MATSA
RESOURCES
LIMITED

Annual Report 2010

www.matsa.com.au

CORPORATE DIRECTORY

Directors

Paul Poli	Executive Chairman
Andy Viner	Executive Director
Andrew Chapman	Director

Company Secretary

Andrew Chapman

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REPORT CONTENTS

Dear Shareholder,

I am very proud to detail our exciting developments for this year. Matsa has continued its frantic pace from last year and is developing its ideas and bringing them to the forefront for the benefit of all shareholders.

The long term aim of our Company is to mature into a significant mining house in the future with this grand ambition being fulfilled by the development of several mineral projects in several sovereign environments. Matsa aims to develop gold and iron ore projects in both Australia and Thailand, thus allowing Matsa to spread its risk over different commodities and economies. A lot of hard work has been done on the Australian assets to ensure that Matsa can maximise the potential benefit from them with the goal of commencing feasibility studies on our Norseman assets as soon as possible, with the hope of subsequently developing those assets. Through Matsa's Thailand office and the tireless work of our Thai employees, Matsa has seen a fantastic asset base develop exposing the Company to future significant gold, copper and iron ore potential.

During the year our highlights were:

- The establishment of the Dundas Iron Ore project as a very real and valuable asset of the Company. Previous work has always indicated presence of iron ore, but work this year has turned a concept into a potentially valuable and very real target of magnetite and hematite. Work done during the year has demonstrated that the resource has potential for the Chinese market with size, grade and quality being acceptable and highly in demand. Work will be accelerated to develop this project as quickly as possible.
- The placement of over $4.4 million from a timely investment from our new found Chinese friends, at a price substantially higher to the share price at that time.
- The implementation of investment and business strategies in Thailand which will lead to the development of Thailand as a significant part of Matsa via amassing a highly valuable ground footprint of over 710 km2 with serious prospects for gold, copper and iron ore. I must note the valuable contribution from our Thai team lead notably by Mr Ratha Kheowkhamsaeng and aided by Miss Supak Thitiratch. Matsa is also significantly indebted to Mr Bill Cruse and Mr Charnwit Premgamone for their outstanding geological expertise and loyalty.
- The Company also will benefit from the further introduction of key management skills on a full time basis to enhance the Company's skill set. Matsa has been very lucky to secure the services of Mr Frank Sibbel and Mr Dave Fielding who not only bring significant skill sets to the team but also add substantial experience and depth to management. I would like to thank the contribution of Mr Mark Sampson over the years who remains a supporter of the Company.
- Matsa has marketed the Company to both German and Chinese investors who have taken a liking to our assets, shareholders from both countries now feature as significant shareholders on our share register and it is expected that international interest will increase as the Company grows.

As Chairman I am delighted with Matsa's achievements this year and I am confident that the foundation being laid will provide substantial benefits in the future with the development of operational mines being the goal.

Paul Poli
Executive Chairman

OPERATIONAL ACTIVITIES

The Company had quite a diverse and interesting year with future planning being a highlight. The focus of the Company during the year was twofold:

a) To determine what options existed for the Norseman Gold project and to implement the best option which would maximise the return to shareholders, and

b) To develop its Thailand knowledge base to create and produce a sound and profitable mining business in that country as soon as possible.

AUSTRALIAN OPERATIONS

NORSEMAN PROJECT

The primary focus of the Company is to develop the Norseman Gold Project, 200 kilometres south of Kalgoorlie, in Western Australia (Figure 1).

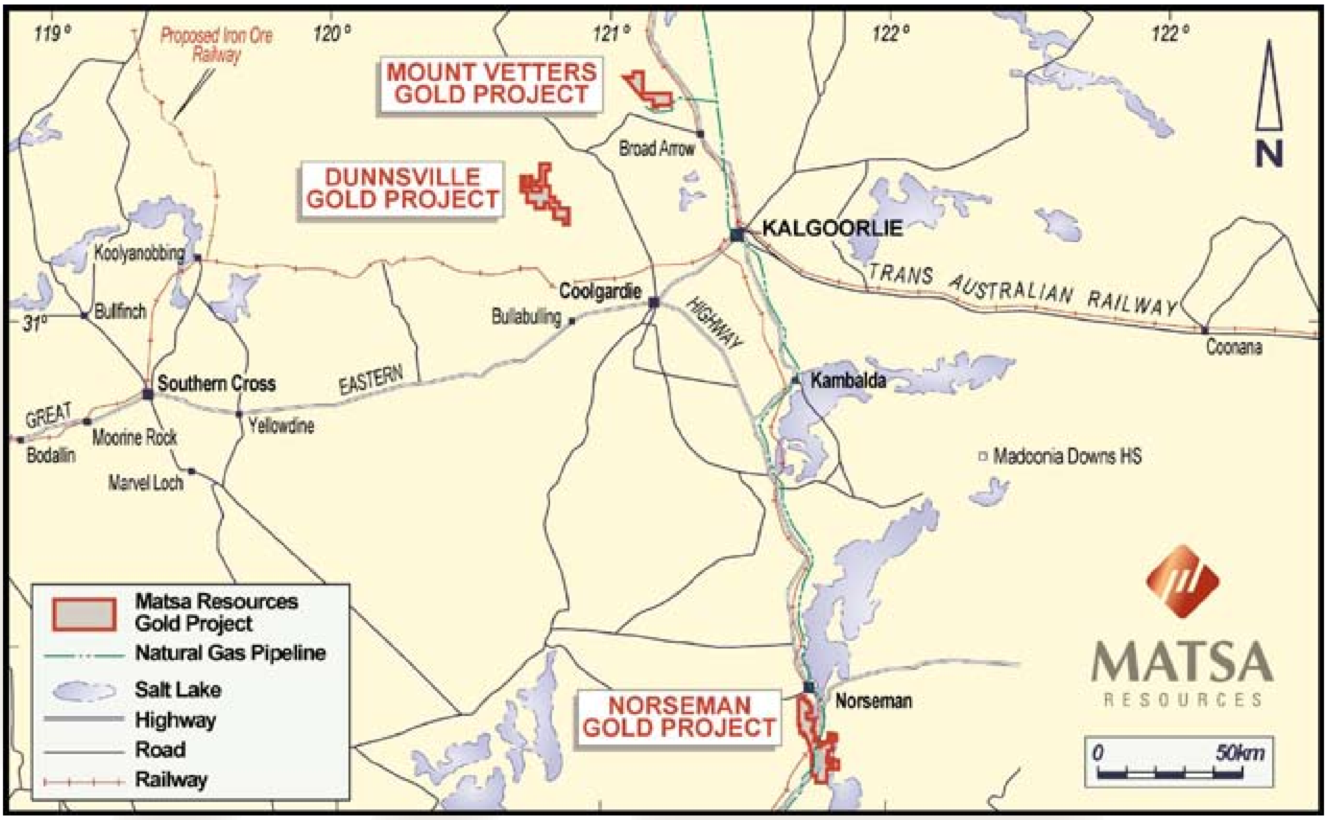


Figure 1. Matsa Western Australian Project locations

The current Mineral Resource for the Norseman Gold Project totals 26.5 million tonnes @ 1.7g/t for 1.47 million ounces and is tabled below:

Table 1. Norseman Gold Project Gold Resources

Norseman Gold Project Resources (>1g/t Au)			
	Tonnes (Million)	**Grade (g/t)**	**Ounces**
Indicated			
Mt Henry	5.6	1.9	350,000
Selene	11.8	1.6	600,000
North Scotia	0.2	5.2	36,000
Total	**17.6**	**1.8**	**990,000**
Inferred			
Mt Henry	4.9	1.8	280,000
Selene	3.1	1.4	140,000
North Scotia	0.3	2.2	24,000
Abbotshall	0.5	2.0	30,000
Total	**8.9**	**1.7**	**480,000**
Grand Total			
Grand Total	**26.5**	**1.7**	**1,470,000**

1 All resources are reported to a lower cut-off grade of 1.0 g/t

2 Rounding, conforming to the JORC code may cause computational errors.

Following extensive negotiations during the year the Company signed an Agreement with the Ngadju Native Title Claimant group who have the sole native title claim application encompassing Matsa's entire Norseman project area. This Agreement covers all aspects of exploration and mining for the Company's Gold and Iron Ore resources as well as all other minerals of interest except for fissionable materials.

Small Scale Mining Operations Studies

A detailed study was conducted into Small Scale Mining Operations (SSM) which led to the Company concluding that positive cash flows were achievable if either a suitable toll milling arrangement was available or a suitable sale of ore agreement could be achieved. These studies have confirmed the potential for high grade gold mining operations on the North Scotia and Mount Henry resources and treatment at nearby milling facilities. Approval for mining has been received from the Department of Mines and Petroleum.

Discussions were held with several nearby producing companies with regard to either toll milling of ore or an ore sale agreement. These discussions demonstrated a degree of interest in the Norseman Gold Small Scale Mining activities which is considered positive for the project.

The Small Scale Mining strategy was developed so that cash flows could be produced to fund the development of all of the Company's projects and to provide operational funding as required. However, due to other funding options available and adopted by the Company, the importance of near term cash flows from small scale mining diminished and a higher rate of return from mining became more desirable. Matsa was not able to conclude an agreement for Small Scale Mining which was considered to provide an attractive outcome for the Company and as a result has decided to continue its investigations and develop other options for the project.

Gold – Magnetite (Iron Ore) Production Studies

During the year a detailed investigation into a combined gold and magnetite production scenario has been undertaken (instead of just a gold production plan), as a result of the gold mineralisation being mostly hosted within a Banded Iron Formation geological unit. The concept which is being assessed is that as the gold ore is mined, the waste rock and ore residue tailings potentially contain significant grades of magnetite iron ore. Work has recently been undertaken to determine the profitability and feasibility of such a dual mining concept with a number of scenarios being considered as listed below:

- Capture of magnetite from the waste residue of a gold processing circuit.
- In addition to the 'gold tailings' above, mining and processing BIF ore that is low in gold but has the advantage of being 'mined waste rock' to the gold mineralisation. This would require a larger processing plant and a separate circuit for magnetite ore processing. There could potentially be more low-grade gold processed in this route.
- The final scenario would involve a larger operation that would maximise the value of both gold and magnetite products from the area of the gold Resources. This would include larger tonnages of non-gold BIF ore from along strike of the gold Resources requiring a larger magnetite circuit.

The result of initial studies has concluded that a real potential exists for a combined gold - magnetite mine and processing plant producing up to 100,000 oz of gold and a magnetite concentrate. Preliminary concepts have been determined with engineering firms demonstrating that a suitable plant design could be constructed at a reasonable cost which would deliver the desired product. To this end discussions have commenced with several interested Chinese Steel houses in Beijing who have expressed an interest in a cooperative investment and off take agreement in regard to the magnetite concentrate. These Chinese interests have examined recent results of tests and have confirmed that the product is saleable and has commercial value despite some concentrate having a higher level of sulphur.

Metallurgical Test-work

The Company has undertaken preliminary metallurgical test-work to evaluate potential for viable beneficiable magnetite mineralisation. Previous drilling of the BIF associated with the Mt Henry Gold mineralisation has confirmed the presence of at least 3 major BIF units at Mt Henry with an aggregate thickness up to 150 metres. Samples of BIF were selected to test for indicative magnetite percentages and recoveries. The test-work results confirm that the BIF has characteristics suitable for a large magnetite iron ore project.

All test-work to date has made use of sample materials derived from drill-holes targeted on gold mineralisation within the Mt Henry gold mineralisation (Figure 2). It should be noted that magnetite within and close to gold mineralised sections of the BIF has been extensively replaced by sulphides including pyrrhotite. Consequently results from this early 'sighter' test-work, while encouraging, can be regarded only as an indication of likely magnetite recoveries away from the sulphide-gold zones.

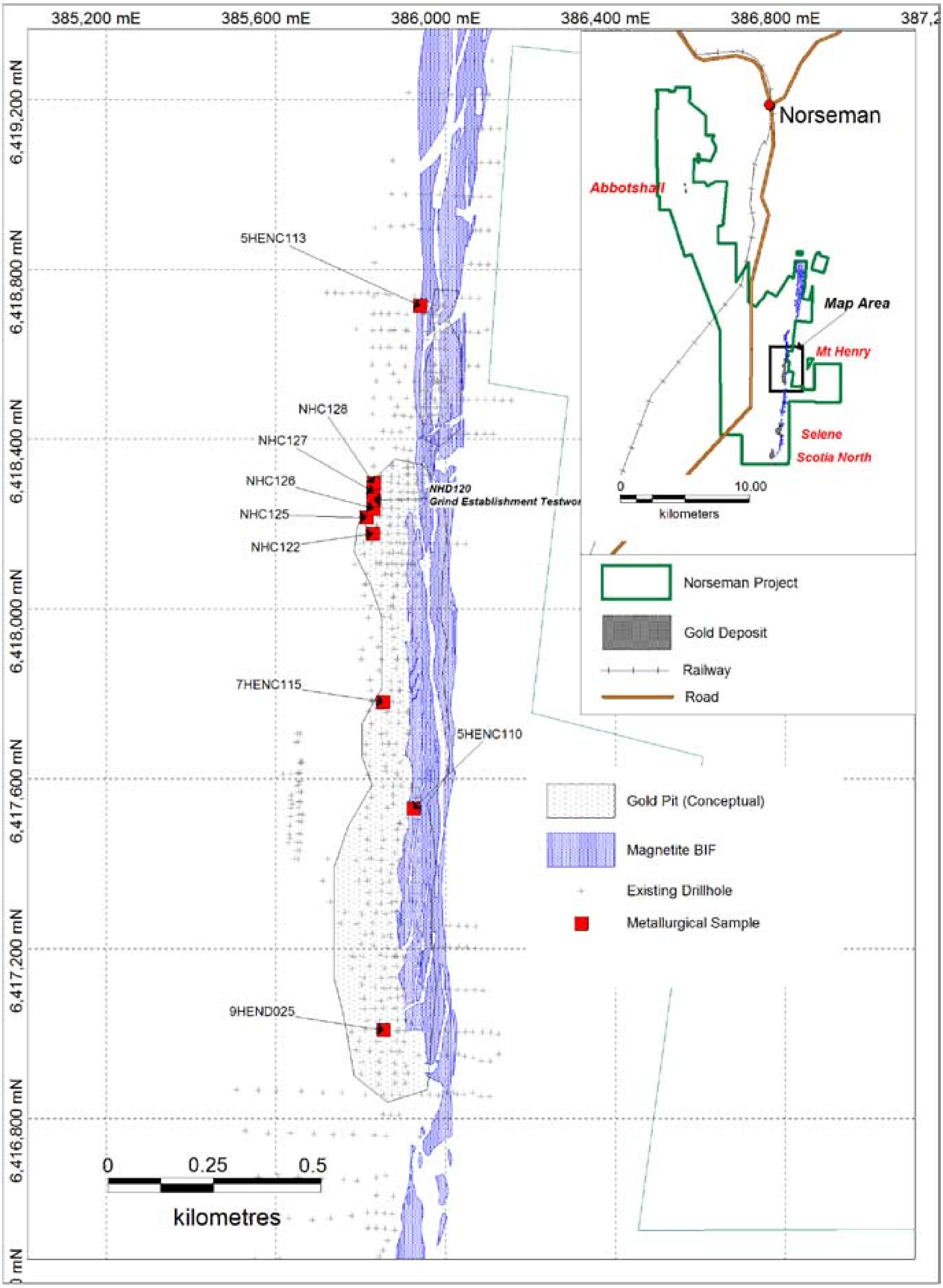


Figure 2: Metallurgical Sample Locations

Grind Establishment Test-work

A 40kg sample of diamond drill core (Hole NHD120) was submitted for grinding and magnetite recovery test-work. This hole is located at the northern end of the Mt Henry Deposit and includes a 30m section which is less affected by sulphide replacement of magnetite compared to other diamond drill-holes on the project (Figure 3).

