MATSA RESOURCES

Annual Report **2011**

www.matsa.com.au

DIRECTORY

Directors

Paul Poli	Executive Chairman
Frank Sibbel	Non Executive Director
Andrew Chapman	Director

Company Secretary

Andrew Chapman

Registered Office

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

Postal Address

PO BOX 376
Northbridge W.A. 6865

Website

www.matsa.com.au

Share Registry

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

Home Stock Exchange

Australian Securities Exchange Ltd
Exchange Plaza
2 The Esplanade
Perth WA 6000
ASX Code: MAT

Auditors

MGI Perth Audit Services Pty Ltd
Level 7
The Quadrant
1 William Street
PERTH WA 6000

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Dear Shareholder,

Paul Poli, Executive Chairman

Once again I have the great honour of commenting on the past year's achievements which have resulted from the dedication and hard work of the team at Matsa, both in Australia and Thailand. I am pleased to report that Matsa continued to lay down strong foundations for future growth. This year was accompanied by yet another volatile and difficult period in international and local markets, and it is possible there will be further uncertainty ahead. Despite these challenges, Matsa has been able to maintain focus on its strategy and amass a portfolio of tenements second to none for a company of its size.

This year Matsa continued executing its strategic plan to transition from an explorer to a producer with multiple projects by continuing to develop and define several mineral projects in several sovereign environments.

The Company's flagship Norseman gold project is being reviewed by several potential Chinese Investors who have the ability to assist Matsa in moving the project into production. The Dundas Iron Ore Project is likewise being reviewed by separate investors.

The Board is confident that excellent progress will be made by Matsa in Thailand in 2012. Of the three projects in the Company's portfolio in Thailand, the most advanced at the time of writing is the Paisali Iron Ore project. Paisali has been earmarked for exploration and potential development in the very near future with the aim of fast tracking production from this exciting project.

All in all, the tenement portfolio is impressive and the Matsa Board and wider team are dedicated to steering the Company in a responsible and prudent manner.

I want to extend my appreciation to all Matsa staff for their tireless work and unrelenting confidence in Matsa's management and our growth strategy, with notable work being completed by our Group Chief Geologist Mr Dave Fielding and our Thailand Chief Geologist Mr Charnwit Premgamone.

It goes without saying that unless there is a loyal and dedicated shareholder base, a company does not have longevity. Matsa is fortunate to possess a tight and committed group of shareholders who share our growth vision and aspirations.

Paul Poli
Executive Chairman

INTRODUCTION

Matsa is making substantial progress towards achieving its aim of becoming a producer of gold, iron ore and copper through the discovery and development of wholly owned quality projects.

Matsa has pursued a carefully considered strategy of seeking world-class exploration and mining opportunities in Australia and South East Asia. Exceptional opportunities exist in Thailand but have been largely ignored by most companies.

This strategy has been developed to ensure the Company is positioned for long term growth to maximise shareholder value as a substantial mining company of diverse minerals in several sovereign nations.

The Company is unique in the Australian junior resources sector because it has accumulated a portfolio of no less than five high value projects in Western Australia and Thailand.

FIVE PROJECTS - ONE COMPANY

NORSEMAN GOLD PROJECT

DUNDAS IRON ORE PROJECT

PAISALI IRON ORE PROJECT (Thailand)

SIAM COPPER PROJECT (Thailand)

KT GOLD PROJECT (Thailand)

Matsa is continuing to lay strong foundations for future growth and is committed to finding an established and prestigious investor to help it unlock the full potential of its Norseman Gold and Dundas Iron Ore Projects. It is also in discussions with other large investors including Thai corporations in connection to its Thailand projects.

A combination of strategic partnerships on favourable terms to shareholders and self funding will enable Matsa to continue to develop large scale operations in Australia and Thailand with the potential to deliver significant value for shareholders and greater strategic outcomes for the Company.

COMPANY ACTIVITIES

The primary focus of activities in Matsa has been:

- Development including new regional exploration programmes and commencement of production of the Norseman Gold Project which contains indicated and inferred resources of 1.47 million ounces of gold with potential for a magnetite by-product;
- Evaluating and developing the Dundas Iron Ore Project;
- Fast tracking the development and commencement of production of the high value Paisali Iron Ore Project in Thailand as a precursor to becoming a multi commodity producer in Thailand;
- Evaluating and expanding the Siam Copper Project; and
- Exploring the KT Gold Project.

NORSEMAN GOLD PROJECT

The Norseman tenement package covers 347.8 km^2 in the southern part of the Norseman-Wiluna Greenstone belt in Western Australia. It contains an Indicated and Inferred Resource of 26.5 million tonnes at 1.7g/t gold for 1.47 million ounces of gold.

The Norseman Gold Project is potential 100,000oz gold with a 300,000 tonne magnetite by-product per annum mine. It is arguably one of Australia's largest undeveloped gold deposits ready for development.

The resources are dominantly made up of three gold deposits, the two largest being Mt Henry and Selene, which are hosted within a Banded Iron Formation "BIF". The BIF is 16 kms in length and the gold project lies on the southern 6 kms of the BIF. The project site is well serviced by roads, railway, gas pipeline and the Port of Esperance 190 km to the south.

Regional Geology The town of Norseman is the most southern gold mining centre of the Norseman-Wiluna gold belt which hosts an endowment of over 270 million ounces of gold. The Norseman region has been a major gold producer, with production in excess of 5.5 million ounces of gold since 1935. Although the greenstone rocks from the Norseman region can be broadly correlated with those of the Kalgoorlie-Kambalda region, they form a distinct terrain which is bounded on all sides by major regional shears. The Norseman Terrane has prominent BIF which distinguishes it from the Kalgoorlie-Kambalda Terrane.

Stratigraphy The Mt Henry and Selene gold deposits are hosted in the Noganyer Formation which is a formation of distinct sedimentary sequence of siliclastic rocks, principally silicate facies BIF, chert, sandstones and shales. Intrusions of dolerite dykes and sills are common throughout.

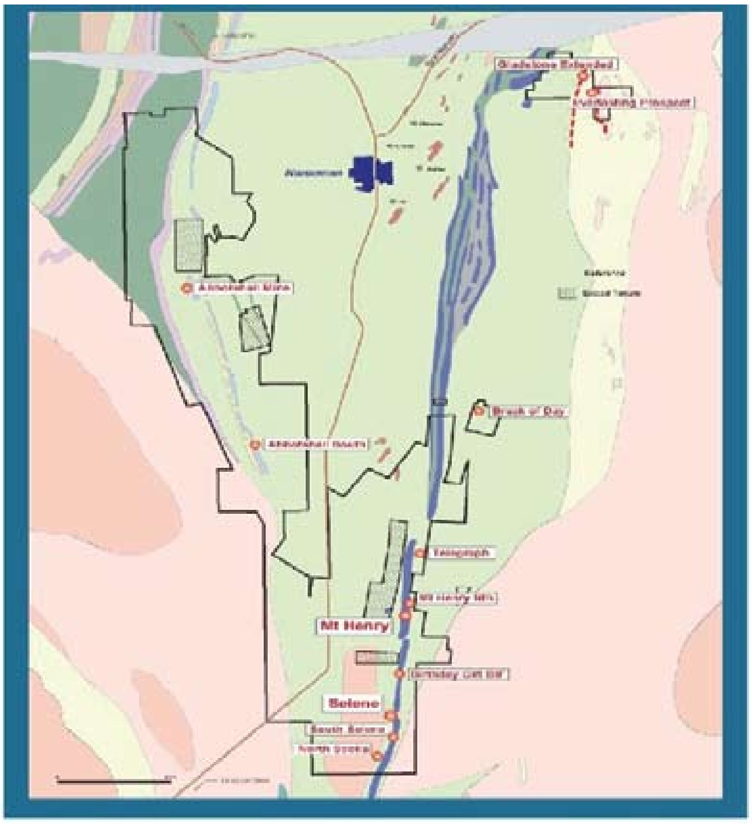

Figure 1: Norseman Gold Project, plan showing main deposits and Prospects

Historical drilling A drilling database has been maintained and upgraded over the life of the project commencing with Kinross through AGI/ASPMI to Matsa. There are now in excess of 2,719 holes in the database representing 153,496 metres of RAB, RC, diamond and aircore drilling (117,922m is RC and Diamond).

Mt Henry Deposit (Figure 2) The Mt Henry deposit extends along a strike length of 1.9 km. It has been drilled out on 25 and 20 metre sections. The host rock is predominantly silicate facies BIF with minor meta-basalts and dolerites.

Sulphide minerals range from trace to 10%. The predominant sulphide is pyrrhotite with minor pyrite, arsenopyrite, chalcopyrite and marcasite. Gold occurs in narrow and discrete quartz veins in clouds with silicate minerals. It also occurs in association with sulphide minerals.

The main lode is an elongated ore body that is 1.9 km long, 6-10 metres wide and dips at 65 degrees towards the west. It generally occurs as a mineralised shear along the hanging wall contact of the BIF.

Mineralisation is pervasive within the sheared BIF throughout the entire length of the deposit. However there are discrete zones (or shoots) that contain higher grades and thicker intervals of mineralisation that plunge to the north-northwest. The mineralisation has a special relationship with the hanging wall of the BIF. The mineralisation can occur along the contacts and into the overlying chert and dolerites of the Woolyeenyer Formation as well as underlying dolerite sills where they occur.

The shear that hosts the mineralisation within the BIF strikes north-south and dips 60 degrees towards the west, paralleling the stratigraphy. Late pegmatite dykes cut across all previous geology and deplete mineralisation when they cross the lodes. Apart from the main lode, there are several minor footwall lodes and two discrete supergene lodes.

Selene Deposit (Figure 3) The Selene deposit extends along a strike length of 1.3 km. Drilling has generally been completed on 40 metre sections in the central part of the deposit and 80 metre sections on the northern and southern fringes, 40 metre sections have been considered adequate for an Indicated Resource at Selene. Hole spacing along each section vary from 20 to 75 metres.

The Selene deposit is similar in many respects to the Mt Henry deposit. It is a BIF hosted deposit that is entirely hosted in the Noganyer Formation. The host lithology is a quartz magnetite BIF which is intruded by numerous doleritic sills. The footwall contact is characterised by metamorphic sedimentary schist and the hanging wall by the overlying dolerites of the Woolyeenyer Formation.

Sulphide minerals range from trace to 10%. The predominant sulphide is pyrrhotite with minor pyrite, arsenopyrite, chalcopyrite and marcasite. The pyrrhotite is formed from the sulphidation of magnetite. Gold occurs in narrow and discrete quartz veins, in clouds with silicate minerals. It also occurs in close proximity to sulphide minerals, particularly pyrrhotite.

The Selene mineralisation extends along a strike of 1.3 km and 550 metres and has been modelled to down-dip and is open down dip at a shallow angle of around 20 degrees. The lode thickens in the central part of the deposit up to a true thickness of 35 to 40 metres. It appears to thicken in this central area with depth and continues to do so to the extent of the identified mineralisation. Pegmatite dykes and sills cut through the BIF and deplete the mineralisation when they cross cut the lodes.

The main difference between the Selene Deposit and the Mt Henry Deposit is that the mineralisation at Selene occurs in zones throughout the BIF package whereas at Mt Henry the mineralisation is dominantly hosted in a shear on the hanging wall contact of the BIF. In contrast to the Mt Henry deposit, there is no significant supergene mineralisation at Selene.

