii)	3,960,846	2,937,521
Finance lease liabilities (i)	98,106	17,765
	<u>4,058,952</u>	<u>2,955,286</u>
(i) The finance lease liabilities are secured over the Company's motor vehicles and plant and equipment.		
(ii) Reconciliation of loan	2019	2018
	\$	\$
Balance at beginning of year	2,937,521	-
Amount borrowed	1,000,000	3,000,000
Share based payment	-	(107,107)
Interest charge	23,325	44,628
Balance at end of year	<u>3,960,846</u>	<u>2,937,521</u>

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 conduct further exploration at Lake Carey. The repayment date was initially 31 July 2018 but was extended by mutual consent on 12 April 2018 to 31 July 2019. On 5 May 2019 a further \$1M was borrowed and the repayment date extended to 31 July 2020. On this basis the loan has been disclosed as non-current.

The key terms of the finance facility are as follows:

Principal Amount:	\$5,000,000 (\$4M drawn down 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 2020
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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16. Borrowings (Continued)

At the time of the original loan 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 \$4M has been offset by the value of the options issued. At the end of the period the carrying value of the loan was \$3,960,846.

	2019 \$	2018 \$
17. Provisions		
Current		
Provision for annual leave	258,002	217,567
	<u>258,002</u>	<u>217,567</u>
Non-current		
Provision for long service leave	176,136	154,548
Provision for mine restoration	2,420,976	2,404,058
	<u>2,597,112</u>	<u>2,558,606</u>
	2019 \$	2018 \$
Movement in long service leave provision		
Opening balance 1 July	154,548	138,114
Increase in provision	21,588	16,434
Closing balance 30 June	<u>176,136</u>	<u>154,548</u>
Movement in provision for mine restoration		
Opening balance 1 July	2,404,058	24,312
Acquisition of tenements	-	2,224,876
Increase/(decrease) in provision	16,918	154,870
Closing balance 30 June	<u>2,420,976</u>	<u>2,404,058</u>

	2019 \$	2018 \$	2019 \$	2018 \$
18. Issued capital				
176,917,368 (2018: 176,917,368) fully paid ordinary shares	44,292,467 No.	44,292,467 No.	44,292,467 \$	44,292,467 \$
Ordinary shares				
At the beginning of reporting period	176,917,368	144,706,779	44,292,467	40,688,126
Exercise of options	-	1,700,000	-	375,000
Share placement	-	11,325,079	-	2,548,143
Shares issued on acquisition	-	4,545,000	-	863,650
Bonus issue	-	14,640,510	-	-
Transaction costs	-	-	-	(182,452)
At reporting date	<u>176,917,368</u>	<u>176,917,368</u>	<u>44,292,467</u>	<u>44,292,467</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

18. Issued capital (continued)

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
\$0.25	30 November 2019	4,175,000	-	-	(275,000)	3,900,000
\$0.25	30 November 2019	5,750,000	-	-	-	5,750,000
\$0.30	30 November 2019	3,775,025	-	-	-	3,775,025
\$0.17	30 November 2021	-	5,000,000	-	-	5,000,000
\$0.17	30 November 2021	-	3,700,000	-	(100,000)	3,600,000
		13,700,025	8,700,000	-	(375,000)	22,025,025

19. Reserves

Equity settled transaction
Available-for-sale reserve
Other reserves

2019 \$	2018 \$
9,410,806	8,528,195
-	1,941,291
(13,844)	(13,845)
9,396,962	10,455,641

Equity settled transaction reserve

Balance at beginning of financial year
Share based payment
Balance at end of financial year

8,528,195	8,421,088
882,611	107,107
9,410,806	8,528,195

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

Available-for-sale reserve

Balance at beginning of financial year
Adjustments on the initial application of AASB 9
Reclassified to profit and loss
Net change in fair value of available-for-sale financial assets
Balance at end of financial year

1,927,447	696,074
(1,941,291)	-
-	(419,420)
-	1,650,793
(13,844)	1,927,447

20. Accumulated losses

Accumulated losses at beginning of financial year
Adjustments on the initial application of AASB 9
Loss for the year
Accumulated losses at end of financial year

37,515,368	32,397,626
(1,941,291)	-
4,947,518	5,117,742
40,521,595	37,515,368

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

21. Loss per share

	2019 \$	2018 \$
The loss and weighted average number of ordinary shares used in the calculation of loss per share are as follows:		
Loss	4,947,518	5,117,800
	No.	No.
Weighted average number of ordinary shares	176,917,368	161,177,741

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.

