

MATSA RESOURCES LIMITED
ABN 48 106 732 487

ANNUAL REPORT
For the Year Ended
30 June 2016

MATSA RESOURCES LIMITED

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MATSA RESOURCES LIMITED

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MATSA RESOURCES LIMITED

CHAIRMAN'S REPORT

Dear Shareholder,

An interesting year that was, 30 June 2016. I am of the opinion that green shoots in the resource industry has appeared and I believe that we have turned the corner and that a recovery is occurring. Whilst progress may be slow and bumpy, I can feel some confidence when talking to investors. I hope that this this upbeat atmosphere continues.

I am forever proud that we have been most fortunate in that our hardworking team at Matsa has continually stuck together. We have worked hard and diligently and made in my opinion, substantial progress.

Importantly, we have advanced our exploration prospects and are now focusing on the opportunities that can bring results to hand. Recently, Thailand is showing strong prospects with our copper opportunities and our Western Australian projects have been substantially enhanced by the acquisition of the Lake Carey Project. Difficult times have continued, but we have been able to further increase our cash and liquid assets position over the last 12 months, and that is after substantial exploration and company expenditure. It is an achievement that I am particularly proud to boast.

The next 12 months will bring changes to our Company. We will continue with our high level of exploration but change is in the air with the Lake Carey acquisition. This gold project will enable Matsa to finally become a producer and current work plans and departmental/local authority approvals are expected to come to hand, which could enable Matsa to commence mining towards the latter part of the 1st quarter of next year. It's an ambitious plan, but it is achievable and we will target that achievement. Matsa expects a company re-rating to occur with that event, which should deliver a strong positive outcome for all shareholders.

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

I am always indebted to our shareholders who in the vast majority are extremely loyal and faithful to Matsa and the board, even when sometimes things look bleak. The encouragement that the Matsa board continually receives from a vast range of shareholders is invigorating and pleasing. We cannot thank you enough, sincerely.

Last year we were primed for take-off, this year we will take-off commencing with Lake Carey.

As always the board sincerely thanks you all.



PAUL POLI
EXECUTIVE CHAIRMAN

MATSA RESOURCES LIMITED

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INTRODUCTION

The year saw the following:

- Matsa's 30% share in the Mt Henry gold project was sold to Metals X Limited for 6.6M MLX shares valued at \$8.1M.
- High power fixed loop EM survey coverage was completed over the Symons Hill Project together with diamond drilling of key targets for Nova Bollinger Ni-Cu mineralisation located 6km north of the project boundary
- IP surveys and RC drilling were carried out at Killaloe project over possible extensions of the "Polar Bear gold corridor" which was highlighted by recent announcements by S2R Resources Limited.
- Ground IP geophysical surveys, sampling and diamond drilling at the 100% owned Siam Copper and Phaisali projects in Thailand.
- A number of gold and base metal projects in Australia and overseas were evaluated which culminated in acquisition of the 385,000 ounce Lake Carey gold project in July 2016
- Matsa maintained its interest in Bulletin Resources Limited (BNR) at around 27% through to commencement of production in the Nicolson's Gold project (BNR 20%) and subsequent sale of the asset to Bulletin's joint venture partner Pantoro Limited (PNR)

Matsa has continued to accumulate a pipeline of quality assets and projects in Western Australia and Thailand. Further, with the sale of its interest in the Mt Henry Gold project, Matsa continues to be well funded.

A combination of strategic partnerships on favourable terms to shareholders and its strong level of funding will enable Matsa to continue to develop projects in Australia and Thailand with the potential to deliver significant value for shareholders and greater strategic outcomes for the Company.

A snapshot of Matsa's projects in Western Australia and Thailand is presented in Figure 1.



Figure 1: Matsa's Western Australian and Thailand Projects

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COMPANY ACTIVITIES

The primary focus of exploration by Matsa during the year under review has been:

- Complete final sale of the **Mt Henry** gold project;
- Project appraisal and negotiation leading to subsequent purchase of the **Lake Carey Gold Project**;
- IP surveys and diamond drilling over newly defined copper targets in the **Siam Copper Project Thailand**;
- Soil geochemistry and IP surveys to define high priority intrusive related copper target at **Paisali Chang 1 Project** in Thailand for subsequent diamond drilling;
- High powered ground EM surveys and diamond drilling targeting Nova/Bollinger type Ni-Cu sulphides at **Symons Hill**;
- EM surveys and diamond drilling targeting Kambalda style Ni sulphides at **Killaloe**;
- IP surveys targeting extensions to S2 Resources “Polar Bear gold corridor” at **Killaloe**;
- Aircore drill testing of Au exploration target at **Minigwal**;
- RC drilling of **Big Red** gold prospect at **Dunnsville**;
- Aircore drilling **Point Kidman** gold project east of Laverton.

MT HENRY GOLD PROJECT

In July 2015 Matsa and Panoramic Resources Limited (Panoramic) entered into an Asset Sale and Purchase agreement to dispose of their respective interests in the Mt Henry Gold Project to Metals X Limited (MLX). Matsa held a 30% interest and Panoramic a 70% interest in the project. The consideration for the disposal (100%) was the issue of 22 million fully paid ordinary shares in MLX, freely tradeable with no restriction provisions. Matsa received 6.6 million fully paid ordinary shares in MLX on settlement in September 2015, which at the time had a market value of approximately \$8.1 million.

KILLALOE NICKEL AND GOLD PROJECT

The Killaloe Project comprises 11 licences as summarised in Figure 2. Most previous gold exploration has been carried out on three licences: E63/1018, E63/1199 and P63/1672) which is subject to a joint venture between Matsa and Cullen Resources Limited (MAT80%, CUL20%). The remaining licences are held 100% by Matsa except for E63/1655, which is subject to a joint venture between Matsa (85%) and Yilun Pty Ltd (15%). Exploration of the project is managed by Matsa.

Gold Exploration

S2 Resources Ltd’s (S2R) recent announcements of high grade gold at its Polar Bear project highlighted a gold “corridor” defined by new gold discoveries at Baloo, Monsoon and Nanook within S2R’s Polar Bear project.

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

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

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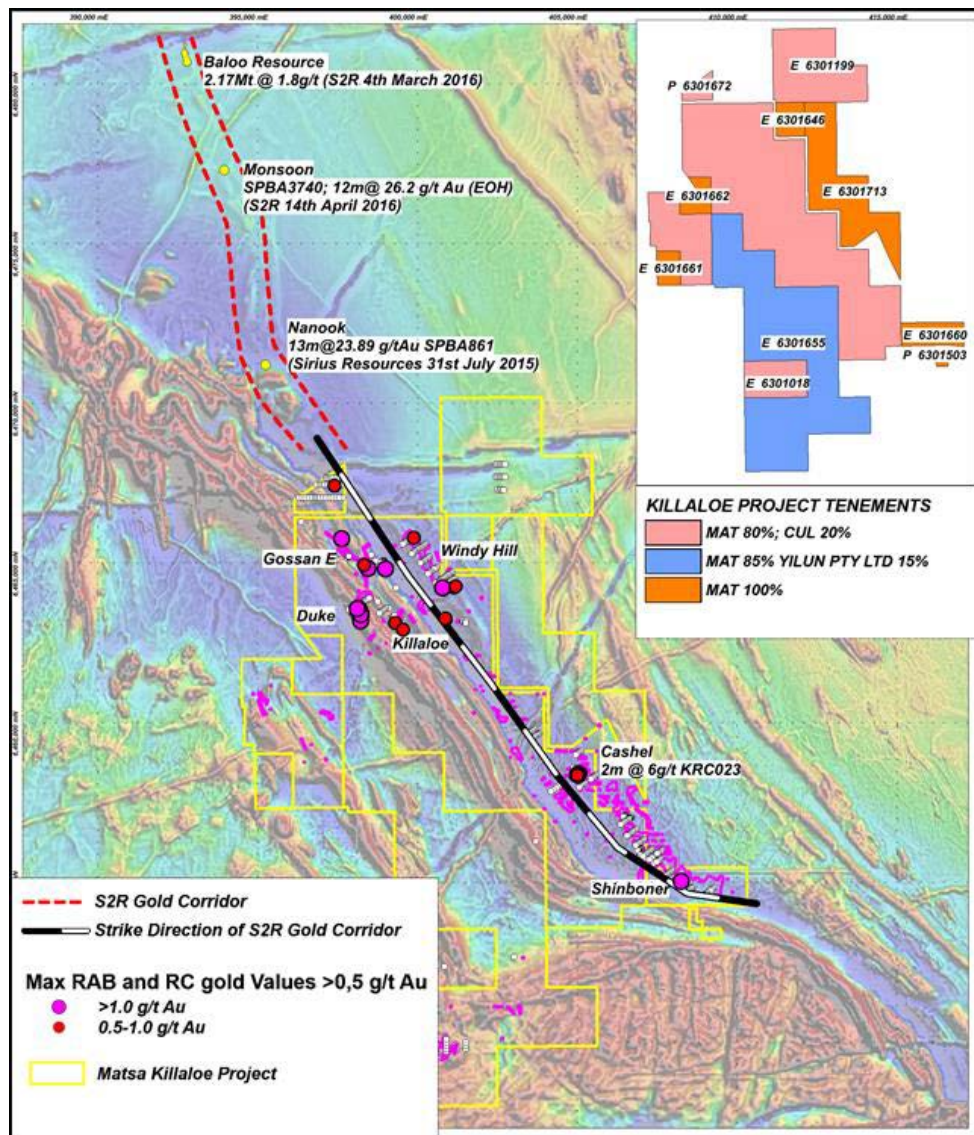


Figure 2: Killaloe gold prospects and S2 Resources gold corridor over regional aeromagnetics

Gold intersections to date have mostly been achieved in weathered rocks at shallow depth and provide strong encouragement for potential gold mineralisation in deeper underlying fresh rock.

Induced Polarisation survey is considered to be an effective technique to test for the presence of sulphides at depth as a potential vector for primary gold mineralisation beneath extensive soil gold anomalies and sporadic intersections in shallow drill-holes.

Work completed during the year comprised IP surveys over 2 lines including Line 30000 (Duke) and Line 40000 (Windy Hill).

Surveying is currently in progress at the Cashel and Shinboner prospects (Figure 2).

IP Results Line 3000 Duke

Three IP responses, Duke IP01, Duke IP02 and Duke IP03, were interpreted from survey line 3000 at Duke.

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Salient aspects of these results are as follows (Figure 3):

- Duke IP01 at a depth of around 50-100m was seen to be a moderately chargeable response of ~6msec in a conductive background probably made up of weathered bedrock and transported cover. The anomaly coincides with known gold mineralisation at the Duke Prospect.
- Duke IP02 at a depth of around 150m was defined as a broad moderately chargeable response of ~8msec in a more resistive background.
- Duke IP03 which is located at a depth of ~75m to ~150m below surface presents a strong ~10 -~16msec IP anomaly in a background of strongly resistive rocks. **The coincidence of a strong chargeability anomaly in resistive rocks at Duke IP03 is interpreted to be a classic disseminated sulphide response.** It is planned to drill this anomaly as possible gold mineralised quartz veins containing disseminated pyrite.

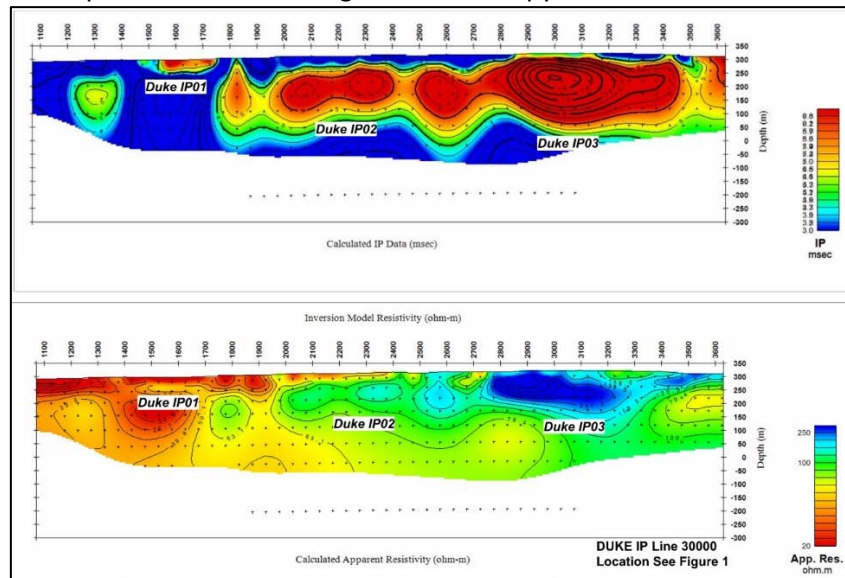


Figure 3: Duke Prospect Line 30000N, IP/Chargeability and Resistivity Inversion Model Results

IP Survey Results Windy Hill Line 40000N

The results of IP survey line 40000N at Windy Hill produced three IP anomalies, WH IP01, WH IP02 and WH IP03 (Refer MAT Announcement to ASX 27th June 2016).

Salient aspects of these results are as follows:

- WH IP01 is a very strong ~26msec chargeability response at a depth of 50m-150m in a more complex background of variably resistive rocks and coincides with strike extensive gold anomalous soils.
- WH IP02 is a strong ~20msec chargeability response at 150-200m depth which coincides with a strong resistivity gradient and with shallow drill-hole intercepts <1 g/t Au and gold anomalous soils. The combination of a strong IP anomaly in a resistive background is interpreted as being typical of a disseminated sulphide response and will be prioritised for drilling.
- WH IP03 is very similar in terms of chargeability and resistivity, with WH IP01.

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Hanging Wall Gossan (HWG) Komatiite Nickel Target

Matsa confirmed in 2014-15, the presence of Kambalda style Ni sulphide mineralisation at HWG in association with highly prospective channel facies komatiite lavas. Diamond drilling to date has shown the sequence to be structurally complex and EM conductors tested so far were found to be sourced by sulphidic and graphitic shales.

Detailed geological mapping during the previous quarter has identified new potential basal contact targets for additional EM surveys and drilling. Data compilation and planning continued during the quarter.

SYMONS HILL NICKEL PROJECT

This project comprises one exploration licence E69/3070 which is ~96km² in extent, located within the Fraser Range Tectonic zone and 6kms immediately SSW of Independence Groups' Nova nickel copper mine (Figure 4). The project is located in a soil covered area with only minimal outcrop. Regional aeromagnetic and gravity information in the Symons Hill Project indicates marked similarities in geological setting with the Nova nickel mine.

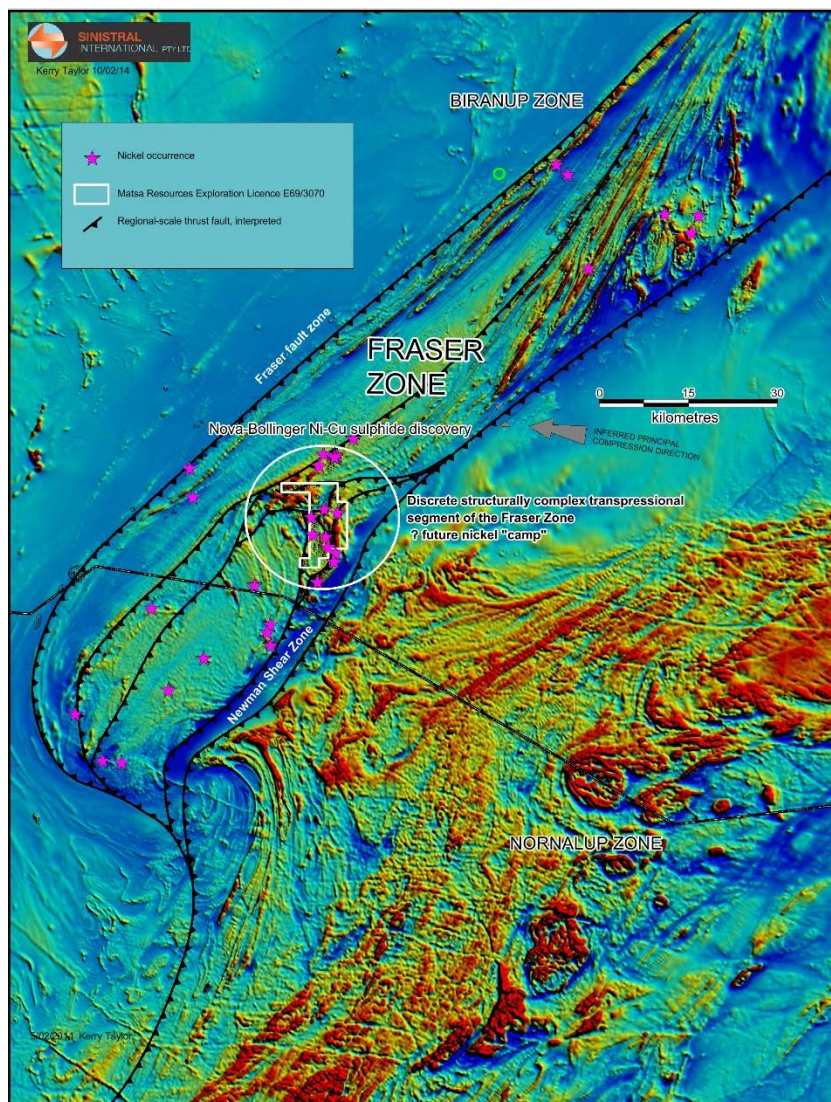


Figure 4: Symons Hill Ni-Cu project location

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High Power Fixed Loop EM Survey

A regional, high powered (150-200A) EM survey that commenced in December 2014 was completed in early 2016. The survey was carried out as part of a research and development project, designed to develop and improve state of the art EM equipment to explore for massive sulphide deposits of Nova-Bollinger type, to a depth of >700m below surface.