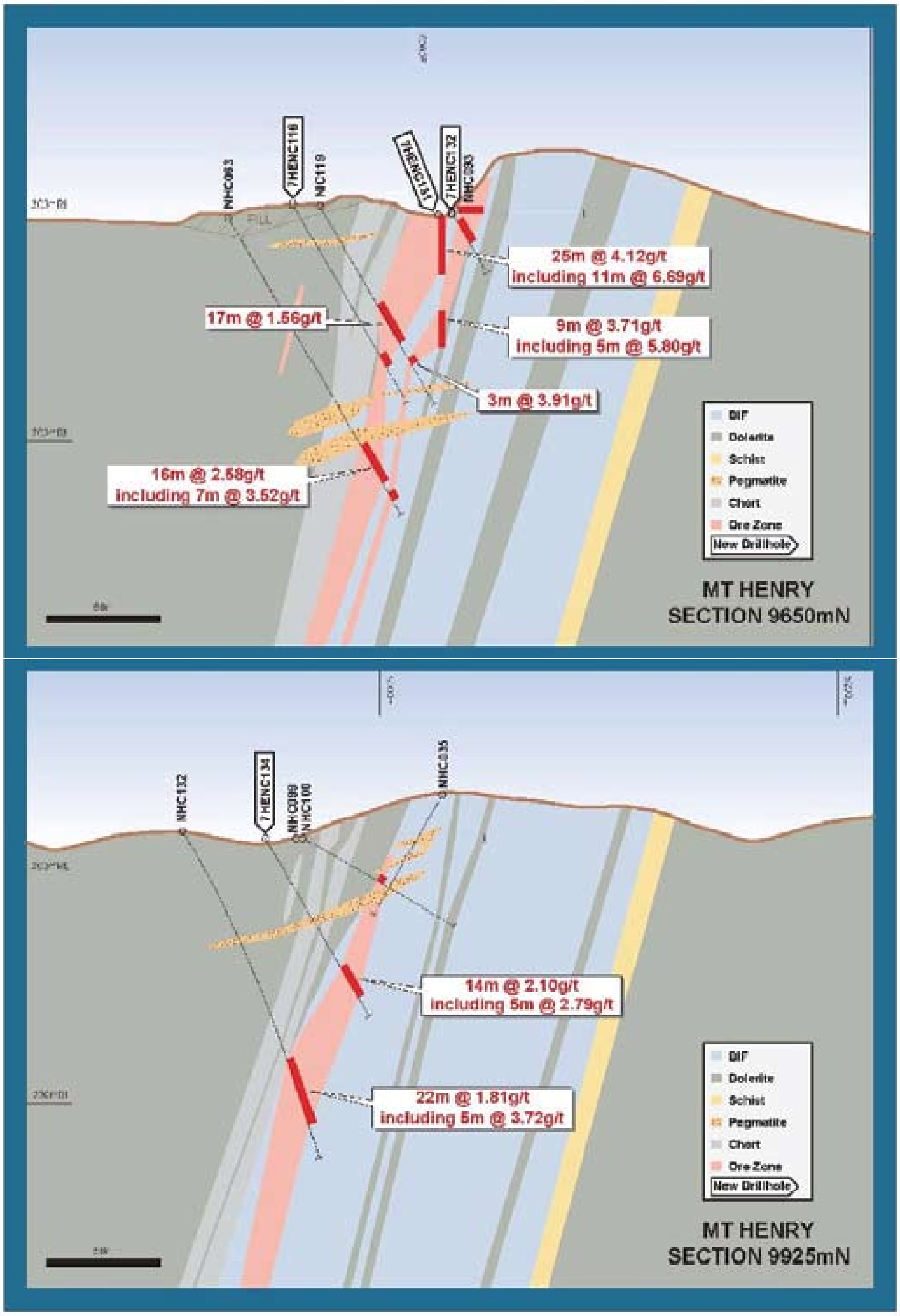

Figure 2: Mt Henry Summary assay and geology Cross Sections 9925mN and 9650mN

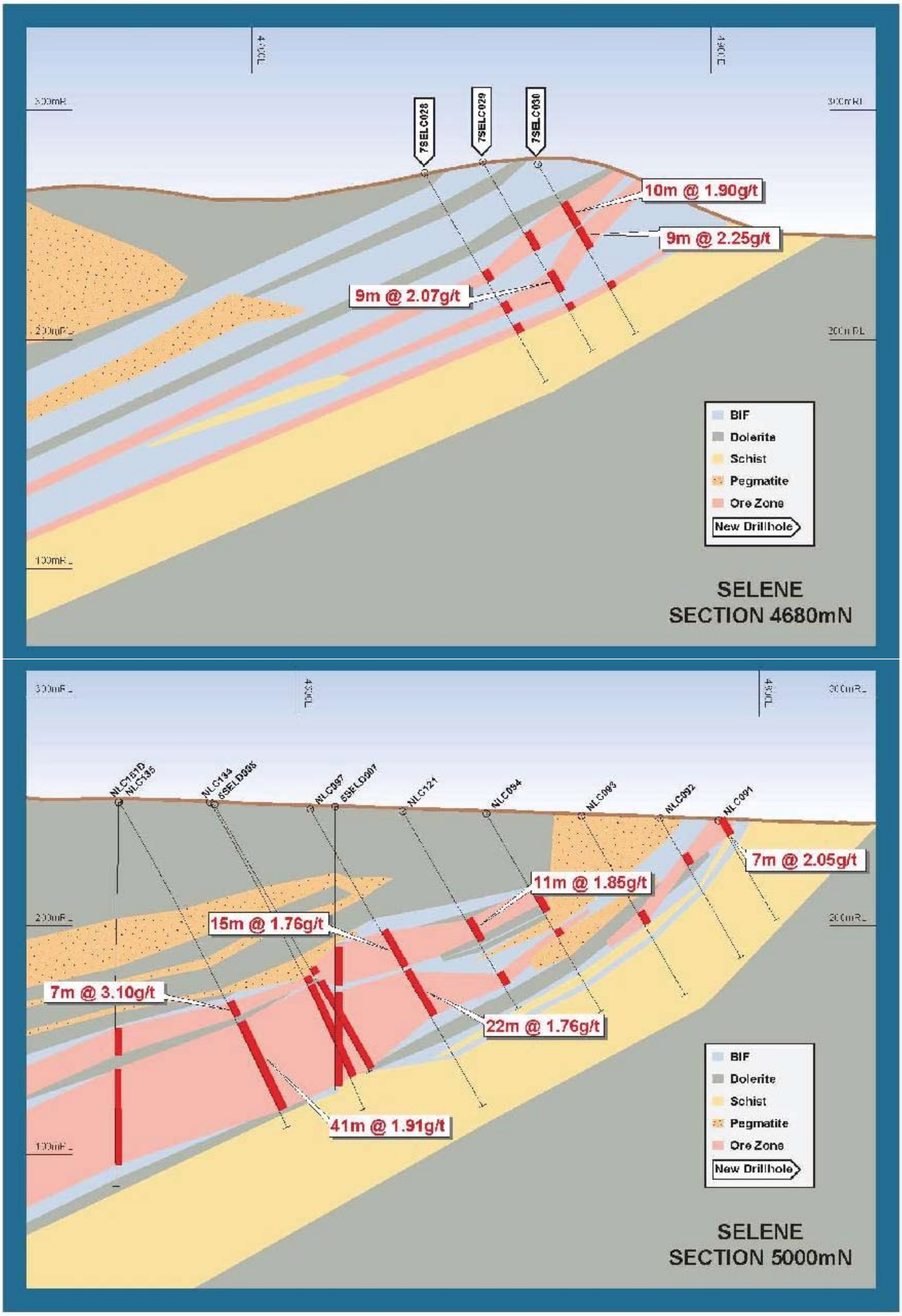

Figure 3: Selene Deposit Summary assay and geology cross sections 5000mN and 4680mN

The North Scotia deposit This deposit covers a strike length of 600 metres within Archean mafics of the Woolyeenyer Formation. The Woolyeenyer Formation is host to the auriferous quartz veins that have been mined in the Norseman district continuously for 80 years.

This deposit is west of the Noganyer Formation BIF and nuggetty gold mineralisation is contained in quartz veins. Mineralisation is disseminated throughout 1 to 5 metres wide laminated quartz veins that dip at around 70% towards the west. Sulphides present include pyrite and galena.

The North Scotia deposit comprises a number of steeply plunging mineralised shoots which remain open at depth.

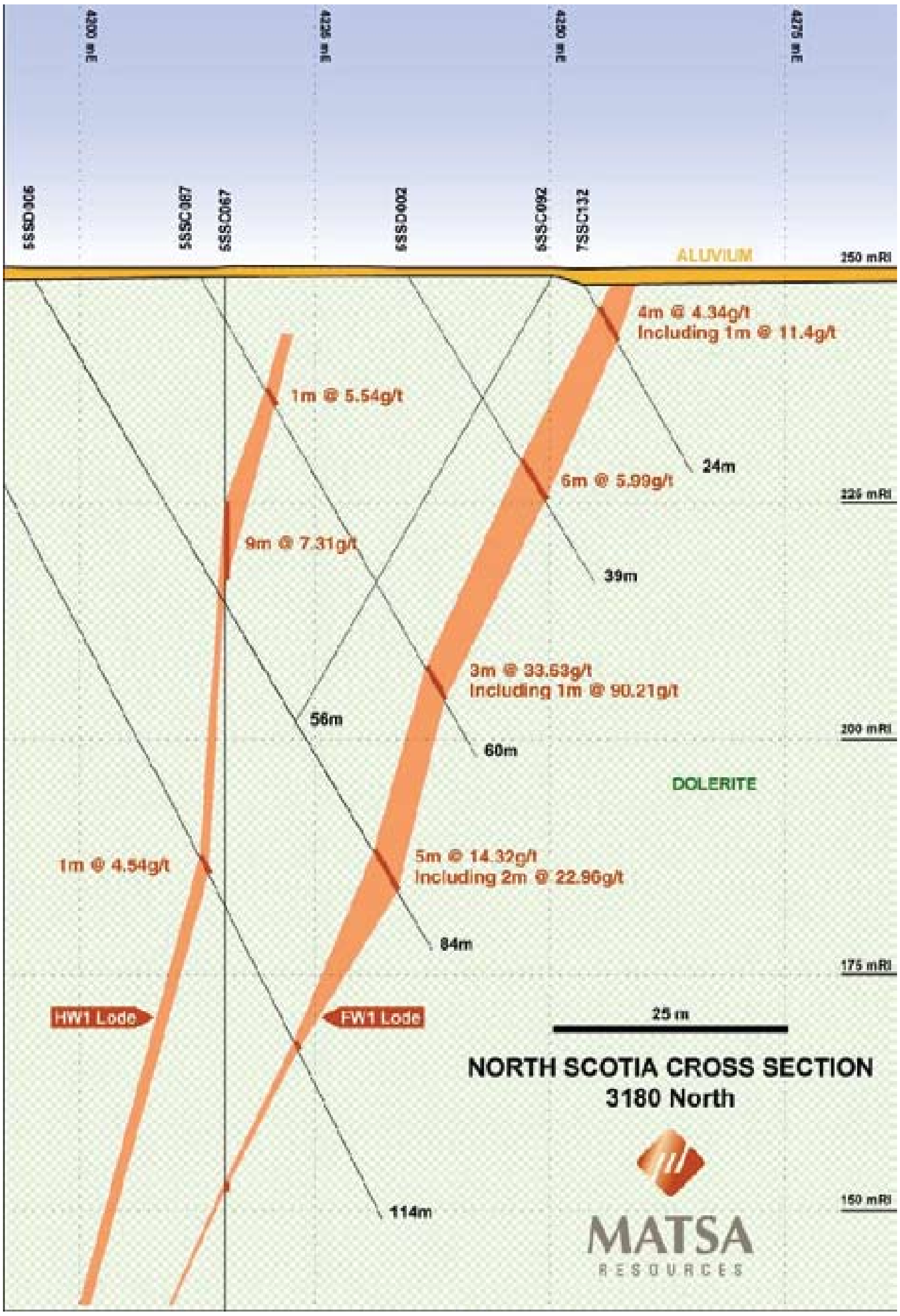

Figure 4: North Scotia Deposit Summary assay and geology Cross Section 3180mN

Resource Estimation The current resource stands at 26.5 million tonnes at 1.7g/t gold for 1.47 million ounces of gold. (Table 1) Block modelling for Mt Henry and Selene was carried out using Surpac V6.1.2 software. Top cuts were applied and geological interpretation was undertaken on each section making sure that geological integrity was maintained between sections. Grade estimation was carried out by ordinary kriging using the cut 2 metre composite grades.

Block modelling for North Scotia used the metal accumulation and ordinary kriging method.

The resource classification for the Mt Henry and Selene models was completed manually. The sections were perused by Competent Persons as detailed below and areas and regions were classified as Indicated or Inferred based on the level of geological confidence and continuity observed. The mineral resources at Mt Henry and Selene have been classified according to JORC guidelines as Indicated and Inferred.

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

Table 1: Norseman Project Indicated and Inferred Resources.

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.

Norseman Regional Gold Exploration

Matsa remains committed to discovering additional gold resources within the greater Norseman area with potential to positively impact the economics of the Norseman Project. The following activities were carried out during the year under review:

- A blanket reconnaissance soil sample programme was carried out over the existing Norseman Project to take advantage of economical low resolution assay techniques which were not available in the 1980's when most of the past work was done. This has identified several potentially significant anomalies including the Abbotshall South gold target;
- A commencement of exploration under a farm in agreement with Cullen Resources Ltd in respect of the approximately 141km2 Killaloe Project east of Norseman which is highly prospective for gold mineralisation along the Zuleika Fault and associated Structures. A number of potentially significant gold targets are located in the project area including Cashel, Duke and Killaloe;
- Applying for additional exploration Licences adjacent to the Norseman Project further increasing the tenement area.

Regional Soils Sampling Program A first stage soil sampling programme was carried out on 200 metre (and in some cases 100m) centres using the low detection Fire Assay method for gold backed up by an ICP MS assay suite of 34 elements. This programme which is aimed at discovering new gold deposits has been recently carried out over most of the Norseman tenement package. This program has provided a uniform high quality geochemical dataset and a powerful tool to discover new gold mineralisation over the whole project area.

Results from this Stage 1 programme have identified a number of high priority gold geochemical targets (Figure 5) of which the Abbotshall South gold anomaly discussed below has received first pass field inspection. Remaining targets are currently being evaluated in the light of available geological mapping, VTEM airborne electromagnetic data and airborne magnetic and radiometric data.

Abbotshall South Soil Gold Discovery Soil sampling south of the Abbotshall mine has identified semi continuous gold anomalous zones in areas where previous sampling was not anomalous for gold. Results coincide with the mapped position of the Abbotshall shear zone and extend for a distance of 7.5 kilometres.

Matsa believes that this anomalous zone may reflect a new occurrence of Abbotshall style, shear controlled gold mineralisation. The anomalous zone is partly supported by coincident gold pathfinder elements such as As, Cu and Sb which are also an important part of the geochemical signature at Abbotshall.

Three discrete target zones have been recognised in the anomalous zone based on the associated pathfinder elements (Figure 6). The targets straddle a strongly deformed felsic schist unit bounded on both sides by sheared metabasalt which closely resembles the stratigraphic setting of the Abbotshall deposit.

Given proximity to known gold mineralisation at Abbotshall, Matsa has assigned a high priority for follow up activities including geological mapping and infill soil sampling. This program is proposed in order to better define targets for trenching, ground geophysics and drilling.

Sampling at Black Cat prospect has identified a discrete gold anomaly supported by the pathfinder elements Cu, As and Bi in an area of transported soil cover. The anomaly can be seen on aeromagnetic data to be related to a NW trending fault and appears to be a northern extension of gold mineralisation at the historic Black Cat workings outside Matsa's tenements.