22. 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 \$2,176,578 (2018: \$1,480,098). 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

	2019 \$	2018 \$
Commitments in relation to finance leases are payable as follows:		
Within one year	112,531	75,899
Later than one year but not later than five years	106,369	18,483
Minimum lease payments	218,900	94,382
Less: Future finance charges	(18,521)	(5,027)
	200,379	89,355
Recognised as a liability		
Representing lease liabilities:		
Current (note 16)	102,273	71,590
Non-current (note 16)	98,106	17,765
	200,379	89,355
Operating lease commitments		
Future operating lease rentals of office space provided for in the financial statements and payable:		
- Not later than one year	82,013	47,154
- Later than one year but not later than five years	34,860	-
	116,873	47,154

Contingencies

There are no contingent assets or contingent liabilities as at 30 June 2019.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

23. Subsidiaries

	Country of Incorporation	Percentage Owned (%)	
		2019	2018
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
Red October Gold 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 Tabaek 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 Co Ltd	Thailand	100	100
Azure Circle Co Ltd	Thailand	100	100

24. 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:

	2019 \$	2018 \$
Cash and cash equivalents	901,148	3,791,684

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

24. Cash flow information (Continued)

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

	2019	2018
	\$	\$
Profit/(loss) for year	(4,947,360)	(5,117,800)
Non-cash flows in loss from ordinary activities:		
Share-based payments	882,611	-
Depreciation	318,615	157,078
Exploration expenditure written off	932,168	755,335
Share of investee (profit)/loss	487,915	157,106
Net (gain) on sale of financial assets	194,649	(1,263,661)
Net (gain)/loss on disposal of plant and equipment	(61,483)	-
Net (gain)/loss on tenements	59,314	-
Net change in investments	1,248,296	-
Interest expense classified as financing cash flow	449,724	302,084
Amortisation	695,718	3,168,815
Changes in assets and liabilities:		
Decrease/(increase) in receivables	583,117	(831,883)
Increase/(decrease) in trade creditors and accruals	390,341	(1,729,072)
Increase/(decrease) in provisions	78,941	2,379,746
Cash flow from operations	<u>1,312,567</u>	<u>(2,022,252)</u>

Non-cash financing and investing activities

In the previous financial year Matsa acquired the Red October gold project for a total deemed consideration of \$2,000,000. Of that amount part of the consideration was satisfied by the issue of 4,545,000 fully paid ordinary shares to the vendor, Saracen Mineral Holdings Limited.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

25. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2019 the parent company of the Group was Matsa Resources Limited.

	Company	
	2019	2018
	\$	\$
Result of the parent Entity		
Profit/(loss) for the year	(10,655,157)	(4,660,218)
Other comprehensive gain/(loss)	-	1,218,721
Total comprehensive profit/(loss) for the year	(10,655,157)	(3,441,497)
Financial position of parent entity at year end		
Current assets	880,196	3,526,500
Total assets	12,076,598	20,191,137
Current liabilities	1,307,129	774,377
Total liabilities	5,542,217	3,884,211
Total equity of the parent entity comprising of:		
Share capital	44,292,467	44,292,467
Reserves	9,393,601	10,452,278
Accumulated losses	(47,151,686)	(38,437,819)
Total equity	6,534,382	16,306,926

26. 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 2019

26. 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 with the exception of its cash balances at bank.

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

The Group manages its exposure to credit risk by extensive due diligence on the party processing its gold sales.