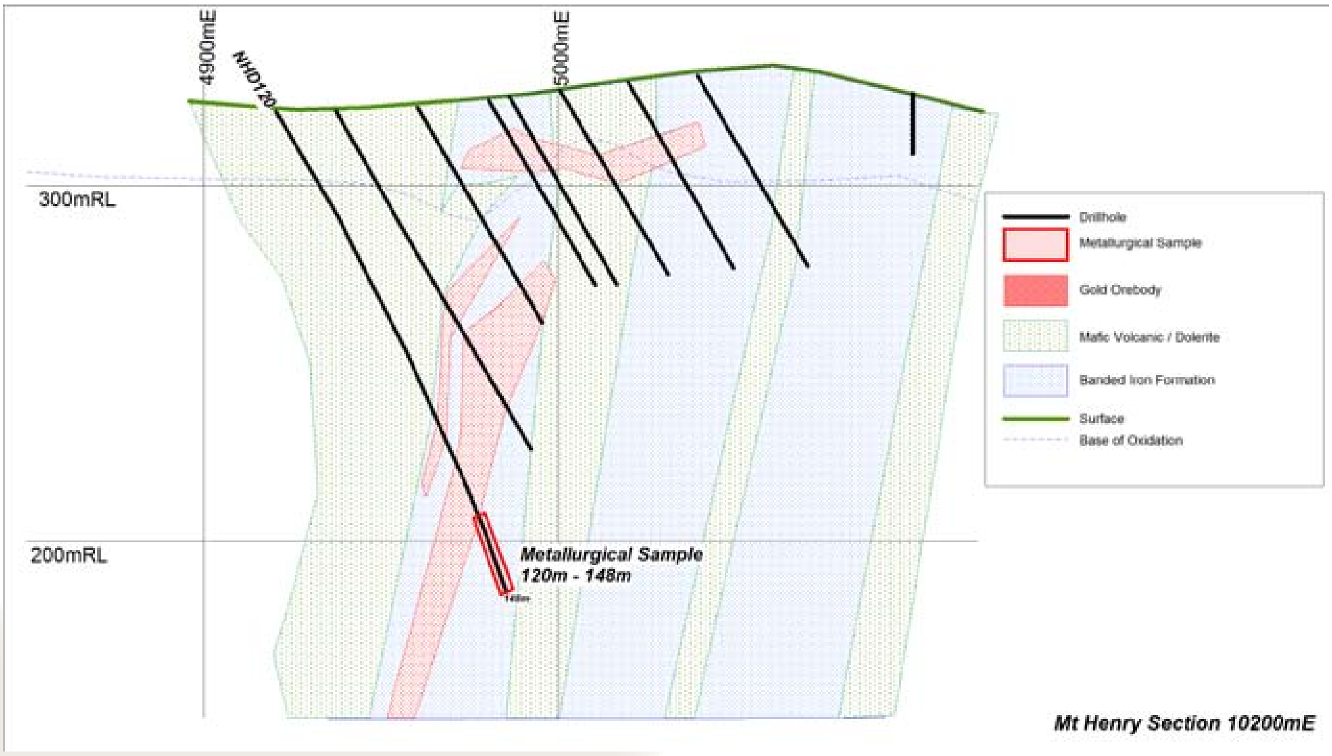


Figure 3: Summary Cross Section Mt Henry 10200N

Results from this test-work are summarised in Table 2.

Table 2: DTR Results P80 32micron fraction Diamond Hole NHD120

P80	Wt%	Fe%	SiO2%	Al2O3%	S%	MgO%	TiO2%	Mn%	CaO%	P%
32	37.23	66.5	4.96	0.4	2.97	0.49	0.064	0.07	0.42	0.02
Head	100	30.29	48.03	1.47	1.58	3.31	0.05	0.15	3.07	0.05

It can be seen that a grind size of 32 microns (80% passing 32 microns) achieves a satisfactory weight recovery of magnetite concentrate with assays close to desired levels for iron and the major contaminants silica and alumina. High sulphur values reflect the proximity of this sample to the sulphide gold mineralisation, and it is seen that as the gold values decrease so does the sulphur values.

Davis Tube Recoveries on existing pulverised Assay Residues

Available pulverised residues from past drill-holes at Mt Henry were selected for additional test-work. Intervals were selected through more or less gold-mineralised BIF. The location of these holes can be seen in Figure 2 with most located at the northern end of the Mt Henry gold project.

Magnetic susceptibility readings were carried out on these to identify samples with appreciable magnetite. A total of 21 composite samples were submitted for Davis Tube Test-work.

Sample results have been compiled and shown in Table 3 below where it can be seen that for the 9 drill-holes referred to, significant magnetite recoveries (DTR%) >25% were achieved in a number of intercepts and, included magnetite recoveries up to 42%.

Table 3. Davis Tube Results from Stored Assay Pulps

Drillhole	From m	To m	Length (m)	DTR %	Fe %	SiO2 %	Al2O3 %	P XRF %	S XRF %	LOI1000 %
5HENC113	26	43	17	22.25	68.7	3.23	0.19	0.012	0.10	-2.56
NHC128	98	122	24	21.50	66.4	4.08	0.23	0.013	3.49	-0.87
NHC127	108	141	33	30.38	67.3	3.06	0.24	0.008	4.14	-0.64
NHC126	109	140	31	29.33	67.9	2.40	0.27	0.008	2.21	-0.73
NHC125	127	142	10	17.60	66.7	2.37	0.29	0.010	2.78	0.63
NHC125	162	171	9	37.05	69.4	1.73	0.14	0.005	3.57	-1.61
NHC122	102	122	15	9.90	65.7	2.61	0.19	0.010	1.94	2.02
NHC122	136	140	4	42.00	70.9	1.00	0.07	0.005	1.69	-2.56
7HENC115	62	97	35	26.28	66.1	5.78	0.35	0.010	2.11	-2.19
5HENC110	26	40	14	37.4	70.41	1.81	0.12	0.005	0.047	-3.13
9HEND025	46.2	53.5	7.3	19.2	69.35	3.12	0.12	0.007	0.195	-2.86

Concentrate assays indicate significantly higher iron and lower silica than were achieved in the grind establishment test described above from NHD120 although similar in sulphur values.

Sizing analysis indicates that these pulverised samples contain a higher proportion of very fine material and so concentrate assay results are not directly comparable with the results from NHD120.

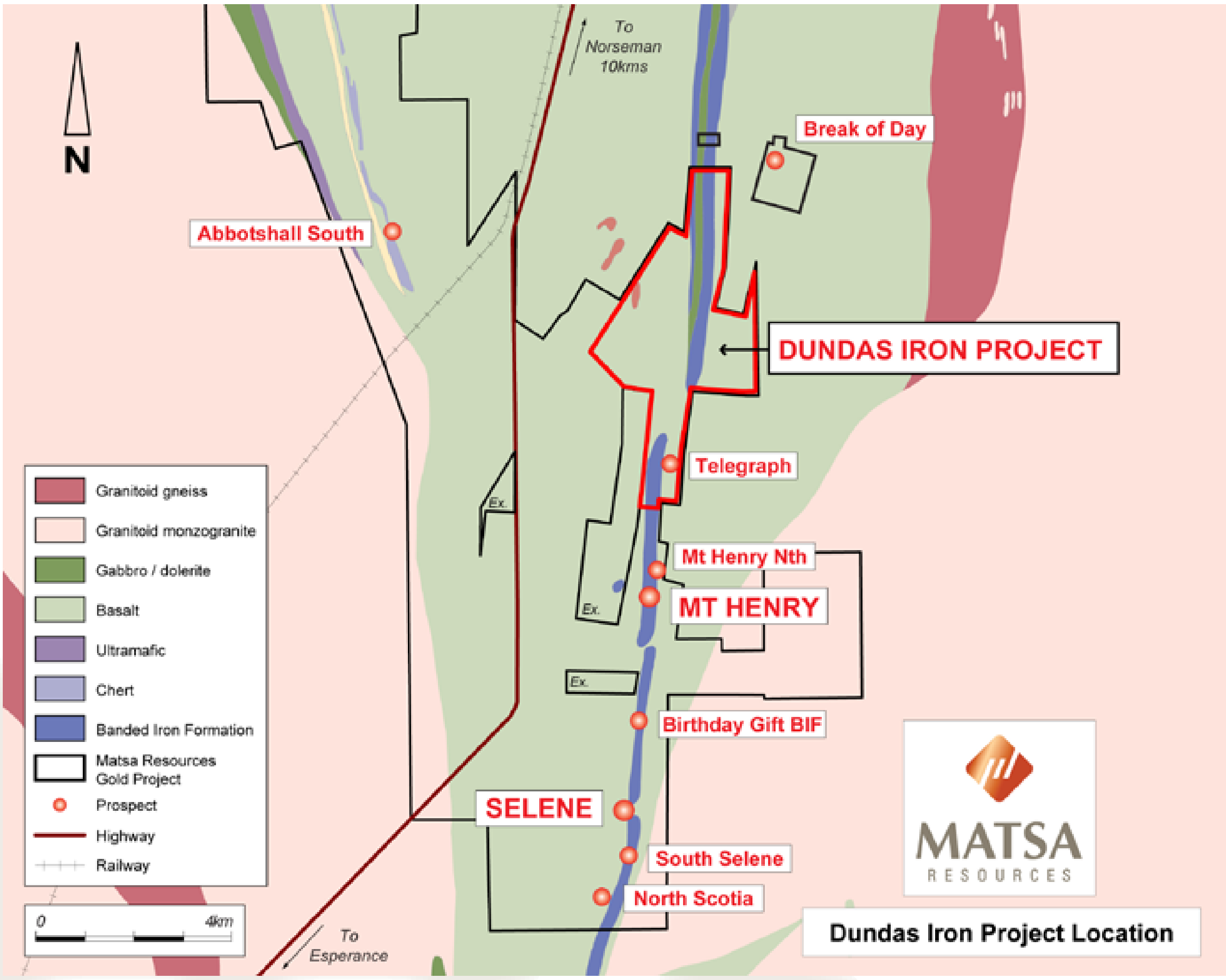
Test-work is currently underway to evaluate removal of sulphur from magnetite concentrates and the potential for gold credits from this material.

Dundas Iron Project

The northern area of the Norseman Project, termed the Dundas Iron Project, has a seven kilometre strike of BIF that is interpreted to be an area likely to define a large high-quality magnetite iron ore project and a small high grade haematite project, and is being targeted for drilling commencing in the December quarter 2010 (Figure 4).

During the last six months the Company has completed preliminary iron ore exploration that has enabled the Company to gain confidence that there is the existence of a large magnetite iron ore Exploration Target [*1] of between 350 and 750 million tonnes and a small 1 to 3 million tonne haematite Exploration Target[*1] within the Dundas Iron Project area.

Figure 4: Dundas Iron Project location



Key findings have been:

a) Reprocessing and interpretation of high resolution aeromagnetic data concludes that a target exists which is made up of three individual BIF bands over a strike extent of 7 kilometres with excellent continuity of mineralised units.

b) Field mapping has confirmed continuity and width of banded iron units.

c) It can be concluded that the Norseman magnetite rich iron ore unit closely resembles the Karara deposit in the Mid West of W.A (Ansteel-Gindalbie Metals) with a likely grind size of P80 -32 micron to achieve product liberation.

d) The Project is favourably located with respect to infrastructure, including the Kalgoorlie-Esperance rail line and Goldfields gas pipeline located some 4 kilometres to the west and at a distance of 190km from the existing iron ore export port at Esperance.

Field mapping yielded a number of areas which showed high levels of surface iron enrichment within the Dundas Iron Project, justifying hematite exploration as well. These results are shown in Table 4 below:

Table 4. Dundas Iron Project surface sampling results > 50%Fe

Sample ID	North	East	Fe_%	SiO2_pct	Al2O3_%	P_ppm	S_%
NH028	6425584	387060	62.1	5.01	1.85	350	0.06
NH032	6426230	387154	61.9	5.13	2.15	600	0.045
A55990	6425548	387055	61.6	5.23	2.33	520	0.051
NH027	6425574	387050.5	61.2	6.03	1.83	450	0.05
NH029	6425582	387069.8	60.3	8.53	2.91	350	0.065
A55991	6425545	387063	59.77	6.27	2.55	450	0.102
A55988	6425649	387066	58.29	9.5	2.05	290	0.043
A55986	6425787	386892	57.63	8.35	2.47	790	0.063
A55985	6425788	386880	55.25	11.88	3.4	490	0.047
A55984	6425091	387126	55.07	14.22	1.9	1080	0.024
A55976	6424902	387131	54.84	14.92	1.18	370	0.047
A55965	6421813	386900	54.77	10.25	2.47	750	0.116
A55975	6424897	387145	54.47	17.21	0.79	260	0.035
A55978	6424996	387125	54.37	17.7	1	690	0.021
A55983	6425087	387135	53.97	13.63	1.33	700	0.053
A55989	6425645	387078	53.79	12.79	4.06	310	0.061
A55982	6425086	387140	53.63	12.7	1.46	950	0.034
NH011	6421857	386904	53.2	15.1	1.97	550	0.085
A55966	6421838	386905	53.07	12.7	3.29	640	0.087
A55968	6421857	386928	52.95	13	1.38	370	0.059
NH004	6422485	387095	52.8	13.5	1.77	400	0.08
NH002	6422487	387076	52.4	13	3.16	550	0.06
A55969	6423875	387124	52.25	13.06	5.37	120	0.075
A55981	6425081	387207	52.12	10	5.19	1310	0.038
NH005	6422485	387107	51.5	12.9	1.93	400	0.07
NH001	6422489	387064	51.1	16	3.61	500	0.07
NH003	6422485	387085	50.5	17.5	1.68	650	0.055

The Company has designed and budgeted for an initial 3 phase evaluation programme involving extensive drilling, sample analysis and preliminary feasibility studies over a 12 month period to achieve the following objectives:

- Phase 1, including initial wide spaced drilling will determine whether an Exploration Target [*1] of between 350 and 750 million tonnes of magnetite is achievable with a grade of between 25% and 40% and beneficiable up to 68% Iron.
- Phase 2 is intended to outline magnetite mineralisation to an "Inferred Resource" status as outlined by JORC.
- Phase 3 is designed to convert magnetite mineralisation to an "Indicated Resource" status as outlined by JORC, and complete a Scoping Study.