In addition to previously detected conductors an additional moderate strength bedrock conductor C11 was detected, which is located adjacent to bedrock Ni anomaly SHG10 in the SW part of the project (Figure 5).

Preliminary modelling indicated conductor C11 to have low-moderate conductance and to be a sub-vertical to steep E/NE dipping body. C11 was interpreted to be 500m x 500m at a depth of ~150-200m to the top of the conductor.

Conductors C11 and VA15 were prioritised for diamond drilling. Further moving loop EM (MLEM) surveys were also carried out over 4 conductive targets where HPFLEM results were not considered to be conclusive as to whether they are bedrock conductors. The objective of MLEM surveys was to determine whether these conductive targets are the product of “current channelling” in the conductive near – surface environment or whether they are genuine bedrock conductors with potential for Nova-Bollinger style Ni-Cu mineralisation.

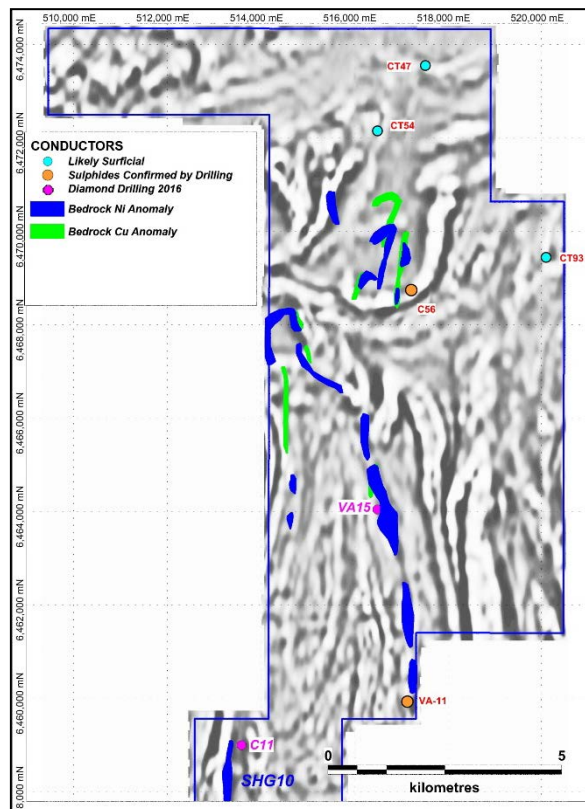


Figure 5: Symons Hill, EM conductors and bedrock geochemical anomalies on aeromagnetic image

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Diamond drilling was conducted to test interpreted bedrock conductors VA15 and C11 as described above. These are in addition to 3 remaining EM conductor targets, CT47, CT54 and CT93 as shown in Figure 5. Further moving loop EM (MLTEM) surveys are planned over the conductive targets in order to obtain better resolution and to determine whether these are bedrock conductors, or features produced by current channelling in weathered rocks in the near surface environment.

Two diamond drill-holes were commenced with drill-hole 15SHDD09 on target C11 which was stopped at 399.3m because of poor ground conditions and drill-hole 16SHDD10 on target VA15 which was drilled to a final depth of 612.6m (Table 1).

Downhole EM surveys were carried out on each hole completed in order to confirm any in-hole conductors and to detect off-hole conductors.

Target	Drill-hole	East (m)	North (m)	Dip (Deg)	Azimuth (Deg)	Depth (m)	Remarks
C11	15SHDD09	513639	6459073	-60	270	399.3	Stopped due to ground conditions
VA15a	16SHDD10	516875	6464450	-70	240	612.6	No significant sulphide mineralisation

Table 1: Symons Hill Diamond Drilling Summary

Diamond drill-hole 15SHDD09 (Target C11)

The drill target C11 was a moderate strength (~250-500S) bedrock conductor located under anomalous bedrock Ni values >300ppm Ni in weathered bedrock with nickel values of up to 0.2% Ni in an RC drill-hole which intersected mafic/ultramafic gabbro (Target SHG10).

Diamond drilling encountered mostly mafic granulites where coarse primary gabbro textures have mostly been overprinted by a pervasive medium grained weakly banded metamorphic fabric. Importantly, in places, the primary mafic gabbro textures can be seen including olivine bearing sections (e.g. 225m to 233m downhole) and the mafic granulites are interpreted to be similar to the host rocks reported from Nova. The drill-hole was stopped at 399.3m because of highly unfavourable ground conditions. The hole was cased to the bottom with 50mm PVC in preparation for downhole EM survey.

Diamond drill-hole 16SHDD10 (Target VA15)

The more recent HPFLEM survey carried out over the VA15 VTEM target was able to better define the target for drilling than earlier EM surveys in 2012 and 2013. Results of the new HPFLEM survey were modeled and the final interpretation now confirms 2 NNW trending moderate strength (conductance 250-500S) conductors, VA15a and VA15b both dipping steeply towards the NE (Figure 1). Both conductors underlie strongly enriched nickel values in weathered olivine gabbros making up the SHG02 geochemical target.

Both conductors are essentially similar, but modelling of the northern anomaly VA15a produced a more robust interpretation and drilling commenced on a planned 650m deep angled diamond drill-hole to test VA15a at a vertical depth of 500m below surface.

Drill-hole 16SHDD10 was completed on anomaly VA15a and intersected mostly mafic granulite thought to have originally been intrusive gabbro, although a strong overprint by metamorphic quartz and feldspar has tended to obscure the primary mafic/ultramafic fabric. This interpretation was

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supported by intervals of nickel-enriched olivine-bearing gabbro, with only minimal metamorphic overprint. Assays using Matsa's handheld PXRF analyser confirmed strongly elevated nickel values to 0.3% Ni in the olivine gabbro. While no significant sulphide mineralisation was observed in the hole, Matsa believes that these enriched Ni values confirm the presence in the mafic granulite sequence, of fertile gabbro similar to the host sequence at Nova.

Assays

A total of 100 samples from 15SHDD09 were submitted for analysis for a 35 element suite by 4 acid digest and read by Optical Emission Spectroscopy OES. Assays were carried out on selected ~20cm core pieces at intervals of ~4m.

Handheld XRF assays were carried out at 1m intervals for a total of 210 determinations on hole 15SHDD09 (206m-399.1m) and 613 determinations on 16SHDD10 (0-612.1m) using a handheld XRF analyser.

Results from the 4 acid digest OES assays in drill-hole 15SHDD09 returned a maximum Ni value of 715ppm Ni, which coincided with an interval of olivine bearing gabbro.

Results from handheld XRF assays returned maximum Ni values of 1429ppm Ni in 15SHDD09 and 3010ppm Ni in 16SHDD10 which coincided also coincide with intervals of nickel rich olivine bearing gabbro.

Downhole Surveys

Downhole surveys on both 15SHDD09 and 16SHDD10 failed to detect significant EM anomalism either in-hole or off-hole in either of the two drill-holes surveyed. The target EM conductors are thought to be the result of current "channelling" in the conductive near surface environment, rather than genuine bedrock conductors.

Collaborative Research Project with CSIRO

A collaborative research project jointly funded by Matsa and the Commonwealth Scientific and Industrial Organisation (CSIRO), was set up to review the very large exploration database in this area of deep weathering and variable depths of transported cover. The project is intended to integrate geochemical data, drilling data and airborne and ground geophysical data to provide a more complete understanding of geological processes in this highly prospective terrane, to determine improved exploration techniques for Nova style Ni-Cu massive sulphide deposits and to define new exploration targets.

DUNNSVILLE GOLD PROJECT

The Dunnsville Gold Project comprises a group of Exploration Licences covering 304km² located only 65km WNW of Kalgoorlie and 50km NW of Coolgardie.

Big Red gold target

A total of 17 RC drill-holes for 3002m were completed over the Big Red gold prospect where previous RAB drilling of this 2.8km by 1km gold target by Matsa achieved several high grade intercepts, e.g. 1m @ 7.85 g/t Au. Previous diamond drilling by Matsa intersected mineralised quartz veins with best intercepts of 1.1m @ 2.56g/t Au and 3.6m @ 0.89 g/t Au.

The current round of drilling was targeted on structures within and adjacent to a complex aeromagnetic anomaly which underlies the Big Red gold target (Figure 6).

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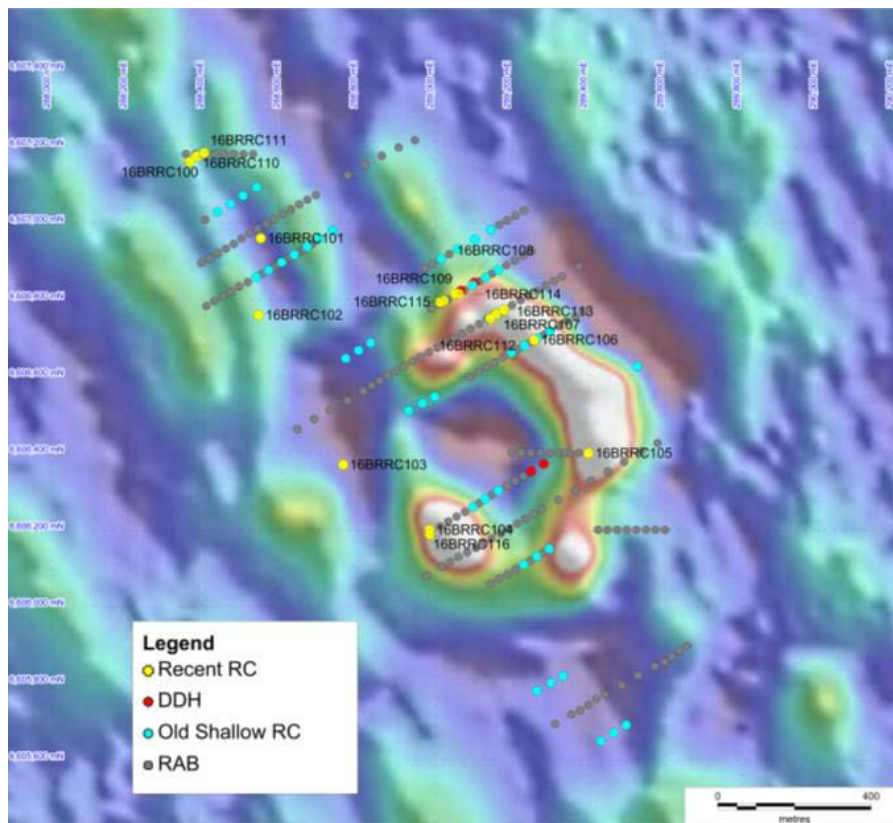


Figure 6: Big Red RC Drilling 2016 on aeromagnetic image

Assay Results

A total of 756 composite samples were submitted to ALS in Kalgoorlie and analysed for gold using fire assay fusion and measured with Atomic Absorption Spectroscopy (AAS). Single metre samples were submitted from composite sample assays results with >0.10 g/t Au grades to refine mineralised zones. A total of 164 single metre samples were submitted to ALS for the same analytical technique.

Significant intercepts >0.50 g/t Au are summarised in Table 4.

Four types of gold mineralisation were recognised from Big Red prospect and they are as follows:

1. Supergene mineralisation in the weathered profile
2. Quartz veins
3. Lithological contact
4. Shear hosted/foliation

Mineralisation within the oxidised clays of the regolith profile are narrow (<5 m thick) and gently dipping and of limited extent. The three other types were steeply dipping and narrow (<2 m thick). Best grade intercept was 1m @ 5.92 g/t Au from 68m, a dolerite-basalt contact in 16BRR107 while thickest is 3m @ 1.37 g/t Au from 81m in 16BRR100, pyritic quartz vein in sheared basalt/dolerite.

Matsa is currently evaluating the results from this drilling programme.

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Other Targets

An auger soil sampling program was carried out at Dunnsville project area. A total of 450 samples were collected, along west-central part of the project area. Grid sampling pattern used were 400 m x 100m and 200 m x 100 m.

Assay results from this sampling program has yielded 3 targets, Yarmany North, DUN16 and DUN18, based on a threshold of + 6 ppb Au anomalies, with peak gold value of 16 ppb. Aircore drilling is planned to follow up these soil anomalies.

MINIGWAL GOLD AND NICKEL PROJECT

A total of 37 RAB aircore drill-holes for 2,378m was completed over gold target MLG01 at Minigwal. Drilling confirmed that the target is located in a background of granitoid rocks overlain by transported sediments up to 55m thick. No significantly anomalous gold values were intersected and the geochemical anomaly has not been explained. No further work is planned at this stage.

Nickel target MG01 is located close to the apex of an arcuate magnetic anomaly which was interpreted to reflect the presence of banded iron formation and komatiite lavas. The presence of komatiite lavas was confirmed by aircore drilling in 2015, with assays up to 0.24% Ni and 0.03% Cu, in weathered bedrock at MG01. Drilling showed regolith including transported cover to be relatively shallow with an average depth of 25m. Planned work at MG01 includes:

- Litho-geochemical analysis of komatiite to determine whether this unit may be close to a mineralised channel way with potential for associated Ni sulphide mineralisation.
- A ground EM survey has been proposed to test this target during the upcoming financial year.

POINT KIDMAN FARM-IN PROJECT

Matsa became interested in this third party-held project, following the discovery by prospectors of numerous gold nuggets at the Point Kidman prospect over an irregular 2.5km x 0.5km area forming a window of deeply weathered basement rocks surrounded by extensive transported sand cover. Matsa entered into a farm-in type agreement with the tenement holders and carried out a comprehensive data review and programme to explore for primary gold mineralisation associated with the gold nuggets.

Exploration consisted of a 109 drill-hole RAB drilling programme for 2,506m which was completed during the period. No significantly anomalous assays were received from the drilling programme and the source of the gold nuggets was not resolved. The project was downgraded on the basis of these results and Matsa accordingly withdrew from the farm in.

LAKE CAREY GOLD PROJECT

Subsequent to the end of the financial year following due diligence demonstrating near term production potential and an excellent return on investment Matsa announced the acquisition of the Lake Carey gold project. The Lake Carey gold project area consists of 12 tenements and covers an area of 102km² (Figure 7). There are existing Mineral Resources located at the Fortitude deposit totalling 6.289Mt @ 1.9g/t for 385,300oz (JORC 2012).

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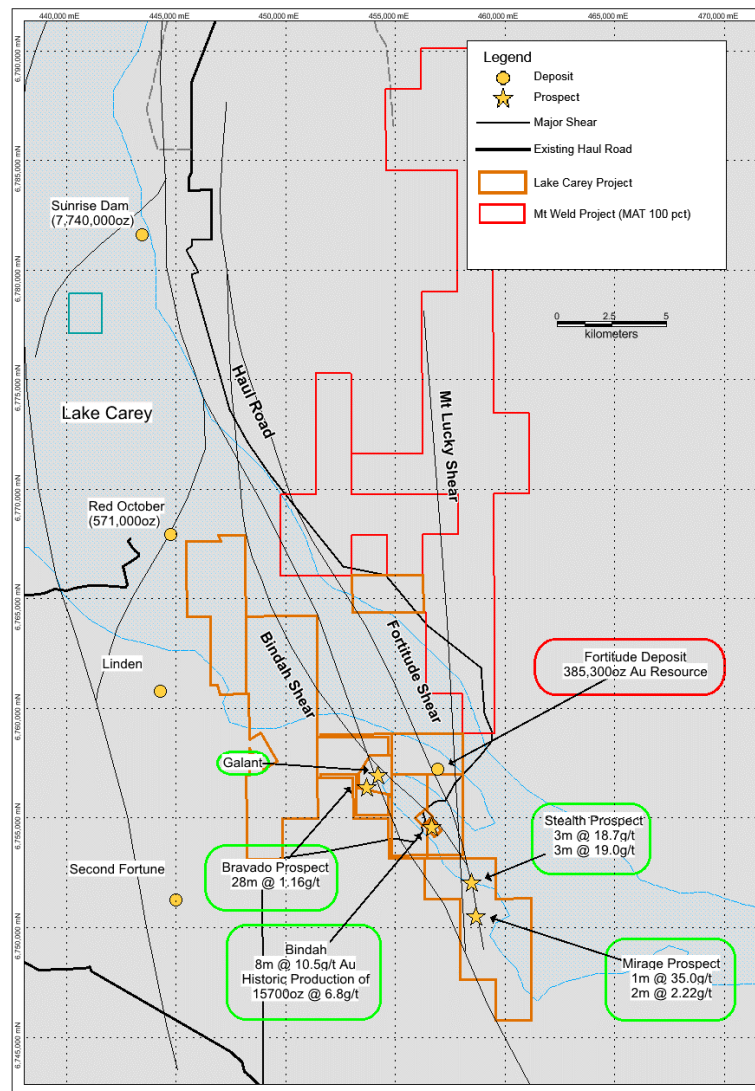


Figure 7: Lake Carey and Mt Weld Project Location

Lake Carey Project Background

The project package which includes the Lake Carey, Phantom Well and Wilga projects are located approximately 220km northeast of Kalgoorlie-Boulder and 70km south of Laverton within the north-eastern goldfields of Western Australia. The Project area covers 102km² and is located in the highly productive Laverton Tectonic Zone (LTZ) 25km south of AngloGold Ashanti's Sunrise Dam gold mine, 60km south of the Granny Smith gold mine and 12 km south of the Red October gold mine.