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	
	2019	2018
	\$	\$
Trade and other receivables	309,588	813,848
Cash and cash equivalents	901,148	3,791,684
Deposits held	436,883	385,258
Impairment of deposits (refer Note 8 (ii))	(109,221)	(96,314)

The Group has \$183,910 in other receivables that are past due (2018: \$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 Group also has investments in listed shares that could be sold to raise cash.

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 2019

	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		1,715,618	1,715,618	1,715,618	-	-	-
Finance lease liabilities	7.58	200,379	200,379	57,379	44,894	41,391	56,715
Loan	12	3,960,846	3,960,846	-	-	3,960,846	-
		<u>5,876,843</u>	<u>5,876,543</u>	<u>1,772,997</u>	<u>44,894</u>	<u>4,002,237</u>	<u>56,715</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

26. Financial instruments (Continued)

30 June 2018

	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		1,714,010	1,714,010	1,714,010	-	-	-
Finance lease liabilities	8.27	89,355	89,355	35,968	35,622	17,765	-
Loan	12	2,937,521	2,937,521	-	-	2,937,521	-
		<u>4,740,886</u>	<u>4,740,886</u>	<u>1,749,978</u>	<u>35,622</u>	<u>2,955,286</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	
	2019	2018
	\$	\$
Other current assets	77,035	240,554
Cash and cash equivalents	285,298	310,869

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 2019 would have increased equity by \$36,233 (2018: \$55,142), 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 2019

26. 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	
	2019	2018
	\$	\$
Fixed rate instruments		
Cash and cash equivalents	50,000	390,505
Lease liabilities	200,379	(89,355)
Loan	3,960,846	(2,937,521)
	<u>4,211,225</u>	<u>(2,636,371)</u>
Variable rate instruments		
Cash and cash equivalents	851,148	3,401,179
Cash backed performance bonds	31,872	181,502
	<u>883,020</u>	<u>3,582,681</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 2018.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$	\$	\$	\$
30 June 2019				
Variable rate instruments	8,830	(8,830)	8,830	(8,830)
30 June 2018				
Variable rate instruments	35,827	(35,827)	35,827	(35,827)

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 2019

26. 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 financial investments and carried at fair value with fair value changes recognised directly in the profit and loss account.

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

	Note	30 June 2019 \$	30 June 2018 \$
Listed equities (Level 1 fair value hierarchy)	10	1,110,206	2,683,246

Sensitivity analysis

The Group's equity investments are listed on the Australian Securities Exchange. A 3% increase in stock prices at 30 June 2019 would have increased equity by \$33,306 (2018: \$80,497), 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 2019

27. 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 18 November 2016 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 2019

27. 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.

	2019 Number of Options	2019 Weighted Average Exercise Price \$	2018 Number of Options	2018 Weighted Average Exercise Price \$
Outstanding at the beginning of the year	3,675,000	0.25	6,125,000	0.25
Granted	2,450,000	0.17	-	-
Exercised	-	-	(700,000)	0.25
Expired	(375,000)	0.23	(1,750,000)	0.25
Outstanding at year-end	5,750,000	0.22	3,675,000	0.25
Exercisable at year-end	5,750,000	0.22	3,675,000	0.25

The outstanding balance as at 30 June 2019 is represented by the following options over ordinary shares, exercisable upon meeting the above terms and conditions:

- 2,350,000 options with an exercise price of \$0.17 each and with an expiry date of 30 November 2021. All have vested and are exercisable at balance date.
- 3,400,000 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 5,750,000 (2018: 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 2019

27. Share-based payments (Continued)

(b) 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.

	2019 No.	2019 WAEP \$	2018 No.	2018 WAEP \$
Outstanding at 1 July	6,250,000	0.25	10,900,000	0.27
Granted during the year	5,750,000	0.17	-	-
Expired during the year	-	-	(4,650,000)	0.29
Outstanding at 30 June	12,000,000	0.21	6,250,000	0.25
Exercisable at 30 June	12,000,000	0.21	6,250,000	0.25

There were 5,750,000 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.
- 5,000,000 options over ordinary shares with an exercise price of \$0.17 each, exercisable upon meeting the relevant conditions and until 30 November 2021.

