



ABN 48 106 732 487

15 April 2016

Dear Shareholder,

I thought I would take an opportunity to write to you, to outline where I believe our Company Matsa is currently at, and more importantly I want to share with you where I see our Company going in the future.

Whilst we have been quiet of late, we have been working exceptionally hard and are achieving positive results.

I understand that this correspondence is unconventional and some may raise their eyebrows, but I believe it is warranted. It is after all, your Company.

I apologise for the length but I do want it to be detailed and informative to you as shareholders.

A summary of the main points:

- 1) Matsa is in a very strong financial position today, with a \$7.5 million liquid share portfolio and over \$2 million in cash including other financial assets.
- 2) Eligible shareholders at 30 June 2016 should be entitled to an approximate 0.56 of a cent per share taxation deduction against their other income under the new Federal Exploration Development Incentive Scheme.
- 3) Exploration at Symons Hill is ongoing and the CSIRO with government funding are to commence integration of new advances in data with Matsa's exploration. This will create new geological and geophysical models to develop new targets.
- 4) Land authority disputes in Thailand are getting resolved. Several new copper targets discovered with IP surveys to commence with immediate follow-up of diamond drilling planned on any new IP targets.
- 5) Killaloe Nickel project significantly enhanced with several new drilling targets identified. Planning for diamond drilling commenced.
- 6) RC drilling has commenced at Dunnsville Gold project on new targets recently generated by air magnetic survey.
- 7) Several new exploration projects added to Matsa's portfolio.
- 8) Matsa actively seeking acquisition of quality brownfield or near production assets.
- 9) Matsa's priority continues to be the enhancement shareholder value.

Matsa and the Economy

I am sure that you are very aware of the current state of the economy, and I have no doubt that you, like I have been, are being bombarded with continual negative forecasts and doomsday event predictions regarding world markets and commodity prices.

Matsa has taken the view that nobody knows the future and one cannot predict what lies ahead with any certainty. We believe that caution is the best policy and Matsa will continue to be conservative in the management of its asset portfolio.

Financial Position

Matsa is in a very strong financial position for a junior explorer, especially in comparison to our peers on the ASX and from what I have seen internationally. We will strongly benefit from this. We have shares in liquid ASX listed companies currently valued at over \$7.5 million, over \$2 million in cash at bank and other liquid assets. Importantly, we have no debt.

We expect the value of our shares in our share portfolio to increase in value over the next year or so and for some to pay dividends.

We are very mindful of expenditure, it is spent prudently and purposefully, which has put Matsa in a comparatively strong financial position. This careful and stringent policy will continue.

Having said the above, few companies of our size in today's market are spending more than Matsa on direct exploration and advancement of their company.

Importantly, Matsa has registered for the Federal Exploration Development Incentive Scheme and Matsa will be entitled to distribute losses of approximately \$811,000 to eligible shareholders. This means that if you are shareholder as at 30 June 2016, it is likely that you will receive a taxation deduction against your total income of at least 0.56 of a cent per share. This is at no cost and almost is akin to a fully franked dividend. Few companies are aware that this benefit can be passed on to shareholders. This demonstrates how Matsa continually keeps abreast of all opportunities for its shareholders where ever possible.

Shareholder Wealth Creation

The way I see it, there are four ways a company can increase its share price regardless of market conditions:

- 1) Exploration success;
- 2) Obtaining strategic new projects through exploration tenement applications;
- 3) Acquiring new projects through deals which provide value; and
- 4) Success of companies in which the company themselves are invested in.

We have deliberately manoeuvred Matsa to enable it to have exceptional exposure and strong opportunity in all four of the above categories. Our diversity is not an accident, we plan for this, as we believe that a company should not rely on just one opportunity to create shareholder value. We are not afraid to go out there and do a hard deal. That's how we created our share portfolio and strong financial position in the first instance.

Exploration Success

We currently have exploration underway at Symons Hill, Killaloe, and Dunnsville and also in Thailand. All four are highly prospective exploration projects and warrant considerable respect and value in their own right.

Symons Hill - Fraser Range, Western Australia

We have previously released our exploration programmes and results to hand so far at Symons Hill, and without doubt, many experts maintain a high degree of interest in the project. The geology, structure and chemistry all appear to be appealing and encouraging particularly at SHG01. We have received assays from drilling of up to 13 metres at 1.52% Ni in laterite at SHG03 and a whopping 108m to end of hole of 0.27% Ni in olivine gabbro at SHG02. The Gloucester Corridor appears to have favourable geology and structure for nickel sulphides, yet the Electro-Magnetic (EM) surveys to date have not identified a nickel sulphide orebody.

I maintain that this does not necessarily mean there is no ore body at Symons Hill, it might mean, we have just not found it yet! The first indications were and still are good.