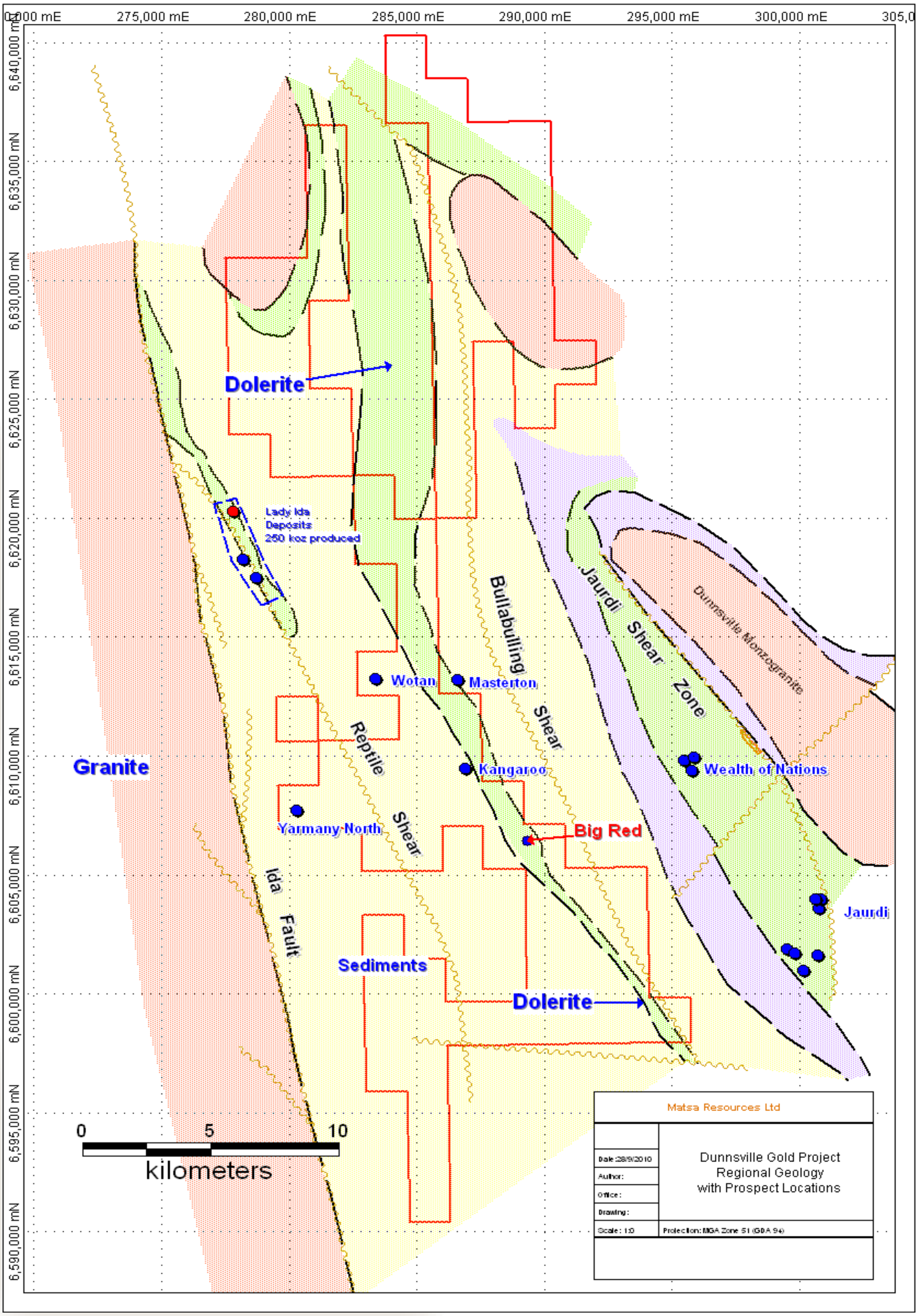
The 1st Phase of the evaluation programme is planned to commence in the December quarter of 2010 once environmental approvals have been received. As well as drilling for magnetite this program is planned to test a number of hematite targets defined by field mapping. Should hematite be present in encouraging amounts then exploration drilling for hematite will be fast-tracked in conjunction with magnetite exploration.

Recently discussions have been held with a large prestigious Chinese Iron Ore producer and Steel mill operator in Southern China who have expressed an interest in a cooperative agreement to investment in the Dundas Iron Ore project and could be willing to fund the exploration activities for the region. Subject to successful exploration it would also be envisaged that further investment by the company would provide the necessary capital requirements to put the project into production.

DUNNSVILLE PROJECT

The Dunnsville Gold Project is located 20 kilometres north of Coolgardie. This region is adjacent to the Lady Ida gold deposits located on the Reptile Shear. Delta Gold defined 420,000 ounces in Resources and produced 237,000 ounces of gold between 1999 and 2001 (Figure 5).

Figure 5. Dunnsville Project geology and prospects



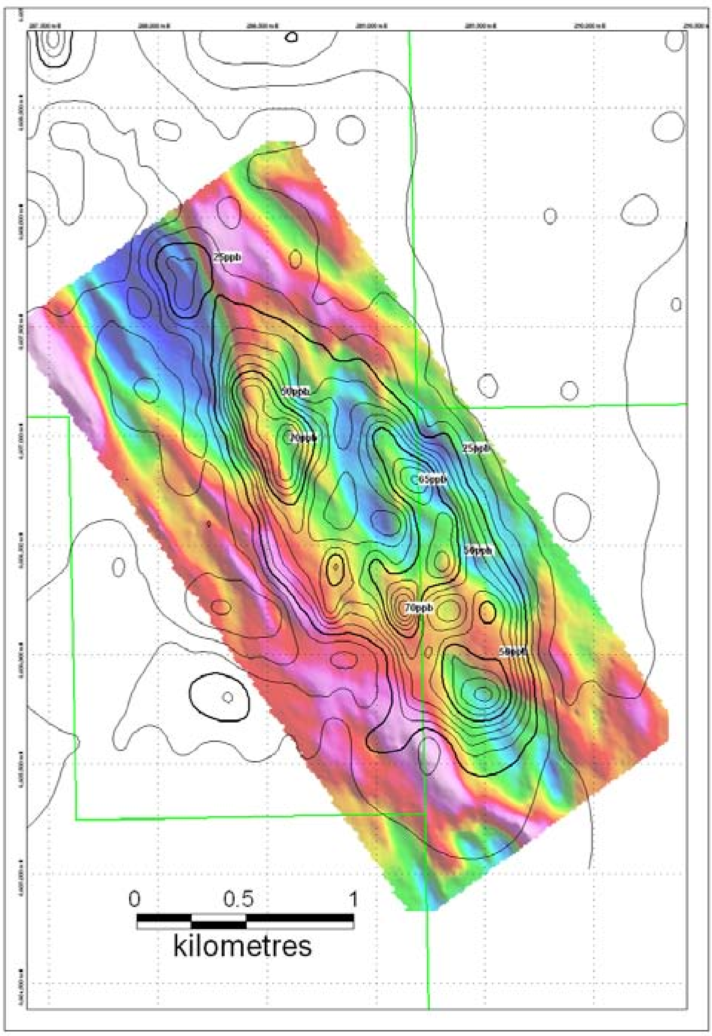
Matsa has a number of Exploration Licences in this area which total 243 square kilometres. Soil sampling completed by the Company in 2006 located a strong 3 kilometre long gold anomaly at a prospect termed Big Red. Infill soil sampling enhanced this anomaly and drilling has confirmed widespread supergene anomalies as shown in Table 5:

Table 5 Dunnsville drilling results

Drill Hole	Depth		width		grade
	from	to			ppm
06BRRAB003	67	72	6	metres @	0.496
06BRRAB008	55	61	15	metres @	0.138
06BRRAB015	49	55	12	metres @	0.415
06BRRAB022	31	37	6	metres @	0.250
06BRRAB038	35	38	3	metres @	1.190
06BRRAB045	43	54	11	metres @	0.129
06BRRAB047	37	44	7	metres @	0.291
08BRRC076	40	48	8	metres @	0.155
08BRRC077			4	metres @	0.112

Gold mineralisation is strongly related to a dolerite rock unit which is interpreted to be a sill. In the Eastern Goldfields gold mineralisation associated with such units is generally related to a cross-cutting structure/s. The Company decided to complete a sub-audio magnetic ground geophysical survey to locate such structures to assist in the focusing of future drilling. This survey has been interpreted as being successful as shown in Figure 6, and RAB drilling of co-incident soil anomalies and structures is planned for the December quarter of 2010.

Figure 6. Big Red SAM survey with soil anomaly contours



THAILAND OPERATIONS

During the year the Company made significant progress towards establishing a new minerals business in SE Asia. The focus on this region is due to the outstanding success of other Australian Companies such as Kinsgate Consolidated, PanAust Resources and historically Oxiana Minerals within this region. Commodities of interest by priority are Iron, Copper and Gold.

Following extensive assessment of opportunities in Thailand, Laos and Cambodia the Company has made application for over 710 square kilometres of land under Special Prospecting Licence (SPLA's) in Central Thailand as shown in Figures 7 to 9.

Figure 7. Thailand Project locations

The Thailand operations can be broken into 2 distinct projects.

Paisali Project

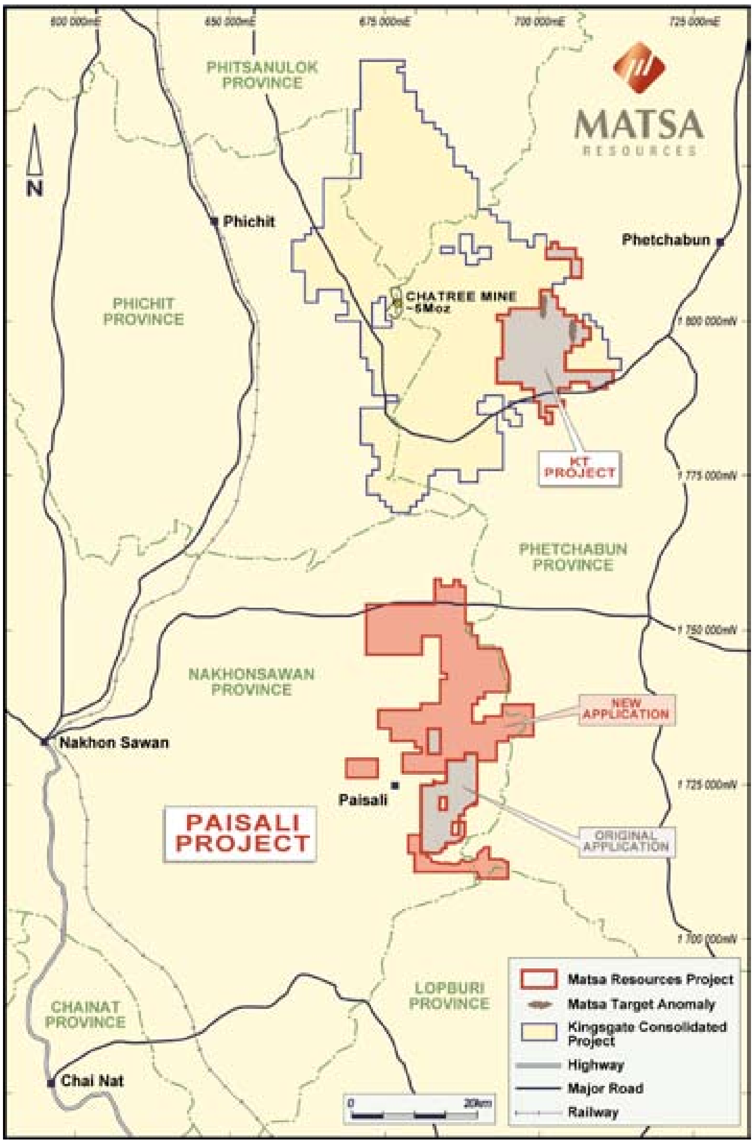
The target of the Paisali project is a high grade magnetite resource of potential direct shipping or beneficiable grade of 65%. The Paisali project covers 530 square kilometres under 41 SPLA's. The Company, via its Bangkok office staff, is progressing through the granting procedures and is hopeful of having grant of an initial 10 SPL's during the December quarter 2010. The first 10 SPL's have already passed local government requirements and are at Bangkok head office for final assessment prior to granting.

The Paisali Project area was selected initially by inspection of small scale iron occurrences and observation of recent exploration drilling on Prospecting permits. Geological interpretation and field inspection defined a larger prospective area covering potential host rocks and interpreted mineralising structures which correlated well with ground magnetic surveys. An initial 107 square kilometres was applied for in November 2009, with two SPLA's of 18 square kilometres under Agreement with existing Prospecting licence holders (Figure 8).

Mineralisation is of the skarn style iron deposits which are being actively mined on a small scale in Thailand. There are numerous deposits generally associated with Permo-Triassic granite intrusions, particularly where they intrude the extensive Permian limestone stratigraphy. Skarn mineralisation in Thailand and other parts of the world are also commonly associated with economic deposits of copper, gold, lead, zinc, molybdenum, tungsten and tin.

In Thailand the largest defined skarn occurrence is PanAust's Phutep copper-gold-iron skarn deposit with current resources of 183 million tonnes at 0.5% copper and 0.13 g/t gold (copper cut-off grade 0.30%), for 913,000 tonnes copper and 771,000 ounces of gold.

Figure 8. Paisali and KT Project areas



Following a review of Thai Government aeromagnetic data, which was processed and finalised in Australia by Matsa and based on field verification completed in Thailand, additional areas were defined as prospective due to extensive magnetic anomalies interpreted to be related to magnetite skarn mineralisation. As the areas were not under mineral licence the land was applied for in April 2010.