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.
- 750,000 options over ordinary shares with an exercise price of \$0.17 each exercisable upon meeting the relevant conditions and until 30 November 2021.

(c) 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.

	2019		2018	
	Directors	Executives	Directors	Executives
Dividend yield (%)	-	-	-	-
Expected volatility (%)	140.56	140.56	-	-
Risk-free interest rate (%)	2.09	1.95	-	-
Expected life of options (years)	3.01	2.97	-	-
Option exercise price (\$)	0.17	0.17	-	-
Share price at grant date (\$)	0.13	0.14	-	-
Fair value at grant date (c)	9.79	10.62	-	-

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

27. Share-based payments (Continued)

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.

	Consolidated	
	2019	2018
	\$	\$
Employee Expenses		
Share options granted in 2019		
- equity settled	882,611	-
Total expense recognised as employee costs	882,612	-

28. 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 38 to 45. These transferred disclosures have been audited.

	2019	2018
	\$	\$
Compensation of Key Management Personnel		
Short-term employment benefits	863,892	856,453
Post-employment benefits	63,384	59,738
Termination benefits	-	-
Share-based payment	569,386	-
	1,496,662	916,191

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 2019

28. 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 year \$318,153 has been charged to Bulletin for these services (2018: \$76,146).

At 30 June 2019 there was an outstanding balance of \$192,087 (2018: \$24,272) 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 year \$625 has been charged to the Consolidated Entity for this service (2018: \$576).

At 30 June 2018 there was an outstanding balance of \$nil (2018: 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 year \$6,371 has been charged to the Consolidated Entity for this service (2018: \$6,372).

At 30 June 2018 there was an outstanding balance of \$nil (2018: nil) payable to West-Sure.

- (d) P Poli is a director and controlling shareholder of WA Fleet Systems Pty Ltd which provided the Consolidated Entity with a hire car from time to time. In the current year \$600 has been charged to the Consolidated Entity for this service (2018: 1,975).

At 30 June 2019 there was an outstanding balance of \$nil (2018: nil) payable to WA Fleet Systems.

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.

29. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in Note 23.

Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report and Note 28.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

30. Remuneration of auditors

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

	Consolidated	
	2019	2018
	\$	\$
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.	64,000	56,140
Amounts received or due and receivable by related practices of Nexia Perth for:		
- tax compliance	6,000	7,700
	<u>70,000</u>	<u>63,840</u>

31. Events Subsequent to Balance Date

On 23 July 2019 Matsa announced that it had sold an 80% interest in the Lake Rebecca gold project to Bulletin Resources Limited for \$125,000 and a 1% net smelter royalty.

On 23 September 2019, Matsa announced that it had raised \$6 million via way of a placement of 40 million ordinary fully paid shares at \$0.15 each with one free attaching option for every four shares issued with an exercise price of \$0.25 each and expiring 31 March 2020.

Other than the above, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

- the group's operations in future financial years, or
- the results of those operations in future financial years, or
- the group's state of affairs in future financial years.

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 2019 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 38 to 45 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 2019.

Signed in accordance with a resolution of the directors;