We are constantly reminded that it took 7 years for the new Monty discovery to be made near the Sandfire's DeGrussa Copper-Gold mine only 8 kilometres away. Many people said that the DeGrussa discovery was a one off event and that a new discovery could not be found. Over time, 7 years in fact, the doubter's and the impatient have been proven wrong. We could also have our patience well tested at Symons Hill, but Matsa remains committed to giving the project every chance of success just like Sandfire did. We are determined to go out on a limb and try new exploration techniques and continue the search. It seems that it will take patience and innovation to unlock the secrets at Symons Hill.

A bold high powered fixed loop electromagnetic survey has been conducted over the entire Symons Hill project area. We are still analysing the last two drill holes which have proven to be extraordinarily difficult and time consuming to drill but have released previous drilling results as they came to hand. Whilst these earlier results were encouraging in part, they did not reveal significant nickel mineralisation. We nevertheless see geology and rocks that could host a nickel orebody similar to Nova/Bollinger.

We expect to provide full details of the last two drillholes in our March quarterly report due this month but it will not reveal that an orebody has been found.

Matsa will continue with exploration at Symons Hill because the project does remain very much a high priority and of high value. The soil chemistry and preliminary drilling did define areas of anomalous nickel and the project remains very intriguing.

In a significant new development at Symons Hill, The Commonwealth Scientific and Industrial Resource Organisation ("CSIRO") has approached Matsa to undertake a full review of all exploration at Symons Hill substantially funded by the Australian Government, CSIRO and with Matsa.

CSIRO state, "Symons Hill (is) an area of interest for CSIRO to develop new advances in data integration to generate a hybrid landscape geochemistry and geophysics model. This will result in a tailored 3D geological, geophysical and regolith model of Symons Hill." In essence, CSIRO could provide Matsa with new concepts and targets to justify further exploration at Symons Hill.

Matsa is extremely pleased that the CSIRO have selected Matsa as the only company that has the exploration data and geologically intriguing tenement that warrants this expensive, government funded and detailed investigation by them. We expect their work to commence shortly.

Siam Copper Project – Central Thailand

To Matsa, our Thailand projects are very valuable and I am confident that we will find an economic ore body there.

Despite our drilling being temporarily frustrated at Siam 1, as elaborated below, we continue to be very busy in Thailand.

Whilst we understand the frustration of shareholders with the lack of news flow, we are making significant progress in Thailand. We will remain conservative in our publicity and reporting whilst at all times meeting our reporting obligations. Thailand will require patience, but we firmly believe the prize will be worth the wait. We trust that shareholders share the patience with Matsa in this regard and from conversations I have had with many shareholders, there is appreciation of this.

The soil sampling to date is highly anomalous for copper in areas and we have already completed small induced polarisation surveys (IP) at Siam 1 with very good results and commenced a preliminary maiden diamond drill

programme. In excess of 1,200 soil and stream samples have been collected throughout the Siam Copper project which have identified 4 major copper in soil anomalies each about 25km² in size with 17 copper prospects identified in total. Float containing greater than 1% copper is seen. Visible copper mineralisation is also seen in several areas. You may recall the fantastic results of 54.7% copper and 148 grams per tonne silver received from a vein at Siam 1. We have also had identified anomalous copper results in new areas away from the Siam 1 area. Infill soil sampling has commenced in these new areas as a lead up to IP surveys due to commence shortly with follow-up drilling on IP targets. Matsa remains very excited about the new prospects and the prospectivity in this region. In total we have now identified up to 17 potential areas which we believe could host copper ore bodies.

Our approach to Thailand is with patience but totally committed to success as early as possible.

We are also continuing with regional exploration outside of the granted copper areas to generate new project areas.

You will be aware that on January 5 drilling on our Siam 1 target was temporarily suspended due to a dispute of which governmental department had authority over the drill target area. Matsa believes that the Royal Forestry Department, which stated the area was under their authority, and claimed Matsa required their consent prior to commencing drilling, is completely incorrect and that their intervention was inappropriate.

Matsa has since received confirmation from the Department of Primary Industries and Mining that the Siam 1 drilling area is not Forestry and that Matsa has a legal right to conduct exploration activities including drilling in this area in accordance with the Special Prospecting Licence issued. Accordingly, whilst delay has been caused by the Forestry Department's inappropriate claims, Matsa intends to resume drilling and exploration activities as soon as possible at Siam 1. Matsa will also accelerate IP and drilling in the new copper areas recently identified.

Matsa has become aware that some minor local anti-mining sentiments in the local district around Siam 1 have been expressed. Unfortunately, this is not unusual and is a part of life in Thailand. It is something that Kingsgate Consolidated and other foreign and Thai mining companies along with other industries such as power providers, automobile manufacturers and the petrochemical industry face throughout the country and have to contend with. This protester movement is isolated to certain areas and Matsa has engaged consultants to manage and commence education and community relationship programmes so that the general population can understand the truth about mining, its consequences and understand the many economic, community and development benefits that mining can bring to an area.