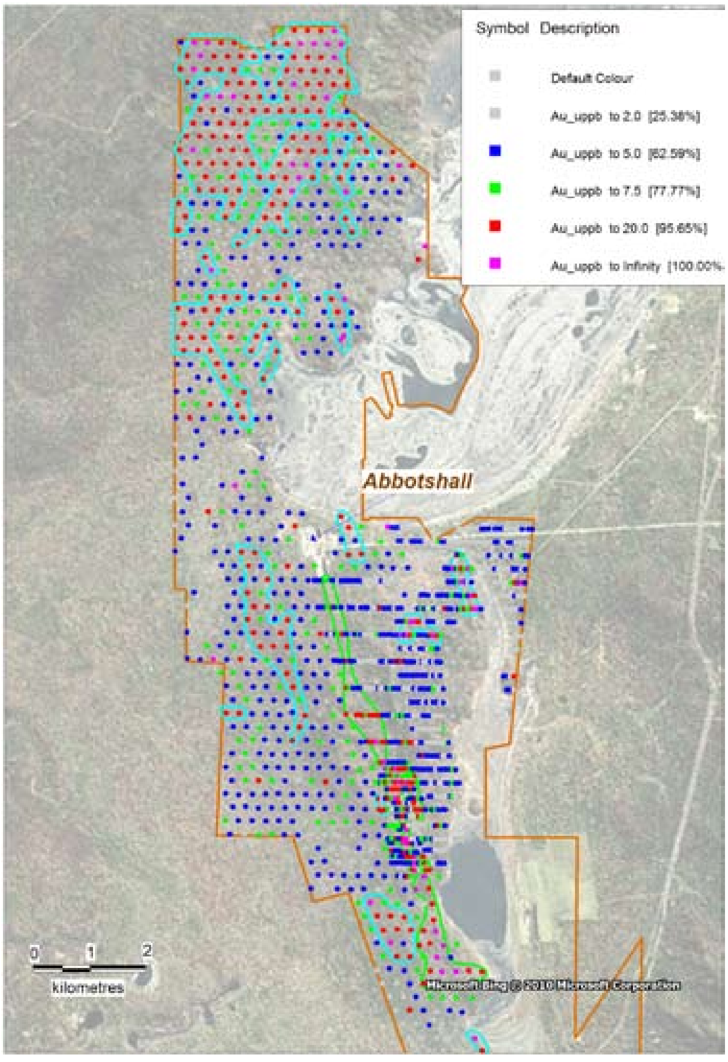

Figure 5: Norseman Regional Soil Survey, Summary Results for Gold

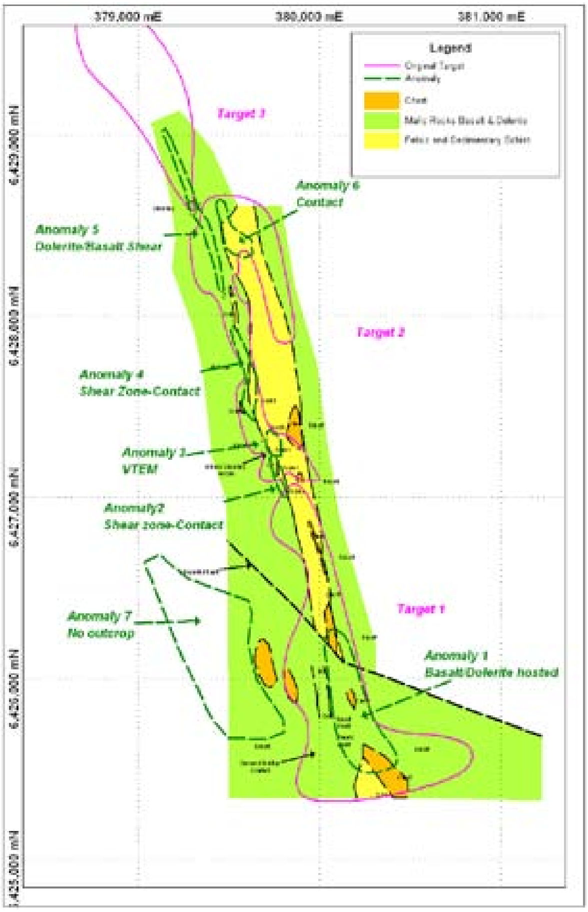

Figure 6: Abbotshall South Soil Gold Anomalies.

Killaloe Farm-in Agreement

During the year Matsa entered into an agreement with Cullen Resources Limited to farm-in to the Killaloe Project located a short distance east of the town of Norseman and only 20 kilometres NE of Matsa's Norseman Project (Figure 7). The Killaloe Project comprises 4 prospecting licences and 2 exploration licences over mafic and ultramafic greenstones between the Zuleika Shear and the Boulder Lefroy Faults.

Matsa believes that this area, which almost doubled the size of the Norseman tenement area, is highly prospective for gold with any discovery capable of making a positive impact on the economics of Matsa's Norseman Gold Project.

Past exploration included the acquisition of high resolution aeromagnetic and radiometric data, soil sampling, geological mapping and RC and RAB drilling. This has identified a number of high priority gold targets of which the most significant appear to be Cashel, Duke and Killaloe (Figure 7).

Duke Gold Prospect Gold mineralisation was discovered at Duke which had originally been explored as a nickel target, by re - assaying RC drill samples for gold. Significant mineralised intercepts were returned in the following drillholes.

BUX86: 24m @ 2.15g/t Au from 4 metres

NBC4: 12m @ 1.04g/ Au from 38 metres

GOC5: 18m @ 1.41g/t Au from 7 metres

CUX25: 6m @ 1.50g/t Au from 14 metres

The Duke prospect is characterised by a WNW trending soil gold anomaly extending for a distance of 350m along the sheared contact between ultramafic and mafic volcanic rocks.

Killaloe Gold Prospect The Killaloe prospect area is centred on the historic Killaloe gold deposits and includes many small workings distributed to the NW and SE over a distance of 2500m. Very limited exploration (15 RAB holes to an average depth of 20-25 metres) has been carried out on the prospect.

Cashel Gold Prospect The Cashel prospect is a high level soil anomaly with peak gold values up to 3000ppb Au. Past exploration recovered coarse visible gold in a shallow trench close to the peak soil value. RC drilling returned a best result in hole KCR023 of 2m @ 5.83g/t in vein quartz from 23 meters depth.

Regional Geochemistry Matsa appointed geochemical consultants IO Global to carry out a comprehensive review of past soil geochemistry. This review has identified 9 high priority geochemical targets based assays for gold and gold-pathfinder elements such as W, Te, Zn, Cu, Pb and Sb.

Targets have been ranked according to the magnitude of the soil gold value and the degree of support from the pathfinder elements. Higher priority targets are currently being evaluated in the field with the intention of carrying out follow up activities, including infill soil sampling, ground geophysics, trenching and RC drilling.

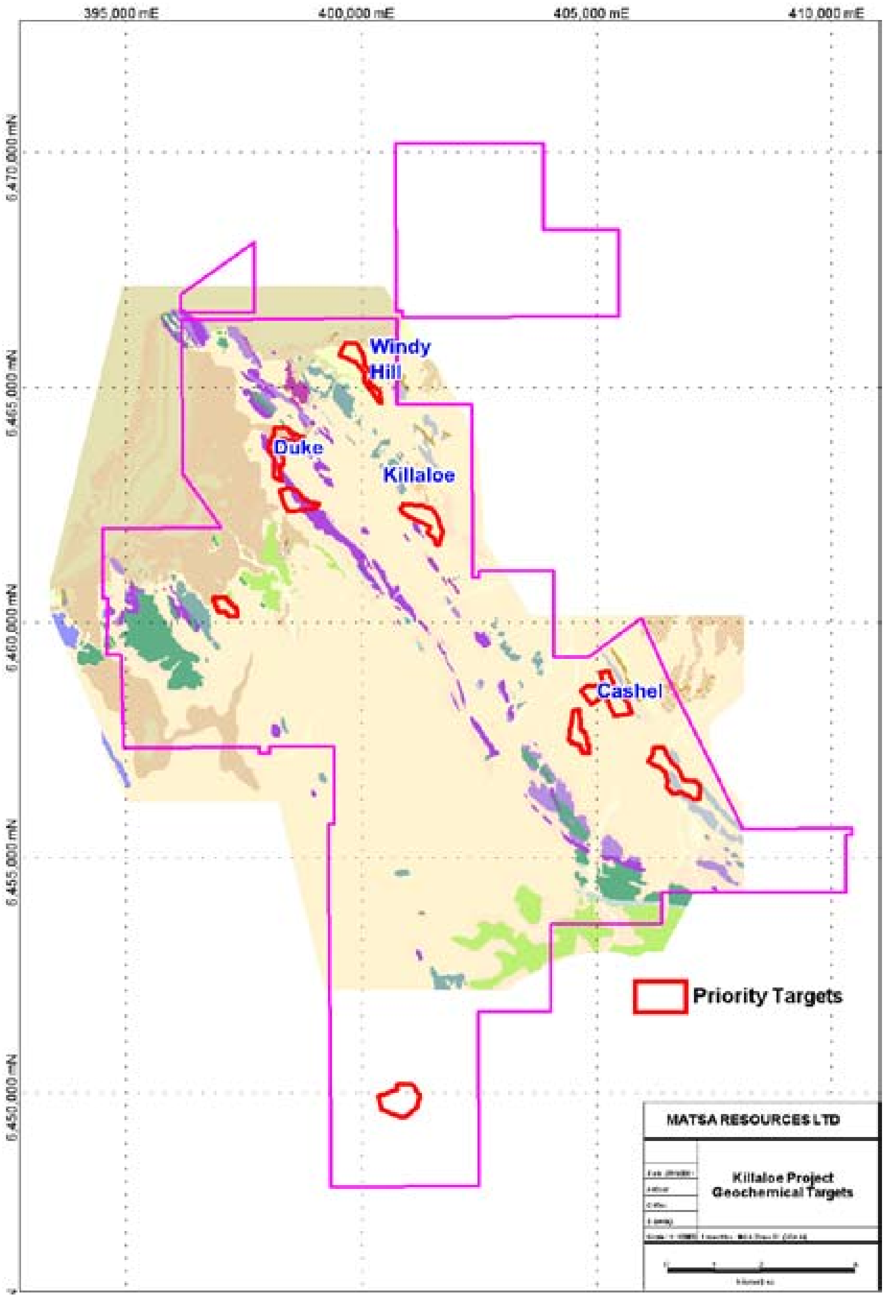

Figure 7: Killaloe Project Gold Exploration Targets

Magnetite Concentrate as a by-product at Norseman Gold Project

The majority of historic testwork at Norseman has been focused on the gold deposits with the objective of defining a gold only mine. Since 2009, work has focused on a concept of a gold/magnetite concentrate by-product operation. Recent results have been received for metallurgical test-work as part of the Company's detailed investigation into magnetite recovery in addition to gold at the Mt Henry deposit.

This concept has arisen as a result of the gold mineralisation being mostly hosted within a Banded Iron Formation geological unit (Figure 8). 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 been undertaken to determine the profitability and viability 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 'gold tailings' above, mining and processing of the waste BIF ore that is low in gold, has the advantage of being 'mined waste rock' to the gold mineralisation, but this would require a separate circuit for magnetite ore processing. There could potentially be more low- grade gold processed in this scenario;
- 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 BIF units across and 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 concentrate mine and processing plant producing yearly up to 100,000 oz of gold and 300,000 tonnes of magnetite concentrate.

Preliminary discussions have been held with engineering firms which conclude that a suitable add-on plant design could be constructed which would deliver the desired product from processing the tailings.

Discussions have already commenced with several Steel Milling companies in China who have expressed an interest in an off take agreement in regard to the magnetite concentrate inclusive of the higher impurity content. These companies have examined recent results of tests and have confirmed that the product is saleable and has some commercial value despite some concentrate having a higher level of sulphur.

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 used sample materials derived from drill-holes targeted on gold mineralisation within the Mt Henry gold deposit (Figure 8). 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.

Preliminary metallurgical test-work was carried out in 2010 on available drill residues including diamond core. Specifically testwork consisted of:

- Grind Establishment tests and Davis Tube Recoveries (DTR) on a bulk sample comprising ¼ core from diamond hole NHD120;
- DTR testwork on available assay residues chosen on the basis of high magnetic susceptibility values;
- Magnetic susceptibility readings carried out on all available chip trays in order to get a better three dimensional picture of magnetite distribution.

Grind Establishment Testwork (Figure 9 and Table 2) Results from diamond core in the northern part of the Mt Henry resource produced 28.63m with a DTR concentrate of 37.2% with a silica content of 4.96% SiO2 at a P80 grind size of 32 microns. This intercept includes one of the footwall lodes at Mt Henry and the whole rock (head) assays from the same interval returned a weighted average of 0.7 g/t gold (Table 2).

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.

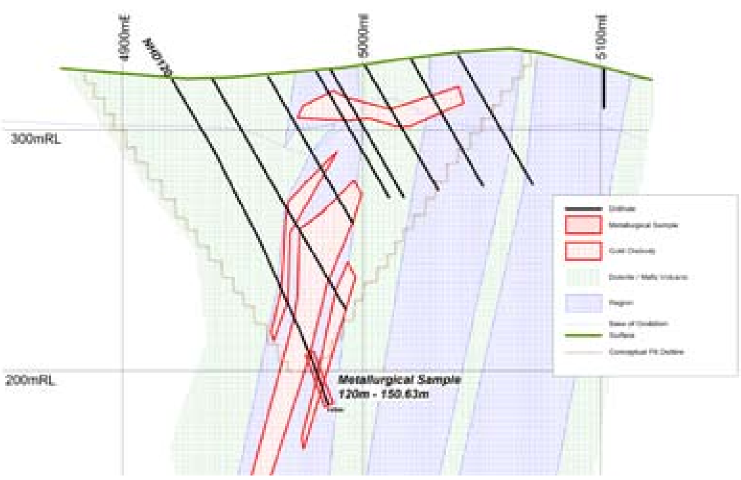

Figure 8: Cross Section Mt Henry, and location of Metallurgical Sample in NHD120. (Section 10200mN)

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 of silica and alumina being low. The relatively high sulphur value reflects the proximity of the sample to the sulphide gold mineralisation, and is related to the presence in the concentrate of the magnetic sulphide mineral pyrrhotite.