Type	Indicated			Inferred			Total		
	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces
Oxide	572,800	2.1	38,700	221,000	1.9	13,500	794,000	2.0	51,400
Transitional	150,900	1.8	8,700	148,200	1.9	9,100	299,000	1.9	18,000
Fresh	2,034,700	1.9	124,900	3,161,200	1.9	190,900	5,196,000	1.9	315,800
Total	2,758,000	1.9	172,000	3,530,000	1.9	213,300	6,289,000	1.9	385,300

Table 2: JORC 2012 Mineral Resource Estimate for the Fortitude Deposit

Note 1: Mineral Resources are reported at a cut-off of grade of 1g/t.

Note 2: Rounding may cause some apparent discrepancy in the totals.

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Due diligence by Matsa shows Lake Carey has excellent potential for near term production and a favourable return on investment, based primarily on the following:

- excellent existing haul roads and nearby processing facilities
- strong exploration upside potential, near world class deposits
- fully granted mining licences
- extensive database and mining information providing a fast track to final feasibility and production
- purchase consideration and mine development costs can be funded from Matsa's existing cash and liquid assets

It is Matsa's intention to develop and mine the Fortitude deposit utilising a local third party processing facility as quickly as possible in order to take advantage of the current high gold prices. All studies and development capital can be funded from existing cash and liquid assets. Preliminary discussions have already commenced with nearby processing facilities.

Exploration potential within the combined project area is considered excellent. Initial high priority targets exist at Bindah and Galant which could increase short term production potential. Historically, regional exploration along the Fortitude and Bindah Shears has been superficial and carried out by wide spaced shallow aircore drilling. Matsa plans to target the regional extents of the Fortitude and Bindah Shears using modern geophysical techniques and drilling.

Strategically, the Lake Carey gold project is an excellent geographical fit with Matsa's existing Mt Weld gold project which adjoins the northern boundary of the Lake Carey gold project. The combined project area amounts to a total of 277km² (Figure 7).

MT WELD GOLD PROJECT

Mt Weld gold project is located 60km south of Laverton, 12km SE of AngloGold Ashanti's Sunrise Dam gold mine and 11km NE of Saracen Minerals Ltd (ASX:SAR) Red October gold mine (Figure 7). The project is also located immediately adjacent to Matsa's newly acquired Lake Carey gold project.

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

Basement rocks have been weathered to depths >30m and weathered basement is overlain in places by transported sediments associated with the Lake Carey drainage system. Strong linear magnetic features in aeromagnetic data are evident and these appear to define major structural and stratigraphic boundaries in the Archaean basement. Basement in the area of interest, is made up mostly of basalts with lesser andesitic volcanics, felsic porphyry and dolerites which form part of the Laverton Tectonic Zone.

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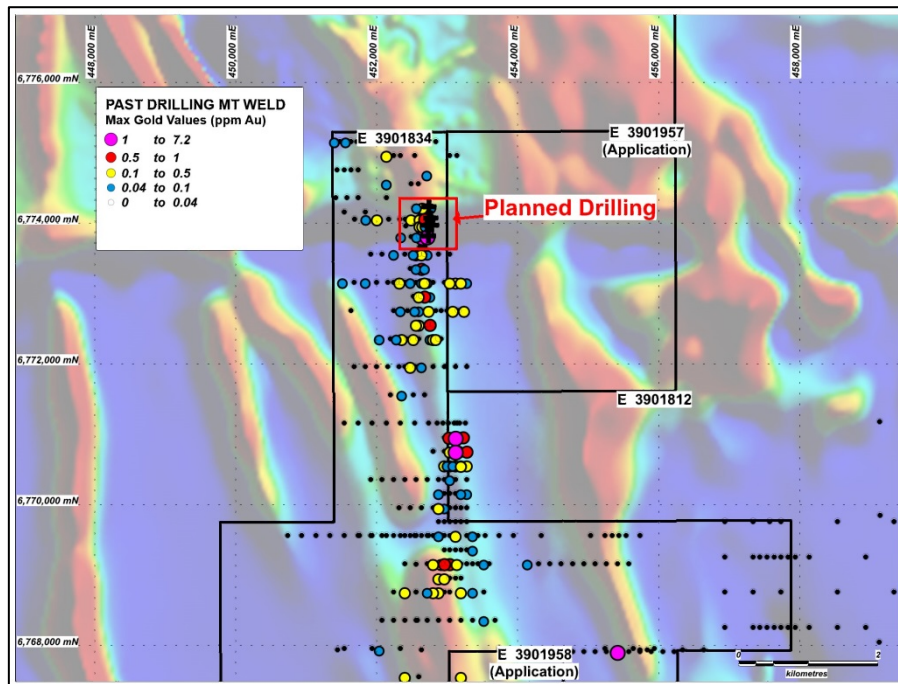


Figure 8: Wilga South Prospect Location

Drilling by previous explorers in the general Wilga South prospect area has achieved a number of significantly elevated gold intercepts (Figure 8, Table 3).

HOLE ID	DRILL TYPE	Intercept
WGC474	RC	1m@ 4.5g/t Au from 41m
		1m@ 7.2g/t Au from 123m
WGA455	AC	15m@ 1.06g/t Au from 54m
WGA383	AC	3m@ 2.3g/t Au from 75m
		3m@ 1.1g/t Au from 81m
WGC356	RC	6m@ 1.275g/t Au from 36m
		3m@ 1.18g/t Au from 48m
WGC476	RC	4m@ 2.46g/t Au from 116m
		1m@ 1.4g/t Au from 122m

Table 3: Wilga South, selected intercepts from previous drill-holes

The gold-mineralised intercepts lie at the northern end of a 2.3km long RAB/Aircore gold anomaly in weathered bedrock which follows a major NNW trending fault. Gold mineralised drill intercepts appear to define a steep east dipping zone of quartz veining and alteration which follows the faulted contact between andesitic volcanics to the west and basaltic lavas to the east.

It is planned to carry out RC drilling at Wilga South to test beneath the best intercepts achieved by previous aircore and RC drilling explorers. The drilling programme was deferred on two occasions because of heavy rain preventing access, but will be undertaken as soon as practicable.

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MT DAY NICKEL PROJECT

The Mt Day nickel project is located 25km north of Maggie Hayes near Forrestania (Figure 9).

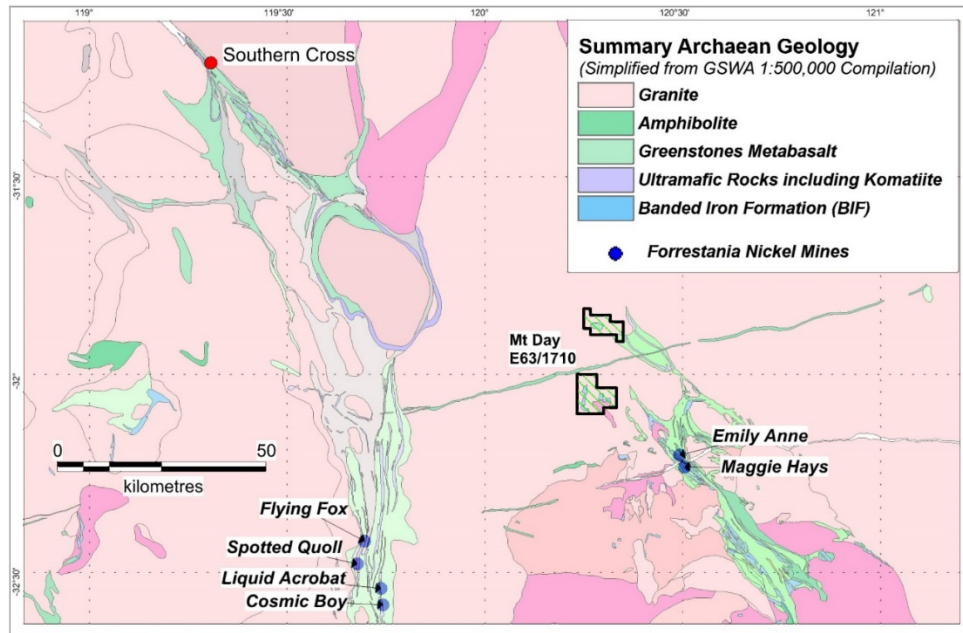


Figure 9: Mt Day Project Location

Matsa believes that there is significant untested Ni potential at Mt Day. Shallow drilling at Mt Day by previous explorers achieved nickel intercepts up to 1.51% Ni with strong supporting copper values up to 0.17% Cu in weathered ultramafics as listed below:

- JSA066 3m @ 1.02% Ni from 69m
- JSA170 3m @ 1.03% Ni and 0.08% Cu from 36m
- JSA179 3m @ 1.03% Ni and 0.05% Cu from 51m
- JSA180 3m @ 1.51% Ni and 0.17% Cu from 21m

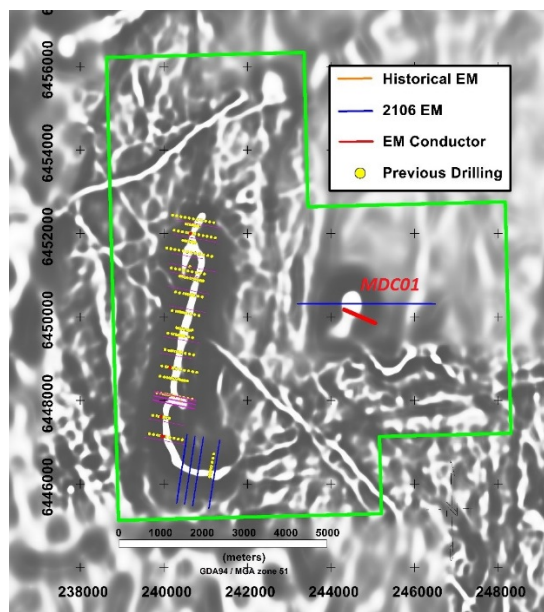


Figure 10: Mt Day, past drilling and recent EM surveys on aeromagnetic image

OPERATIONS REVIEW

The information used to target the IP surveys and drilling is based on historic drilling by previous explorers obtained from open file reports available under the WAMEX system.

The prospective belt of komatiite lavas in which these intercepts occur, coincides with a high amplitude NS trending magnetic anomaly which can be seen in aeromagnetic data.

Exploration during the quarter comprised an MLTEM survey over two areas as shown in Figure 10.

MLTEM Survey

MLEM survey lines were carried out over two komatiite targets as interpreted from detailed aeromagnetic data (Figure 10).

Conductor MDC01 was defined by a single MLTEM survey line as a steeply dipping conductor with a strike extent of ~80m and a depth extent of ~1,100m. MDC01 is described as a moderate strength EM conductor over a discrete magnetic anomaly and is interpreted to represent a faulted offshoot of the main western komatiite trend.

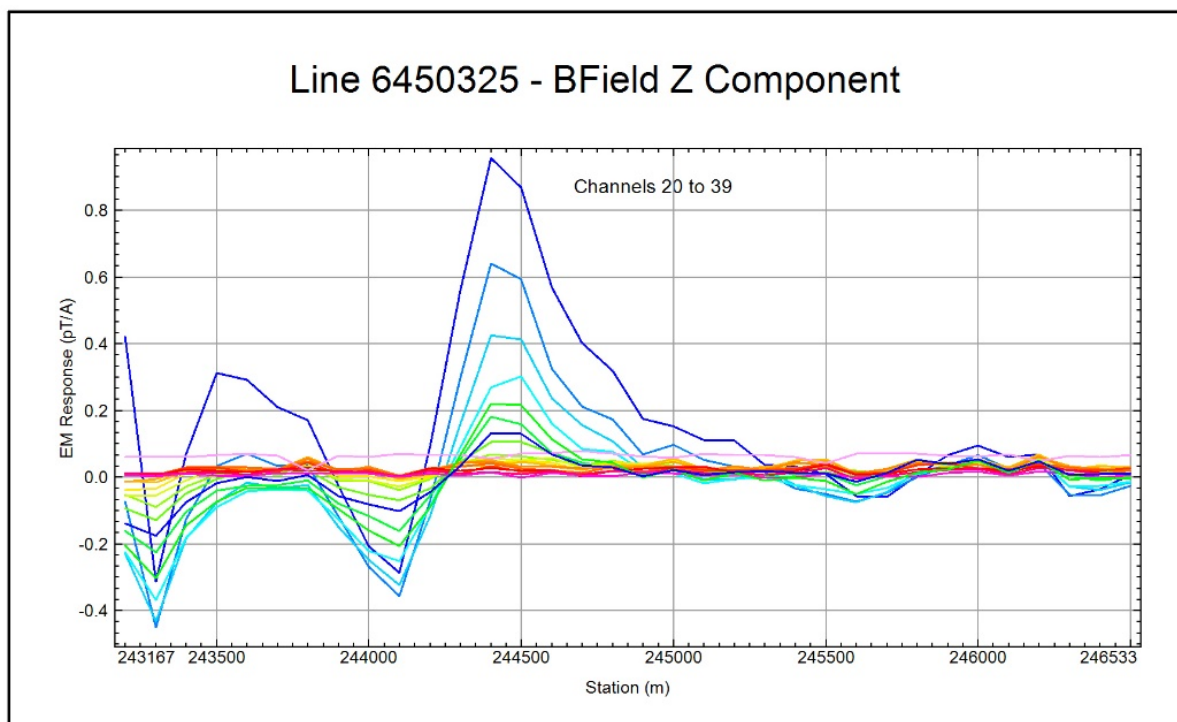


Figure 11: Mt Day, Conductor MDC01 MLTEM Line 6450325

The conductor is sufficiently well defined by the single survey line for drilling and a drill-hole to test this target has been designed as part of a 6 hole drilling programme. Other drill-holes have been designed to test:

- Ni values up to 1.51% Ni intersected by previous drilling in weathered ultramafic rocks. Drilling has been designed to test whether these intercepts reflect the presence of nickel sulphides in underlying fresh komatiite and,
- a conductive zone identified by the recent EM survey over the “hook shaped” southern extremity of western komatiite as reflected in aeromagnetic data. There is potential that this conductive zone may reflect the presence of disseminated nickel sulphide mineralisation.

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

THAILAND PROJECTS

Matsa's Thailand projects cover 909km² within the Loei–Ko Chang fold belt which contains important mineral deposits including the Phu Kham copper mine in Laos and the >5MOz Chatree gold mine operated by Kingsgate Consolidated. The Loei-Ko Chang arc is an arcuate palaeo – island arc terrane which is more than 600km long and oriented approximately north–south. This terrane extends from Ko Chang Island in the south to Loei in the north of Thailand and beyond into Laos (Figure 12).

Current tenement holdings include:

20 granted SPL's and 25 SPL applications (SPLA's) for 635km² in Matsa's Siam Copper Project in Central Thailand;

14 SPLA's for 174km² over its Paisali Base Metal project;

- 6 SPLA's for 68km² over its KT Gold Project; and
- 4 SPLA's for 32km² over its Loei Gold Project.

During the year Matsa relinquished 17 of the 37 SPL's originally granted in order to focus exploration on the most prospective parts of the Siam Copper Project within the 20 remaining SPL's.

The location of the Loei–Ko Chang arc and Matsa's current tenement holdings are summarised in Figure 12.