Paul Poli
Executive Chairman

Perth, 27 September 2019

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 2019, 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 2019 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 2af (Financial Position)</i> The Group is involved in exploration for gold and base metals and the development of gold projects. As at 30 June 2019, the Group had completed mining the Red Dog project and is currently mining the Red October phase I project. The development of Red October phase I will be funded from the Group's existing financial assets, existing loan facility and capital raised. Subsequent to 30 June 2019, the Group raised \$6 million by way of a share placement of 40 million ordinary fully paid shares at \$0.15 per share, inclusive of one free attaching option for every four shares issued with an exercise price of \$0.25 each and expiring on 31 March 2021. 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 development of a mine.	We evaluated the Group's funding and liquidity position at 30 June 2019 and its ability to fund its existing liabilities and future expenditure 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 2019 financial year and checked the mathematical accuracy of the forecast; • checked mine development costs included in the forecast to external and internal experts' reports; • verified the forecast revenue to the feasibility study performed by the external expert and to the latest physical amount expected to be recovered to the Ore Reserve and the gold price to market information; • assessed the reliability and completeness of management's assumptions by comparing the forecast cash flows to those of the current year and as well as our understanding of future events and conditions; • 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; and • note that the Group had \$1 million that could be drawn under its loan facility at 30 June 2019 and \$2.1 million of investments in listed securities that could be sold to raise cash if required.
Provision for rehabilitation <i>Refer to Notes 3 & 17 (Mine rehabilitation provision)</i> The Group had in the prior year acquired the Red October project including the obligation to fund the rehabilitation work for the existing disturbances at the time of acquisition. The estimated rehabilitation provision is \$2.2 million as at 30 June 2019. The Group engaged an external expert in the prior year to estimate the costs of the rehabilitation work. In the current financial year, the internal expert has reassessed the provision based on the	Our procedures included, but were not limited to: • Discussing the rehabilitation estimation process with the Group's internal experts, including understanding if additional exploration and evaluation undertaken during the year warrants rehabilitation; and • Assessing the qualifications, objectivity, and experience of the internal expert.

additional areas of interest that have been disturbed and warrants rehabilitation. The assessment of the rehabilitation process is a key audit matter as the amount is significant to the balance sheet and requires significant judgment.	
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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 2019, 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 38 to 45 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Matsa Resources Limited., for the year ended 30 June 2019, 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



Muranda Janse Van Nieuwenhuizen

Director

Perth

27 September 2019

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 20 September 2019

Category (size of holding)	Number of Shareholders
1 – 1,000	87
1,001 – 5,000	192
5,001 – 10,000	250
10,001 – 100,000	697
100,001 – and over	203
	<u>1,429</u>

The number of shareholdings held in less than marketable parcels is 125.

Twenty Largest Shareholders as at 20 September 2019

Name	No.	%
JP Morgan Nominees Australia Pty Limited	22,342,304	12.63
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	19,105,996	10.80
HF Resources Pty Ltd	12,947,000	7.32
Mr Paul Poli <P Poli Family A/C>	9,369,000	5.29
RASL AU LLC	4,620,000	2.61
Saracen Mineral Holdings Limited	4,454,091	2.52
Mr Paul Poli & Mrs Sonya Kathleen Poli <P Poli Super Fund A/C>	2,486,000	1.40
L & S Davies Pty Ltd <Davies International A/C>	2,255,887	1.28
Mr Steven James Brown <Family A/C>	2,255,000	1.28
Mr Oliver Nikolovski & Mrs Suzanne Karine Nikolovski <The Nikolovski S/Fund A/C>	2,250,000	1.27
HSBC Custody Nominees (Australia) Limited	2,127,797	1.20
Mr Oliver Nikolovski <The Nikolovski Family A/C>	2,050,000	1.16
Mr Soo Chee Chan	2,000,000	1.13
Mr Mark John Allison & Mrs Lorraine Frances Allison <The M&L Allison S/F A/C>	1,974,500	1.12
Citicorp Nominees Pty Ltd	1,478,318	0.84
Mr Kimberley Alan Harris <KA & TL Harris Family Account>	1,472,572	0.83
Mr John Francis Young & Mr Christopher John Young & Mr Brett William Young <J F Young Super Fund A/C>	1,389,000	0.78
Mr Robert Genovesi & Mrs Magalay Genovesi & Mr Frank Giannasi & Mrs Maria Giannasi <The Bld Workshop No1 S/F>	1,375,000	0.78
Mr William Robert Maunder & Mrs Jeanette Margaret Maunder <Superannuation Fund A/C>	1,350,000	0.76
Mr Adam Georgiu <A Georgiu Family A/C>	1,210,000	0.68
	<u>98,512,465</u>	<u>55.68</u>