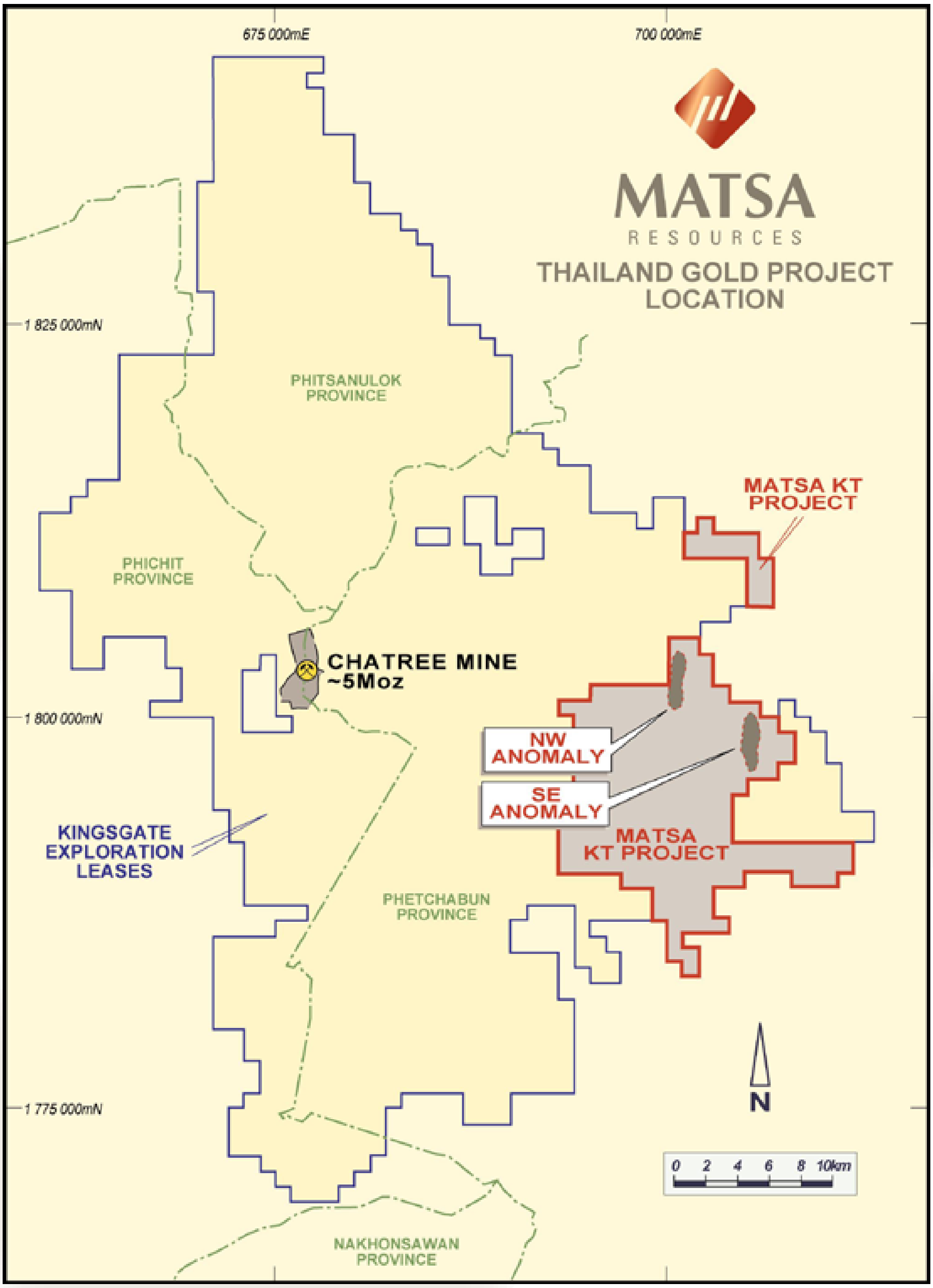
The Company, via its Bangkok office staff, is pursuing the grant of licences with relevant Government Departments.

KT Project

In October 2009 the Company secured 180 square kilometres of land under 11 SPLA's located 18 kilometres east of Kingsgate Consolidated's very low cost 5 million ounce Chatree gold mine (Figure 9).

The SPL's include 32 square kilometres in 2 SPLA's that have had extensive first pass surface exploration which has defined co-incident gold, silver and multi-element anomalies each over approximately 2.5 km by 1.5 km in area.

Figure 9. KT Project area



Of particular interest to the Company was the professional reporting and inherent quality of work completed that included:

1 Eight hundred (800) stream, soil and rock chip samples, 34 element analysis and semi-detailed geological mapping. Data is contained in a GIS dataset.

2 The presence of coherent gold-silver and associated multi-element anomalies within two discrete areas (NW and SE).

3 Government records indicating Diamond drilling within the State Forest only 100 metres from the project boundary had intersected 6 metres @ 2.42g/t Au from 60 metres depth.

4 Strong correlation between the geology of the mineralised drill-hole and the geology of the SE surface anomaly within the KT Project. This provides a good geological model for mineralisation in the area.

The prospectivity of the adjacent region was assessed and it was very fortunate that the Company managed to secure the majority of land available that was contiguous with the initial 2 SPLA areas, covering potential host rocks and interpreted mineralising structures.

At the time of SPL application, the Thai Government had a Moratorium on granting new gold mineral licences pending a review of objections from sectors of the public. The Company is confident that the Thailand Government will reach a resolution to lift the Moratorium for Gold SPL's in the medium term. Advice given to the Company indicates that no other Party may apply for the same land as the Company and that there is no reason that the Government will not grant the SPL's once the Moratorium has been lifted as the applications meet all requirements and was accompanied by the correct fees. The Company is content to consider this application as a land bank whilst it progresses other applications and determines the best course of action in regard to these applications as information as to the lifting of the moratorium comes to hand.

General

It is the opinion of the Company that Thailand has the potential to host many significant deposits of minerals including gold and copper and the geology is highly prospective for these minerals. This fact is highlighted by the Australian mining company Kingsgate Consolidated Limited which has had a major impact in the country through the discovery and successful development of the 5 million ounce Chatree Gold project in central Thailand and also PanAust Limited's large Puthep gold-copper deposit near Leoi in north east Thailand.

'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'

Exploration Target *1

Under Clause 18 of the JORC Code the exploration targets (excluding the portion already classified into JORC resource) outlined in this report are conceptual in nature as there has been insufficient exploration to define additional mineral resources; it is uncertain if further exploration will result in the determination of any additional mineral resources.

Iron Ore exploration results, mineral resources and reserves

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves 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 2004 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

Thailand and all other exploration results, mineral resources and reserves

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Andrew Viner, who is a member of the Australasian Institute of Mining and Metallurgy. Andrew Viner is a full time employee of Matsa Resources. Andrew Viner 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Andrew Viner consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Your directors present their report for the year ended 30 June 2010.

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 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.

Mr Poli has not served as a Director of any other public listed company in the past three years.

Mr Andy Viner Bachelor of Applied Science (Geology), M.AusIMM, MAICD (Executive Director)

Mr Viner was until recently the Managing Director and founder of Jackson Gold Ltd which was listed on the Australian Securities Exchange in 2002. His corporate experience includes capital raising, ASX compliance, marketing and investment and divestment activities.

Mr Viner is an experienced geologist having worked in the mineral exploration and mining industries for a wide range of commodities including gold, base metals, mineral sands and industrial minerals. Mr Viner has spent a considerable amount of time as an active field and managing geologist in Australia with advanced skills in Project Generation, Project Exploration, Resource Definition, Project Feasibility Studies and Project Development. Areas of activity have included Australia, Central Asia, East Asia and Argentina. During the past three years Mr Viner has served as a director of the following listed companies:

Jackson Gold Limited (Appointed 13 February 2003; Resigned 2 July 2007)

Mr Andrew Chapman CA F Fin (appointed 17 December 2009)

Mr Chapman is a chartered accountant with over 16 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).

Mr Chapman has not served as a Director of any other public listed company in the past three years.

Michael Atkins B.Comm FCA (Non-Executive Director) (resigned 30 November 2009)

Mr Atkins joined the Board on 15 March 2007 in a non-executive capacity and was appointed Chairman of the Board following the acquisition of Australian Strategic and Precious Metals Investments Pty Ltd (formerly Australian Gold Investments Pty Ltd). Mr Atkins is a Fellow of the Institute of Chartered Accountants in Australia, and was a founding partner of a national Chartered Accounting practice from 1979 to 1987. Since 1987 he has acted as Executive Director and been involved in the executive management of several publicly listed resource companies with operations in Australia, USA, South East Asia and Africa.

During the past three years Mr Atkins has served as a director of the following listed companies:

Legend Mining Ltd* (Appointed 14 February 2003)

Westgold Resources Limited*(Appointed 18 September 2003)

Azumah Resources Limited* (Appointed 20 October 2009)

*** denotes current directorship**

COMPANY SECRETARY

Mr Chapman is also the Company Secretary of Matsa. Refer to the directors particulars as noted above.

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS FOR THE YEAR

The Group's net loss for the year after income tax is $4,452,195 (2009: $7,221,369).

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

- impairment losses of $1,595,252 (2009: $1,425,795) attributable to the Company's exploration projects.
- the write-off of exploration expenditure of $620,020 (2009: $2,872,567).
- impairment of goodwill on acquisition of Matsa Resources (Aust) Ltd of Nil (2009:$590,216).
- Share based payments expense of $830,653 (2009:$1,482,150)

REVIEW OF FINANCIAL CONDITION

The net assets of the Group have increased by $4,117,763 from 30 June 2009 to $17,281,282 at 30 June 2010.

The Company raised $7,413,810 (2009:$3,007,000) before costs from the issue of shares during the financial year.

DIVIDENDS

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

CORPORATE STRUCTURE

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

EMPLOYEES

The Group had 12 employees of which 11 were full-time as at 30 June 2010 (2009: 7 full-time equivalent employees).

REVIEW OF OPERATIONS

A full review of the operations of the Group during the year ended 30 June 2010 is included on pages 3 to 18.

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

There have been no matters or circumstances have arisen since the end of the financial year which 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

Other than as described above further information on likely developments and the expected results are not included in this report because the directors believe it would likely result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The group's exploration activities are subject to various environmental laws and regulations under Commonwealth and State 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	6	6
Andy Viner	6	6
Andrew Chapman	4	4
Michael Atkins	2	2

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 $0.273 Options	Number of $0.35 Options	Number of $0.50 Options
Paul Poli	10,260,933	1,000,000	3,747,733	4,000,000
Andy Viner	3,100,500	1,000,000	1,666,667	2,000,000
Andrew Chapman	–	–	–	–

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted 2,000,000 options over unissued ordinary shares for a consideration of 1.938 cents per option and 500,000 options over unissued ordinary shares for no consideration in the Company to the following directors and officers of the Company as part of their remuneration:

Executive	Number of Options Granted	Exercise Price	Expiry Date
Paul Poli	1,000,000	$0.273	26 November 2012
Andrew Viner	1,000,000	$0.273	26 November 2012
David Fielding	250,000	$0.40	31 August 2013
Frank Sibbel	250,000	$0.40	31 August 2013

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
5 December 2010	$0.50	500,000
5 December 2010	$1.00	500,000
16 April 2011	$0.625	250,000
16 April 2011	$0.75	250,000
16 April 2011	$1.00	250,000
1 July 2011	$0.35	7,800,000
1 July 2012	$0.50	9,000,000
26 November 2012	$0.273	2,000,000
31 December 2012	$0.273	1,200,000
31 August 2013	$0.40	2,300,000
		24,050,000

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

Shares Issued on Exercise of Options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of Shares	Amount paid on each share
50,000	$0.273

REMUNERATION REPORT - Audited

A Principles of Compensation – audited

This report outlines the remuneration arrangements in place for Directors and executives of the Company and Group, ("Key Management Personnel"). For the purposes of this report Key Management Personnel of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes all executives in the parent and the group.

Remuneration committee

The Board has not established a separate remuneration committee. The Board considers that the company is not of a size nor are its affairs of such complexity to justify formation of a remuneration committee. The Board as a whole addresses the governance aspects of the full scope of the company's activities.

Remuneration policy

The Group's policy for determining the nature and amount of remuneration of board members and senior executives of the Group is assessed annually and set by reference to the mineral exploration industry market place, properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality and are not directly linked to the Group's performance.

Individual and Company operating targets associated with traditional financial and non-financial measures are difficult to set given the small number of Executives and the need to be flexible and multi-tasked, as the Company responds to a continually changing business environment. Consequently, a formal process of defining Key Performance Indicators (KPI's) and setting targets against the KPI's has not been adopted at the present time.

All remuneration paid to directors and executives is valued at cost to the group and expensed unless deemed appropriate to capitalise.

Options are issued to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's wealth. Options are valued using the binomial method. The Company does not have a policy to prohibit executives from entering into arrangements to protect the value of unvested options awarded.

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.

Structure

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.

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. 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 whose Board he or she sits.

The remuneration of Non-Executive Directors for the period ending 30 June 2010 is detailed in this report.

Managing Director and Executive Remuneration Structure

Based on the current stage in the Group's development, its size, structure and strategies, the Board considers that the key performance indicator in assessing the performance of Executives and their contribution towards increasing shareholder value is share price performance over the review period.

Individual and Group operating targets associated with traditional financial and non-financial measures are difficult to set given the small number of Executives and the need to be flexible and multi-tasked, as the Group responds to a continually changing business environment. Consequently, a formal process of defining Key Performance Indicators (KPI's) and setting targets against the KPI's has not been adopted at the present time.

Remuneration consists of the following key elements:

Fixed remuneration;

Variable remuneration;

Short term incentives (STI); and

Long term incentives (LTI).

The proportion of fixed remuneration and variable remuneration is established for each Executive by the Board.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Group and individual performance, relevant comparable remuneration in the mining exploration industry and external advice. Executives receive their fixed remuneration in cash.

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 Managing Director 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. There were no STI payments made during the year.

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 not have a policy to prohibit executives from entering into arrangements to protect the value of unvested LTI awards. There were 200,000 options issued to executives under the Company's ESOP as LTI payments during the financial year.

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 includes, car parking and expenses where the Company pays fringe benefits tax on these benefits.

Service agreements - audited

It is the Board's policy that services 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 $225,000 plus statutory superannuation. This contract is for an unlimited term and is capable of termination on one months notice. Mr Poli's salary will increase to $325,000 on the earlier occurrence of either commencement of production or an asset sale in excess of $2,000,000 in value. The Group retains the right to terminate the contract immediately, by making payment equal to six months pay in lieu of notice. Should there be a change of control in the Company and Mr Poli's employment is terminated he will receive a payment equal to twelve months pay in lieu of notice.

Mr Andrew Viner, Executive Director, has a contract of employment with the Company. Mr Viner receives a salary of $225,000 plus statutory superannuation. This contract is for an unlimited term and is capable of termination on one months notice. . Mr Viner's salary will increase to $325,000 on the earlier occurrence of either commencement of production or an asset sale in excess of $2,000,000 in value. The Group retains the right to terminate the contract immediately, by making payment equal to six months pay in lieu of notice. Should there be a change of control in the Company and Mr Viner's employment is terminated he will receive a payment equal to twelve months pay in lieu of notice.

Mr David Fielding, Iron Ore Executive, has a contract of employment with the Company. Mr Fielding receives a salary of $170,000 inclusive of superannuation. This contract is for an unlimited term and is capable of termination on one months 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, Project Manager, has a consultancy contract with the Company. Mr Sibbel is paid $1,600 per day based on a minimum 2.5 days per week. This contract is capable of termination on one months 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 is employed on a consultancy basis and has no formal service agreement with the Company.

Key management personnel remuneration - audited

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the Company and the Group are set out in the following tables.