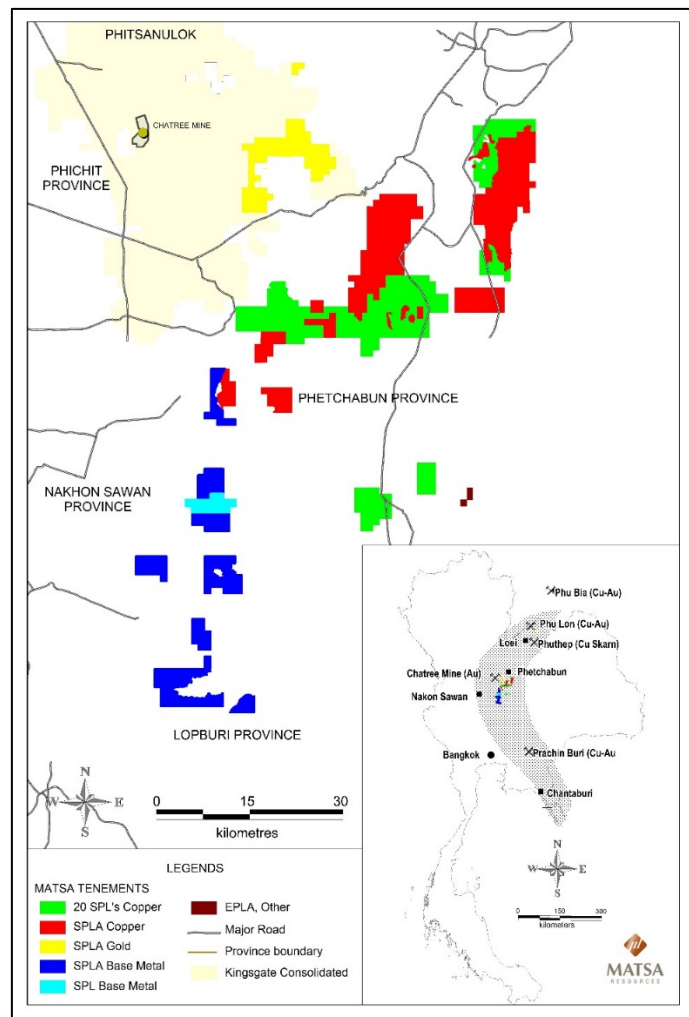


Figure 12: Matsa Tenement Status Thailand (Inset Loei-Ko Chang Arc)

OPERATIONS REVIEW

SIAM COPPER PROJECT

IP (Induced Polarisation) Survey

An induced polarisation (IP) ground electrical survey at Siam 1, for a total of 13 lines covering 22.8 line km was completed during the period. The survey comprised 6 lines for 14.1 line km read at Siam 1 West and 7 lines for 8.7 line km at Siam 1 East. Line locations are presented in Figure 5. The survey was carried along NW, and NE oriented lines employing 75m dipole-dipole array electrode spacings.

The IP method is designed to specifically target disseminated sulphides, which in a copper mineralised hydrothermal system, would typically have a much larger footprint and be easier to detect than any associated bodies of massive sulphides.

The Siam 1 prospect was prioritised for IP surveys because of the discovery there of widespread boulders containing visible native copper and the previously announced discovery of supergene chalcocite containing very high copper and silver grades of up to 54.6% Cu and 148 g/t Ag.

The survey was designed to test the hypothesis that surface copper mineralisation represents more extensive copper sulphide mineralisation at depth.

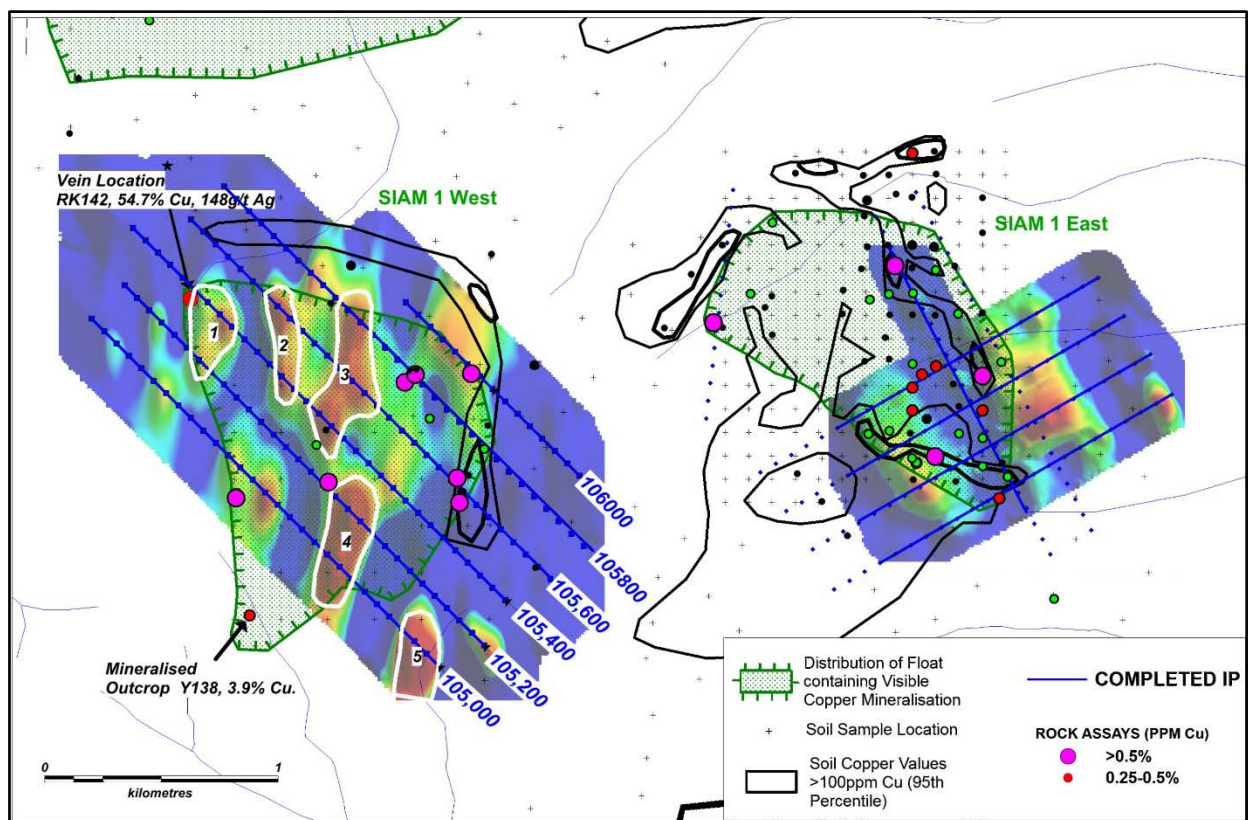


Figure 13: Siam 1 West and East prospects and IP depth slice at 0m RL showing high priority IP Anomalies 1-5

IP Results Siam 1 West

Five high priority NS trending Induced Polarisation (IP) anomalies (Anomalies 1-5) up to 500m long were defined at Siam 1W as shown in Table 4, Figure 13.

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

Resistivity data across Siam 1 West has defined a more conductive zone in the SW and a more resistive zone to the NE indicating a major change in bedrock geology which was confirmed by diamond drilling completed to date. There is shallow conductive surficial cover response on all lines.

Target	Interpretation		Chargeability mV/V		Resistivity ohmm.m	
	Length	Width	Min	Max	Max	Average
Anomaly 1	425	150	5.5	7.5	1200	1150
Anomaly 2	500	125	6.5	8.0	1050	1025
Anomaly 3	675	150	6.5	8.5	1025	1000
Anomaly 4	450+	175	6.5	9.5	475	450
Anomaly 5	200+	175	6.5	10.0	65	50

Table 4: High Priority IP Target Summary

Matsa's in-house geophysical consultant noted, *"The IP responses are complex and most likely to have multiple sources. The 5 high priority IP anomalies are considered to be targets for disseminated copper sulphide mineralization and warrant drill testing"*.

IP anomalies 1-4 (Table 4) are located in a significantly more resistive unit and interpreted to be basaltic andesite lavas. IP anomaly 5 was detected in the comparatively conductive unit in the SE part of the grid. Drilling has shown this more conductive unit to be rhythmically banded sediments.

The previously announced high grade chalcocite vein is located immediately adjacent to IP Anomaly 1. The presence of this moderate IP anomaly at shallow depth strongly supports the hypothesis that the chalcocite vein represents "leakage" over more extensive copper sulphide mineralisation at depth.

IP Results Siam 1 East

IP responses have been observed on all lines and IP responses remain open to the south with one strong open response to the east. These responses are interpreted to be sourced by steeply dipping bodies.

Resistivity results define a similar pattern to Siam 1 West, namely a more conductive zone, probably reflecting sediments, in the east and a more resistive zone reflecting volcanic lavas to the west. There is shallow conductive surficial cover response on all lines.

Anomalous IP readings observed at Siam 1 East are weaker than at Siam 1 West and are generally associated with the more resistive volcanic lavas.

Diamond Drilling

A total of 9 diamond drill-holes for an estimated total of between 1,500 and 2,300 metres of HQ and NQ were designed to test IP anomalies 3, 4 and 5 at Siam 1W. The IP anomalies were interpreted as sub-vertical chargeable zones of disseminated sulphides which are oriented approximately N-S. Consequently, planned drill-holes have been oriented in an E-W direction.

Diamond drilling commenced at Siam 1W during the quarter for a total of 310.1m of drilling in 2 drill holes as summarised in Table 5.

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

Prospect	Drill-hole	Target	East	North	Dip	Azimuth	Depth
Siam1W	15SCDD001	5	7695	74196	-60	140	227.1
Siam1W	16SCDD002	3	7387	75243	-60	90	83

Table 5: Siam 1W, diamond drill-hole progress

Drill-hole 15SCDD001 was designed to test IP target 5. Poor ground conditions led to the hole being stopped at 227.1m which coincides approximately with the depth at which the IP target was expected to be intersected. Pyrite (iron sulphide) rich sediments were intersected below 53m to the end of the drill-hole and are interpreted to be the likely source of IP anomaly 5.

Drill-hole 16SCDD002 was located to test IP target 3. This drill-hole intersected basaltic andesite lavas to its current depth of 83m, which is well above the depth of 200m at which the IP target is expected to be intersected. Visible finely disseminated native copper mineralisation with grain size generally <0.5mm, was observed intermittently throughout the section drilled to date, but in particular from 50m to end of drill-hole.

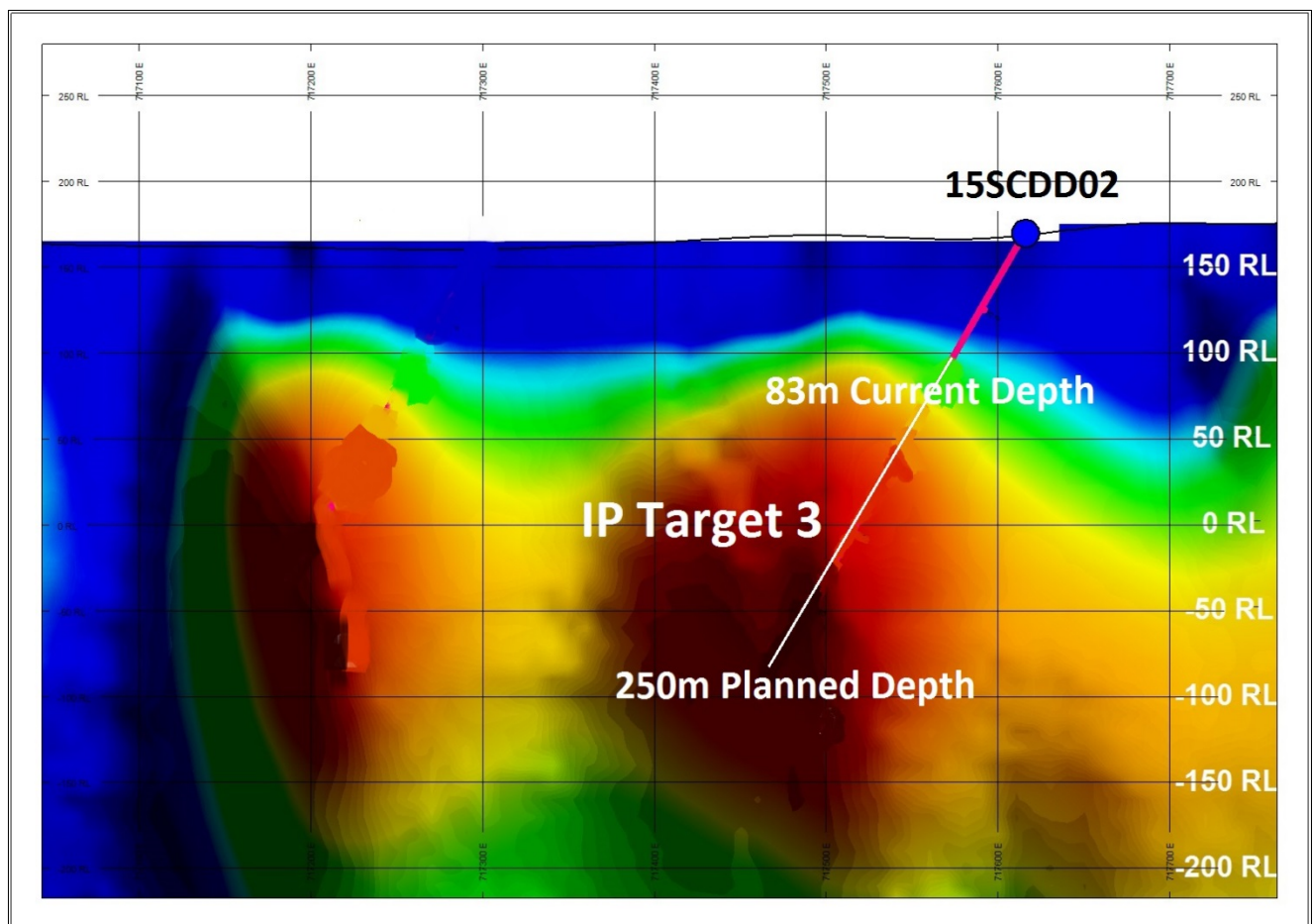


Figure 14: EW Cross Section Anomalies 2 and 3 with Diamond Drill-hole 15SCDD02

Due to a local issue concerning land ownership (between provincial government departments) over parts of the Matsa tenements within the current area of drilling, Matsa suspended drilling at Siam 1W.

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

Matsa is continuing to liaise with all parties in order to resolve this issue and resume drilling at the earliest possible time.

A total of 230 auger soil samples were collected from the Siam 1 project area and assay results are awaited.

PAISALI BASE METALS PROJECT

Multi-element assays identified a highly prospective soil copper anomaly over an area of ~1km x 1.8km which includes strongly anomalous copper values of up to 0.11% Cu. Geochemical zoning is evident in multi-element data, with a central zone of highly anomalous Cu with supporting Ag and Ni values, surrounded by anomalous Pb, Zn etc. values on the periphery.

The presence of a large complex magnetic anomaly, scattered diorite rubble and strongly anomalous copper values within a zoned geochemical anomaly, supports the potential for porphyry or skarn related copper sulphide mineralisation.

During the quarter, exploration comprised:

- A further 153 step-out auger samples to define the full extent of the Chang 1 anomaly
- Portable XRF (PXRF) assays of soil auger samples
- 4 Induced polarisation (IP) survey lines were carried out at Chang 1

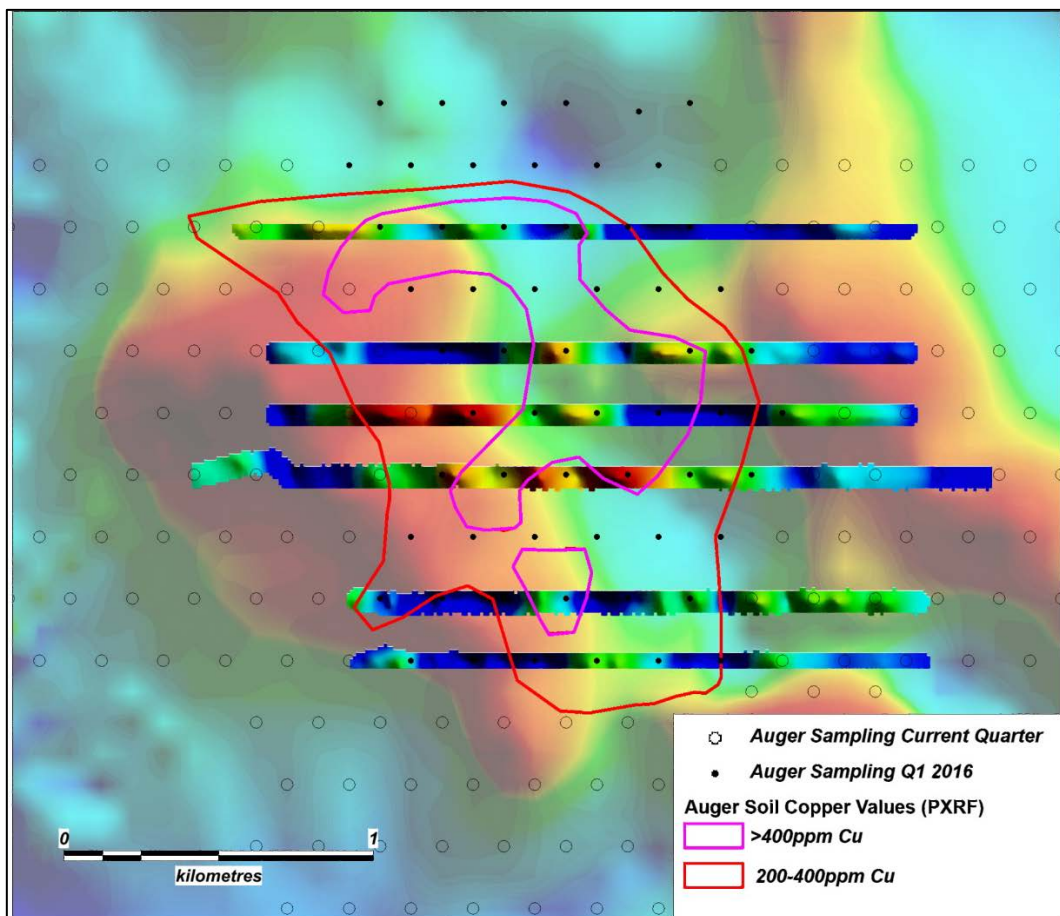


Figure 15: Chang 1 sample locations, contoured Cu values and IP lines on aeromagnetic image

OPERATIONS REVIEW

Chang 01 Soil Auger Sampling (Stage 2)

Soil auger samples were carried out to close off the area of anomalous copper defined by stage 1 auger soil sample results from the previous quarter. Portable XRF (PXRF) assays for the Stage 2 step out auger soil samples have been compiled.