Grind SizeP80	Wt%	Fe%	SiO_2%	$Al2O_3$%	S%	MgO%	TiO_2%	Mn%	CaO%	P%	Gold (ppm)
106	47.48	55	17.64	1.03	2.4	1.88	0.06	0.11	1.75	0.038	
75	41.68	59.6	12.55	0.81	2.54	1.35	0.06	0.09	1.23	0.03	
45	37.48	65.2	6.63	0.53	3.01	0.65	0.07	0.08	0.56	0.02	
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	0.71

Table 2: DTR and concentrate Assays NHD120 for 4 grind sizes compared with head gold and iron ore suite assays.

Flotation Testwork to remove Sulphur Preliminary test-work was carried out to investigate potential for removal of pyrrhotite from the magnetite concentrate by flotation. A significant reduction in sulphur was achieved by this test-work as summarised in Table 3. Gold analysis was carried out on the sulphide fraction separated by flotation and returned 2.12 g/t Au.

%Mass	Fe %	SiO_2 %	S %
90.3	68.2	4.08	1.19

Table 3: Summary of results from testwork after flotation to remove sulphur from DTR concentrate from NHD120

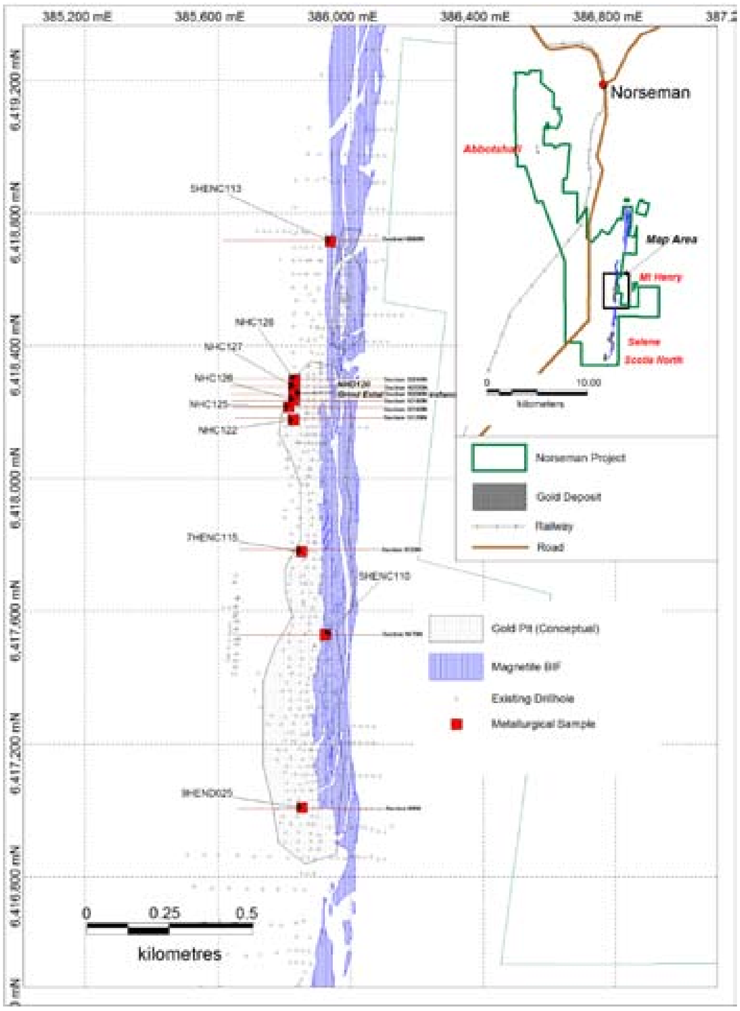

Figure 9: Location of Metallurgical Samples Mt Henry Deposit

Testwork on Assay Pulp 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 9 with most located at the northern end of the Mt Henry gold project.

Samples were selected for DTR testwork based on Magnetic susceptibility readings which 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 4 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%.

Drillhole	From (m)	To (m)	Length (m)	DTR (%)	Fe (%)	SiO_2 (%)	$Al2O_3$ (%) (%)	P (%)	S (%)	LOI (%)
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	70.4	1.81	0.12	0.005	0.047	-3.13
9HEND025	46.2	53.5	7.3	19.2	69.3	3.12	0.12	0.007	0.195	-2.86

Table 4: DTR results on Assay Pulps from Mt Henry Project.

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 consequently, 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 ORE PROJECT

The Dundas Iron Ore Project covers 11.3 km^2 of the southern Norseman-Wiluna Greenstone belt in Western Australia. It is covered by a Mining Lease Application 63/653 covering 8 granted Prospecting Licenses and part of granted Mining Lease 63/515.

All leases are approved for iron ore and are held by ASPMI Pty Ltd (100% Subsidiary of Matsa). The leases are north of and abut Matsa's Mt Henry-Selene Gold Project containing some 1.5 Million ounces of gold in resources.

The project contains an exploration target of magnetite contained in a Banded Iron Formation (BIF) that has a strike length of over 7 kilometres. The project site is particularly well serviced by roads, railway, gas pipeline and the Port of Esperance 190 km to the south.

Project Description Exploration carried out by Matsa on The Dundas Iron Ore Project has identified potentially economic iron mineralisation over a strike length of more than 4.7 kilometres within the tenement area. Mineralisation is in the form of magnetite rich BIF, of the Noganyer Formation which is inter-layered with medium to coarse grained dolerite and amphibolite. Based on geological mapping and interpretation of detailed airborne magnetic data there are at least three distinct zones rich in magnetite which are Matsa's principal iron ore targets.

The host banded iron formation unit forms a ridgeline along most of the mineralised strike length within an undulating area of low to moderate relief.

Infrastructure It is important to note that the most significant attribute of this project apart from the resource is the exceptional location relative to available infrastructure. Put simply the project has:

- Railway facilities 3 km to the west of the Iron Ore deposit which has confirmed excess capacity, once a spur is built to facilitate loading, all production will be easily catered for;
- Esperance Port which is capable of Cape class ship of 90,000 tonne capacity is 190 km to the south of the project. Recent government and Port Authority statements have stated that up to a further 30 million tonne capacity will be provided within the project time frame being 4 years. Currently some 11 million tonnes of iron ore is currently shipped through this facility;
- Major vehicle highway runs mostly parallel with the railway ensuring a viable alternative and vehicle access through all weather conditions; and
- Gas pipeline with connection points runs through the tenements thus ensuring necessary, environmental friendly and vital power supply is available.

A three phase $6 million preliminary exploration/evaluation programme has been developed for the Dundas Iron Ore Project of which phase one has already been completed and the objectives were met. The programme and the expected outcomes are listed as:

Phase 1 Exploration Programme The objective of the first phase was to:

- Establish the Grade and Continuity of the target magnetite BIF Bands;
- Confirm the presence of an exploration Target of 350-750Mt*[1] (magnetite BIF);
- Confirm Davis Tube weight recovery of 25 to 40%*[1]
- Confirm magnetite concentrate specs in terms of low content of SiO_2, $Al2O_3$, P and S.

The drilling programme comprised a total of 1,901 metres of Reverse Circulation (RC) drilling and 197.5 metres of diamond drilling, and was completed in mid - December 2010.

RC and diamond drillhole samples were combined into composite samples between 2m and 5m in length. All Composites were submitted for the following determinations:

- Magnetic Susceptibility;
- Analysis for usual suite of iron ore oxides and major elements by X-Ray Fluorescence spectroscopy (XRF) on a fused bead Gold determination by Atomic Absorption Spectroscopy (AAS) on an acid digest.

Samples containing significant magnetite (as determined from Magnetic Susceptibility results) were submitted for Davis Tube concentration, and XRF Iron Ore Suite analyses of Davis Tube concentrate. A total of 155 composite RC samples and 47 composite diamond samples were submitted for DTR test work.

The DTR process for each of these samples was based on metallurgical testwork carried out on a bulk sample of core from diamond hole 10DNDH001. Testwork was designed to establish the optimum grind size to produce a DTR concentrate with highest iron content and lowest impurities, particularly silica. On the basis of this work, all DTR's were carried out on samples pulverized to 32 microns (80% passing a screen size of 32 microns).

Results from this programme established that the Dundas BIF is made up of two magnetite BIF lithotypes with contrasting magnetic concentrate parameters (Figures 10 and 11):

- Type 1 BIF contains coarse-grained recrystallised magnetite, and produces low silica (<8% SiO_2) DTR concentrate;
- Type 2 BIF has ultrafine-grained magnetite and produces a high silica (>8% SiO_2) DTR concentrate.

Subsequent metallurgical testwork on diamond core confirmed the metallurgical differences between the two BIF types and visual inspection clearly identified the coarsely crystalline Type 1 BIF and the glassy fine grained Type 2 BIF.

Highest DTR magnetite recoveries with lowest impurities e.g. SiO_2 (characteristics of Type 1 BIF) have been achieved in finely banded quartz/ magnetite/amphibole BIF in the two eastern bands within the BIF package. Typical Type 1 BIF results are listed below:

10DURC002: 56m @ 31.78% DTR, 67.81% Fe and 4.95% SiO_2 (From 40m)

10DURC007: 31m @ 29.33% DTR, 68.78% Fe and 3.66% SiO_2 (From 46m)

10DURC006: 26m @ 37.04% DTR, 66.49% Fe and 7.37% SiO_2 (From 53m)

10DURC007: 20m @ 30.67% DTR, 68.32% Fe and 4.12% SiO_2 (From 126m)

10DURC006: 19m @ 36.20% DTR, 69.79% Fe and 3.24% SiO_2 (From 53m)

10DURC003: 15m @ 41.41% DTR, 67.23% Fe and 6.02% SiO_2 (From 35m)

10DURC005: 15m @ 34.97% DTR, 68.18% Fe and 4.40% SiO_2 (From 45m) open at depth

10DURC022: 59m @ 37.66% DTR, 65.30% Fe and 7.57% SiO_2 (From 49m) open at depth

10DURC011: 11m @ 33.42% DTR, 68.01% Fe and 4.89% SiO_2 (From 41m)

10DNDH001: 21.4m @ 30.36% DTR, 65.80% Fe and 3.01% SiO_2 (From 102.5m)

These results confirm that there are significant zones within the Dundas BIF where excellent DTR recoveries and concentrate grades can be achieved using industry standard grinding and recovery processes. A weighted average of DTR recovery for Type 1 low silica intercepts is 33.67% (Table 5).

Intercept metres	Head Assay	DTR %	DTR Concentrate Assays				
	Fe %		Fe %	SiO_2 %	Al_2O_3 %	P %	S %
323.67	32.02	33.67	67.04	5.34	0.25	0.009	0.353

Table 5: Dundas Iron Project Weighted Average DTR Recovery for Low Silica Intercepts

The desirable low silica group of intercepts are all located on the eastern side of the Dundas BIF package. Follow up drilling is proposed along the Eastern BIF to confirm continuity of low silica BIF and to confirm Matsa's Exploration Target parameters of 350 – 750Mt*[1] of magnetite BIF containing >25% recoverable magnetite (Figure 11).