Killaloe Project – Kambalda, Western Australia

Matsa received very encouraging results from our diamond drilling at Killaloe in late 2014 with a result of 0.55m at 0.91% Ni from drillhole 14KLDH02 in the HWG prospect. There are many untested EM anomalies within the Killaloe tenement which are of high interest but HWG is the first one where nickel sulphides have been discovered. The tenement has geology and structure that is appropriate to host Kambalda type nickel ore bodies. Coincidentally it is strategically located and contiguous to S2R's Taipan nickel sulphide discovery and Polar Bear/Humphreys gold project.

Matsa spent late 2014 and partly into 2015 exploring the Killaloe project but the challenge really becomes where the ore body could be? All indications are that the chances of finding an economic nickel ore body are real, and that the likely position of an ore body if it exists, to be at the basal contact.

The issue at Killaloe is that the ground at the tenement is highly fragmented and complexly folded and as such locating of nickel sulphides on the basal contact proves very difficult. It's akin to a straw that is broken in several places and it's difficult to find where the straw was previously joined. The most common way to find massive nickel sulphides on the basal contact is via EM. There is already an abundant amount of EM completed by previous

explorers, however the contentious issue was that there are so many EM targets to drill that it is not feasible to drill them all. One needs to remember that most EM anomalies in the area will be black shales which give a similar EM response to nickel sulphides but black shale is worthless. Matsa has recognised dozens of these EM anomalies throughout the tenement, but needs to select the correct target.

So that the EM anomalies can be prioritised in order of drilling importance, Matsa engaged nickel experts to assist in resolving the geology at the HWG prospect where nickel sulphides have been previously confirmed. As such, the prospect has been mapped in detail to understand the geology and fault lines. This could provide basal contact targets which warrant drilling. This work has been completed by Dr Jim Thornett, who mapped the geology in detail and interpreted the relationship between the surface geology and previous diamond drill results. This new detailed mapping has provided an untested basal contact position where diamond drilling is planned.

The results of the new work over the last 6 months has demonstrated that Matsa clearly has several new drill targets which Matsa is now preparing to commence drilling. It seems that this is the best chance ever that we have had to discover nickel at Killaloe.

Dunnsville - Coolgardie, Western Australia

Dunnsville has been part of the Matsa portfolio since my involvement with the Company and to a large degree has been neglected after a first round of drilling. It was difficult to get excited about the gold prospects mainly because Symons Hill, Killaloe and Thailand were more exciting. However, last year we decided to conduct a detailed airborne magnetic survey because we could complete the survey quite cheaply. At the same time, we could combine it with another nearby survey, accordingly it gave us a detailed 50m line spacing survey at an irresistible cost. The project was always attractive, because we have previously received assays of up to 7.85 g/t gold at bottom of hole in aircore drillholes and diamond drillhole results up to 1.95 g/t gold over several metres in the past.

Interestingly the new survey provided us with several quite impressive structural targets which happen to be coincident with the Big Red gold anomaly. Accordingly, we now find the project to be of high interest, especially with the new gold price scenario.

Drilling will commence immediately with this letter being distributed to shareholders and is expected to be complete by the end of the month. This project could turn out to be a sleeping beauty, that awakens to a new world.

The project is well located near existing infrastructure, including Coolgardie, which means even a small discovery could generate positive cashflow.

Conclusion to Exploration Success

To conclude this section, Matsa believes that our Thailand and Dunnsville projects could deliver near term success, with Killaloe delivering short term excitement and Symons Hill being a medium to longer term play. All in all, current exploration is happening and it remains exciting. Matsa will report when good news comes to hand, but will not make releases for the sake of just releasing something.

New Projects Through Exploration Tenement Applications

Matsa has been very active in acquiring new projects through direct application for exploration licences. Matsa considers that the constant review of all existing projects and new opportunities to be vital in keeping a company invigorated and appealing to shareholders. Matsa considers it opportunistic to have picked up these projects through application and without vendor payments.

Whilst Matsa does not expect all projects to be of interest after preliminary exploration, we are fortunate to have a number of new opportunities, any of which may prosper from early exploration success.

The existing difficult state of the mineral exploration industry enhances the chance for Matsa to acquire or joint venture into good projects, when these projects might not normally be available.

The following projects all in Western Australia have been acquired:

Mount Day (nickel)

This is a nickel project with historical nickel/copper results of up to 3m at 1.5% Ni. Matsa intends to immediately undertake an EM survey with follow-up drilling on any worthwhile targets. This project presents with strong potential for nickel sulphide mineralisation with targets already identified in a proven prolific nickel producing region in the Forrestania nickel district.