Results are summarised in Figure 13 where PXRF values >200ppm Cu define an irregular area ~2km x ~1km in extent which is interpreted to be mapping the outline of subsurface copper mineralisation. All Stage 2 samples were submitted for multi element 4 acid digest analysis and results are awaited.

Chang Dipole Dipole IP Survey

A total of 6 lines of dipole-dipole IP surveying were completed at Chang 01 (Figures 13 and 14). Moderate IP responses up to 12mV/V were observed on the three central lines (742800N, 742600N and 742400N). IP responses were lower in the northern line and southern two lines. The IP anomalies in the central lines are contained within the area of anomalous (>200ppm Cu) copper soil geochemistry. The IP anomalies observed are interpreted to reflect disseminated sulphides in fresh underlying rocks. The current interpretation of the zoned geochemistry, the observed IP responses and the aeromagnetic signature is of a copper mineralised intrusive system, possibly a porphyry or skarn deposit.

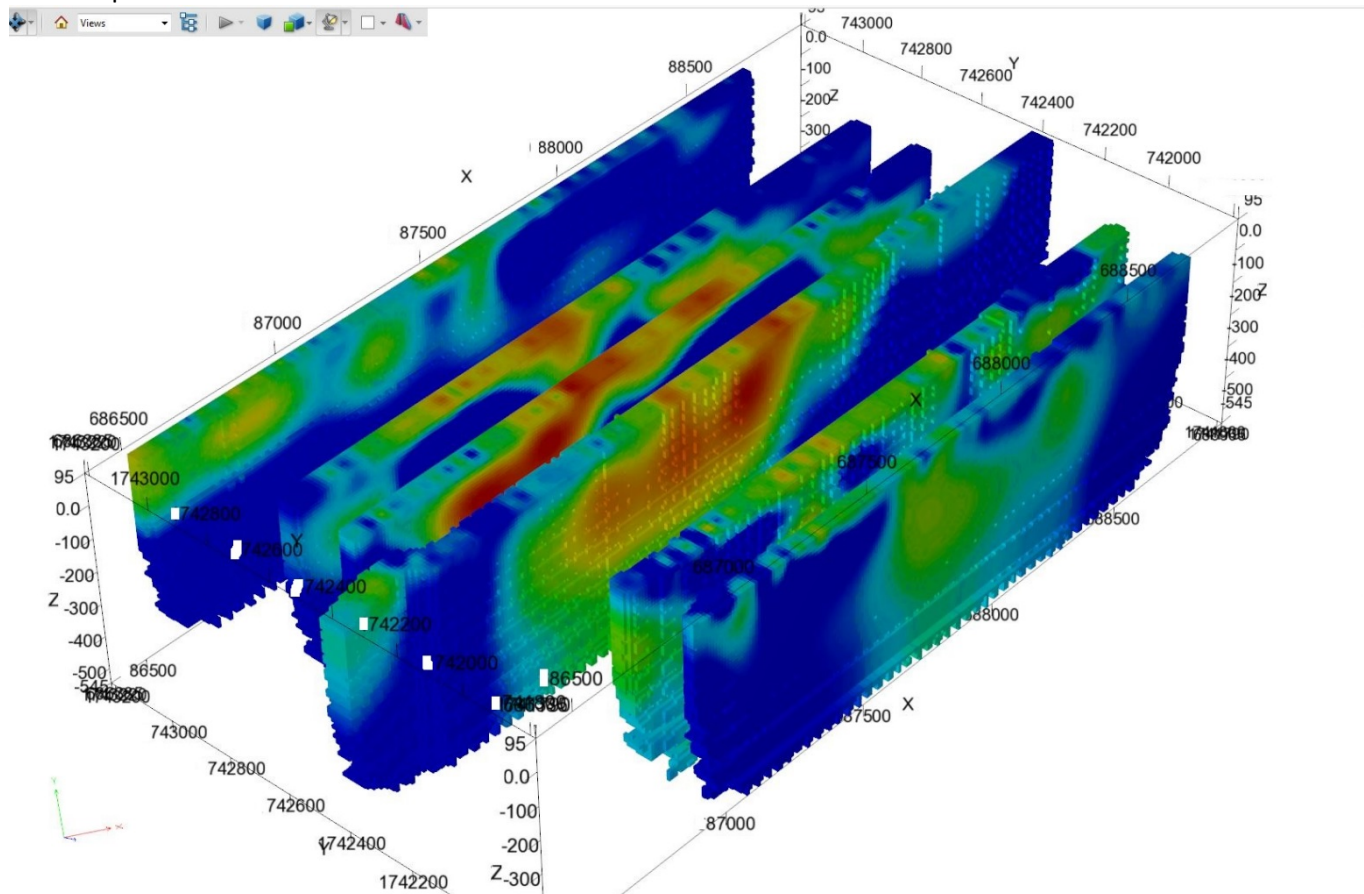


Figure 16: Chang 1, Stacked Inversion model IP cross sections

Matsa executed a drilling contract for 4 diamond drill-holes which commenced early September quarter as a preliminary test of selected IP anomalies.

MATSA RESOURCES LIMITED

OPERATIONS REVIEW

Matsa has spared no effort to keep all stakeholders including the local farming community fully informed on progress at Chang1, and is delighted at the level of support received. All government authorities have provided written consent for Matsa to proceed with its exploration programme.

CORPORATE ACTIVITIES

In July 2015 Matsa and Panoramic Resources Limited (Panoramic) entered into an Asset Sale and Purchase agreement to dispose of their respective interests in the Mt Henry Gold Project to Metals X Limited (MLX). Matsa held a 30% interest and Panoramic a 70% interest in the project.

The consideration for the disposal (100%) was the issue of 22 million fully paid ordinary shares in MLX, freely tradeable with no restriction provisions.

Matsa received 6.6 million fully paid ordinary shares in MLX on settlement in September 2015. During the financial year Matsa has disposed of approximately 3.75 million shares at various prices realising proceeds of over \$4.5 million which were directed towards exploration and working capital.

In December 2015 Matsa acquired 5.5 million Pantoro Limited (PNR) shares for a total purchase price of \$319,000. Matsa disposed of 2.5 million PNR shares late in the financial year to realise proceeds of \$295,000 taking advantage of an increasing PNR share price. The balance of the PNR shares were sold subsequent to the end of the year realising further proceeds of \$437,000.

During the financial year Matsa increased its holding in Bulletin Resources (ASX: BNR) to 27.37% interest which held a 20% interest in the Nicolson's Gold Project where production commenced in September 2015. In May 2016 quarter Bulletin announced it had entered into an agreement to dispose of its interest in the Nicolson's gold project to its joint venture partner Pantoro Limited. The consideration was 130M Pantoro shares of which Bulletin announced it would make an in-specie distribution of 1 Pantoro shares for every 2 Bulletin shares held to Bulletin shareholders.

The transaction settled in July 2016 and resulted in Matsa receiving 24 million Pantoro shares valued at \$3.6M. This is an excellent result and the value of the Pantoro shares received exceeds the cost of Matsa's investment in Bulletin. Matsa still retains its 26.82% interest in Bulletin.

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 2016.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

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

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

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

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

Bulletin Resources Limited (Appointed 24 June 2014)

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

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

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

Bulletin Resources Limited (Appointed 13 August 2013)

Mr Andrew Chapman CA F Fin

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

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

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

Carnavale Resources Limited (Appointed 31 March 2015)

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 \$1,597,568 (2015: \$1,483,433).

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

- A gain of \$4,829,721 on the sale of the Company's 30% interest in the Mt Henry Joint Venture
- A gain of \$422,188 (2015: \$2,111,345) on the sale of shares held in listed investments.
- Dividend income of \$Nil (2015: \$301,000) received during the financial year.
- Impairment losses of \$3,770,178 (2015: \$302,815) attributable to the Group's exploration projects.
- Impairment losses of \$815,756 (2015: \$Nil) on available-for-sale investments
- The write-off of exploration expenditure of \$991,486 (2015: \$2,213,862).
- Share based payments expense of \$22,650 (2015: \$654,993)
- Income of \$1,760,818 (2015: \$1,658,407) relating to a tax refund for eligible research and development expenditure.
- Share of loss from investment in associate Bulletin Resources Limited of \$304,790 (2015: \$160,339).

Review of Financial Position

The net assets attributable to the shareholders of the parent have decreased by \$2,209,198 from 30 June 2015 to \$13,571,936 at 30 June 2016.

There was no capital raised from the issue of shares during the financial year.

Cash reserves at 30 June 2016 were \$1.56 million compared to \$0.74 million in the previous financial year.

DIVIDENDS

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

CORPORATE STRUCTURE

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

EMPLOYEES

The Group had 20 employees of which 16 were full-time as at 30 June 2016 (2015: 13 full-time equivalent employees).

Review of Operations

A full review of the operations of the Group during the year ended 30 June 2016 is included on pages 4 to 25.

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 21 July 2016 Matsa announced that it had entered into an agreement to acquire the Lake Carey gold project. The project package includes the Lake Carey, Phantom Well and Wilga projects which contains the Fortitude gold deposit, including all exploration and mining data, for a total consideration of \$1,750,000 (ex GST) cash consisting of:

- \$250,000 on signing of agreement (paid), refundable if any tenements are forfeited.
- \$1,500,000 upon settlement of the transaction, transfer of tenements.

On 23 August 2016 Matsa advised that it has entered into an agreement to acquire two Exploration Licence Applications, E39/1864 (30km²) and E39/1863 (8km²), located immediately north and east respectively of the Fortitude gold deposit for a total consideration of \$100,000.

On 25 July 2016 the Company received 24 million Pantoro Limited shares valued at approximately \$3.6 million as a result of its associate, Bulletin Resources Limited, conducting an in-specie distribution and return of capital.

The Company sold approximately 1.1 million Metals X shares after the end of the financial year for total gross proceeds of \$1.65 million. The Company sold approximately 10 million Pantoro shares after the end of the financial year for total gross proceeds of \$1.52 million.

On 11 August 2016 the Company issued 550,000 fully paid ordinary shares on the exercise of unlisted options exercisable at 27.5 cents each

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

FUTURE DEVELOPMENTS

As described above there are no further likely developments.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

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

DIRECTORS' MEETINGS

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

	Directors' Meetings	
	Number eligible to attend	Number attended
Paul Poli	8	8
Frank Sibbel	8	8
Andrew Chapman	8	8

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

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

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company has granted no options over unissued ordinary shares 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 September 2016	\$0.40	925,000
30 November 2017	\$0.25	2,650,000
30 November 2017	\$0.30	4,250,000
		<u>7,825,000</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.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

Shares Issued on Exercise of Options

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

REMUNERATION REPORT - Audited

Principles of Compensation

This remuneration report for the year ended 30 June 2016 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 ending 30 June 2016 and 30 June 2015 is detailed in this report.

Managing Director and Executive Remuneration Structure

Remuneration Policy

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

Structure

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

Remuneration consists of the following key elements:

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

The proportion of fixed remuneration and variable remuneration for each executive for the period ending 30 June 2016 and 30 June 2015 is detailed in this report.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Fixed Remuneration

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

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

The fixed remuneration component for executives for the period ending 30 June 2016 and 30 June 2015 is detailed in this report.

Variable Remuneration – Short Term Incentive (STI)

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

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

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

Variable Remuneration – Long Term Incentive (LTI)

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

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

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

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

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Other Benefits

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

Company Performance and the Link to Remuneration

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

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

Service Agreements

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

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

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

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

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

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

As at 30 June	2016	2015	2014	2013	2012
Closing share price	\$0.17	\$0.145	\$0.375	\$0.33	\$0.115
Net comprehensive income/(loss) per year ended	(2,231,886)	(7,425,418)	5,516,405	(4,937,321)	(1,628,494)

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

2016	Short Term Benefits		Post-employment Benefits		Share-based payments		% Performance Related	% of Remuneration that consists of securities
	Salary & Fees \$	Other \$	Superannuation \$	Long Service Leave \$	Securities \$	Total \$		
Key Management Person								
Directors								
Paul Poli ¹	369,694	26,460	19,308	46,877	22,650	484,989	4.67	4.67
Frank Sibbel ²	98,208	-	-	-	-	98,208	-	-
Andrew Chapman ³	155,365	-	14,513	-	-	169,878	-	-
Total	623,267	26,460	33,821	46,877	22,650	753,075	-	-

¹ Mr Poli receives part of his salary and fees via a related party, Strategic Siam Co Ltd which totalled \$69,389 during the year. Mr Poli receives travel and internet allowances as part of his terms of employment.

² Mr Sibbel provided consultancy services to the Company totalling \$56,208 during the year.

³ Mr Chapman provided company secretarial services to the Company totalling \$113,365 during the year.

Executives

David Fielding	224,400	-	19,308	-	-	243,708	-	-
Total	224,400	-	19,308	-	-	243,708	-	-

2015	Short Term Benefits		Post-employment Benefits		Share-based payments		% Performance Related	% of Remuneration that consists of securities
	Salary & Fees \$	Other \$	Superannuation \$	Long Service Leave \$	Securities \$	Total \$		
Key Management Person								
Directors								
Paul Poli ¹	368,225	30,836	18,783	-	254,743	672,587	37.88	37.88
Frank Sibbel ²	55,530	-	-	-	54,739	110,269	49.64	49.64
Andrew Chapman ³	138,934	-	13,199	-	54,739	206,872	26.46	26.46
Total	562,689	30,836	31,982	-	364,221	989,728	-	-

¹ Mr Poli receives travel and internet allowances as part of his terms of employment.

² Mr Sibbel provided consultancy services to the Company totalling \$13,530 during the year.

³ Mr Chapman provided company secretarial services to the Company totalling \$96,934 during the year.

Executives

David Fielding	215,910	-	18,784	-	32,066	266,760	12.02	12.02
Total	215,910	-	18,784	-	32,066	266,760	-	-

Compensation Options and Performance Rights Granted and Vested during the year

The table below sets out options and performance rights granted to Directors and Executives. There were no options issued during the year. There were no options or performance rights that were granted in previous years that vested during the year. The options and performance rights 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)

2015	Vested	Granted	Grant Date	Value per Security at Grant Date	Exercise Price	First Exercise Date	Expiry Date
	No.	No.		Cents	Cents		
P Poli	2,750,000	2,750,000	26.11.14	7.30	30	26.11.14	30.11.17
F Sibbel	750,000	750,000	26.11.14	7.30	30	26.11.14	30.11.17
A Chapman	750,000	750,000	26.11.14	7.30	30	26.11.14	30.11.17
D Fielding	400,000	400,000	26.11.14	8.02	25	26.11.14	30.11.17

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

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

The maximum value of the award is equal to the number of options and performance rights 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 or performance rights during the year.