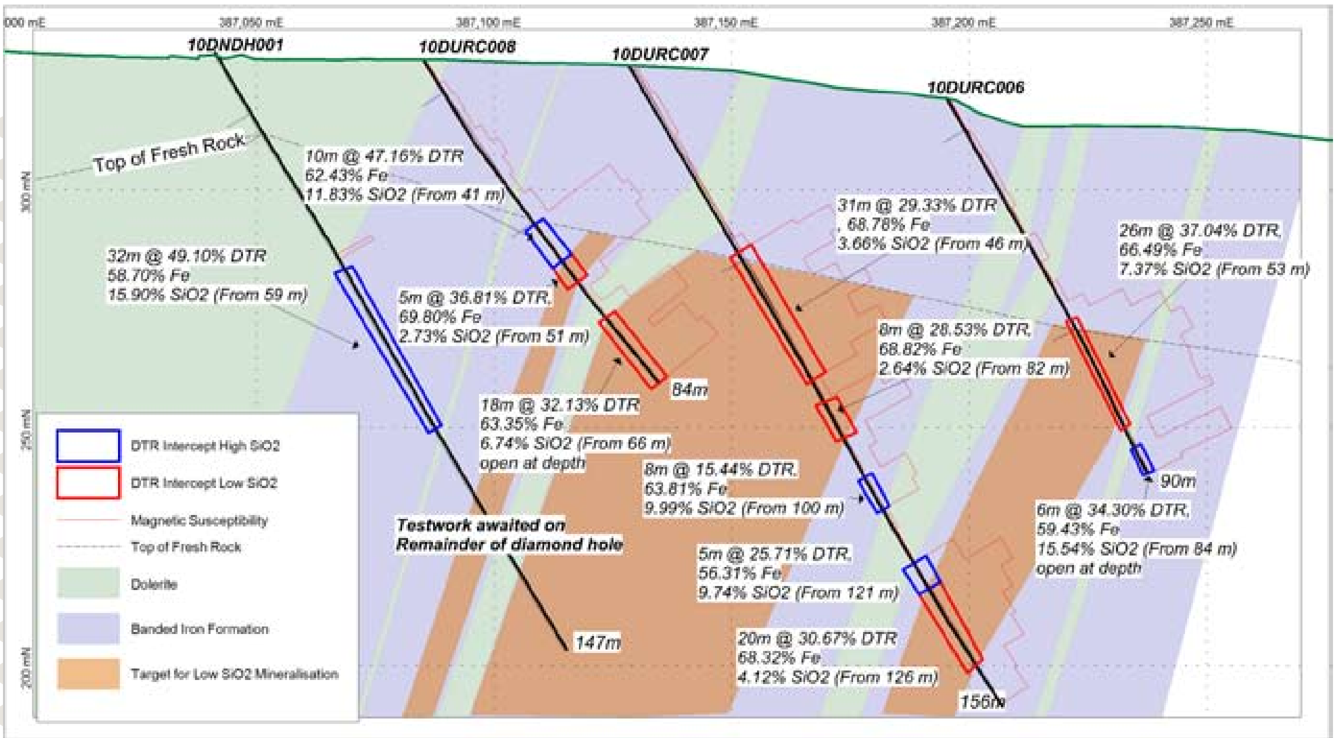

Figure 10: Representative Cross Section Dundas Iron Ore Project

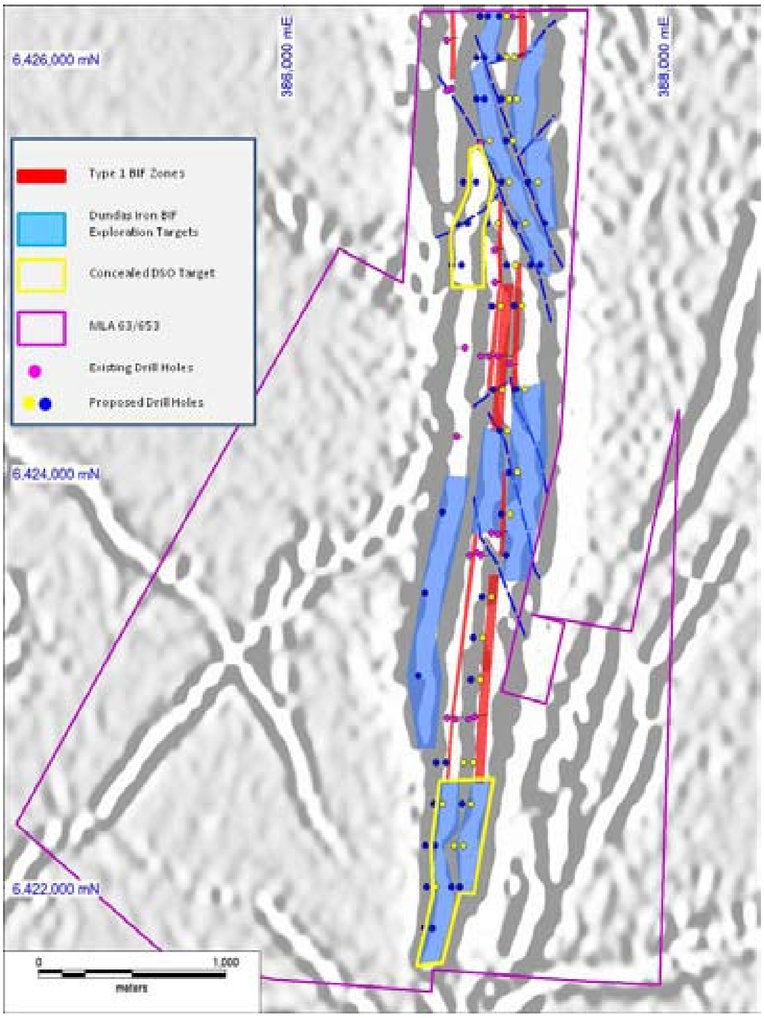

Figure 11: Dundas Iron Ore Project Target BIF and Planned Drilling under the Phase 2 and Phase 3 Programmes

Proposed Phase 2 Exploration Programme (Figure 11) The objectives of the phase two programme is to:

- Outline magnetite mineralisation to an "Inferred Resource" status as outlined by the JORC code;
- Establish that the magnetite concentrate meets or exceeds marketing specs for pellet plant feed;
- Commence pre- scoping study into project viability as regards mining, processing, marketing and heritage and environmental aspects.

Proposed Phase 3 Exploration Programme (Figure 11) The objective of phase three is to:

- Complete drilling and other work to bring the magnetite resource to an "Indicated Resource" status as outlined by JORC;
- To undertake metallurgy testwork to establish a Conceptual process flow-sheet;
- To undertake a Scoping Study.

DUNNSVILLE GOLD PROJECT

The Dunnsville Gold Project comprises a group of Exploration Licences covering 243km2 located only 65km WNW of Kalgoorlie and 50km NW of Coolgardie.

The Big Red prospect, which is part of the Dunnsville Gold Project, has had no previous gold workings and represents a greenfields discovery by Matsa. The prospect was discovered by a regional soil sampling program carried out by the Company in 2006. This programme identified a NW/SE trending gold-in-soil anomaly extending over a distance of 3 kilometres.

The prospect is located close to the Ida Fault and Bullabulling Fault close to the western boundary of the Eastern Goldfields terrane where basement lithologies are obscured by thick residual and transported regolith cover. Earlier programmes of RAB and shallow RC drilling within the geochemical anomaly did not identify significant mineralisation in basement and confirmed that the anomaly is underlain by a deep regolith profile of more than 40m depth, made up of transported soil and deep weathering.

In 2010, a ground Sub-Audio Magnetic geophysical survey (SAM) was completed over the entire Big Red soil anomaly. The SAM survey not only confirmed the presence of a discrete magnetic anomaly underlying the Big Red Prospect, but also provided information on structural trends in basement rocks. The main magnetic anomaly is thought to reflect a mafic intrusive (dolerite or gabbro) which acted as a host rock to mineralisation.

In late 2010, Matsa completed a RAB drilling programme of a total of 138 holes and 6,900m of drilling, to test geochemical targets using the structural interpretation based on the SAM survey. In early March 2011, Matsa announced it had received significant exploration drilling results from the drilling campaign at the Dunnsville Project with intercepts up to 7.85 g/t Au and intercepts >1.0 g/t Au in 14 RAB holes. (Table 6)
Gold mineralised intercepts are mostly located beneath 40 - 60m of regolith cover at the regolith / bedrock interface.

Hole_ID	From	To	Interval	Au g/t
10BRRAB134	32	33	1	1.43
10BRRAB147	59	60	1	6.33
10BRRAB148	46	47	1	1.09
10BRRAB155	51	52	1	7.85
10BRRAB169	43	44	1	1.63
10BRRAB187	47	48	1	4.84
10BRRAB189	53	54	1	1.4
10BRRAB190	58	62	4	1.06
10BRRAB190	61	62	1	1.36
10BRRAB191	56	57	1	2.99
10BRRAB197	52	55	3	1.67
10BRRAB205	14	15	1	1.34
10BRRAB206	58	59	1	2.15
10BRRAB217	50	51	1	1.22
10BRRAB220	49	50	1	1.83

Table 6: Big Red Prospect Key RAB intercepts >1g/t Au

This drilling has identified at least 6 zones of gold mineralisation (Figure 12). Mineralisation appears to be related to a structurally controlled vein stockwork produced by shearing of the host mafic intrusion by NNW trending shear zones parallel with the Bullabulling Shear Zone. Individual zones measure between 200 metres and 300 metres in length but remain open.

These intersections confirm the discovery of potentially significant gold mineralisation at Big Red. The project is located near existing infrastructure including potential toll milling opportunities and has been added as a second Australian gold project to Matsa's portfolio.

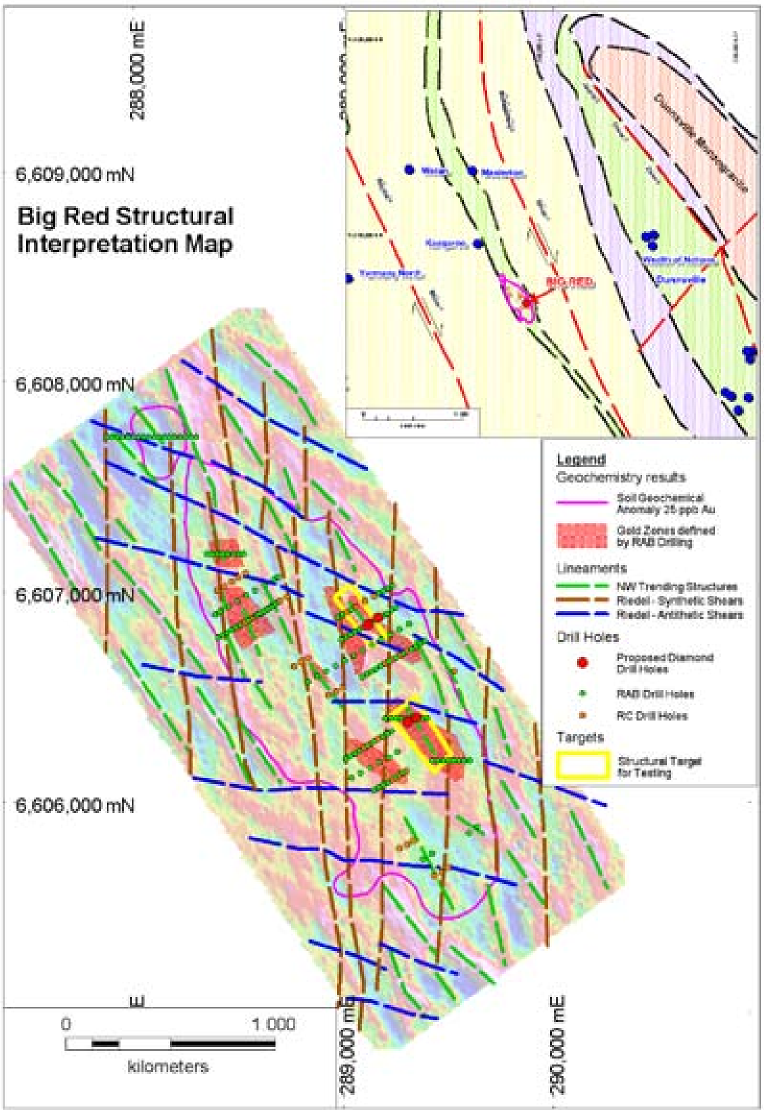

Figure 12: Big Red Gold Prospect Exploration Summary.

Initial drilling in 2006, included a number of shallow RC drill holes, which did not successfully define gold mineralisation. It is now apparent that deep weathering has resulted in gold depletion at shallow depth. It is likely that the narrow high grade intercepts represent gold which has been mobilised along the base of the weathered profile by supergene processes.

A diamond drilling programme is proposed to test for primary mineralisation and to provide structural and stratigraphic information in the basement underlying the two best RAB drilling sections (Figure 12).

Thailand

Matsa Resources have now applied for 124 special prospecting licenses prospective for gold, iron ore and copper in Thailand for a total of 1,766km² (Figure 13)

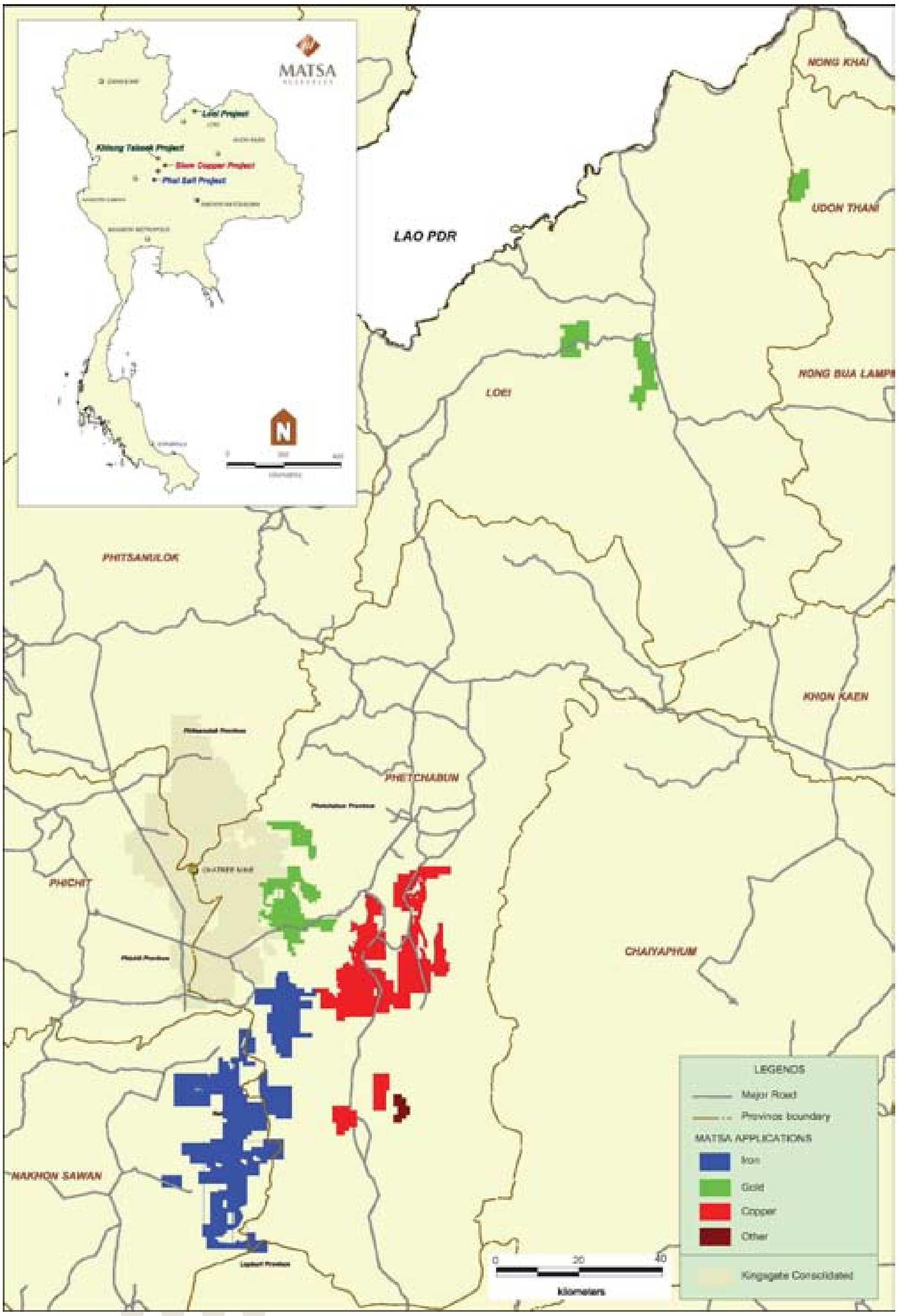

Figure 13: Matsa Special Prospecting Licence Applications Thailand.