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Substantial Shareholders

Ordinary shareholder	Fully paid	
	Number	Percentage
HF Resources Pty Ltd	12,947,000	7.32%
Paul Poli	11,825,000	6.70%

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
3,900,000	18	\$0.25	30 November 2019
5,750,000	3	\$0.25	30 November 2019
3,775,025	37	\$0.30	30 November 2019
3,600,000	13	\$0.17	30 November 2021
5,000,000	3	\$0.17	30 November 2021

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

TABLE OF MINERAL RESOURCES AND MINERAL RESERVES AT 30 JUNE 2019

Mineral Resource Estimates – Consolidated Summary & Annual Comparison

Project	Resource Category	Tonnes	Au (g/t)	Metal (Au oz)
30 June 2018				
Fortitude	Indicated	2,945,000	1.8	173,300
	Inferred	2,503,000	2.1	169,300
Red Dog	Indicated	333,000	2.3	24,800
	Inferred	35,000	1.4	1,500
Red October	Indicated	340,000	4.5	49,000
	Inferred	106,000	14.7	50,000
		6,262,000		467,900
Mining Depletion				
Fortitude	N/A	-	-	-
Red Dog	Indicated	(185,730)	2.3	(13,734)
Red October	N/A	-	-	-
		(185,730)	2.3	(13,734)
Resource Adjustments				
Fortitude	Indicated	-	-	-
	Inferred	-	-	-
Red Dog	Indicated	(147,270)	2.3	(11,066)
	Inferred	(35,000)	1.4	(1,500)
Red October	Indicated	-	-	-
	Inferred	-	-	-
30 June 2019				
Fortitude	Indicated	2,945,000	1.8	173,300
	Inferred	2,503,000	2.1	169,300
Red Dog	Indicated	-	-	-
	Inferred	-	-	-
Red October	Indicated	340,000	4.5	49,000
	Inferred	106,000	14.7	50,000
Total		5,894,000		441,600

Resource Statement Notes

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

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

TABLE OF MINERAL RESOURCES AND MINERAL RESERVES AT 30 JUNE 2019 (continued)

Ore Reserve Estimates – Consolidated Summary & Annual Comparison

(The Ore Reserve estimates are a subset of the Mineral Resource estimates)

Project	Reserve Category	Tonnes	Au (g/t)	Metal (Au oz)
30 June 2018				
Red Dog	Probable	182,000	2.5	13,400
		182,000	2.5	13,400
Mining Depletion				
Red Dog	Probable	(185,730)	2.3	(12,704)
Reserve Adjustments				
Red Dog	Probable	3,730	2.3	(696)
30 June 2019				
Red Dog	-	-	-	-
Total	-	-	-	-

Reserve Statement Notes

- Figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.
- Red Dog acquired during the 2017/18 financial year and maiden reserve determined
- The geographic region for Gold Mineral Resources is Australia.

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.

Competent Persons Statement

Red October

The information in the report to which this statement is attached that relates to Exploration Results and Mineral Resources related to the Red October Resource Estimate is based upon information compiled by Mr Daniel Howe, a Competent Person who is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Daniel Howe is a full-time employee of Saracen Mineral Holdings Limited. Daniel Howe has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Daniel Howe consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Red Dog

The information contained in this report relating to Mineral Resources has been compiled by Mr Mark Csar who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Csar is a full time employee of Matsa Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to 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". Mr Csar consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to Ore Reserve results is based on information compiled by Mr Frank Sibbel, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Sibbel is a non-executive director of Matsa Resources Limited. Mr Sibbel 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'. Mr Sibbel consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Fortitude

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.