Value of Options and Performance Rights granted as part of remuneration

2015	Value of performance rights granted in prior year	Value of performance rights exercised during the year	Value of performance rights lapsed during the year	Remuneration consisting of performance rights during the year	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options during the year
	\$	\$	\$	%	\$	\$	\$	%
Paul Poli	54,033	-	-	8.03	200,710	-	-	29.85
David Fielding	-	-	-	-	32,066	-	-	12.02
Frank Sibbel	-	-	-	-	54,739	-	-	49.64
Andrew Chapman	-	-	-	-	54,739	-	-	26.46

Option holdings of key management personnel

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

Option holdings of key management personnel (continued)

2015	Balance 1 July	Granted as remuneration	Exercised	Net change other	Balance on Resignation	Balance 30 June	Vested & Exercisable	Not Exercisable
	No.	No.	No.	No.	No.	No.	No.	No.
P Poli	2,750,000	2,750,000	-	-	-	5,500,000	5,500,000	-
A Chapman	1,250,000	750,000	-	-	-	2,000,000	2,000,000	-
F Sibbel	1,500,000	750,000	-	-	-	2,250,000	2,250,000	-
D Fielding	450,000	400,000	-	-	-	850,000	850,000	-
	5,950,000	4,650,000	-	-	-	10,600,000	10,600,000	-

Shareholdings of key management personnel

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

2015	Balance 1 July	Granted as remuneration	Options exercised	Net change other	Balance on resignation	Balance 30 June
	No.	No.	No.	No.	No.	No.
P Poli	10,600,000	-	-	-	-	10,600,000
A Chapman	-	-	-	40,000	-	40,000
F Sibbel	268,048	-	-	-	-	268,048
D Fielding	91,176	-	-	-	-	91,176
	10,959,224	-	-	40,000	-	10,999,224

Performance rights of key management personnel

2016	Balance 1 July	Granted as remuneration	Net change other	Balance 30 June	Vested and exercisable	Not vested and not exercisable
	No.	No.	No.	No.	No.	No.
P Poli	1,000,000	-	(1,000,000)	-	-	-
A Chapman	-	-	-	-	-	-
F Sibbel	-	-	-	-	-	-
D Fielding	-	-	-	-	-	-
	1,000,000	-	(1,000,000)	-	-	-

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

Performance rights of key management personnel (continued)

	Balance 1 July	Granted as remuneration	Net change other	Balance 30 June	Vested and exercisable	Not vested and not exercisable
	No.	No.	No.	No.	No.	No.
2015						
P Poli	1,000,000	-	-	1,000,000	-	1,000,000
A Chapman	-	-	-	-	-	-
F Sibbel	-	-	-	-	-	-
D Fielding	-	-	-	-	-	-
	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>

End of Audited Remuneration Report

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

INDEMNIFYING OFFICERS

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

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

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON-AUDIT SERVICES

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

The following fees for non-audit services were paid/payable to the external auditors, or by related practices of the external auditors, during the year ended 30 June 2016:

Taxation services	\$8,400
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AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 40.

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



Paul Poli

Executive Chairman

Dated this 30th day of September 2016.

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 2016 there have been:

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

NPAS

Nexia Perth Audit Services Pty Ltd

PTC Kloppe

PTC Kloppe
Director

30 September 2016
Perth

MATSA RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Other income	5(a)	7,064,492	4,105,819
Depreciation expense	5(c)	(71,234)	(100,808)
Other expenses	5(d)	(2,728,871)	(2,816,959)
Exploration and evaluation expenditure written off/provided for	12	(4,761,664)	(2,516,677)
Impairment loss on available-for-sale assets		(815,756)	-
Results from operating activities		(1,313,033)	(1,328,625)
Finance income	5(b)	24,686	13,237
Finance costs		(4,431)	(7,706)
Net finance income		20,255	5,531
Share of loss of equity-accounted investee, net of tax	10	(304,790)	(160,339)
Loss before income tax expense		(1,597,568)	(1,483,433)
Income tax expense	6	-	-
Net loss for the year attributable to equity holders of the company		(1,597,568)	(1,483,433)
Other comprehensive income to be reclassified subsequently through profit or loss			
Equity-accounted investees – share of other comprehensive income	10	101,370	(98,009)
Foreign currency translation reserve – reclassified to profit or loss		-	(37,154)
Net change in fair value of available-for-sale financial assets		(583,313)	(4,040,183)
Available-for-sale financial assets – reclassified to profit or loss		(152,375)	(1,766,639)
Other comprehensive income/(loss) for the year, net of tax		(634,318)	(5,941,985)
Total comprehensive profit/(loss) for the year attributable to equity holders of the company		(2,231,886)	(7,425,418)
Loss for the year is attributable to:			
Owners of the parent		(1,597,530)	(1,482,742)
Non-controlling interest		(38)	(691)
		(1,597,568)	(1,483,433)
Total comprehensive profit/(loss) for the year is attributable to:			
Owners of the parent		(2,231,848)	(7,424,727)
Non-controlling interest		(38)	(691)
		(2,231,886)	(7,425,418)
Basic loss per share attributable to ordinary equity holders of the parent	20	(1.11)	(1.03)
Diluted loss per share attributable to ordinary equity holders of the parent	20	(1.11)	(1.03)

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	23	1,563,165	739,096
Trade and other receivables	7	239,618	94,603
Other assets	8	478,098	836,357
Total current assets		2,280,881	1,670,056
Non-current assets			
Other assets	8	289,427	310,113
Available-for-sale financial assets	9	5,580,750	3,022,500
Investments in associates	10	300,138	344,010
Exploration and evaluation assets	12	5,940,113	11,513,690
Property, plant and equipment	13	54,449	96,467
Total non-current assets		12,164,877	15,286,780
Total assets		14,445,758	16,956,836
Current liabilities			
Trade and other payables	14	409,503	593,104
Borrowings	15	13,767	59,238
Provisions	16	177,700	159,885
Total current liabilities		600,970	812,227
Non-current liabilities			
Borrowings	15	8,053	21,821
Provisions	16	187,446	264,263
Total non-current liabilities		195,499	286,084
Total liabilities		796,469	1,098,311
Net assets		13,649,289	15,858,525
Equity			
Issued capital	17	40,536,876	40,536,876
Reserves	18	7,721,767	8,495,535
Accumulated losses	19	(34,686,707)	(33,251,277)
Total equity attributable to equity holders of the Company		13,571,936	15,781,134
Non-controlling interests		77,353	77,391
Total equity		13,649,289	15,858,525

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital Ordinary \$	Accumulated Losses \$	Other Reserves \$	Equity Settled Benefits Reserve \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2014	40,536,876	(31,768,535)	7,044,414	6,738,113	22,550,868	78,082	22,628,950
Comprehensive gain/(loss) for the period	-	(1,482,742)	(5,941,985)	-	(7,424,727)	(691)	(7,425,418)
Total comprehensive gain/(loss) for the period	-	(1,482,742)	(5,941,985)	-	(7,424,727)	(691)	(7,425,418)
<i>Transactions with owners recorded directly in equity</i>							
Share based payment	-	-	-	654,993	654,993	-	654,993
Balance at 30 June 2015	40,536,876	(33,251,277)	1,102,429	7,393,106	15,781,134	77,391	15,858,525
Balance at 1 July 2015	40,536,876	(33,251,277)	1,102,429	7,393,106	15,781,134	77,391	15,858,525
Comprehensive gain/(loss) for the period	-	(1,597,530)	(634,318)	-	(2,231,848)	(38)	(2,231,886)
Total comprehensive gain/(loss) for the period	-	(1,597,530)	(634,318)	-	(2,231,848)	(38)	(2,231,886)
<i>Transactions with owners recorded directly in equity</i>							
Performance rights not vested	-	162,100	-	(162,100)	-	-	-
Share based payment	-	-	-	22,650	22,650	-	22,650
Balance at 30 June 2016	40,536,876	(34,686,707)	468,111	7,253,656	13,571,936	77,353	13,649,289

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Other income		1,779,447	1,679,857
Dividend income		-	301,000
Payments to suppliers and employees		(2,501,550)	(2,102,015)
Interest received		28,722	15,331
Net cash used in operating activities	23	(693,381)	(105,827)
Cash flows from investing activities			
Payments for available-for-sale financial assets		(642,694)	(560,197)
Payments for investment in associate		(159,548)	(132,359)
Proceeds from sale of available-for-sale financial assets		4,839,495	3,389,846
Purchase of plant and equipment		(29,217)	(28,088)
Exploration and evaluation expenditure (capitalised)		(2,837,558)	(3,886,910)
Proceeds on sale of plant and equipment		-	7,284
(Payments for)/refund of security deposits		375,917	(522,572)
Net cash provided by investing activities		1,546,395	(1,732,996)
Cash flows from financing activities			
Repayment of lease liabilities		(24,514)	(40,228)
Interest paid		(4,431)	(7,706)
Net cash provided by financing activities		(28,945)	(47,934)
Net increase/(decrease) in cash and cash equivalents			
		824,069	(1,886,757)
Cash and cash equivalents at beginning of financial year		739,096	2,625,853
Cash and cash equivalents at end of financial year	23	1,563,165	739,096

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. CORPORATE INFORMATION

The consolidated financial statements of Matsa Resources Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 30 September 2016.

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 2016 comprise the Company, its subsidiaries (together referred to as the "Group" or "Consolidated Entity") and the Group's interest in associates.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

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

Adoption of new accounting standards

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2015.

The Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2015, adopted include the following. Adoption of these Standards and Interpretations did not have any effect on the financial position or the performance of the Consolidated Entity.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.	1 January 2015	1 July 2015
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015

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

The following standards and interpretations have been issued by the AASB, but are not yet effective and have not been adopted by the Group for the period ending 30 June 2016. The Directors have not yet determined the impact of new and amended accounting standards and interpretations applicable 1 July 2016.

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Classification and measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.	1 January 2018	1 July 2018

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 9	Financial Instruments	The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI). • The remaining change is presented in profit or loss. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.	1 January 2018	1 July 2018
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard also makes an editorial correction to AASB 11.	1 January 2016	1 July 2016

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 15	Revenue from Contracts with Customers	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.	1 January 2018	1 July 2018
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	1 July 2016

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations: • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures: • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. AASB 119 Employee Benefits: • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: • Disclosure of information ‘elsewhere in the interim financial report’ -amends AASB 134 to clarify the meaning of disclosure of information ‘elsewhere in the interim financial report’ and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB’s Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 July 2016

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	1 July 2016
AASB 16	Leases	The key features of AASB 16 are as follows: Lessee accounting • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	1 January 2019	1 July 2019

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
2016-01	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	This standard amends to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	1 July 2018
2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	This Standard amends AASB 15 Revenue from Contracts with Customers to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15.	1 January 2018	1 July 2018
AASB 2014-10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)	Amends AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2015-10.	1 January 2018	1 July 2018

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of Consolidation

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

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

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

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

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

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

(d) Segment Reporting

Determination and presentation of operating segments

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

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

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

(e) Business combinations

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

(f) Foreign currency transactions and balances

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments

Non derivative financial instruments

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

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

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

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

Available-for-sale financial assets

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

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

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

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

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

Other

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(h) Investments in associates

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

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

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

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

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

(i) Leases

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

Operating Leases

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

Finance Leases

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of financial assets

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

(k) Cash and cash equivalents

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

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

(l) Trade and other receivables

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

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

(m) Interests in Joint Ventures

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Property, plant and equipment

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

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

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

Derecognition

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

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

(o) Exploration, evaluation and development expenditure

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

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

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

Impairment

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

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

(p) 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 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

(r) Borrowing costs

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

(s) 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.

(t) Provisions

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

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

(u) 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share-based payment transactions (continued)

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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue

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

Sale of goods

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

R&D Refund

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

Dividend Income

Revenue is recognised on receipt of dividends from listed investments.

Finance income

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

(w) 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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Income tax (continued)

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.

(y) Contributed equity

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

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

(z) Other taxes

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Other taxes (continued)

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

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

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

(aa) Earnings per share

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

Significant accounting estimates and assumptions

Share-based payment transactions

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

Impairment of capitalised exploration and evaluation expenditure

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

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

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

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

Impairment of available-for-sale investments

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

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

Impairment of property, plant and equipment

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

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

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

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

4. SEGMENT REPORTING

Identification of reportable segment

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

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

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Information about reportable segments

Information relating to each reportable segment is shown below.

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

4. SEGMENT REPORTING (continued)

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

2015	Reportable Segments		Total
	Australia	Thailand	
	\$	\$	\$
External revenues	4,105,819	-	4,105,819
Inter-segment revenue	-	-	-
Segment revenue	4,105,819	-	4,105,819
Segment profit/(loss) before tax	(841,820)	(641,613)	(1,483,433)
Interest income	7,493	5,744	13,237
Interest expense	(7,706)	-	(7,706)
Depreciation and amortisation	(100,475)	(333)	(100,808)
Share of profit/(loss) of equity accounted investees	(160,339)	-	(160,339)
Other material non-cash items			
- Impairment of losses of non-financial assets	(302,815)	-	(302,815)
- Reversal of impairment losses on non-financial assets	-	134,621	134,621
Segment assets	15,155,034	1,801,802	16,956,836
Equity accounted investees	344,010	-	344,010
Capital expenditure	23,087	-	23,087
Segment liabilities	1,098,311	-	1,098,311

MATSA RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2016**

	2016	2015
	\$	\$
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	1,760,818	1,658,407
Net gain on sale of plant and equipment	-	1,134
Net gain on sale of investments	422,188	2,111,345
Net gain on sale of exploration assets	4,829,721	-
Dividend income	-	301,000
Other income	51,765	33,933
	<u>7,064,492</u>	<u>4,105,819</u>
(b) Finance income		
Interest earned	24,686	13,237
	<u>24,686</u>	<u>13,237</u>
(c) Expenses included in the statement of comprehensive income		
Depreciation of plant and equipment	71,234	100,808
(d) Other expenses		
(i) Employee benefits expense		
Salaries and wages	1,058,109	956,167
Superannuation expenses	49,398	52,836
Share based payments	22,650	654,993
Total employee benefits expense	<u>1,130,157</u>	<u>1,663,996</u>
(ii) Administration and other expenses		
Operating lease rentals	149,150	152,914
Administration expenses	1,265,654	1,000,049
Provision for doubtful debts	183,910	-
	<u>1,598,714</u>	<u>1,152,963</u>
	<u>2,728,871</u>	<u>2,816,959</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
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	(1,597,568)	(1,483,433)
Income tax benefit calculated at 30%	(479,270)	(445,030)
Over/(under) provision of tax in prior periods	756,725	-
Section 40-880 expenses	(19,331)	(21,255)
Exploration expenses	1,657,469	(395,699)
Determining taxable profit		
- Permanent differences	302,612	(20,961)
- Temporary differences	36,589	17,886
Effect of income that are not assessable in determining taxable profit	(526,945)	(496,774)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	1,385,400
Temporary differences relating to investments	242,923	(23,567)
Use of tax losses	(1,970,772)	-
	-	-

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

	2016	2015
	\$	\$
Unrecognised deferred tax assets/(liabilities)		
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	6,165,881	8,136,653
Investments	919,252	531,767
Temporary differences - exploration	(1,782,034)	(3,439,502)
Section 40-880 expenses	16,657	35,988
Temporary differences	53,554	146,221
	5,373,310	5,411,127

The ability of the Group to utilise unrecognised tax losses will depend on whether the Group meets the statutory requirements for utilising tax losses.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
7. Trade and other receivables		
Current		
Amounts receivable from Australian Taxation Authorities	82,151	78,084
Other receivables	157,467	16,519
	<u>239,618</u>	<u>94,603</u>
	2016	2015
	\$	\$
8. Other current assets		
Current		
Prepayments	14,548	14,548
Cash backed performance bond (i)	463,550	821,809
	<u>478,098</u>	<u>836,357</u>
Non-current		
Deposits held (ii)	289,427	310,113
	<u>289,427</u>	<u>310,113</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 \$96,476 (2015: \$103,372) has been made against the deposits held of \$385,903 (2015: \$413,485). An amount of \$Nil (2015: 216,820) was expensed on granting of Thailand applications.

	2016	2015
	\$	\$
9. Other investments		
Available-for-sale financial assets	5,580,750	3,022,500
	<u>5,580,750</u>	<u>3,022,500</u>
	\$	\$
Movements in available-for-sale financial assets:		
At 1 July	3,022,500	9,355,826
Additions	8,727,694	557,572
Disposals	(4,770,375)	(2,850,715)
Net change in fair value of available-for-sale financial assets	(583,313)	(4,040,183)
Impairment loss	(815,756)	-
At 30 June	<u>5,580,750</u>	<u>3,022,500</u>

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9. Other investments (continued)

Listed shares

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

- (a) The Company has a 1.4% (2015: 1.87%) interest in Panoramic Resources Limited, which is involved in the mining and exploration of gold and base metals in Australia and Canada. Panoramic is listed on the Australian Securities Exchange.
- (b) The Company has a 0.54% (2015: Nil) interest in Metals X Limited, which is involved in the mining and exploration of gold and base metals in Australia. Metals X is listed on the Australian Securities Exchange.
- (c) The Company has a 0.53% (2015: Nil) interest in Pantoro Limited, which is involved in the mining and exploration of gold and base metals in Australia and Papua New Guinea. Pantoro is listed on the Australian Securities Exchange.

10. Equity Accounted Investments

The Company has a 26.82% (2015: 24.37%) interest in Bulletin Resources Limited, which is involved in the mining and exploration of precious and base metals in Australia. Bulletin is listed on the Australian Securities Exchange.