Once granted, this will be a significant landholding for a foreign company in Thailand, representing a unique competitive advantage for Matsa (Table 7).

Matsa Subsidiary Company	No Licences	AREA Km^2
PVK Mining Co., Ltd.	67	952.166
Phaisali Mining Co., Ltd.	2	17.92
Klong Tabaek mining Co., Ltd.	2	31.05
Siam Copper	49	732.4
Loei Mining Co., Ltd.	4	32.06
	Total	1765.596

Table 7: Matsa Current Special Prospecting Licence Applications Thailand

There have been a number of major developments in Thailand over the past year which have been highly favourable to Matsa and its strategy of positioning itself ahead of competitors for long term growth has now been validated.

The strategy of accumulating a large strategic land holding whilst facing some challenging and stringent regulatory conditions is beginning to produce substantial benefit to the Company. A handful of Australian mining companies have been extremely successful over the past decade in Thailand and Matsa will emulate their success through innovation and patience.

One of the most significant events was the announcement on June 11 2011, by the Thai Department of Primary Industries and Mining, "DPIM" that it was lifting the three year moratorium on Special Prospecting Licences (SPLs) for gold.

This moratorium had effectively shut down virtually all mineral exploration in Thailand for most commodities even though the moratorium only applied to gold. The lifting of the Moratorium also means that there should be the granting of already lodged and fully completed applications, including Matsa's.

Matsa has a number of tenement applications that are already well advanced and the Company is pleased to report these are now moving towards final regulatory approval with the lifting of the Moratorium.

Surface exploration co-ordinated by Matsa Thailand's Co., Ltd chief exploration geologist Mr. Charnwit Premgamone under Special Prospecting License Application conditions was permitted during the Moratorium, and some of the significant work which Matsa conducted during the quarter included:

- Proving up dimensions of inferred magnetite skarn mineralisation at Phaisali by completion of 700 kilometres of detailed Ground Magnetic Traversing;
- Advancing the Siam Copper Project by discovery of widespread copper mineralised float;
- Regional geological reconnaissance in the Loei-Ko Chang volcanic belt.

PAISALI IRON ORE PROJECT

The Paisali Iron Ore Project comprises 56 Special Prospecting License Applications covering an area of 789km^2, close to the town of Paisali in Central Thailand.

High amplitude magnetic anomalies in the project are being explored as a source of magnetite iron ore, with significant potential to establish a profitable iron ore business supplying steel mills in Thailand and elsewhere in Asia (Figure 14).

These exploration targets are located on flat lying agricultural land and are concealed by regolith, including transported alluvium in low lying areas and are based on an exploration model which links hydrothermal "skarn" mineralisation with high level igneous intrusions into sediments and volcanics. Historic small scale mining has been carried out on at least two magnetite skarn deposits in the district which supports the exploration model.

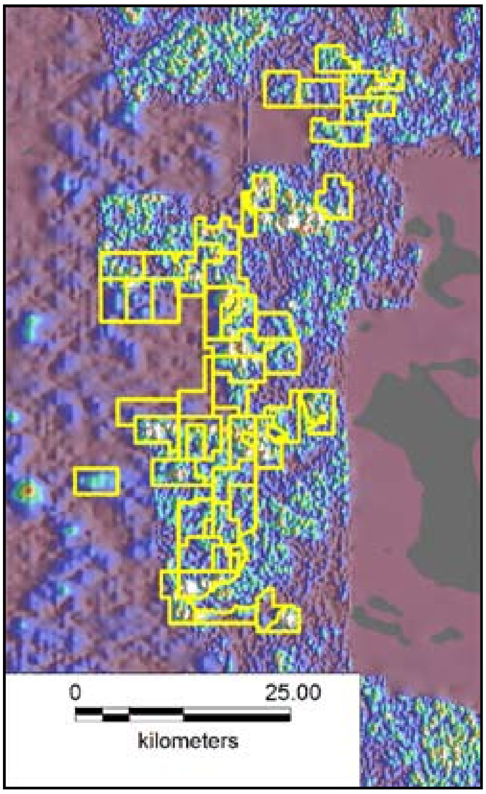

Figure 14: Phaisali Project outline on Aeromagnetic Image.

Matsa has carried out a total of 700 line kilometres of ground magnetic surveys on line spaced 25m apart and focused primarily on 10 prospects. Targets have been interpreted as subvertical to steeply dipping tabular bodies of magnetite skarn ranging in length up to 1.3 kilometres and up to 75 metres wide (Table 8).

Target		Interpreted Magnetic Source Dimensions	
Target	Amplitude (nT)	Combined Length	Width
PS1	4000	1900	75
NS9	2000	600	40
NS7891011	1700	1200	50
NS23	3000	400	50
NS1413	1000	500	30
NB3	1000	200	10
NB17/18	800	400	10
NS1	2000	400	40
NS7	1500	650	50
PS47	2500	1600	50

Table 8: Phaisali Ground Magnetic Survey Target Summary

Ground magnetic data and a sectional interpretation of Target PS1 is shown in Figure 15. This target is a good example of the concealed magnetic targets which are being explored. It can be seen that the target is a very intense magnetic anomaly with a maximum amplitude of 4000nT. The magnetic interpretation shows a sub – vertical to steeply NE dipping magnetic source which is assumed to be a tabular magnetite skarn zone. An exploration drilling programme has been planned to test PS1 and other targets once SPL Applications are granted.

Previous drilling at the Kao Lek magnetite skarn deposit which is located outside of Matsa's project, intersected magnetite mineralisation reported by the Department of Mineral Resources (DMR), to have iron assays up to 62% Fe. The magnetite and iron grades of the prospects under investigation are not known, but based on this information, they have potential to achieve direct shipping grade.

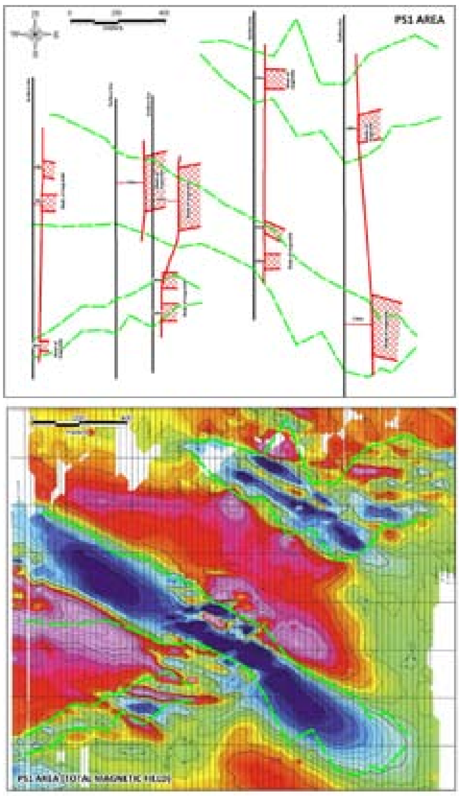

Figure 15: Phaisali Ground Magnetic Target PS1 and Sectional Interpretation.

Siam Copper Project

The Siam Copper Project in Petchabun Province Thailand is held under 49 Special Prospecting Licence (SPL) Applications by Siam Copper Co., Ltd a wholly owned subsidiary of Matsa Resources Ltd.

The project is located in a settled agricultural area approximately 300 kilometres north of Bangkok. It was initially established to explore for the source of widespread anomalous copper values in stream sediment samples collected by the DMR in 2003.

The project is located over mostly privately owned farmland but includes areas of forest as well as leasehold land administered by the Department of Agriculture.

The project is located in a geological domain referred to as the Loei Ko Chang Island arc, a generally north south belt of volcanics and minor sediments of Triassic to Tertiary age over a basement of Permian Limestone. No previously reported mineralisation is located within the project area.

All previous exploration was carried out by the DMR and includes airborne geophysical surveys, geological mapping and stream sediment sampling. Copper anomalous catchments over 100 km2 in extent are defined by assays >70ppm Cu from DMR survey work. Follow up stream sampling by Matsa confirmed and better defined these anomalies (Figure 16).

Exploration by Matsa has included the following:

- Infill Stream Sediment Sampling;
- Rock chip sampling including 120 samples analysed by 23 elements by ICP MS;
- Soil sampling of the Siam 1 catchment anomaly comprising 509 samples spaced at 100m x 100m and 200m x 200m intervals through the catchment;
- Detailed logging of rock float samples as the basis for a geological / alteration map of the project. Work on this is ongoing;
- Petrographic analysis of 4 rock samples has been undertaken.

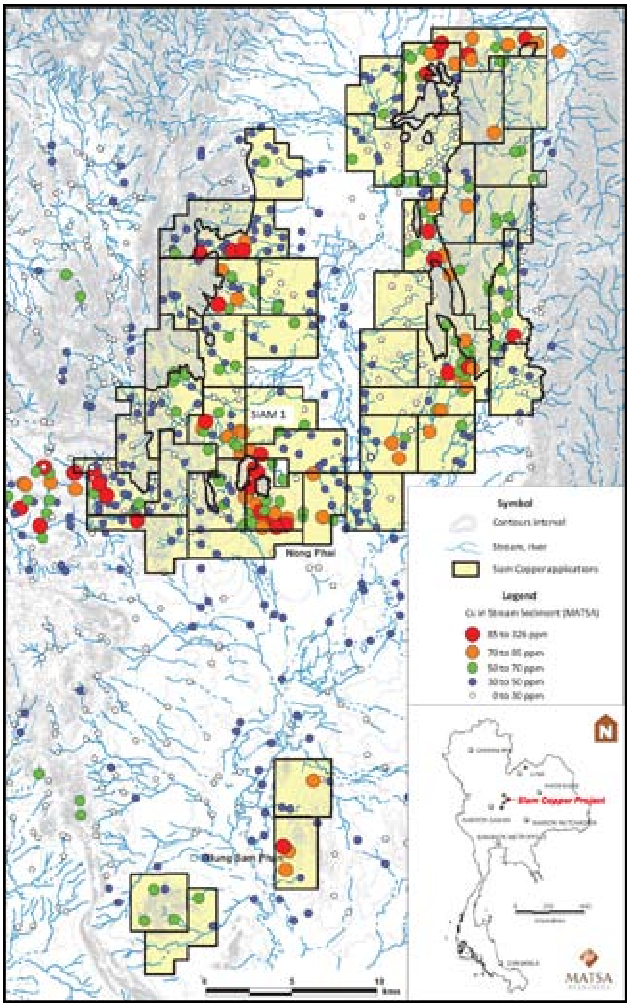

Figure 16: Siam Copper Project Regional Stream Sediment Sampling Results

Follow up activities also led to discovery of rock float containing visible copper mineralisation dominated by native copper with lesser malachite, azurite and chalcocite. (Figure17).

Figure 17: Altered and silicified andesite with native copper mineralisation

Results of exploration have included recognition of widespread float samples within the Siam 1 catchment containing visible copper mineralisation. Assay results of rock chip samples have returned 25 float samples containing more than 0.1% Cu and a number of these contain copper values > 1% Cu.

Soil sampling has identified a number of discrete copper geochemical targets defined by values in excess of 100ppm Cu. These are located in areas of soil cover and trenching and drilling will be necessary to locate and evaluate the source of these anomalies.

KT GOLD PROJECT

Matsa's KT Gold Project is located only 18km East of Kingsgate Consolidated Limited's 5 million ounce Chatree Gold Mine. The project is hosted within the same highly prospective Loei – Ko Chang Volcanic Belt which was an active island arc from Permian to Tertiary times.

The project area is recognised as highly prospective for gold mineralisation of 'Chatree' style. Matsa has already identified two large gold in soil anomalies (the NW and SE anomalies) each approximately 2.5km x 0.5km in extent, based on extensive first pass exploration comprising geological mapping, and stream sediment and soil sampling. These two anomalies are defined by gold anomalous stream sediment and soil samples containing up to 73ppb Au. (Figure 18)

The exploration model is for gold mineralisation introduced by fluids originating in a shallow subvolcanic intrusive, into overlying volcanic and sediments. Control of fluid movement is envisaged along active faults with mineralisation accumulating in a variety of structural and chemical traps controlled by the enclosing country rocks. A vertical diamond drill hole completed previously by the DMR is located along strike from the SE anomaly but outside of Matsa's project area. This drillhole intersected 4m @ 3.3g/t Au from 60m in altered veined and silicified conglomerate.

This setting appears to be subhorizontal and stratabound within the conglomerate unit and the overall NNE direction of the anomaly probably reflects the direction of the subvertical feeder system. A discrete magnetic feature closely related to the SE anomaly may reflect the position of the underlying subvolcanic intrusive.

Matsa proposes to test both targets with a combination of infill soil sampling and ground electrical surveys to better define the targets for drilling. Ground electrical surveys (e.g. Induced Polarisation) have the potential to detect subsurface pyritic mineralisation.