North Bore (copper gold)

The North Bore project is located in the north-west of our state with potential for Iron Oxide Copper Gold ("IOCG") type copper and precious metal mineralisation. The project contains a number of copper sulphide occurrences with limited shallow drilling by past explorers. Matsa is currently putting together all previous exploration data before commencing an exploration programme comprising surface sampling, detailed aeromagnetics and gravity surveys as first steps in this underexplored part of Western Australia.

Mt Weld (gold/nickel)

This gold/nickel project is located in the prolific Laverton gold belt nearby to excellent producing gold mines including Sunrise Dam and Red October. Preliminary work has already produced drill ready targets and Matsa considers the drilling programme could commence as early as the 3rd quarter of 2016.

Lennard Shelf (lead zinc)

This is another interesting project with existing lead zinc occurrences and targets from past exploration that warrant further investigation and potentially walk up drill targets. It is anticipated that EM surveys will be necessary to develop new drilling targets. A field visit is anticipated in the second quarter of this year to determine the next steps, as this is really a district wide exploration play albeit with a long exploration history.

Pilbara Lithium

Matsa has considered the importance of lithium in the world and considers exposure to potential lithium ground to be a wise move. We are still developing our strategy in this area and will continue to develop any potential associated with Matsa's applications during the grant period.

Conclusion to New Projects Through Exploration Tenement Applications

During the last quarter, Matsa rationalised its exploration tenements, and has also acquired, through application, some very interesting areas that I hope you will hear more about. Matsa has the funds and capacity to accelerate exploration on any new project that shows encouragement. Success would be acted on very quickly by Matsa.

Acquisitions of New Opportunities

Our track record demonstrates that Matsa is not averse to making deals and completing very favourable transactions.

For example, Matsa acquired shares in Bulletin Resources during 2014, and watched that grow from an initial \$1.4 million investment to now be worth in excess of \$2.7 million. Many people are suggesting a higher value in the future with dividends expected along the way.

You may also recall that Matsa was able to monetise our Mt Henry Gold project, which was held 100% by Matsa in 2009 when our market capitalisation was only \$4 million. We were able infact, to monetise that gold project on two occasions when many experts said we would not get anyone interested in it. We initially sold 70% of the project to Panoramic Resources Ltd for \$5 million cash and 14 million PAN shares and then 4 years later we sold the remaining 30% for 6.6 million Metals X Limited shares worth \$8 million at the time of sale.

The Matsa board prides itself on doing positive deals and completing them successfully. Matsa has several projects that are of interest to other companies and discussions are ongoing with respect to those assets. Our preference is to always monetise assets when cash is required and not raise capital through share issues which can dilute shareholders.

Keeping in mind our success in completing deals, we are now also turning our attention to potential acquisitions of projects that are either brownfield, near production or in production. As I briefly mentioned above, opportunities exist today that have never previously been available to Matsa. Matsa is currently reviewing several opportunities in Australia and overseas and should a deal be concluded we will advise the market accordingly.

Conclusion to Acquisitions of New Opportunities

Matsa is an experienced dealmaker which is proven by past positive deals that now make an investment in Matsa appealing. Matsa is now actively discussing several new opportunities with other parties.

Success of Companies in which the Company Themselves are Invested In

Matsa has an interesting and substantial portfolio of investments in the following companies:

Panoramic Resources Limited

Metals X Limited

Bulletin Resources Limited

Pantoro Limited

The above companies have excellent potential in their own right, and we feel that each company is undervalued at its current price. Matsa anticipates the world economy to slowly recover this year and expects to see improvement late in 2016 and into early 2017. I believe that the share prices of these companies have potential to rise with the improving economy.

More importantly, each company in the portfolio is undertaking strategic exploration and is in the company building phase of its development. Should substantial discoveries or significant production improvements be achieved by any company, this has the potential to give a sudden and substantial rise to that particular company's share price. Any significant increase in a company's share price which forms part of the Matsa share portfolio could have a significant positive impact on Matsa and potentially its share price.

Conclusion of Success of Companies in which the Company Themselves are Invested In

Matsa has definitely positioned itself in a strong position to benefit from the success of others through its substantial share portfolio. The share portfolio is constantly monitored and discussed at regular board meetings so that action can be taken when appropriate.

Summary

Matsa's share price today is somewhat down on historical levels, but comparatively, it remains a good performer in this difficult economic climate. This is a result of its financial strength, a diversified pipeline of quality projects and strongly supportive and loyal shareholders.

Matsa is actively exploring, the future is certainly very positive and significant events are expected in the future to develop strong shareholder returns for us all.

It would be my pleasure to discuss aspects of this correspondence with interested parties at their convenience personally.

I thank you for all your continuing support and believe that we will be rewarded.

Yours faithfully,



Paul Poli
Executive Chairman
Matsa resources Limited