MATSA RESOURCES LIMITED
SCHEDULE OF MINING TENEMENTS

Tenement Type and No.	Project	Holder	Status	Share Held
E 69/3070	Symons Hill	Matsa Resources Limited	Live	100%
E 38/2938 ²	Lake Carey	Matsa Gold Pty Ltd	Live	90%
E 38/2945	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1287	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1752	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1770	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1796 ²	Lake Carey	Matsa Gold Pty Ltd	Live	90%
E 39/1803	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1812	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1819	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1834	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1837	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1840	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1863	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1864	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1889 ²	Lake Carey	Matsa Gold Pty Ltd	Live	90%
E 39/1957	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1958	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1980	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/1981	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 39/2015	Lake Carey	Matsa Gold Pty Ltd	Live	100%
L 39/247	Lake Carey	Matsa Gold Pty Ltd	Live	100%
L 39/260	Lake Carey	Matsa Gold Pty Ltd	Live	100%
L 39/267	Lake Carey	Matsa Gold Pty Ltd	Live	100%
L 39/273	Lake Carey	Matsa Gold Pty Ltd	Live	100%
M 39/1	Lake Carey	Matsa Gold Pty Ltd	Live	100%
M 39/1065	Lake Carey	Matsa Gold Pty Ltd	Live	100%
M 39/1089	Lake Carey	Matsa Gold Pty Ltd	Live	100%
M 39/1099	Lake Carey	Matsa Gold Pty Ltd	Live	100%
M39/1100	Lake Carey	Matsa Gold Pty Ltd	Live	100%
M 39/286	Lake Carey	Matsa Gold Pty Ltd	Live	100%
M 39/709	Lake Carey	Matsa Gold Pty Ltd	Live	100%

MATSA RESOURCES LIMITED
SCHEDULE OF MINING TENEMENTS

Tenement Type and No.	Project	Holder	Status	Share Held
M 39/710	Lake Carey	Matsa Gold Pty Ltd	Live	100%
P 39/5293	Lake Carey	Matsa Gold Pty Ltd	Live	100%
P 39/5652	Lake Carey	Matsa Gold Pty Ltd	Live	100%
P 39/5694	Lake Carey	Matsa Gold Pty Ltd	Live	100%
P 39/5669	Lake Carey	Matsa Gold Pty Ltd	Live	100%
P 39/5670	Lake Carey	Matsa Gold Pty Ltd	Live	100%
P 39/5841	Lake Carey	Matsa Gold Pty Ltd	Live	100%
E 28/2600	Lake Rebecca	Matsa Gold Pty Ltd	Live	100%
E 28/2635	Lake Rebecca	Matsa Gold Pty Ltd	Live	100%
E 47/3518	Paraburdoo	Matsa Resources Limited	Live	100%
E 09/2162	Glenburg	Cundeelee Pty Ltd	Live	100%
E 52/3339	Glenburg	Cundeelee Pty Ltd	Live	100%
L 39/268	Red Dog	Matsa Gold Pty Ltd	Live	100%
M 39/1099	Red Dog	Matsa Gold Pty Ltd	Live	100%
M 39/1100	Red Dog	Matsa Gold Pty Ltd	Live	100%
M 39/38	Red Dog	Matsa Gold Pty Ltd	Live	100%
M 39/411	Red October	Red October Gold Pty Ltd	Live	100%
M 39/412	Red October	Red October Gold Pty Ltd	Live	100%
M 39/413	Red October	Red October Gold Pty Ltd	Live	100%
M 39/599	Red October	Red October Gold Pty Ltd	Live	100%
M 39/600	Red October	Red October Gold Pty Ltd	Live	100%
M 39/609	Red October	Red October Gold Pty Ltd	Live	100%
M 39/610	Red October	Red October Gold Pty Ltd	Live	100%
M 39/611	Red October	Red October Gold Pty Ltd	Live	100%
M 39/721	Red October	Red October Gold Pty Ltd	Live	100%
SPL 80/2558	Siam Project ³	Siam Copper Resources Co., Ltd	Live	100%

¹= 80% held by Matsa

²= 90% held by Matsa

³= Located in Thailand