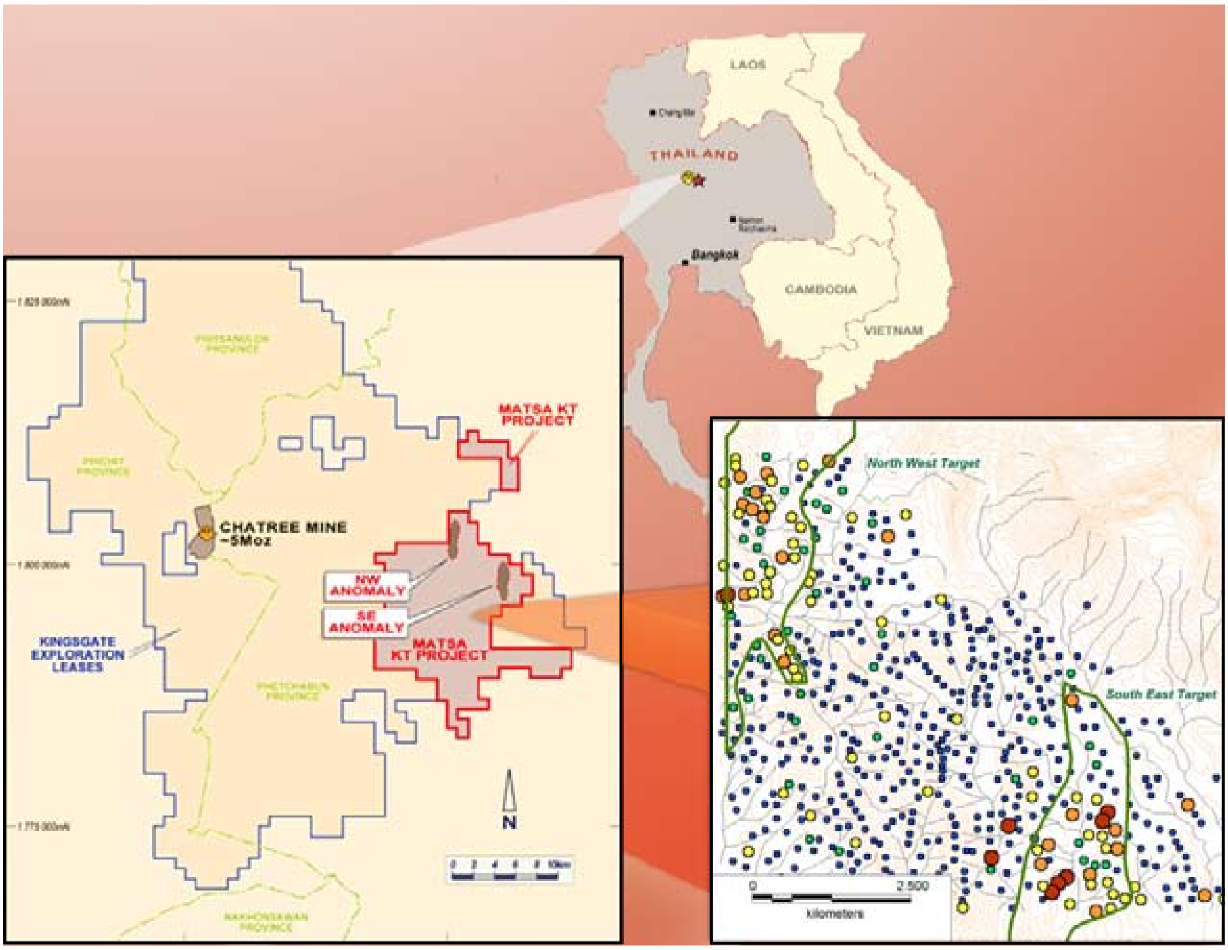

Figure 18: KT Project Location and position of NW and SE anomalies and soil samples

CORPORATE ACTIVITIES

Matsa signed a non-binding terms sheet and received two separate letters of intent to enter into a binding agreement for the development and commencement of production at the Norseman Gold Project.

Matsa recently secured up to AUD$8.6 million from a New York-based institutional investment fund SpringTree Special Opportunities Fund LP, to provide capital for the Norseman Gold Project if required. Matsa is confident the funding agreement has been secured at a highly competitive rate and contains safeguards to minimise dilution in the event of adverse market conditions.

Matsa's discussions with interested parties in the Norseman Gold Project to date include:

- The sale of an interest in the Norseman Gold Project which will include the Mt Henry, Selene and North Scotia gold deposits as well as any associated magnetite concentrate by-product associated with those deposits on commercial terms;
- Matsa will manage and operate the project and enter into a co-operation agreement with the investor;
- Commence a feasibility study on the project as soon as possible on participating interest terms to establish a gold mining operation and/or combined gold/magnetite by-product mining operation;
- Secure commercial loan financing for the development and construction of a gold or gold/magnetite by-product operation;
- Seek to procure an off take agreement for any magnetite iron ore concentrate produced from the Norseman Gold Project on normal terms and conditions;
- Formation of a joint venture to assess other resource sector opportunities in both Australia and Thailand.

As noted above in July 2011 Matsa announced it has entered into an agreement with a US-based institutional investment fund SpringTree Special Opportunities Fund, LP ("SpringTree"), managed by SpringTree Global Investors, LLC, to provide funding of up to AUD$8.6 million over 18 months.

The key features of the agreement are:

Funding up to AUD$8.6 million over 18 months, comprising tranches of a minimum of AUD$100,000 per month, increasing to AUD$500,000 per month on mutual consent if and when needed.

The agreement enables Matsa to issue shares linked to market prices prevailing at the time of their future issuance and potentially at premiums to their current share price, thereby allowing Matsa to take advantage of future growth in share prices. The price at which the shares will be issued in the monthly tranche will be 91.5% of the average of three consecutive daily volume weighted average prices ("VWAPs") of Matsa shares during a specified period prior to the date of issuance of shares.

Matsa can opt to refuse to issue shares in a particular month if the Company's share price falls below the floor price protection level of 21.9c.

Matsa has granted SpringTree 1,250,000 options with the exercise price equal to 120% of the average of the VWAPs per share during the 20 trading days prior to the date of execution of the agreement.

The terms of the Agreement allow the Company the freedom to enter into future debt or other financing arrangements and to raise additional equity as the Company sees fit. In addition, the agreement does not restrict the Company's ability to enter into strategic industry partnerships and undertake acquisitions or dispositions of assets and shares in the future.

On 1 November 2010 Matsa announced it had raised $1.2 million via the issue of 3 million shares at an issue price of $0.40 each to Rock Resource Ltd ("Rock"). Rock is a Hong Kong based Iron and Steel and Investment Company with strong relationships with a number of Chinese Steel Mills. The funds raised were used to assess and progress the Dundas Iron Ore Project.

On 25 October 2010 Mr Frank Sibbel was appointed as a director of the Company. Mr Sibbel is a mining engineer with 40 years experience in the Australian mining industry which includes experience across operations, project management and consultancy. He has successfully managed projects from development through to successful commencement of operations including open pit and underground mining and related processing facilities. Andrew Viner resigned as a director of Matsa to pursue other interests.

'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.

Exploration results

The information in this report that relates to Exploration Results, is based on information compiled by David Fielding, who is a Fellow of the Australasian Institute of Mining and Metallurgy. David Fielding is a full time employee of Matsa Resources Limited. David Fielding has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 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.

Mineral resources and reserves

The information in this report that relates to mineral resources and reserves, is based on information compiled by Richard Breyley, who is a member of the Australasian Institute of Mining and Metallurgy. Richard Breyley is a full time employee of Matsa Resources Limited. Richard Breyley 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. Richard Breyley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2011.

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 Frank Sibbel B.E.(Hons) Mining, F.Aus.IMM (Appointed 25th October 2010)

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

Tanami Gold NL (Appointed 7 July 2006; Resigned 30 June 2008)

Mr Andrew Chapman CA F Fin

Mr Chapman is a chartered accountant with over 18 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.

DIRECTORS' REPORT

Mr Andy Viner Bachelor of Applied Science (Geology), M.AusIMM, MAICD (Executive Director) (Resigned 25th October 2010)

Mr Viner was 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)

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

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

Operating Results for the Year

The Group's net loss for the year after income tax is $2,801,357 (2010: $4,452,195).

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

- impairment losses of $292,454 (2010: $1,722,824) attributable to the Group's exploration projects.
- the write-off of exploration expenditure of $82,412 (2010: $620,020).
- Share based payments expense of $939,255 (2010:$830,653)
- Income of $632,280 (2010: $315,747) relating to a tax refund for eligible research and development expenditure.

Review of Financial Condition

The net assets of the Group have decreased by $595,869 from 30 June 2010 to $16,685,413 at 30 June 2011.

The Company raised $1,200,000 (2010:$7,413,810) before costs from the issue of shares during the financial year.

DIRECTORS' REPORT

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 20 employees of which 18 were full-time as at 30 June 2011 (2010: 11 full-time equivalent employees).

Review of Operations

A full review of the operations of the Group during the year ended 30 June 2011 is included on pages 3 to 26.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year other than as disclosed in this report or the consolidated financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 4 July 2011 the Company announced that it had entered into a terms sheet with Shandong Gold Mineral Resources Group Co. Ltd and a Letter of Intent to enter into an agreement received from China Nerin Engineering Co. Ltd for the potential development of the Norseman Gold Project with site visits and due diligence planned to commence in September 2011. An additional Letter of Intent was executed with Shanghai Zendai Investment Development Co. Ltd on 6 July 2011 for the Norseman Gold Project.

On 12 July 2011 the Company announced that it had entered into an agreement with a US-based institutional investment fund SpringTree Special Opportunities Fund, LP ("SpringTree"), managed by SpringTree Global Investors, LLC, to provide funding of up to AUD$8.6 million over 18 months with the proceeds to be used towards the Norseman Gold Project and working capital.

On 12 August 2011 the Company announced it has agreed to raise $624,000 via the issue of 3.12 million shares at an issue price of $0.20 each to sophisticated investors with the proceeds from the raising will be used to further the Company's Thailand projects, in particular for costs with respect to applications for further Special Prospecting Licences in Thailand and working capital.

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

FUTURE DEVELOPMENTS

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 Australian and Thai Legislation. The Group has adequate systems in place for the management of its environmental obligations. The directors are not aware of any breaches of the legislation during the financial year which are material in nature.

DIRECTORS' MEETINGS

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

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Paul Poli	6	6
Frank Sibbel	4	4
Andrew Chapman	6	6
Andrew Viner	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 $0.40 Options**	**Number of $0.45 Options**	**Number of $0.50 Options**
Paul Poli	10,550,000	1,000,000	-	2,750,000	4,000,000
Frank Sibbel	200,000	-	250,000	750,000	-
Andrew Chapman	-	-	-	750,000	-

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted 4,750,000 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:

Key Management Personnel	Number of Options Granted	Exercise Price	Expiry Date
Paul Poli	2,750,000	$0.45	30 November 2013
Frank Sibbel	750,000	$0.45	30 November 2013
Andrew Chapman	750,000	$0.45	30 November 2013
Frank Sibbel	250,000	$0.40	31 August 2013
Dave Fielding	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
1 July 2012	$0.50	9,000,000
26 November 2012	$0.273	1,000,000
31 December 2012	$0.273	1,200,000
31 August 2013	$0.40	2,075,000
30 November 2013	$0.45	4,250,000
13 July 2014	$0.266	1,250,000
12 August 2014	$0.31	350,000
		19,125,000

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 has issued no ordinary shares as a result of the exercise of options.

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 REPORT – Audited (continued)

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 as Exploration and Evaluation assets.

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.

REMUNERATION REPORT – Audited (Continued)

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Each Director receives a fee for being a Director of the Company.

Non-Executive Directors are encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the Company on whose Board he or she sits.

The remuneration of Non-Executive Directors for the period ending 30 June 2011 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.

REMUNERATION REPORT – Audited (Continued)

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 500,000 options issued to executives other than directors 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 include 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 $360,000 plus statutory superannuation. This contract is for an unlimited term and is capable of termination on one month's notice. This fixed remuneration amount is effective from 1 November 2010 onwards with his previous fixed remuneration being $225,000 (excluding superannuation) per annum. The Group retains the right to terminate the contract immediately, by making payment equal to six months' pay in lieu of notice.

REMUNERATION REPORT – Audited (Continued)

Mr David Fielding, Iron Ore Executive, has a contract of employment with the Company. Mr Fielding receives a salary of $221,000 plus statutory superannuation. This contract is for an unlimited term and is capable of termination on one month's notice. This fixed remuneration amount is effective from 31 January 2011 onwards with his previous fixed remuneration being $170,000 (excluding superannuation) per annum. 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 month's notice. The Group retains the right to terminate the contract immediately, by making payment equal to one month's pay in lieu of notice.

Mr Andrew Chapman 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:

- David Fielding – Iron Ore Executive

REMUNERATION REPORT – Audited (Continued)

2011	Short Term Benefits		Post-employment Benefits		Share-based payments			
Key Management Person	**Salary & Fees**	**Non-monetary benefits**	**Superannuation**	**Termination Benefits**	**Options**	**Total**	**% Performance Related**	**% of Remuneration that consists of options**
Directors								
Paul Poli	311,465	-	28,221	-	436,700	776,386	56.24	56.24
Frank Sibbel*[2]	241,109	-	-	-	150,950	392,059	38.50	38.50
Andrew Viner #	105,835	-	5,357	37,500	-	148,692	-	-
Andrew Chapman[1]	84,617	-	-	-	119,100	203,717	58.46	58.46
Total	**743,026**	**-**	**33,578**	**37,500**	**706,750**	**1,520,854**	**-**	**-**

\# Resigned 25 October 2010
* Appointed 25 October 2010
[1] Mr Chapman also provided company secretarial services to the Company totalling $53,950 during the year.
[2] Mr Sibbel provided consultancy services to the Company totalling $219,335 during the year.