	2016 \$	2015 \$
Movements in carrying value of the Company's investment in associate:		
At 1 July	344,010	475,099
Additions	159,548	127,259
Share of losses after income tax	(274,446)	(160,339)
Share of losses after income tax from discontinued operations	(30,344)	-
Share of change in reserves	101,370	(98,009)
At 30 June	300,138	344,010
The following table illustrates the summarised financial information of the Company's investment in Bulletin:		
Current assets	6,314,267	2,561,513
Non-current assets	-	3,049,318
Current liabilities	(4,811,376)	(1,389,283)
Non-current liabilities	-	(2,091,928)
Equity	1,502,981	2,129,620
Company's share of loss for the year	(304,790)	(160,339)

The associate had no contingent liabilities or capital commitments as at 30 June 2016.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11. Joint Operation

The Mt Henry Joint Venture is a joint venture between the Company (30%) and Panoramic Resources Limited (70%) whereby Panoramic was earning its interest by funding all costs until a bankable feasibility study has been completed. During the previous financial year Panoramic earned its interest under the joint venture. At 30 June 2015 the Company recognised \$3,821,388 as exploration and evaluation assets under the joint operation.

During the period Matsa and Panoramic entered into an Asset Sale and Purchase agreement to dispose of their respective interests in the Mt Henry Gold Project to Metals X Limited (MLX). In return Matsa received 6.6 million fully paid ordinary shares in MLX on settlement for its 30% interest.

	2016 \$	2015 \$
12. Exploration and evaluation assets		
Exploration expenditure capitalised at cost -exploration and evaluation phase	5,940,113	11,513,690
	5,940,113	11,513,690
Movements in carrying amounts		
Exploration and evaluation phase		
Balance at beginning of year	11,513,690	10,146,013
Disposal of tenements	(3,346,761)	-
Exploration and evaluation incurred	2,534,848	3,884,354
Expenditure written off	(991,486)	(2,213,862)
Provision for impairment	(3,770,178)	(302,815)
Balance at end of year	5,940,113	11,513,690

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 the exploration projects the board elected to provide for impairment of \$3,770,178 (2015: \$302,815) in the financial year.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
13. Property, plant and equipment		
Buildings at cost	-	-
Accumulated depreciation	-	-
	-	-
Plant and equipment at cost	1,014,586	985,370
Accumulated depreciation	(960,137)	(888,903)
	54,449	96,467
Total property, plant and equipment	54,449	96,467

Movements in carrying amounts

	Buildings	Plant and Equipment	Total
	\$	\$	\$
Consolidated			
Balance 30 June 2014	7,150	174,188	181,338
Additions	-	23,087	23,087
Disposals	(7,150)	-	(7,150)
Depreciation expense	-	(100,808)	(100,808)
Balance 30 June 2015	-	96,467	96,467
Additions	-	29,216	29,216
Disposals	-	-	-
Depreciation expense	-	(71,234)	(71,234)
Balance 30 June 2016	-	54,449	54,449

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 2016 the net carrying amount of leased plant and equipment was \$5,483 (2015: \$32,107). During the year, the Group acquired leased assets of \$Nil (2015: \$Nil).

	2016	2015
	\$	\$
14. Trade and other payables		
Unsecured liabilities		
Trade payables	232,007	393,769
Sundry creditors and accrued expenses	177,496	199,335
	409,503	593,104

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
15. Borrowings		
Current		
Secured liabilities		
Finance lease liabilities (i)	13,767	59,238
	<u>13,767</u>	<u>59,238</u>
Non Current		
Secured liabilities		
Finance lease liabilities (i)	8,053	21,821
	<u>8,053</u>	<u>21,821</u>

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

	2016 \$	2015 \$
16. Provisions (current)		
Current		
Provision for annual leave	177,700	159,885
	<u>177,700</u>	<u>159,885</u>
Non-current		
Provision for long service leave	90,409	25,334
Provision for mine restoration	97,037	238,929
	<u>187,446</u>	<u>264,263</u>
16. Provisions (non-current) (continued)		
Movement in long service leave provision		
Opening balance 1 July	25,334	22,168
Increase in provision	65,075	3,166
Closing balance 30 June	<u>90,409</u>	<u>25,334</u>
Movement in provision for mine restoration		
Opening balance 1 July	238,929	150,624
Disposal of tenements	-	-
Increase/(decrease) in provision	(141,892)	88,305
Closing balance 30 June	<u>97,037</u>	<u>238,929</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015	2016	2015
	\$	\$	\$	\$
17. Issued capital				
144,156,779 (2015: 144,156,779) fully paid ordinary shares	40,536,876	40,536,876	40,536,836	40,536,876
	No.	No.	\$	\$
Ordinary shares				
At the beginning of reporting period	144,156,779	144,156,779	40,536,876	40,536,876
Placement of shares	-	-	-	-
Transaction costs	-	-	-	-
At reporting date	144,156,779	144,156,779	40,536,876	40,536,876

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

Options

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

Exercise Price	Expiry Date	Balance at beginning of year	Issued	Exercised	Lapsed	Balance at end of year
\$0.40	12 September 2015	900,000	-	-	(900,000)	-
\$0.43	30 November 2015	5,500,000	-	-	(5,500,000)	-
\$0.40	30 September 2015	625,000	-	-	(625,000)	-
\$0.40	30 September 2016	925,000	-	-	-	925,000
\$0.25	30 November 2017	2,650,000	-	-	-	2,650,000
\$0.30	30 November 2017	4,250,000	-	-	-	4,250,000
\$0.275	22 May 2018	615,000	-	-	-	615,000
		15,465,000	-	-	(7,025,000)	8,440,000

18. Reserves

Equity settled transaction
Available-for-sale reserve

2016	2015
\$	\$
7,253,656	7,393,106
468,111	1,102,429
7,721,767	8,495,535

Equity settled transaction reserve

Balance at beginning of financial year
Share based payment
Performance rights not vested
Balance at end of financial year

7,393,106	6,738,113
22,650	654,993
(162,100)	-
7,253,656	7,393,106

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

18. Reserves (continued)

Foreign currency translation reserve

Balance at beginning of financial year	-	37,154
Reclassified to profit and loss	-	(37,154)
Balance at end of financial year	-	-

Exchange differences relating to the translation from the functional currency of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve. During the year the Group deregistered the foreign controlled entity and the foreign currency translation reserve recycled as a result.

Available-for-sale reserve

Balance at beginning of financial year	1,102,429	7,007,260
Reclassified to profit and loss	(152,375)	(1,766,639)
Net change in fair value of available-for-sale financial assets	(481,943)	(4,138,192)
Balance at end of financial year	468,111	1,102,429

19. Accumulated losses

Accumulated losses at beginning of financial year	33,251,277	31,768,535
Loss for the year	1,597,530	1,482,742
Transfer from option reserve	(162,100)	-
Accumulated losses at end of financial year	34,686,707	33,251,277

20. Loss per share

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

Loss	(1,597,568)	(1,483,433)
	No.	No.
Weighted average number of ordinary shares	144,156,779	144,156,779

Diluted loss per share

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21. Commitments and Contingencies

Exploration and expenditure commitments

In order to maintain the mineral tenements in which the Company and other parties are involved, the consolidated entity is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. The minimum estimated expenditure commitment requirement for granted tenements for the next year is \$1,581,954 (2015: \$2,504,571). 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.

Finance lease commitments

	2016 \$	2015 \$
Commitments in relation to finance leases are payable as follows:		
Within one year	14,642	63,339
Later than one year but not later than five years	8,280	22,974
Minimum lease payments	22,922	86,313
Less: Future finance charges	(1,102)	(5,254)
	21,820	81,059
Recognised as a liability		
Representing lease liabilities:		
Current (note 15)	13,767	59,238
Non-current (note 15)	8,053	21,821
	21,820	81,059

Operating lease commitments

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

- Not later than one year	76,560	67,566
- Later than one year but not later than five years	126,394	-
	202,954	67,566

Contingencies

On 6 August 2015 the Company entered into a Deed of Guarantee and Indemnity with Auro Pty Ltd (Auro). Auro has provided a loan of \$600,000 to Bulletin Resources Limited (Bulletin) which is an associate of the Company. The Company has provided a guarantee to Auro that should Bulletin not meet the repayment terms of the loan under their loan agreement, it will make a payment to Auro of a maximum of \$350,000.

Subsequent to the end of the period Bulletin repaid the Auro loan in full and as such Matsa is no longer required to meet the above guarantee and has classified the guarantee as a contingent liability only.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22. Subsidiaries

	Country of Incorporation	Percentage Owned (%)	
		2016	2015
Parent Entity			
Matsa Resources Limited	Australia		
Subsidiary			
Matsa Gold Pty Ltd	Australia	100	-
Killaloe Minerals Pty Ltd	Australia	100	-
Lennard Shelf Exploration Pty Ltd	Australia	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 Tabae 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

23. Cash flow information

Reconciliation of cash and cash equivalents

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

	2016	2015
	\$	\$
Cash and cash equivalents	1,563,165	739,096

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

23. Cash flow information (Continued)

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

	2016 \$	2015 \$
Loss for year	(1,597,568)	(1,483,433)
Non-cash flows in loss from ordinary activities:		
Share-based payments	22,650	654,993
Depreciation	71,234	100,808
Exploration expenditure written off	991,486	2,213,862
Provision for impairment	3,770,178	168,194
Share of investee loss	304,790	160,339
Net (gain) on sale of available-for-sale investments	(422,188)	(2,211,345)
Net (gain) on sale of exploration asset	(4,829,721)	-
Net (gain)/loss on disposal of plant and equipment	-	(1,134)
Impairment loss on available-for-sale assets	815,756	-
Interest expense classified as financing cash flow	4,431	7,706
Insurance	34,724	22,240
Provision for doubtful debts	183,910	-
Changes in assets and liabilities:		
Decrease (increase) in receivables	(145,015)	319,376
Decrease (increase) in prepayments	-	5,263
Increase (decrease) in trade creditors and accruals	160,954	(191,527)
Increase (decrease) in provisions	(59,002)	128,831
Cash flow from operations	(693,381)	(105,827)

Non-cash financing and investing activities

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

During the financial year nil (2015: nil) shares were issued as consideration for the acquisition of exploration tenements.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

24. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2016 the parent company of the Group was Matsa Resources Limited.

	Company	
	2016	2015
	\$	\$
Result of the parent Entity		
Profit/(loss) for the year	(4,112,843)	(1,296,226)
Other comprehensive gain/(loss)	(735,688)	(5,806,822)
Total comprehensive profit/(loss) for the year	(4,848,531)	(5,103,048)
Financial position of parent entity at year end		
Current assets	1,437,912	501,120
Total assets	12,025,179	14,874,818
Current liabilities	609,023	734,143
Total liabilities	796,469	1,020,226
Total equity of the parent entity comprising of:		
Share capital	40,536,875	40,536,875
Reserves	7,718,406	8,593,544
Accumulated losses	(37,026,571)	(35,275,827)
Total equity	11,228,710	13,854,592

25. Financial instruments

Financial risk management

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

Credit risk

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

25. Financial instruments (Continued)

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

Cash and cash equivalents

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

Trade and other receivables

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

Exposure to credit risk

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

	Consolidated Carrying amount	
	2016	2015
	\$	\$
Trade and other receivables	157,467	16,519
Cash and cash equivalents	1,563,165	739,096
Deposits held	385,903	413,485
Impairment of deposits (refer Note 8 (ii))	(96,476)	(103,372)

The Group has \$183,910 in other receivables that are past due (2015: nil).

Liquidity risk

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

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

25. Financial instruments (Continued)

30 June 2016

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

30 June 2015

	Weighted average interest rate	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
		\$	\$	\$	\$	\$	\$
Trade and other payables	N/A	593,104	593,104	593,104	-	-	-
Finance lease liabilities	5.97	81,059	81,059	36,465	22,773	14,883	6,938
		<u>674,163</u>	<u>674,163</u>	<u>629,569</u>	<u>22,773</u>	<u>14,883</u>	<u>6,938</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	
	2016	2015
	\$	\$
Other current assets	754,039	1,136,928
Cash and cash equivalents	393,280	421,315

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 2016 would have increased equity by \$114,732 (2015: \$155,824),

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

25. Financial instruments (Continued)

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.

Profile

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

	Carrying amount	
	2016	2015
Fixed rate instruments		
Cash and cash equivalents	-	-
Cash backed performance bonds	-	-
Lease liabilities	(21,820)	(81,059)
	<u>(21,820)</u>	<u>(81,059)</u>
Variable rate instruments		
Cash and cash equivalents	1,563,165	739,096
Cash backed performance bonds	463,550	821,809
	<u>2,026,715</u>	<u>1,560,905</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 2015.

	Profit or loss		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
30 June 2016				
Variable rate instruments	20,267	(20,267)	20,267	(20,267)
30 June 2015				
Variable rate instruments	15,610	(15,610)	15,610	(15,610)

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

25. Financial instruments (Continued)

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.

Equity Price Risk

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

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

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

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

	Note	30 June 2016 \$	30 June 2015 \$
Listed equities (Level 1 fair value hierarchy)	9	5,580,750	3,022,500

Sensitivity analysis

The Group's equity investments are listed on the Australian Securities Exchange. A 3% increase in stock prices at 30 June 2016 would have increased equity by \$167,422 (2015: \$90,675), 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. The Group monitors capital on the basis of the gearing ratio; however there are no external borrowings as at balance date.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

25. Financial instruments (Continued)

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.

26. Share-based payments

Employee Share Option Plan

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

26. Share-based payments (Continued)

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

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

	2016 Number of Options	2016 Weighted Average Exercise Price \$	2015 Number of Options	2015 Weighted Average Exercise Price \$
Outstanding at the beginning of the year	4,865,000	0.34	2,350,000	0.40
Granted	-	-	2,865,000	0.26
Exercised	-	-	-	-
Expired	(1,275,000)	0.40	(350,000)	0.32
Outstanding at year-end	3,590,000	0.285	4,865,000	0.34
Exercisable at year-end	3,590,000	0.285	4,865,000	0.34

The outstanding balance as at 30 June 2016 is represented by the following options over ordinary shares, exercisable upon meeting the above terms and conditions:

- 725,000 options with an exercise price of \$0.40 each and with an expiry date of 30 September 2016. All have vested and are exercisable at balance date.
- 2,250,000 options with an exercise price of \$0.25 each and with an expiry date of 30 November 2017. All have vested and are exercisable at balance date.
- 615,000 options with an exercise price of \$0.275 each and with an expiry date of 22 May 2018. All have vested and are exercisable at balance date.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

26. Share-based payments (Continued)

Directors and Executives Options and Performance Rights

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 and performance rights vary between option holders and performance right holders. There were nil (2015: 4,650,000) options and nil (2015: nil) performance rights issued to Directors or Executives during the financial year.

Options issued to the Executive Chairman and the Executive Director and Executives vest immediately. Performance rights vest in accordance with their terms and conditions.

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

- any Directors or Executives vested options and performance rights 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 and performance rights will be settled in ordinary shares of Matsa Resources Limited.

(a) Summary of options and performance rights issued to Directors and Executives

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

	2016 No.	2016 WAEP \$	2015 No.	2015 WAEP \$
Outstanding at 1 July	10,600,000	0.37	5,950,000	0.43
Granted during the year	-	-	4,650,000	0.30
Expired during the year	(5,750,000)	0.43	-	-
Outstanding at 30 June	4,850,000	0.30	10,600,000	0.37
Exercisable at 30 June	4,850,000	0.30	10,600,000	0.37

- (ii) The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of performance rights issued.

	2016 No.	2015 No.
Outstanding at 1 July	1,000,000	1,000,000
Granted during the year	-	-
Exercised during the year	-	-
Expired during the year	(1,000,000)	-
Outstanding at 30 June	-	1,000,000
Exercisable at 30 June	-	-

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

26. Share-based payments (Continued)

There were no options issued during the year. There were no performance rights issued to directors or executives during the year. In the prior year the following options were issued:

Directors

2015

- 4,250,000 options over ordinary shares with an exercise price of \$0.30 each, exercisable upon meeting the relevant conditions and until 30 November 2017.

Executives

2015

- 400,000 options over ordinary shares with an exercise price of \$0.25 each exercisable upon meeting the relevant conditions and until 30 November 2017.

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

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

	2016		2015	
	Directors	Executives	Directors	Executives
Dividend yield (%)	-	-	Nil	Nil
Expected volatility (%)	-	-	85.96	85.96
Risk-free interest rate (%)	-	-	2.40	2.40
Expected life of options (years)	-	-	3.01	3.01
Option exercise price (\$)	-	-	0.30	0.25
Share price at grant date (\$)	-	-	0.17	0.17
Fair value at grant date (c)	-	-	7.30	8.01

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

26. Share-based payments (Continued)

	Consolidated	
	2016	2015
	\$	\$
Employee Expenses		
Share options granted in 2013		
- equity settled	22,650	54,033
Share options granted in 2014		
- equity settled	-	-
Share options granted in 2015		
- equity settled	-	600,960
Total expense recognised as employee costs	22,650	654,993

Conditions of vesting of the performance rights

- (a) 500,000 performance rights vest when the volume weighted average price of the Company's shares as traded on ASX over 5 consecutive days is equal to or exceeds \$0.60; and
- (b) 500,000 performance rights vest when the volume weighted average price of the Company's shares as traded on ASX over 5 consecutive days is equal to or exceeds \$0.75.