The key management personnel of the Company and the Group include the directors and the following executive officers who have or did have authority and responsibility for planning, directing and controlling the activities of the entity:

- Frank Sibbel - Project Manager
- David Fielding – Iron Ore Executive
- Mark Sampson - Technical Manager (resigned 16 April 2010)

2010	Short Term Benefits		Post-employment Benefits	Share–based payments			
Key Management Person	**Salary & Fees**	**Non-monetary benefits**	**Super-annuation**	**Options**	**Total**	**% Performance Related**	**% of Remuneration that consists of options**
Directors							
Paul Poli	225,000	–	14,192	196,620	435,812	45.11	45.11
Andy Viner	225,000	–	14,123	196,620	435,743	45.12	45.12
Michael Atkins#	18,292	–	–	–	18,292	–	–
Andrew Chapman*	10,753	–		–	10,753	–	–
Total	479,045	–	28,315	393,240	900,600	–	–

\# Resigned 30 November 2010

* Appointed 17 December 2009

Executives							
Andrew Chapman	69,800	–	–		69,800		
Mark Sampson #	162,585	–	11,692	49,624	223,901	22.16	22.16
David Fielding*	30,767	–	2,769	–	33,536	–	–
Frank Sibbel**	57,041	–	–	–	57,041	–	–
Total	320,193	–	14,461	49,624	384,278	–	–

* Appointed 12 April 2010

** Appointed 15 January 2010

\# Resigned 16 April 2010

2009	Short Term Benefits		Post-employment Benefits	Share–based payments			
Key Management Person	**Salary & Fees**	**Non-monetary benefits**	**Super-annuation**	**Options**	**Total**	**% Performance Related**	**% of Remuneration that consists of options**
Directors							
Paul Poli*	122,233	–	7,937	486,240	616,410	78.88	78.88
Andy Viner*	158,259	–	12,155	243,120	413,534	58.79	58.79
Michael Atkins	63,810	–	–	215,556	279,366	77.16	77.16
Richard Alter**	12,091	–		–	12,091	–	–
Stanley Lewis**	23,083	–	–	–	23,083	–	–
Trevor Matthews**	12,441	–	–	–	12,441	–	–
Total	391,917	–	20,092	944,916	1,356,925	–	–
Executives							
Andrew Chapman	78,338	–	–	–	78,338	–	–
Mark Sampson	256,967	–	–	80,834	337,801	23.93	23.93
Mario Pirone**	115,795	–	–	82,399	198,194	41.57	41.57
Total	451,100	–	–	163,233	614,333	–	–

* Appointed 23 December 2008

** Resigned 23 December 2008

Compensation options - audited

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

2010	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date Cents	Exercise Price Cents	First Exercise Date	Expiry Date
Paul Poli	1,000,000	1,000,000	26.11.09	19.67	27.3	26.11.09	26.11.12
Andy Viner	1,000,000	1,000,000	26.11.09	19.67	27.3	26.11.09	26.11.12
Mark Sampson	200,000	200,000	24.12.09	24.8	27.3	24.12.09	31.12.12

2009	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date Cents	Exercise Price Cents	First Exercise Date	Expiry Date
Paul Poli	800,000	800,000	24.12.08	8.0	35	24.12.08	01.07.11
Paul Poli	4,000,000	4,000,000	24.12.08	8.7	50	24.12.08	01.07.12
Paul Poli	1,333,333	1,333,333	09.01.09	5.7	35	09.01.09	01.07.11
Andy Viner	400,000	400,000	24.12.08	8.0	35	24.12.08	01.07.11
Andy Viner	2,000,000	2,000,000	24.12.08	8.7	50	24.12.08	01.07.12
Andy Viner	666,667	666,667	09.01.09	5.7	35	09.01.09	01.07.11

The options issued during the 2010 financial year were issued for a consideration of 1.938 cents per option on the date of grant.

500,000 options were granted on 4 September 2010 with an exercise price of $0.40 each expiring 31 August 2013 to key management personnel. These options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment in accordance with the Company's employee share option plan.

Factors and Assumptions

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Option Life	Fair Value Option	Exercise Price	Price of Share Date of Grant	Expected Volatility	Risk – free Interest Rate	Dividend Yield
26.11.09	3 years	0.197	$0.273	$0.265	100%	5.00%	–
24.12.09	3 years	0.248	$0.273	$0.32	100%	5.00%	–

B Shares Issued on Exercise of Compensation Options - audited

No options were exercised during the year that were granted as compensation in the current or prior periods.

C Analysis of options and rights over equity instruments granted as compensation - audited

Details of vesting profiles of the options granted as remuneration to each key management person to the Group and each of the named Company executives and Group executives are detailed below:–

Directors	Options Granted Number	Date	% vested in year	% forfeited in year (A)	Financial years in which grant vests
Paul Poli	1,000,000	26.11.09	100%	–%	26.11.09
Andy Viner	1,000,000	26.11.09	100%	–%	26.11.09
Mark Sampson	200,000	24.12.09	100%	–%	24.12.09

A The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

D Analysis of movements in options - audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and each of the five named Company executives and relevant Group executives is detailed below.

	Granted in year $ (A)	Value of Options Exercised in year $ (B)	Lapsed in year $ (C)
Paul Poli	196,620	–	–
Andy Viner	196,620	–	–
	393,240	–	–

A The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model. The total value of the options granted is included in the table above.

B The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

C The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a binominal option-pricing model assuming the performance criteria had been achieved. No options lapsed in the year.

Directors' Interests in Shares and Options of the Company - unaudited

Particulars relating to:

- Shares in Matsa or in a body corporate that is related to Matsa in which a Director has a relevant interest and the nature and extent of that interest; and
- Relevant interests held in equity securities and other securities with rights of conversion to equity in Matsa at the date of this report are:

2010		Options Over Ordinary Shares				
	Ordinary Shares	26/11/2012 Exercisable at $0.273	01/07/2011 Exercisable at $0.35	01/07/2012 Exercisable at $0.50	05/12/2010 Exercisable at $0.50	05/12/2010 Exercisable at $1.00
M Atkins	–		–	–	400,000	400,000
P Poli	10,260,933	1,000,000	3,747,733	4,000,000	–	–
A Viner	3,100,500	1,000,000	1,066,667	2,000,000	–	–

2009		Options Over Ordinary Shares			
	Ordinary Shares	01/07/2011 Exercisable at $0.35	01/07/2012 Exercisable at $0.50	05/12/2010 Exercisable at $0.50	05/12/2010 Exercisable at $1.00
M Atkins	–	–	–	400,000	400,000
P Poli	9,945,933	3,747,733	4,000,000	–	–
A Viner	3,060,500	1,066,667	2,000,000	–	–

The material contracts involving Directors' interests during the financial year and up to the date of the Directors' Report are disclosed in Note 26 of the financial statements and elsewhere in the Matsa 2010 Annual 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 officer 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 as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional 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 2010:

Taxation services $7,858

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 33.

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

Paul Poli
Executive Chairman
Dated this 30th day of September 2010.

ORD PARTNERS
CHARTERED ACCOUNTANTS

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To the Board of Directors of Matsa Resources Limited

Dear Sirs

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2010, there have been:

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

Yours faithfully
ORD PARTNERS

Robert Parker
Partner

Perth, 30 September 2010

	Notes	2010 $	2009 $
Other income	5(a)	315,747	316,497
Depreciation expense	5(b)	(106,998)	(26,613)
Other expenses	5(c)	(4,759,203)	(7,547,855)
Results from operating activities		(4,550,454)	(7,254,915)
Finance income	5(a)	111,454	36,602
Finance costs		(13,195)	(3,056)
Net finance income		98,259	33,546
Loss before income tax expense		(4,452,195)	(7,221,369)
Income tax expense	6	–	–
Net Loss for the period attributable to equity holders of the company		(4,452,195)	(7,221,369)
Other comprehensive income		–	–
Total comprehensive loss for the period attributable to equity holders of the company		(4,452,195)	(7,221,369)
		Cents	Cents
Basic loss per share	17	(4.0)	(5.3)
Diluted loss per share	17	(4.0)	(5.3)

The accompanying notes form part of these financial statements.

	Notes	2010 $	2009 $
Current assets			
Cash and cash equivalents	21	3,671,437	806,351
Trade and other receivables	7	437,580	104,338
Other current assets	8	677,778	331,888
Total current assets		4,786,795	1,242,577
Non-current assets			
Exploration and evaluation asset	9	12,891,349	12,871,497
Property, plant and equipment	10	333,655	212,424
Total non-current assets		13,225,004	13,083,921
Total assets		18,011,799	14,326,498
Current liabilities			
Trade and other payables	11	511,945	664,098
Borrowings	12	85,941	321,380
Provisions	13	71,739	66,420
Total current liabilities		669,625	1,051,898
Non-current liabilities			
Borrowings	12	60,892	111,081
Total non-current liabilities		60,892	111,081
Total liabilities		730,517	1,162,979
Net assets		17,281,282	13,163,519
Equity			
Issued capital	14	33,987,518	26,314,908
Reserves	15	4,212,921	3,315,573
Accumulated losses	16	(20,919,157)	(16,466,562)
Total equity		17,281,282	13,163,519

The accompanying notes form part of these financial statements.

	Issued Capital Ordinary $	Accumulated Losses $	Equity Settled Benefits Reserve $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2009	26,314,908	(16,466,962)	3,276,587	38,986	13,163,519
Comprehensive loss for the period	–	(4,452,195)	–	(165)	(4,452,360)
Total comprehensive loss for the period	–	(4,452,195)	–	(165)	(4,452,360)
Transactions with owners recorded directly in equity					
Shares issued during the period	7,790,134	–	–	–	7,790,134
Options issued during the period	–	–	66,860	–	66,860
Capital raising costs during the period	(117,524)	–	–	–	(117,524)
Share based payment	–	–	830,653	–	830,653
Balance at 30 June 2010	33,987,518	(20,919,157)	4,174,100	38,821	17,281,282
Balance at 1 July 2008	18,869,626	(9,245,323)	1,475,237	38,550	11,138,090
Comprehensive loss for the period	–	(7,221,369)	–	436	(7,220,933)
Total comprehensive loss for the period	–	(7,221,369)	–	436	(7,220,933)
Transactions with owners recorded directly in equity					
Shares issued during the period	6,074,500	–	–	–	6,074,500
Capital raising costs during the period	(77,218)	–	–	–	(77,218)
Equity settled transaction	1,448,000	–	1,801,350	–	3,249,350
Balance at 30 June 2009	26,314,908	(16,466,962)	3,276,587	38,986	13,163,519

The accompanying notes form part of these financial statements.

	Notes	2010 $	2009 $
Cash flows from operating activities			
Other income		250	220
Payments to suppliers and employees		(1,375,604)	(1,084,629)
Interest received		71,697	35,390
Net cash used in operating activities	21	(1,303,657)	(1,049,019)
Cash flows from investing activities			
Proceeds from sale of exploration and evaluation assets		–	200,000
Deposits for application licences		(510,286)	–
Purchase of plant and equipment		(226,885)	(8,060)
Exploration and evaluation expenditure (capitalised)		(2,429,358)	(2,287,519)
Payment for subsidiary - net of cash received		–	(145,786)
Proceeds on sale of plant and equipment		700	0
Deposits for fixed term guarantees		33,091	(49,152)
Net cash used in investing activities		(3,132,738)	(2,290,517)
Cash flows from financing activities			
Proceeds from issue of shares		7,413,810	3,007,000
Proceeds on issue of options		66,698	–
Capital raising costs		(141,457)	(77,218)
Proceeds from borrowings		–	248,057
Repayment of borrowings		–	(50,000)
Proceeds from lease liabilities		(37,570)	(11,000)
Net cash provided by financing activities		7,301,481	3,116,839
Net increase/(decrease) in cash and cash equivalents		2,865,086	(222,697)
Cash and cash equivalents at beginning of financial year		806,351	1,029,048
Cash and cash equivalents at end of financial year	21	3,671,437	806,351

The accompanying notes form part of these financial statements.

1 REPORTING ENTITY

Matsa Resources Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity").

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board.

The consolidated financial statements were approved by the Board of Directors on 30 September 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars which is the functional currency of all the companies in the Group.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 9 Deferred exploration and evaluation costs

Note 13 Provisions

Note 18 Capital commitments

Note 22 Business combination

Note 24 Valuation of financial instruments

Note 25 Measurement of share based payments

(e) Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net loss after tax for the year ended 30 June 2010 of $4,452,195 (2009: $7,221,369) and experienced net cash outflows from operating and exploration activities of $4,436,395 (2009: $3,339,536).

The ability of the consolidated entity to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the consolidated entity to secure further working capital by the issue of additional equities, securing debt, to develop projects to generate positive cash flows, secure proceeds from the sale of non-core assets, or a combination of each.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the consolidated entity will secure sufficient working capital from one or more of the above sources.

2 BASIS OF PREPARATION *continued*

Notwithstanding this, at the date of these accounts there is inherent uncertainty whether the consolidated entity will be able to continue as a going concern.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern.

(f) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adopt at 30 June 2010 but have not been applied in preparing this financial report.

These are outlined in the table below.

Reference	Title	Summary	Impact on Consolidated Entity financial report	Application Date of Standard	Application Date for Consolidated Entity
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009	1 July 2010
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2010	1 July 2010

2 BASIS OF PREPARATION *continued*

Reference	Title	Summary	Impact on Consolidated Entity financial report	Application Date of Standard	Application Date for Consolidated Entity
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2015	1 January 2015
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which include: • two categories for financial assets being amortised cost or fair value • removal of the requirement to separate embedded derivatives in financial assets • strict requirements to determine which financial assets can be classified as amortised cost or fair value; financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows • an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition • reclassification between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes • changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2013	1 January 2013
AASB 2009-12	Amendments to Australian Accounting Standards	This amendment makes numerous editorial changes to a ranges of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2011	1 January 2011

2 BASIS OF PREPARATION *continued*

Reference	Title	Summary	Impact on Consolidated Entity financial report	Application Date of Standard	Application Date for Consolidated Entity
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of IAS39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010	1 January 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010	1 July 2010
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2011	1 July 2010

2 BASIS OF PREPARATION *continued*

Reference	Title	Summary	Impact on Consolidated Entity financial report	Application Date of Standard	Application Date for Consolidated Entity
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntary) i.e., split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB Revised is not restated. Eliminates the requirements to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 1010	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and quality AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present and analysis of other comprehensive income for each components of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2013	1 July 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods, presented in these consolidated financial statements, and have been applied consistently across the Group except as noted in Note 3(b) and 3(r) relating to changes in accounting policies. The financial report includes financial statements for the consolidated entity consisting of the Company and its subsidiaries.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(a) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2010 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as "the Group".

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries are consistent with the parent.

(b) Segment Reporting

Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Executive Chairman, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

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 CEO 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 CEO 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.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are expensed.

Except for non-current assets classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Where settlement of any part of consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(d) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the consolidated entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company and Group's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in statement of comprehensive income.

Foreign operations

The financial results and position of foreign operations whose functional currency is different from the economic entity's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the economic entity's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(e) 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 transactions 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

Other

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

(f) Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Impairment of non-financial assets other than goodwill

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks with maturity dates of less than 3 months.

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

(j) 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. Details of the Group's interest are shown at Note 19.

(k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Land and buildings are measured on the cost basis.

Plant and equipment

Plant and equipment are measured on the cost basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	5%
Plant and equipment	18.75%-33.3%
Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(l) Exploration, evaluation and development expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Company in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resources are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each area of interest. An area of interest is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied.