These performance rights expired on 30 November 2015.

27. Key management personnel

Details of key management personnel

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

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

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report on pages 30 to 38. These transferred disclosures have been audited.

	2016	2015
	\$	\$
Compensation of Key Management Personnel		
Short-term employment benefits	874,127	809,435
Post-employment benefits	100,006	50,766
Termination benefits	-	-
Share-based payment	22,650	396,287
	996,783	1,256,488

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

27. Key management personnel continued)

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.

Other transactions and balances with Key Management Personnel

- (a) P Poli and F Sibbel are Directors of Bulletin Resources Limited. During the financial year the Consolidated Entity entered into an agreement with Bulletin to provide accounting, technical and administrative services on an arms-length basis. In the current period \$61,875 has been charged to Bulletin for these services (2015: \$78,741).

At 30 June 2016 there was an outstanding balance of \$49,053 (2015: \$12,482) for Bulletin.

- (b) P Poli is a director and controlling shareholder of West-Sure Group Pty Ltd which provides alarm monitoring services to the Consolidated Entity. In the current period \$509 has been charged to the Consolidated Entity for this service (2015: \$533).

At 30 June 2016 there was an outstanding balance of \$nil (2015: nil) payable to West-Sure.

- (c) P Poli is a director and controlling shareholder of West-Sure Group Pty Ltd which the Consolidated Entity sub-lets storage space from. In the current period \$6,371 has been charged to the Consolidated Entity for this service (2015: \$5,157).

At 30 June 2016 there was an outstanding balance of \$nil (2015: nil) payable to West-Sure.

Individual directors and executives compensation disclosure

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

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

28. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 22.

Key management personnel

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

29. Remuneration of auditors

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

	Consolidated	
	2016	2015
	\$	\$
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.	42,462	42,183
Amounts received or due and receivable by related practices of Nexia Perth for:		
- tax compliance	8,400	8,426
	50,862	50,609

30. Events Subsequent to Balance Date

On 21 July 2016 Matsa announced that it had entered into an agreement to acquire the Lake Carey gold project. The project package includes the Lake Carey, Phantom Well and Wilga projects which contains the Fortitude gold deposit, including all exploration and mining data, for a total consideration of \$1,750,000 (ex GST) cash consisting of:

- \$250,000 on signing of agreement (paid), refundable if any tenements are forfeited.
- \$1,500,000 upon settlement of the transaction, transfer of tenements.

On 23 August 2016 Matsa advised that it has entered into an agreement to acquire two Exploration Licence Applications, E39/1864 (30km²) and E39/1863 (8km²), located immediately north and east respectively of the Fortitude gold deposit for a total consideration of \$100,000.

On 25 July 2016 the Company received 24 million Pantoro Limited shares valued at approximately \$3.6 million as a result of its associate, Bulletin Resources Limited, conducting an in-specie distribution and return of capital.

The Company sold approximately 1.1 million Metals X shares after the end of the financial year for total gross proceeds of \$1.65 million. The Company sold approximately 10 million Pantoro shares after the end of the financial year for total gross proceeds of \$1.52 million.

On 11 August 2016 the Company issued 550,000 fully paid ordinary shares on the exercise of unlisted options exercisable at 27.5 cents each

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 and the Remuneration report in the Directors' report, set out on pages 30 to 38, 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 2016 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 30 to 38 of the Remuneration Report in the Directors' Report comply with 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 2016.

Signed in accordance with a resolution of the directors;



Paul Poli
Executive Chairman

Perth, 30 September 2016

Independent auditor's report to the members of Matsa Resources Limited

Report on the financial report

We have audited the accompanying financial report of Matsa Resources Limited which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with the 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 Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Nexia Perth Audit Services Pty Ltd

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GPO Box 2570, Perth WA 6001
p +61 8 9463 2463, f +61 8 9463 2499
audit@nexiaperth.com.au, www.nexia.com.au

Opinion

In our opinion:

- (a) the financial report of Matsa Resources Limited is 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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the remuneration report of Matsa Resources Limited for the year ended 30 June 2016 complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "NPAS".

Nexia Perth Audit Services Pty Ltd

A handwritten signature in black ink that reads "PTC Kloppe".

PTC Kloppe
Director

30 September 2016
Perth

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 2016

Category (size of holding)	Number of Shareholders
1 – 1,000	237
1,001 – 5,000	519
5,001 – 10,000	331
10,001 – 100,000	683
100,001 – and over	162
	<u>1,932</u>

The number of shareholdings held in less than marketable parcels is 414.

Twenty Largest Shareholders as at 20 September 2016

Name	No.	%
JP Morgan Nominees Australia Limited <Cash Income A/C>	16,650,982	11.51
HF Resources Pty Ltd	11,770,000	8.14
Mr Paul Poli <P Poli Family A/C>	8,550,000	5.91
RASL AU LLC	8,482,241	5.86
BNP Paribas Noms Pty Ltd <DRP>	6,116,529	4.23
Mr William Robert Maunder & Mrs Jeanette Margaret Maunder <Superannuation Fund A/C>	2,777,000	1.92
Mr Steven James Brown <Family A/C>	2,501,100	1.73
Mr Mark John Allison & Mrs Lorraine Frances Allison <The M&L Allison S/F A/C>	2,420,000	1.67
L & S Davies Pty Ltd <Davies International A/C>	2,174,409	1.50
Citicorp Nominees Pty Ltd	2,101,658	1.45
Mr Paul Poli & Mrs Sonya Kathleen Poli <P Poli Super Fund A/C>	2,050,000	1.42
Mr Oliver Nikolovski & Mrs Suzanne Karine Nikolovski <The Nikolovski S/Fund A/C>	2,000,000	1.38
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,860,933	1.28
HSBC Custody Nominees (Australia) Limited	1,774,442	1.23
Mr Oliver Nikolovski <The Nikolovski Family A/C>	1,613,835	1.11
Mr Troy Harris	1,435,000	0.99
Mr Kimberley Alan Harris <KA & TL Harris Family Account>	1,338,702	0.92
Mr Robert Genovesi & Mrs Magalay Genovesi & Mr Frank Giannasi & Mrs Maria Giannasi <The Bld Workshop No1 S/F>	1,250,000	0.86
Mr John Francis Young & Mr Christopher John Young & Mr Brett William Young <J F Young Super Fund A/C>	1,140,000	0.79
Mr Adam Georgiu <The A Georgiu Family A/C>	1,100,000	0.76
	<u>79,106,831</u>	<u>54.66</u>

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Substantial Shareholders

Ordinary shareholder	Fully paid	
	Number	Percentage
HF Resources Pty Ltd	11,770,000	8.14%
Paul Poli	10,600,000	7.33%
RASL AU LLC	8,482,241	5.86%

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
925,000	9	\$0.40	30 September 2016
2,650,000	10	\$0.25	30 November 2017
4,250,000	3	\$0.30	30 November 2017
615,000	8	\$0.275	22 May 2018

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Summary of Governance Arrangements and Internal Controls

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

RESOURCE TABLE

Mt Henry JV Project Resource Statement

	Resource Category	Tonnes	Au (g/t)	Metal (Au oz) 2016	Metal (Au oz) 2015	Variance 2016 – 2015 (%)
Selene	Indicated	16,416,000	1.17	-	617,550	(617,550)
	Inferred	4,951,000	0.93	-	148,050	(148,050)
	Total	21,367,000	1.11	-	765,600	(756,600)
Mt Henry	Indicated	14,981,000	1.27	-	611,750	(611,750)
	Inferred	6,336,000	1.14	-	232,250	(232,250)
	Total	21,317,000	1.23	-	844,000	(844,000)
North Scotia	Indicated	357,000	3.11	-	35,780	(35,780)
	Inferred	138,000	1.95	-	8,650	(8,650)
	Total	496,000	2.79	-	44,430	(44,430)
Total (100%)		43,180,000	1.19	-	1,654,080	(1,654,080)

Table 1: Mt Henry Gold JV Project Resource
Resource table is shown on a 100% basis - Matsa 30% Panoramic 70%
Cut-off grade 0.4g/t (previously reported at 1g/t)

Notes to Mt Henry JV Resource Table

1. Matsa sold its interest in the Mt Henry JV in September 2015.
2. Mt Henry JV estimate reported in compliance to JORC 2012 standards. Refer to Panoramic Resources Limited's ASX announcement dated 31 January 2014. There has been no change since that date.
3. Estimate reported as at 13 September 2013.
4. Figure may not add due to rounding.

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Mining and Reserves

Mt Henry Gold JV Project Reserve Statement

Reserve	Proven		Probable		Total		Metal (Au oz)
	Tonnes	Au (g/t)	Tonnes ('000)	Au (g/t)	Tonnes ('000)	Au (g/t)	
Selene	-	-	11,545	1.37	11,545	1.37	508,500
Mt Henry	-	-	8,496	1.45	8,496	1.45	395,500
North Scotia	-	-	179	3.30	179	3.30	18,900
Total	-	-	20,220	1.42	20,220	1.42	922,900

Table 2: Mt Henry Gold JV Project Resource
Reserve table is shown on a 100% basis - Matsa 30% Panoramic 70%

Notes to Mt Henry JV Resource Table

1. The Mt Henry and Selene modelling optimisations were based on Resources reported at a 0.6g/t Au cut-off grade and Mt Henry has a cut-off grade of 0.7g/t Au. Mining is based on production from the three open pits, using contract mining. This is the maiden reserve and accordingly there is no comparison for the previous year. Refer to Panoramic Resources Limited's ASX announcement dated 14 May 2015.
2. Estimate reported as at 14 May 2015.
3. Figures may not add due to rounding.

Competent Persons Statement

The information in this report that relates to the Mt Henry Project Mineral Resources is based on information compiled by or reviewed by Andrew Bewsher (MAusIMM). Andrew Bewsher is a full time employee of BM Geological Services and has sufficient experience that 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 JORC Code. Andrew Bewsher consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Information in this release relating to MHGP Ore Reserves has been completed by or reviewed by Christopher Williams (MAusIMM). Mr Williams is a full-time employee of Panoramic Resources Limited and is an indirect shareholder of Panoramic and Matsa Resources. Mr Williams also holds performance rights in relation to Panoramic Resources Limited. Mr Williams has sufficient experience that 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 JORC Code. Mr Williams consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

MATSA RESOURCES LIMITED
SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
E 15/1380	Dunnsville	Matsa Resources Limited	Live	100%
E 15/1381	Dunnsville	Matsa Resources Limited	Live	100%
E 16/294	Dunnsville	Matsa Resources Limited	Live	100%
E 16/296	Dunnsville	Matsa Resources Limited	Live	100%
E 16/362	Dunnsville	Matsa Resources Limited	Live	100%
E 16/389	Dunnsville	Matsa Resources Limited	Live	100%
E 16/390	Dunnsville	Matsa Resources Limited	Live	100%
E 16/403	Dunnsville	Matsa Resources Limited	Live	100%
E16/409	Dunnsville	Matsa Resources Limited	Live	100%
E 16/427	Dunnsville	Matsa Resources Limited	Live	100%
E 16/429	Dunnsville	Matsa Resources Limited	Live	100%
E 16/439	Dunnsville	Matsa Resources Limited	Live	100%
E16/443	Dunnsville	Matsa Resources Limited	Live	100%
E 16/466	Dunnsville	Matsa Resources Limited	Live	100%
E 16/467	Dunnsville	Matsa Resources Limited	Live	100%
E 16/468	Dunnsville	Matsa Resources Limited	Live	100%
E 69/3070	Symons Hill	Matsa Resources Limited	Live	100%
E 63/1018 ¹	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 63/1199 ¹	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 63/1646	Killaloe	Matsa Resources Limited	Live	100%
E63/1655	Killaloe	Killaloe Minerals Pty Ltd	Live	100%
E 63/1660	Killaloe	Matsa Resources Limited	Live	100%
E 63/1661	Killaloe	Matsa Resources Limited	Live	100%
E 63/1662	Killaloe	Matsa Resources Limited	Live	100%
E 63/1713	Killaloe	Matsa Resources Limited	Live	100%
P 63/1672 ¹	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
M 63/177	Killaloe	Matsa Resources Limited	Live	100%
P 63/1503	Killaloe	Matsa Resources Limited	Live	100%
E 39/1708	Minigwal	Matsa Resources Limited	Live	100%
E 39/1716	Minigwal	Matsa Resources Limited	Live	100%

MATSA RESOURCES LIMITED
SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
E 38/2323	Mount Weld	Matsa Resources Limited	Live	100%
E 38/2948	Mount Weld	Matsa Resources Limited	Live	100%
E38/2949	Mount Weld	Matsa Resources Limited	Live	100%
E39/1812	Mount Weld	Matsa Resources Limited	Live	100%
E39/1834	Mount Weld	Matsa Resources Limited	Live	100%
E39/1840	Mount Weld	Matsa Resources Limited	Live	100%
E 63/1710	Mt Day	Matsa Resources Limited	Live	100%
SPL 17/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
SPL 19/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
SPL 20/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
SPL 22/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
SPL 23/2558	Siam Project ²	PVK Mining Co., Ltd	Live	100%
	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 27/2558				
SPL 30/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 34/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 37/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 38/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 39/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 40/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 41/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 43/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 44/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 45/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 48/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 51/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 52/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%
SPL 53/2558	Siam Project ²	Siam Copper Resources Co., Ltd	Live	100%

¹= 80% held by Matsa

²= Located in Thailand

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

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

ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at 30 June 2016, and has been approved by the Board of Directors. Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure. All these practices, unless otherwise stated, were in place for the entire year. They comply with the *ASX Corporate Governance Principles and Recommendations (3rd edition)*.

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

1. Compliance with Best Practice Recommendations

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

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

MATSA RESOURCES LIMITED
CORPORATE GOVERNANCE

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

MATSA RESOURCES LIMITED
CORPORATE GOVERNANCE

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

MATSA RESOURCES LIMITED
CORPORATE GOVERNANCE

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

MATSA RESOURCES LIMITED
CORPORATE GOVERNANCE

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

MATSA RESOURCES LIMITED
CORPORATE GOVERNANCE

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

2. THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

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

The Board is responsible for:

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

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2. THE BOARD OF DIRECTORS (continued)

consistent with that Code; and other policies; and

- Reporting to and advising shareholders.

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

2(b) Board Composition

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

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

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

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

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

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

2(c) Chairman and Chief Executive Officer

The Chairman is responsible for:

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

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2. THE BOARD OF DIRECTORS (continued)

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

The Chief Executive Officer is responsible for:

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

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

2(d) Independent Directors

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

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

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

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

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

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

2(e) Company Secretary

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

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2. THE BOARD OF DIRECTORS (continued)

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

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

2(g) Board access to information and independent advice

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

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

2(h) Review of Board performance

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

3. BOARD COMMITTEES

3(a) Audit Committee

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

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

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

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

External Auditors

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

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3. BOARD COMMITTEES (continued)

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

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

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

3(a) Audit Committee

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

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

3(b) Remuneration and Nomination Committee

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

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

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

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

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

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

4. TIMELY AND BALANCED DISCLOSURE

4(a) Shareholder communication

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

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

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4. TIMELY AND BALANCED DISCLOSURE (continued)

4(a) Shareholder communication (continued)

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

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

4(b) Continuous disclosure policy

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

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

5. RECOGNISING AND MANAGING RISK

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

5(a) Board oversight of the risk management system

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

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

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5. RECOGNISING AND MANAGING RISK (continued)

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

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

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

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

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

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

5(b) Risk management roles and responsibilities

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

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

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

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

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

5(d) Internal review and risk evaluation

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

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6. ETHICAL AND RESPONSIBLE DECISION MAKING

6(a) Code of Ethics and Conduct

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

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

All Directors, officers and employees are expected to:

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

6(b) Policy concerning trading in Company securities

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

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

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

6(c) Policy concerning diversity

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

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

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6. ETHICAL AND RESPONSIBLE DECISION MAKING (CONTINUED)

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

Objectives	Position
Increase the number of women in the workforce, including management and at board level.	There were no key senior female appointments made during the year. As at 30 June 2016, women represented 25% in the Consolidated Entity's workforce (2015: 30%), nil in key management positions (2015: nil) and Nil at board level (2015: Nil).
Review gender pay gaps on an annual basis and implement actions to address any variances.	As a part of the annual remuneration review, the Board assesses the performance and salaries of all key management personnel and executive directors. Any gender pay disparities are addressed.
Provide flexible workplace arrangements.	During the year Matsa employed 2 employees on flexible work arrangements (2015: 2).
Provide career development opportunities for every employee, irrespective of any cultural, gender and other differences.	Whilst Matsa places special focus on gender diversity, career development opportunities are equal for all employees. Employees are encouraged to attend professional development courses/workshops throughout the year.
Promote an inclusive culture that treats the workforce with fairness and respect.	Matsa has set a zero tolerance policy against discrimination of employees at all levels. The Company provides avenues to employees to voice their concerns or report any discrimination. No cases of discrimination were reported during the year (2015: Nil).