(a) The rights to tenure of the area of interest are current; and

(b) At least one of the following conditions is also met:-

   (i) The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; and

   (ii) Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of "economically recoverable reserves" and active and significant operations, in or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Exploratory drilling, trenching and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. As the assets are not yet ready for use, they are not depreciated. Assets that are classified as tangible assets include:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

- Piping and pumps;
- Tanks; and
- Exploration vehicles and drilling equipment.

Assets that are classified as intangible assets include:-

- Drilling rights;
- Acquired rights to explore;
- Exploratory drilling costs; and
- Trenching and sampling costs.

Borrowing costs incurred in connection with the financing of exploration and evaluation activities are expensed as incurred.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

Where potential impairment is indicated, an assessment is performed for each cash generating unit which is no larger than the area of interest. The company performs impairment testing in accordance with the accounting policy 3(k)(ii).

(m) Trade and other payables

Trade payables 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.

(n) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(o) 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.

(p) Provisions

Provisions are recognised when the economic entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(q) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligation includes the costs of removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relation to exploration and development is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligations arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(r) Share-based payment transactions

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(s) 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(t) Income tax

The charge for current income tax expenses is based on the results for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax income will be available against which deductible temporary differences can be utilised.

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.

(u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(v) Earnings per share

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

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

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

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

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 makers) in assessing performance and determining the allocation of resources.

The Group operates primarily in mineral exploration in Western Australia. The Group has also applied for exploration licences in Thailand but at this stage they have not been granted. The total assets relating to the Thailand operations are approximately 5% of the Group's total assets. 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 in Western Australia. The financial information presented in the statement of comprehensive income and statement of financial position is the same as that presented to chief operating decision maker.

4 Segment reporting *continued*

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

	2010 $	2009 $
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		
Forgiveness of interest on convertible notes	–	316,277
R&D tax credit refund	315,747	–
Other income	–	220
Total sales revenue	315,747	316,497
(b) Finance income		
Interest received from other persons	111,454	36,602
	111,454	36,602
(c) Expenses included in the statement of comprehensive income		
Depreciation of plant and equipment	106,998	26,613
(d) Other expenses		
(i) Employee benefits expense		
Salaries and wages	562,298	300,717
Superannuation expenses	28,921	15,947
Share based payments	830,653	1,482,150
Total employee benefits	1,421,872	1,798,814
(ii) Administration and other expenses		
Operating lease rentals – minimum lease payments	96,319	74,360
Administration expenses	876,181	732,996
Exploration expenditure written off	620,020	2,872,567
Finance expenses	13,195	3,107
Provision for doubtful debts	8,524	–
Provision for impairment of goodwill	–	590,216
Loss on disposal of plant and equipment	268	–
Provision for impairment on exploration projects	1,595,252	1,425,795
Impairment on deposits	127,572	–
Net loss on disposal of exploration and evaluation assets	–	50,000
	3,337,331	5,749,041
	4,759,203	7,547,855

		2010 $	2009 $
6	**Income taxes**		
	Tax expense/(income) comprises:		
	Current tax expense/(income)	–	–
	Deferred tax expense/(income)	–	–
	Net deferred tax liability	–	–
	Income tax recognised in profit or loss		
	The prima facie income tax expense/(income) on the pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(income) in the financial statements as follows:		
	Loss from continuing operations	(4,452,195)	(7,221,369)
	Income tax expense calculated at 30%	(1,335,658)	(2,166,411)
	Under provision from prior year	836,684	–
	Section 40-880 expenses	(119,116)	58,000
	Exploration expenses (5,903)	(356,000)	
	Effect of expenses that are not deductible in determining taxable profit	193,533	(561,000)
	Effect of revenues that are not assessable in determining taxable profit	(94,724)	(22,000)
	Effect of unused tax losses and tax offsets not recognised as deferred tax assets	525,184	1,925,411
		–	–

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. There has been no change in the corporate tax rate when compared with the previous reporting period.

		2010 $	2009 $
	Unrecognised deferred tax assets/(liabilities)		
	The following deferred tax assets have not been brought to account:		
	Tax losses - revenue	8,212,794	7,687,611
	Temporary differences - exploration	(3,867,405)	(3,861,449)
	Temporary differences	35,404	111,449
	Section 40-880 expenses	207,921	210,389
		4,588,714	4,148,000
7	**Trade and other receivables**		
	Current		
	Trade receivables	–	4,083
	Amounts receivable from Australian Taxation Authorities	390,342	75,400
	Other receivables	47,238	24,905
		437,580	104,388

(i) Promissory note

The Company holds a promissory note from Australian Strategic and Precious Metals Investments Pty Ltd ('ASPMI') a wholly-owned subsidiary of the Company. The terms of the promissory note are 8% interest, or a reduced rate of 3% interest unless a default has occurred, payable monthly in arrears with the principal repayable the earlier to occur of 21 days from the date the Company delivers to ASPMI a written demand for full and final payment or the closing of ASPMI's initial public offering.

		2010 $	2009 $
8	**Other current assets**		
	Prepayments	12,064	15,797
	Cash backed performance bond (i)	283,000	316,091
	Deposits held (ii)	382,714	–
		677,778	331,888

(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 the deposits will be returned to the Company. An impairment of $127,572 has been made against the deposits held of $510,286.

		2010 $	2009 $
9	**Exploration and evaluation asset**		
	Exploration expenditure capitalised at cost		
	– exploration and evaluation phase	12,891,349	12,871,497
		12,891,349	12,871,497
	Movements in carrying amounts		
	Exploration and evaluation phase		
	Balance at beginning of year	12,871,497	13,757,340
	Purchase of tenements	–	1,125,264
	Exploration and evaluation incurred	2,235,124	2,287,255
	Expenditure written off	(620,020)	(2,872,567)
	Provision for impairment	(1,595,252)	(1,425,795)
	Balance at end of year	12,891,349	12,871,497

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 $1,595,252 (2009: $1,425,795) in the financial year.

		2010 $	2009 $
10	**Property, plant and equipment**		
	Buildings at cost	11,000	11,000
	Accumulated depreciation	(1,650)	(1,100)
		9,350	9,900
	Plant and equipment at cost	550,248	322,488
	Accumulated depreciation	(225,943)	(119,964)
		324,305	202,524
	Total property, plant and equipment	333,655	212,424

Movements in carrying amounts

	Buildings $	Plant and Equipment $	Total $
Consolidated			
Balance 1 July 2008	11,000	12,112	23,112
Additions	–	215,925	215,925
Depreciation expense	(1,100)	(25,513)	(26,613)
Balance at 30 June 2009	9,900	202,524	212,424
Additions	–	228,661	228,661
Disposals	–	(432)	(432)
Depreciation expense	(550)	(106,448)	(106,998)
Balance 30 June 2010	9,350	324,305	333,655

	2010 $	2009 $
11 Trade and other payables		
Unsecured liabilities		
Trade payables	385,232	278,602
Sundry creditors and accrued expenses	126,713	385,496
	511,945	664,098
12 Borrowings		
Current		
Secured liabilities		
Finance lease liabilities (iii)	85,941	73,323
Unsecured loans (i)	–	248,057
Convertible notes (ii)	–	–
	85,941	321,380
Non Current		
Secured liabilities		
Finance lease liabilities (iii)	60,892	111,081
	60,892	111,081

(i) The Company had two unsecured loans with directors and former directors of the Company. The loans attract no interest and were repaid via the issue of ordinary shares in the Company on the 24 July 2009 following receipt of shareholder approval.

12 Borrowings *continued*

(ii) The Company issued to RASL AU LLC ('RASL'), as part of the consideration to acquire 100% of the issued capital of Australian Gold Investments Pty Ltd (now Australian Strategic and Precious Metals Investments Pty Ltd ('ASPMI')), 12 convertible notes to a face value of $3,000,000 with an 8% attaching coupon (payable quarterly) redeemable 36 months after settlement or convertible into 30,000,000 fully paid ordinary shares in the Company at any time between 12 and 36 months after settlement. As part of the acquisition of Matsa Resources (Aust) Ltd, RASL converted its note into ordinary shares and waived the accrued interest on the convertible notes. This occurred in the 2009 financial year.

(iii) The finance lease liabilities are secured over the Company's motor vehicles and computer equipment.

	2010 $	2009 $
13 Provisions		
Provision for employee benefits	35,739	30,420
Provision for mine restoration	36,000	36,000
	71,739	66,420
Movement in provision		
Provision for mine restoration		
Opening balance 1 July	36,000	44,000
Reduction in provision	–	–
Expenditure on restoration	–	(8,000)
Closing balance 30 June	36,000	36,000

A provision has been recognised for the costs to be incurred for the restoration of the Jackpot mine site. It is anticipated that restoration will be complete within 12 months.

	2010	**2009**	**2010**	**2009**
14 Issued capital				
119,010,963 (2009: 88,561,143) fully paid ordinary shares	33,987,518	26,314,908	33,987,518	2,614,908
	No.	**No.**	**$**	**$**
Ordinary shares				
At the beginning of reporting period	88,561,143	174,780,277	26,314,908	18,869,626
Placement of shares	25,072,236	10,250,000	6,935,160	304,000
Conversion of convertible notes	–	30,000,000	–	3,000,000
Shares issued to acquire subsidiary	–	80,000,000	–	1,448,000
Consolidation of share capital	–	(236,024,134)	–	–
Shares issued lieu of services	987,012	450,000	307,005	67,500
Placement of shares	–	19,175,000	–	1,710,000
Shares issued pursuant to a share purchase plan	1,860,000	9,930,000	465,000	993,000
Shares issued as repayment of loans	2,480,572	–	248,057	–
Shares issued on exercise of options	50,000	–	13,650	–
Transaction costs	–	–	(296,262)	(77,218)
At reporting date	119,010,963	88,561,143	33,987,518	26,314,908

14 Issued capital *continued*

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

Options

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

Exercise Price	Expiry Date	Balance at beginning of year	Issued	Exercised	Lapsed	Balance at end of year
$0.50	5 Dec 2010	660,000	–	–	–	660,000
$1.00	5 Dec 2010	660,000	–	–	–	660,000
$0.625	16 Apr 2011	250,000	–	–	–	250,000
$0.75	16 Apr 2011	250,000	–	–	–	250,000
$1.00	16 Apr 2011	250,000	–	–	–	250,000
$0.35	1 July 2011	7,800,000	–	–	–	7,800,000
$0.50	1 July 2012	9,000,000	–	–	–	9,000,000
$0.273	26 Nov 2012	–	2,000,000	–	–	2,000,000
$0.273	31 Dec 2012	–	1,450,000	(50,000)	–	1,400,000

	2010 $	2009 $
15 Reserves		
Equity settled transaction	4,174,100	3,276,587
Foreign currency translation	38,821	38,986
	4,212,921	3,315,573
Equity settled transaction reserve		
Balance at beginning of financial year	3,276,587	1,475,237
Share based payment	897,513	1,801,350
Balance at end of financial year	4,174,100	3,276,587

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

	2010 $	2009 $
Foreign currency translation reserve		
Balance at beginning of financial year	38,986	38,550
Translation of foreign operations	(165)	436
Balance at end of financial year	38,821	38,986

Exchange differences relating to the translation from the functional currency of the Group's foreign controlled entity into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

16 Accumulated losses

	2010 $	2009 $
Accumulated losses at beginning of financial year	16,466,962	9,245,593
Loss for the year	4,452,195	7,221,369
Accumulated losses at end of financial year	20,919,157	16,466,962

	2010 $	2009 $

17 Loss per share

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

	2010 $	2009 $
Loss	(4,452,195)	(7,221,369)
	No.	**No.**
Weighted average number of ordinary shares	110,436,250	137,248,334

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.

18 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 $1,346,582 (2009: $1,567,000). 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.

	2010 $	2009 $
Finance lease commitments		
Commitments in relation to finance leases are payable as follows:		
Within one year	95,675	98,714
Later than one year but not later than five years	51,158	85,690
Later than five years	–	–
Minimum lease payments	146,833	184,404
Future finance charges	13,932	23,375
Recognised as a liability		
Representing lease liabilities:		
Current (note 13)	85,941	73,323
Non-current (note 13)	60,892	111,081
	146,833	184,404

Contingencies

There are no contingent assets or contingent liabilities as at 30 June 2010.

19 Interest in joint venture

The consolidated entity had the following interests in joint venture operations at year end:

		Percentage Interest (%)	
Joint Venture Party	**Activities**	**2010**	**2009**
Metro Energy	Oil and Gas Exploration	75	75

19 Interest in joint venture *continued*

The joint venture is by way of jointly controlled assets. They are structured by way of contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit. The consolidated entity wrote off its interest in the joint venture during the 2007 financial year and accordingly has no joint venture assets or liabilities at balance date.

20 Subsidiaries

	Country of Incorporation	Percentage Owned (%) 2010	2009
Parent Entity			
Matsa Resources Limited	Australia		
Subsidiary			
KAL Energy Pty Ltd	Australia	100	100
USA KAL Energy Inc	United States of America	100	100
Australian Strategic and Precious Metals Investments Pty Ltd	Australia	100	100
Matsa Resources (Aust) Pty Ltd	Australia	100	100
Matsa Iron Pty Ltd	Australia	100	100
Matsa (Thailand) Co Ltd	Thailand	100	100
PVK Mining Loei Co Ltd	Thailand	100	100
Khlong Tabaek Co Ltd	Thailand	95	–
Paisali Mining Co Ltd	Thailand	95	–

	2010 $	2009 $

21 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:

	2010 $	2009 $
Cash and cash equivalents	3,671,437	806,351

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

	2010 $	2009 $
Loss for year	(4,452,195)	(7,221,369)
Non-cash flows in loss from ordinary activities:		
Provision for doubtful debt	8,524	–
Share-based payments	830,653	1,482,150
Depreciation	106,998	26,613
Exploration expenditure written off	620,020	2,872,567
Provision for impairment	1,722,824	1,425,795
Impairment of goodwill	–	590,216
Equity issued in lieu of services	427,005	67,500
Equity issued in lieu of repayment of loans	248,057	–
Net loss on disposal of exploration and evaluation asset	–	50,000
Forgiveness of convertible note interest	–	(316,277)
Net gain/(loss) on disposal of plant and equipment	(268)	–
Changes in assets and liabilities:		
Decrease (increase) in receivables	(333,192)	52,865
Decrease (increase) in prepayments	2,449	(11,422)
Increase (decrease) in trade creditors and accruals	(489,851)	(84,943)
Increase (decrease) in provisions	5,319	(17,281)
Cash flow from operations	(1,303,657)	(1,049,019)

Subsidiaries acquired

During the 2009 financial year, the Group acquired Matsa Resources (Aust) Ltd. The net cash outflow on acquisition was $151,682. Refer note 22 for further details of this acquisition.

Non-cash financing and investing activities

During the financial year 600,000 (2009: 450,000) shares were issued in lieu of consultancy services provided.

During the financial year 387,012 shares were issued in lieu of a placement fee.

During the financial year 2,480,572 shares were issued as repayment of outstanding loans.

During the 2009 financial year 80,000,000 shares and 20,000,000 options were issued to acquire a subsidiary. Refer to note 23 for further details of this acquisition.

During the 2009 financial year 30,000,000 shares were issued on conversion of $3,000,000 worth of convertible notes.

22 Business Combination

Acquisition of Matsa Resources (Aust.) Limited (formerly Matsa Resources Limited)

Following shareholder approval on 18 December 2008 the Company acquired 100% of Matsa Resources (Aust.) Limited on 23 December 2008.

The total cost of the combination was $1,918,882 and comprised an issue of equity instruments of $1,767,200 and costs of $151,682 directly attributable to the acquisition. The Company issued 80 million ordinary shares with a fair value of 1.81 cents per share, based on the weighted average quoted price of the shares of the Company for the five business days prior to settlement. In addition 20 million options with a fair value of 1.59 cents were issued with an exercise price of 7 cents each expiring 1 July 2011. The options have a fair value of $319,200.

The fair value of the identifiable assets and liabilities of Matsa Resources (Aust.) Limited at the date of acquisition are:

	Consolidated		
	Recognised on Acquisition	**Fair Value Adjustment**	**Pre-Acquisition Carrying Value**
Cash and cash equivalents	5,896	–	5,896
Trade and other receivables	37,026	–	37,026
Plant and equipment	65,401	–	65,401
Exploration and evaluation assets	1,450,000	533,036	916,964
Other financial assets	21,146	–	21,146
	1,579,469	533,036	1,046,433
Trade payables	(189,406)	–	(189,406)
Provisions	(11,397)	–	(11,397)
Borrowings	(50,000)	–	(50,000)
	(250,803)	–	(250,803)
Fair value of identifiable net assets	1,328,666	533,036	795,630
Cost of the combination	1,918,882		
Goodwill	590,216		

The cash outflow on acquisition is as follows

Cash payments for interest acquired	(151,682)
Net cash acquired with the subsidiary	5,896
Net cash outflow	(145,786)

For the period in which it was part of the consolidated entity, Matsa Resources (Aust) Limited contributed $296,621 to the consolidated loss for the period.

Reconciliation of Goodwill on Acquisition

Balance at beginning of period	–
Goodwill on acquisition	590,216
Write-off of goodwill on acquisition	(590,216)
Balance at end of period	–

Goodwill on acquisition was written off as the underlying assets of the entity did not support the carrying of any goodwill.

23 Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2010 the parent company of the Group was Matsa Resources Limited.

	Company	
	2010 $	**2009 $**
Result of the parent Entity		
Profit/(loss) for the period	(4,254,741)	(8,441,148)
Other comprehensive income	–	–
Total comprehensive income for the period	–	–
Financial position of parent entity at year end		
Current assets	5,002,347	972,281
Total assets	16,179,484	12,289,470
Current liabilities	668,569	1,071,284
Total liabilities	757,007	1,182,365
Total equity of the parent entity comprising of:		
Share capital	33,987,518	26,314,908
Reserves	4,174,100	3,276,587
Retained earnings	(22,739,141)	(18,484,390)
Total equity	15,422,477	11,107,105

24 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 receivables from customers and investment securities.

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.

The Group have established an allowance for impairment that represents their estimate of incurred losses in respect of other inter-company receivables and investments. Although management believe that the exploration activities of subsidiaries will be successful, the projects have not reached a stage to make such an assessment. Accordingly, the intercompany loans were impaired in-line with the write-off of capitalised exploration expenditure.

24 Financial instruments *continued*

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 2010	2009
	$	$
Trade and other receivables	437,580	104,338
Cash and cash equivalents	3,671,437	806,351
Deposits held	510,286	–
Impairment of deposits (refer Note 8 (ii))	(127,572)	–

None of the Group's other receivables are past due (2009: 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 Group repaid its convertible notes with RASL AU LLC during the 2009 financial year via conversion of the convertible notes into ordinary shares.

The Company had unsecured loans with directors Paul Poli and Andy Viner which are not interest bearing and are unsecured. These loans were repaid during the year via the issue of ordinary shares. The Company has lease assets financed by way of finance leases and have taken out a premium funding facility over their insurance requirements.

The Company anticipates a need to raise additional capital in the next 12 months to meet forecast operational and exploration activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

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

30 June 2010

	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	511,945	511,945	511,945	–	–	–
Finance lease liabilities	9.2%	146,833	146,833	42,564	43,377	41,920	18,972
		658,778	658,778	554,509	43,377	41,920	18,972
30 June 2009							
Convertible notes	8%	–	–	–	–	–	–
Trade and other payables	N/A	664,098	664,098	664,098	–	–	–
Finance lease liabilities	9.2%	184,404	184,404	41,194	32,129	44,148	66,933
Unsecured loans		248,057	248,057	248,057	–	–	–
		1,096,559	1,096,559	953,349	32,129	44,148	66,933

24 Financial instruments *continued*

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	
	2010	**2009**
	$	**$**
Trade and other receivables	534,574	12,714
Cash and cash equivalents	16,964	5,459

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 measurement currency.

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 and the convertible notes carried a fixed rate of interest of 8% per annum in the prior year.

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:

Fixed rate instruments		
Cash and cash equivalents	–	–
Cash backed performance bonds	283,000	316,091
	283,000	316,091
Variable rate instruments		
Cash and cash equivalents	3,671,437	806,351
Cash backed performance bonds	–	–
	3,671,437	806,351

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.

A change of 100 basis points in interest rates would have increased or decreased the Group's equity and profit or loss by $2,830(2009: $3,160).

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 for 2009.

24 Financial instruments *continued*

	Profit or loss		Equity	
	100bp increase $	100bp decrease $	100bp increase $	100bp decrease $
30 June 2010				
Variable rate instruments	3,671	(3,671)	3,671	(3,671)
30 June 2009				
Variable rate instruments	806	(806)	806	(806)

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 ad 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 fair value if these instruments is considered to approximate its fair value.

(ii) Loans receivable from controlled entities:

The loan receivables from controlled entities are repayable on demand. As a result the fair value of these to approximate its fair value.

Sensitivity analysis

The Group's equity investments are not listed on the Australian Securities Exchange hence there is no effect on the value of the equity.

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 other than the convertible notes which have a fixed interest rate.

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.

25 Share-based payments

(a) Employee Share Option Plan

The Group has an Employee Share Option Plan (ESOP) for the granting of options to staff members, directors and consultants. Options issued under the ESOP vest as follows:

(i) either upon the expiration of 12 or 24 months from the date the options were issued or on 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. During the year a number of options were issued for a small consideration.

25 Share-based payments *continued*

(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.

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 Note 26(g).

	2010 Number of Options	2010 Weighted Average Exercise Price $	2009 Number of Options	2009 Weighted Average Exercise Price $
Outstanding at the beginning of the year	370,000	0.75	1,850,000	0.15
Granted	1,450,000	0.273	–	–
Consolidation of share capital	–	–	(1,480,000)	–
Exercised	(50,000)	0.273	–	–
Expired	–	–	–	–
Outstanding at year-end	1,770,000	0.37	370,000	0.75
Exercisable at year-end	1,770,000	0.37	370,000	0.75

During the 2009 financial year there was a consolidation of the Company's share capital on a 1 for 5 basis.

The outstanding balance as at 30 June 2010 is represented by the following options over ordinary shares, exercisable upon meeting the above terms and conditions:

- 110,000 options with an exercise price of $0.50 each, and with an expiry date of 5 December 2010. All have vested and are exercisable at balance date.
- 110,000 options with an exercise price of $1.00 each, and with an expiry date of 5 December 2010. All have vested and are exercisable at balance date.
- 50,000 options with an exercise price of $0.625 each, and with an expiry date of 16 April 2011. All have vested and are exercisable at balance date.
- 50,000 options with an exercise price of $0.75 each, and with an expiry date of 16 April 2011. All have vested and are exercisable at balance date.

25 Share-based payments *continued*

- 50,000 options with an exercise price of $1.00 each, and with an expiry date of 16 April 2011. All have vested and are exercisable at balance date.
- 1,400,000 options with an exercise price of $0.273 each, and with an expiry date of 31 December 2012. All have vested and are exercisable at balance date.

(b) Weighted average remaining contract life

The weighted average remaining contract life for the share options outstanding at the end of the year is 2.1 years (2009: 1.6 years).

(c) Weighted average fair value of options granted

The weighted average fair value for the share options outstanding at the end of the year is $0.27 (2009: $0.37).

(d) Exercise prices

The weighted average exercise price for options outstanding at the end of the year was $0.37 (2009: $0.75).

(e) Option pricing model

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

30 June 2010

Grant Date	**24 December 2009**
Dividend yield (%)	–
Expected volatility (%)	100.00
Risk-free interest rate (%)	5.00
Expected life of options (years)	2
Option exercise price ($)	0.273
Share price at grant date ($)	0.32
Fair value at grant date ($)	0.2675

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value is pre-discount as there was a consideration paid by each option holder of 7.1% of the exercise price, namely 1.938 cents per option.

(f) Options Issued on Acquisition of Matsa Resources (Aust.) Ltd.

The Company acquired 100% of Matsa Resources (Aust.) Limited on 23 December 2008 via an issue of equity instruments of $1,767,200 consisting of 16 million ordinary shares and 4 million options with an exercise price of $0.35 each expiring 1 July 2011. The options have a fair value of $319,200.

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

Grant Date	**24.12.08**
Dividend yield (%)	–
Expected volatility (%)	100%
Risk-free interest rate (%)	3.01%
Expected life of options (years)	2.52 years
Option exercise price ($)	0.35
Share price at grant date ($)	0.18
Fair value at grant date ($)	0.08

The weighted average fair value of all options outstanding the end of the year was $0.48 (2009: $0.48).

25 Share-based payments *continued*

(g) Directors and Executives Option

In addition to the ESOP, the Company has issued options to Directors and Executives from time to time. The terms and conditions of those options vary between option holders.

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

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

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

(h) Summary of options issued to Directors and Executives

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

	2010 No.	2010 WAEP $	2009 No.	2009 WAEP $
Outstanding at 1 July	11,714,400	0.47	1,700,000	0.76
Granted during the year	2,200,000	0.273	10,614,400	0.45
Exercised during the year	–	–	–	–
Expired during the year	–	–	(600,000)	0.79
Outstanding at 30 June	13,914,400	0.46	11,714,400	0.48
Exercisable at 30 June	13,914,400	0.46	11,164,400	0.47

The following options were issued during 2009 and 2010.

Directors

2010

- 2,000,000 options over ordinary shares with an exercise price of $0.273 each, exercisable upon meeting the relevant conditions and until 26 November 2012.

2009

- 3,200,000 options over ordinary shares with an exercise price of $0.35 each, exercisable upon meeting the relevant conditions and until 1 July 2011.
- 6,000,000 options over ordinary shares with an exercise price of $0.50 each, exercisable upon meeting the relevant conditions and until 1 July 2012.

Executives

2010

- 200,000 options over ordinary shares with an exercise price of $0.273 each, exercisable upon meeting the relevant conditions and until 31 December 2012.

2009

There were no options issued to executive during the year.

(i) Summary of weighted average remaining contract life of options issued to Directors and Executives

The weighted average contractual life for the options outstanding at 30 June 2010 is 1.75 years (2009: 2.5 years).

25 Share-based payments *continued*

(j) Range of exercise price of options issued to Directors and Executives

The range of exercise prices for options outstanding the end of the year was $0.273 - $1.00 (2009: $0.35 - $1.00).

(k) Weighted average fair value of options granted to Directors and Executives

The weighted average fair value of options outstanding the end of the year was $0.14 (2009: $0.08).

(l) Option pricing of model of options issued to Directors and Executives

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

	2010		2009	
	Directors	**Executives**	**Directors**	**Executives**
Dividend yield (%)	–	–	–	–
Expected volatility (%)	100.00	100.00	100.00	–
Risk-free interest rate (%)	5.00	5.00	3.01	–
Expected life of options (years)	1.5	1.5	2.48, 2.52 and 3.52	–
Option exercise price ($)	0.273	0.273	0.35 and 0.50	-
Share price at grant date ($)	0.265	0.32	0.145 and 0.18	–
Fair value at grant date (c)	19.66	24.81	8, 9 and 6	–

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.

No other features of options granted were incorporated into the measurement of fair value.

	Consolidated	
	2010	**2009**
	$	**$**
Employee Expenses		
Share options granted in 2009		
– equity settled	–	729,360
Share options granted in 2010		
– equity settled	393,240	–
Total expense recognised as employee costs	393,240	729,360

26 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
Andy Viner	Executive Director
Michael Atkins	Non-Executive Director (resigned 30 November 2009)
Andrew Chapman	Director (appointed 17 December 2009)

26 Key management personnel *continued*

Executives

Andrew Chapman	Company Secretary and Chief Financial Officer
Frank Sibbel	Project Manager (appointed 15 January 2010)
David Fielding	Iron Ore Executive (appointed 12 April 2010)
Mark Sampson	Technical Manager (resigned 16 April 2010)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report on pages 24 to 31. These transferred disclosures have been audited.

	2010 $	2009 $
Compensation of Key Management Personnel		
Short-term employment benefits	799,238	843,017
Post-employment benefits	42,776	20,092
Share-based payment	442,864	1,108,149
	1,284,878	1,971,258

The Key management personnel receive no compensation in relation to the management of the Company. 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.

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.

Option holdings of key management personnel

	Balance 1 July No.	Granted as remuneration No.	Exercised No.	Net change other No.	Balance on Resignation No.	Balance 30 June No.	Vested & Exercisable No.	Not Exercisable No.
2010								
P Poli	7,747,733	1,000,000	–	–	–	8,747,733	8,747,733	–
A Viner	3,666,667	1,000,000	–	–	–	4,666,667	4,666,667	–
M Atkins	800,000	–	–	–	(800,000)	–	–	–
A Chapman	–	–	–	–	–	–	–	–
F Sibbel	–	–	–	–	–	–	–	–
D Fielding	–	–	–	–	–	–	–	–
M Sampson	300,000	200,000	–	–	(500,000)	–	–	–
	12,514,400	2,200,000	–	–	(1,300,000)	13,414,400	13,414,400	–
2009								
M Atkins	4,000,000	–	–	(3,200,000)	n/a	800,000	400,000	400,000
T Matthews	1,500,000	–	–	–	(1,500,000)	–	–	–
R Alter	–	–	–	–	–	–	–	–
S Lewis	–	–	–	–	–	–	–	–
P Poli	–	7,747,733	–	–	–	7,747,733	7,747,733	–
A Viner	–	3,666,667	–	–	–	3,666,667	3,666,667	–
A Chapman	–	–	–	–	–	–	–	–
M Sampson	3,600,000	–	–	(3,300,000)	–	300,000	150,000	150,000
M Pirone	3,000,000	–	–	(2,400,000)	(600,000)	–	–	–
	12,100,000	11,414,400	–	(8,900,000)	(2,100,000)	12,514,400	11,964,400	550,000

26 Key management personnel *continued*

Net change other was by way of acquisition on market and the share capital consolidation. During the 2009 financial year there was a consolidation of the Company's share capital on a 1 for 5 basis.

Shareholdings of key management personnel

	Balance 1 July No.	Granted as remuneration No.	Options Exercised No.	Net change other No.	Balance on Resignation No.	Balance 30 June No.
2010						
P Poli	9,770,933	–	–	435,000	–	10,205,933
A Viner	3,060,500	–	–	40,000	–	3,100,500
M Atkins	–	–	–	–	–	–
A Chapman	–	–	–	–	–	–
F Sibbel	–	–	–	–	–	–
D Fielding	–	–	–	–	–	–
M Sampson	125,106	72,000	–	(197,106)	–	–
	12,956,539	72,000	–	277,894	–	13,306,433
2009						
M Atkins	–	–	–	–	–	–
T Matthews	1,211,681	–	–	–	(1,211,681)	–
R Alter & S Lewis	50,000,000	–	–	–	(50,000,000)	–
P Poli	–	–	–	9,770,933	–	9,770,933
A Viner	–	–	–	3,060,500	–	3,060,500
A Chapman	–	–	–	–	–	–
M Sampson	625,133	–	–	(500,027)	–	125,106
M Pirone	–	–		–	–	–
	51,836,814	–	–	12,331,406	(51,211,681)	12,956,539

Convertible notes held by RASL AU LLC (of which R Alter and S Lewis are directors), with a face value of $3,000,000 were converted as part of the acquisition of Matsa Resources (Aust) Limited in the 2009 financial year. No other directors or key executives hold any convertible notes.

27 Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 20.

Key management personnel

Disclosures relating to key management personnel are set out in note 26.

Related parties

The following are related parties which are referred to in the body of this note:

- RASL AU LLC ('RASL') is a company wholly-owned by Richard Alter and Stanley Lewis (both former non-executive directors of the Company).
- Sampson Mining Pty Ltd ('Sampson Mining') is a company controlled by Mark Sampson (Technical Manager of the Company). This payment was terminated on 30 April 2009.
- Sky Capital Pty Ltd is a company controlled by Mario Pirone (former General Manager)

Transactions with related parties

The following transactions occurred with related parties:

		2010 $	2009 $
27	**Related party transactions** *continued*		
	Fees paid to Sky Capital for provision of office rent	–	16,502
	Sampson Mining provide the services of administrative staff (see Remuneration Report for executive services provided by the company).	–	42,000
	Loan (convertible note) from RASL		
	Beginning of year	–	3,316,277
	Loan advanced	–	–
	Interest charged (forgiven)	–	(316,277)
	Loan repayments by shares	–	(3,000,000)
	End of year	–	–

Terms and conditions

Transactions between related parties other than detailed below are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Refer to note 7 for details of the terms and conditions associated with the promissory note provided between Australian Strategic and Precious Metals Pty Ltd and the Company.

Arrangements with related parties continue to be in place.

During the period the following changes to these arrangements occurred.

	2010 $	2009 $
Loan (convertible note) from RASL		
Beginning of the period	–	3,316,277
Interest accrued	–	–
Forgiveness of interest accrued	–	(316,277)
Conversion of convertible notes into equity	–	(3,000,000)
End of period	–	–
Loan from RASL		
Beginning of the period	123,224	–
Loan funds advanced	–	123,224
Repayment of loan	(123,224)	–
End of period	–	123,224
Loan from Poli/Viner		
Beginning of the period	124,833	–
Loan funds advanced	–	124,833
Repayment of loan	(124,833)	–
End of period	–	124,833

Paul Poli, Andrew Viner and RASL were issued 2,480,572 fully paid ordinary shares on 23 July 2009 as consideration for the repayment of the above loans.

	2010 $	2009 $
28 Remuneration of auditors		
The auditor of Matsa Resources Limited is Ord Partners. Amounts received or due and receivable by Ord Partners for an audit or review of the entity and any other entity in the consolidated group.	50,001	42,097
Amounts received or due and receivable by related practices of Ord Corporate for:		
– tax compliance	7,858	4,500
	7,858	4,500
	57,859	46,597

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 24 to 30, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001;
   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
   (c) 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 2010.

Signed in accordance with a resolution of the directors;

Paul Poli

Executive Chairman

Perth, 30 September 2010

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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 1 to 28 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 in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), 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, 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. These Auditing 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, the auditor considers internal control 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 control. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

O R D
PARTNERS
CHARTERED ACCOUNTANTS

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's 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 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the remuneration report

We have audited the remuneration report included in sections A to D of the directors' report for the year ended 30 June 2010. 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.

Auditor's opinion

In our opinion, the remuneration report of Matsa Resources Limited for the year ended 30 June 2010, that are contained in sections A to D of the directors' report complies with Section 300A of the *Corporations Act 2001*.

ORD PARTNERS
Chartered Accountants

R W Park

Robert Parker
Partner

Perth, 30 September 2010

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

SHAREHOLDING

Distribution of Shareholders as at 21 September 2010

Category (size of holding)	**Number of Shareholders**
1 – 1,000	213
1,001 – 5,000	446
5,001 – 10,000	261
10,001 – 100,000	484
100,001 – and over	127
	1,531

The number of shareholdings held in less than marketable parcels is 255.

Twenty Largest Shareholders as at 21 September 2010

Name	**No.**	**%**
JP Morgan Nominees Australia Limited <Cash Income A/C>	13,881,100	11.66
HF Resources Pty Ltd	11,770,000	9.89
Mr Paul Poli (P Poli Family A/C)	8,760,933	7.36
RASL AU LLC	8,482,241	7.13
Mr Oliver Nikolovski (The Nikolovski Family A/C)	3,010,000	2.53
Mr Mark John Allison	2,382,200	2.00
Edwin Leigh Davies (The Davies Family A/C)	2,287,707	1.92
Burgundy Triangle Pty Ltd	2,042,200	1.72
Western Discovery Pty Ltd (The Viner A/C)	1,960,000	1.65
Mr Steven James Brown (Family A/C)	1,861,100	1.56
Mr Mark John Allison & Mrs Lorraine Frances Allison	1,657,000	1.39
Mr Edwin Leigh Davies (The Davies Family A/C)	1,600,000	1.34
ANZ Nominees Limited <Cash Income A/C>	1,489,743	1.25
Mr Kimberley Alan Harris (Family Account)	1,338,702	1.12
Mr William Robert Maunder & Mrs Jeanette Margaret Maunder <Superannuation Fund A/C>	1,250,000	1.05
Mr Robert Genovesi & Mrs Magalay Genovesi & Mr Frank Giannasi & Mrs Maria Giannasi (The Bld Workshop No1 S/F)	1,250,000	1.05
HSBC Custody Nominees	1,196,900	1.06
Western Discovery Pty Ltd (Viner Superannuation Fund)	1,145,000	0.96
Mr Arjan Mangharam Gangaram & Mrs Elizabeth Mangharam Gangaram <Super Fund A/C>	1,000,000	0.84
Mr Carmelo Poli & Mrs Eileen Poli <Carmelo Poli Super Fund A/C>	990,500	0.83
	69,355,326	58.31

Substantial Shareholders

	Fully paid	
Ordinary shareholder	**Number**	**Percentage**
HF Resources Pty Ltd	11,770,000	9.89%
Paul Poli	10,260,933	8.62%
RASL AU LLC	8,822,241	7.41%

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
500,000	2	$0.50	5 December 2010
500,000	2	$1.00	5 December 2011
250,000	2	$0.625	16 April 2011
250,000	2	$0.75	16 April 2011
250,000	2	$1.00	16 April 2011
7,800,000	51	$0.35	1 July 2011
9,000,000	3	$0.50	1 July 2012
2,000,000	2	$0.273	26 November 2012

Tenement Type and No.	Project	Holder	Status	Share Held
P 24/3998	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3997	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3995	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3989	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3988	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3987	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3984	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3983	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3982	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3980	Broad Arrow	Matsa Resources Limited	Live	100%
M 24/641	Broad Arrow	Allan Royce William	Live	100%
M 24/503	Broad Arrow	Allan Royce William	Live	100%
M 24/485	Broad Arrow	Matsa Resources Limited	Live	100%
M 24/282	Broad Arrow	Matsa Resources Limited	Live	100%
M 24/777	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/4005	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/4514	Broad Arrow	Matsa Resources Limited	Pending	100%
P 24/4515	Broad Arrow	Matsa Resources Limited	Pending	100%
P 24/4516	Broad Arrow	Matsa Resources Limited	Pending	100%
P 24/4517	Broad Arrow	Matsa Resources Limited	Pending	100%
P 24/4518	Broad Arrow	Matsa Resources Limited	Pending	100%
M 24/802	Broad Arrow	Norilsk Nickel	Pending	100%
M 24/839	Broad Arrow	Norilsk Nickel	Pending	100%
M 24/863	Broad Arrow	Norilsk Nickel	Live	100%
P 24/3506	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/3507	Broad Arrow	Matsa Resources Limited	Live	100%
M 24/808	Fair Adelaide	Matsa Resources Limited	Pending	100%
M 15/455	Camel Farm	Matsa Resources Limited	Live	100%
P 25/2019	Clinker Hill	Matsa Resources Limited	Live	100%
P 25/2099	Clinker Hill	Matsa Resources Limited	Live	100%
P 63/1636	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1637	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1638	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1639	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
E 16/294	Dunnsville	Matsa Resources Limited	Live	100%
E 16/259	Dunnsville	Matsa Resources Limited	Live	100%
E 16/297	Dunnsville	Matsa Resources Limited	Live	100%
E 16/296	Dunnsville	Matsa Resources Limited	Live	100%
E 16/399	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/389	Dunnsville	Matsa Resources Limited	Live	100%
E 16/390	Dunnsville	Matsa Resources Limited	Live	100%
P 24/4340	Golden Cities	Matsa Resources Limited	Live	100%
P 24/4347	Golden Cities	Matsa Resources Limited	Live	100%
P 24/4339	Golden Cities	Matsa Resources Limited	Live	100%
P 24/4348	Golden Cities	Matsa Resources Limited	Live	100%
P 24/4342	Golden Cities	Matsa Resources Limited	Live	100%
P 24/4341	Golden Cities	Matsa Resources Limited	Live	100%
P 24/4345	Golden Cities	Matsa Resources Limited	Live	100%
P 24/4346	Golden Cities	Matsa Resources Limited	Live	100%
P 24/4343	Golden Cities	Matsa Resources Limited	Live	100%
P 24/4344	Golden Cities	Matsa Resources Limited	Live	100%

Tenement Type and No.	Project	Holder	Status	Share Held
M 15/1359	Jackpot	Matsa Resources Limited	Live	100%
M 15/1358	Jackpot	Matsa Resources Limited	Live	100%
M 15/1357	Jackpot	Matsa Resources Limited	Live	100%
M 15/1341	Jackpot	Matsa Resources Limited	Live	100%
P 24/4390	Mt Vetters	Matsa Resources Limited	Live	100%
P 24/4391	Mt Vetters	Matsa Resources Limited	Live	100%
P 24/4392	Mt Vetters	Matsa Resources Limited	Live	100%
E 24/131	Mt Vetters	Matsa Resources Limited	Live	100%
E 24/166	Mt Vetters	Matsa Resources Limited	Live	100%
P 63/1830	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1454	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1455	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1456	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1457	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1458	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1459	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1460	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1394	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1395	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1396	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1397	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1398	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1399	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1400	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1401	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1402	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1403	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1404	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1405	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1406	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1407	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1409	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%

Tenement Type and No.	Project	Holder	Status	Share Held
E 63/1212	Norseman	Matsa Resources Limited	Live	100%
M 63/653	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1426	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1427	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1428	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/742	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1393	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1391	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1392	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1424	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1425	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1675	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1640	Norseman	Matsa Resources Limited	Live	100%
P 63/1807	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1805	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1806	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
E 63/1215	Norseman	Matsa Resources Limited	Live	100%
E 63/1362	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1421	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1389	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1582	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1583	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/516	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1330	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1570	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1571	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1572	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1573	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1574	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%

Tenement Type and No.	Project	Holder	Status	Share Held
P 63/1581	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1752	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1753	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1754	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1755	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1751	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1422	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1423	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1564	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1565	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1566	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1567	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1568	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1569	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
L 63/64	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/165	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/236	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1673	Norseman	Matsa Resources Limited	Live	100%
P 63/1408	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1674	Norseman	Matsa Resources Limited	Live	100%
E 63/1348	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/515	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1562	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1563	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
L 63/58	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1576	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1461	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1462	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%

Tenement Type and No.	Project	Holder	Status	Share Held
P 63/1463	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1464	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1661	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1575	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1577	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1578	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1579	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1580	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1465	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/366	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1466	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1467	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1410	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1411	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1412	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1413	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1414	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1415	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1416	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1417	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1418	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1419	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1420	NNorseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
L 63/65	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1756	Waverly	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%

CORPORATE GOVERNANCE STATEMENT

Following the introduction of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles and Recommendations), and the revised second edition of the ASX Principles and Recommendations, Matsa Resources Limited has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. The Company's corporate governance practices for the year ending 30 June 2009 and as at the date of this report are outlined in this corporate governance statement.

The Company has considered each recommendation provided in the ASX Principles and Recommendations, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

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	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
Principle 2	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	2(e)	No
2.2	The chair should be an independent director.	2(c), 2(e)	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	No
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	2(h)	Yes
2.6.	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
Principle 3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary as to:	4(a)	Yes
	• the practices necessary to maintain confidence in the company's integrity;		
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and		
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary.	4(b)	Yes
3.3	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(b)	Yes

1 **Compliance with Best Practice Recommendations** *continued*

Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it:	3(a)	No
	• consists only of non-executive directors;		
	• consists of a majority of independent directors;		
	• is chaired by an independent chair, who is not chair of the Board; and		
	• has at least three members.		
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes

Principle 5	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes

Principle 6	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes

Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes

1 **Compliance with Best Practice Recommendations** *continued*

Principle 8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on principle 8.	3(b),	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 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

2 THE BOARD OF DIRECTORS *continued*

- 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.

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.

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) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board in accordance with the Company's "Selection of New Directors Policy".

2(e) 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.

2 THE BOARD OF DIRECTORS *continued*

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 2.1. 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(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 Matsa 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 4.2 as two are executive directors and none are considered to be independent Directors (refer 2(e)). The role and responsibilities of the Audit Committee are summarised below. During the financial year there was one independent, non-executive director until 30 November 2009.

3 BOARD COMMITTEES *continued*

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 Ord Nexia's policy to rotate engagement partners on listed companies at least every five years.

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.

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 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 8.1 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 ETHICAL AND RESPONSIBLE DECISION MAKING

4(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.

4 ETHICAL AND RESPONSIBLE DECISION MAKING *continued*

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.

4(b) Policy concerning trading in Company securities

The Company's "Policy for Trading in Company Securities" applies to all Directors, officers and employees. 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:

(i) Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and

(ii) Prior approval of the Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

5 TIMELY AND BALANCED DISCLOSURE

5(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;
- 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.

5(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 5(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.

6 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.

6(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

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.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

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 activites.

6(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.

6(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 an internal compliance and control system is operating efficiently and effectively in all material respects.

6(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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