Executives								
David Fielding	178,987	-	23,486	-	31,850	234,323	13.59	13.59
Total	**178,987**	**-**	**23,486**	**-**	**31,850**	**234,323**	**-**	**-**

2010	Short Term Benefits		Post-employment Benefits	Share-based payments			
Key Management Person	**Salary & Fees**	**Non-monetary benefits**	**Superannuation**	**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
Andrew 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 2009
* 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

REMUNERATION REPORT – Audited (Continued)

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:

2011	Vested	Granted	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Expiry Date
	No.	No.		Cents	Cents		
Paul Poli	2,750,000	2,750,000	1.12.10	15.88	45	1.12.10	30.11.13
Frank Sibbel	750,000	750,000	1.12.10	15.88	45	1.12.10	30.11.13
Frank Sibbel	250,000	250,000	3.09.10	12.74	40	3.09.10	31.08.13
Andrew Chapman	750,000	750,000	1.12.10	15.88	45	1.12.10	30.11.13
David Fielding	250,000	250,000	3.09.10	12.74	40	3.09.10	31.08.13

2010	Vested	Granted	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Expiry Date
	No.	No.		Cents	Cents		
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

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

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 per Option	Exercise Price	Price of Share on Date of Grant	Expected Volatility	Risk – free Interest Rate	Dividend Yield
3.09.10	3 years	$0.1274	$0.40	$0.29	78.67%	4.89%	-
1.12.10	3 years	$0.1588	$0.45	$0.34	78.67%	4.89%	-

REMUNERATION REPORT – Audited (Continued)

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:-

	Options Granted		% vested in year	% forfeited in year (A)	Financial years in which grant vests
Directors	**Number**	**Date**			
Paul Poli	2,750,000	01.12.10	100%	-%	01.12.10
Frank Sibbel	750,000	01.12.10	100%	-%	01.12.10
Andrew Chapman	750,000	01.12.10	100%	-%	01.12.10
Executives					
Frank Sibbel	250,000	3.09.10	100%	-%	3.09.10
David Fielding	250,000	3.09.10	100%	-%	3.09.10

(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	436,700	-	-
Frank Sibbel	150,950	-	-
Andrew Chapman	119,100	-	-
David Fielding	31,850	-	-
	738,600	-	-

(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.

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 2011:

Taxation services	$13,502

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 40.

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

Paul Poli
Executive Chairman
Dated this 30th day of September 2011.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MATSA RESOURCES LIMITED

mgi
BUSINESS SOLUTIONS
WORLDWIDE

MGI Perth Audit Services Pty Ltd
ACN 145 447 105
Level 7, The Quadrant,
1 William Street,
GPO Box 2570,
Perth, Western Australia 6001

T: +61 8 9463 2463
F: +61 8 9463 2499

E: audit@mgiperth.com.au

Lead auditor's independent declaration under section 307C of the Corporations Act 2001

To the directors of Matsa Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MGI PAS

MGI Perth Audit Services Pty Ltd

TJ Spooner **CA FCA(UK) ACIS**
Director

Perth, 30 September 2011

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MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Other income	5(a)	635,936	315,747
Depreciation expense	5(c)	(180,344)	(106,998)
Other expenses	5(d)	(3,374,083)	(4,759,203)
Results from operating activities		(2,918,491)	(4,550,454)
Finance income	5(b)	129,895	111,454
Finance costs		(12,761)	(13,195)
Net finance income		117,134	98,259
Loss before income tax expense		(2,801,357)	(4,452,195)
Income tax expense	6	-	-
Net Loss for the period attributable to equity holders of the company		(2,801,357)	(4,452,195)
Other comprehensive income		(1,708)	(165)
Total comprehensive loss for the period attributable to equity holders of the company		(2,803,065)	(4,452,360)

		Cents	Cents
Basic loss per share	17	(2.3)	(4.0)
Diluted loss per share	17	(2.3)	(4.0)

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	21	1,521,789	3,671,437
Trade and other receivables	7	53,200	437,580
Other current assets	8	708,359	677,778
Total current assets		2,283,348	4,786,795
Non-current assets			
Exploration and evaluation asset	9	14,678,600	12,891,349
Property, plant and equipment	10	388,658	333,655
Total non-current assets		15,067,258	13,225,004
Total assets		17,350,606	18,011,799
Current liabilities			
Trade and other payables	11	439,352	511,945
Borrowings	12	94,890	85,941
Provisions	13	87,064	71,739
Total current liabilities		621,306	669,625
Non-current liabilities			
Borrowings	12	43,887	60,892
Total non-current liabilities		43,887	60,892
Total liabilities		665,193	730,517
Net assets		16,685,413	17,281,282
Equity			
Issued capital	14	35,255,459	33,987,518
Reserves	15	5,150,468	4,212,921
Accumulated losses	16	(23,720,514)	(20,919,157)
Total equity		16,685,413	17,281,282

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	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 2010	33,987,518	(20,919,157)	4,174,100	38,821	17,281,282
Comprehensive loss for the period	-	(2,801,357)	-	(1,708)	(2,803,065)
Total comprehensive loss for the period	-	(2,801,357)	-	(1,708)	(2,803,065)
Transactions with owners recorded directly in equity					
Shares issued during the period	1,200,000	-	-	-	1,200,000
Capital raising costs during the period	(32,059)	-	-	-	(32,059)
Equity settled transaction	100,000	-	-	-	100,000
Share based payment	-	-	939,255	-	939,255
Balance at 30 June 2011	35,255,459	(23,720,514)	5,113,355	37,113	16,685,413

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Other income		947,797	250
Payments to suppliers and employees		(1,883,978)	(1,375,604)
Interest received		173,694	71,697
Net cash used in operating activities	21	(762,487)	(1,303,657)
Cash flows from investing activities			
Proceeds from sale of exploration and evaluation assets		8,000	-
Deposits for application licences		(339,673)	(510,286)
Purchase of plant and equipment		(192,312)	(226,885)
Exploration and evaluation expenditure (capitalised)		(2,202,125)	(2,429,358)
Proceeds on sale of plant and equipment		3,636	700
Proceeds from realisation of deposits		233,000	33,091
Net cash used in investing activities		(2,489,474)	(3,132,738)
Cash flows from financing activities			
Proceeds from issue of shares		1,200,000	7,413,810
Proceeds on issue of options		-	66,698
Capital raising costs		(32,059)	(141,457)
Repayment of lease liabilities		(65,628)	(37,570)
Net cash provided by financing activities		1,102,313	7,301,481
Net increase/(decrease) in cash and cash equivalents		(2,149,648)	2,865,086
Cash and cash equivalents at beginning of financial year		3,671,437	806,351
Cash and cash equivalents at end of financial year	21	1,521,789	3,671,437

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 2011 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 2011.

(b) Basis of measurement

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

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Activities in Thailand operate in Thai Baht (THB). The consolidated financial statements are presented in Australian dollars which is Matsa Resources Limited's functional and presentation currency.

(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 23	Valuation of financial instruments
Note 24	Measurement of share based payments

2. BASIS OF PREPARATION (Continued)

(e) Financial Position

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 2011 of $2,801,357 (2010: $4,452,195) and experienced net cash outflows from operating and investing activities of $3,251,961 (2010: $4,436,395).

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.

This view is supported by the SpringTree agreement discussed in Note 28.

(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 adoption at 30 June 2011 but have not been applied in preparing this financial report.

These are outlined in the table below.

2. BASIS OF PREPARATION (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard shall be applied when AASB 9 is applied.	1 January 2013	1 July 2013
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 (Amendment to IFRIC 14). The requirements of IRFIC 14 meant that some entities 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.	1 January 2011	1 July 2011

2. BASIS OF PREPARATION (Continued)

AASB 9 Financial Instruments	Amendments to Australian Accounting Standard - Financial Instruments and its associated amending standards	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 main changes from AASB 139 are described below. Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	1 July 2013

2. BASIS OF PREPARATION (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	1 July 2011
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 qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component 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. Clarifies 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.	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115,127, 132, & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 July 2011

2. BASIS OF PREPARATION (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. They require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have exposure to the asset after the sale.	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: The change attributable to changes in credit risk is presented in other comprehensive income. The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 January 2012	1 July 2012

2. BASIS OF PREPARATION (Continued)

AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability. (b) All not-for-profit private sector entities Public sector entities other than the Australian Government and State, Territory and Local Governments.	1 July 2013	1 July 2013

2. BASIS OF PREPARATION (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	1 July 2011
AASB 10	Consolidated Financial Statements IFRS 10	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC- 12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	1 July 2013

2. BASIS OF PREPARATION (Continued)

Reference	Title	Summary	Application Date of Standard	Application Date for Consolidated Entity
AASB 11	Joint Arrangements IFRS 11	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities IFRS 12	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement IFRS 13	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

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. The financial report includes financial statements for the consolidated entity consisting of the Company and its subsidiaries.

(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 2011 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.

(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

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

Segment results that are reported to the chief decision makers 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree’s employees (acquiree’s awards) and relate to past services, then all or a portion of the amount of the acquirer’s replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree’s awards and the extent to which the replacement awards relate to past and/or future service.

(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’s functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency transactions and balances

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 transaction costs.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 financial assets

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.

Financial assets are tested for impairment on an individual basis.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Group 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; or
   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:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 this accounting policy.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 unless they relate to qualifying assets in which case they are capitalised.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The financial information presented in the statement of comprehensive income and statement of financial position is the same as that presented to the chief operating decision maker.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

	2011 $	2010 $
5. Revenue		
The loss before income tax includes the following revenues whose disclosure is relevant in explaining the performance of the entity.		
(a) Other income		
R&D tax credit refund	632,280	315,747
Net gain on sale of plant and equipment	3,636	-
Other income	20	-
Total sales revenue	635,936	315,747
(b) Finance income		
Interest earned from other persons	129,895	111,454
	129,895	111,454
(c) Expenses included in the statement of comprehensive income		
Depreciation of plant and equipment	180,344	106,998
(d) Other expenses		
(i) Employee benefits expense		
Salaries and wages	1,039,857	562,298
Superannuation expenses	45,114	28,921
Share based payments	939,255	830,653
Total employee benefits expense	2,024,226	1,421,872
(ii) Administration and other expenses		
Operating lease rentals – minimum lease payments	108,230	96,319
Administration expenses	866,761	889,376
Exploration expenditure written off	82,412	620,020
Provision for doubtful debts	-	8,524
Loss on disposal of plant and equipment	-	268
Provision for impairment on exploration projects	209,034	1,595,252
Impairment on deposits (refer Note 8)	83,420	127,572
	1,349,857	3,337,331
	3,374,083	4,759,203

6. Income taxes

	2011 $	2010 $
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income)	-	-
Net deferred tax liability	-	-

	2011 $	2010 $
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	(2,801,357)	(4,452,195)
Income tax expense calculated at 30%	(840,407)	(1,335,658)
Under provision from prior year	-	836,684
Section 40-880 expenses	(98,583)	(119,116)
Exploration expenses	(598,886)	(5,903)
Effect of expenses that are not deductible in determining taxable profit	597,223	193,533
Effect of revenues that are not assessable in determining taxable profit	(189,684)	(94,724)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	1,130,337	525,184
	-	-

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.

	2011 $	2010 $
Unrecognised deferred tax assets/(liabilities)		
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	8,742,885	8,212,794
Temporary differences - exploration	(4,595,270)	(3,867,405)
Temporary differences	163,017	35,404
Section 40-880 expenses	115,585	207,921
	4,426,217	4,588,714

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

7. Trade and other receivables

	2011 $	2010 $
Current		
Amounts receivable from Australian Taxation Authorities	50,444	390,342
Other receivables	2,756	47,238
	53,200	437,580

8. Other current assets

	2011 $	2010 $
Prepayments	19,392	12,064
Cash backed performance bond (i)	50,000	283,000
Deposits held (ii)	638,967	382,714
	708,359	677,778

(i) The Company's bankers have provided performance bonds as security for the due and proper performance of leases in accordance with the tenement conditions associated with certain Group tenements. The Company has cash-backed these performance bonds with fixed term deposits with the bank.

(ii) The Company has cash deposits held with the Thailand government with respect to a number of tenement applications in Thailand. Should the applications not be successful 75% of the deposits will be returned to the Company. An impairment of $210,992 has been made against the deposits held of $849,959.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $	2010 $
9. Exploration and evaluation asset		
Exploration expenditure capitalised at cost		
-exploration and evaluation phase	14,678,600	12,891,349
	14,678,600	12,891,349
Movements in carrying amounts		
Exploration and evaluation phase		
Balance at beginning of year	12,891,349	12,871,497
Purchase of tenements	243,234	-
Disposal of tenements	(187,234)	-
Exploration and evaluation incurred	2,022,697	2,235,124
Expenditure written off	(82,412)	(620,020)
Provision for impairment	(209,034)	(1,595,252)
Balance at end of year	14,678,600	12,891,349

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 $209,034 (2010: $1,595,252) in the financial year.

10. Property, plant and equipment

	2011	2010
Buildings at cost	11,000	11,000
Accumulated depreciation	(2,200)	(1,650)
	8,800	9,350
Plant and equipment at cost	775,594	550,248
Accumulated depreciation	(395,736)	(225,943)
	379,858	324,305
Total property, plant and equipment	388,658	333,655

Movements in carrying amounts

	Buildings $	Plant and Equipment $	Total $
Consolidated			
Balance 1 July 2009	9,900	202,524	212,424
Additions	-	228,661	228,661
Disposals	-	(432)	(432)
Depreciation expense	(550)	(106,448)	(106,998)
Balance at 30 June 2010	9,350	324,305	333,655
Additions	-	235,347	235,347
Disposals	-	-	-
Depreciation expense	(550)	(179,794)	(180,344)
Balance 30 June 2011	8,800	379,858	388,658

10. Property, plant and equipment (continued)

The Group leases motor vehicles and plant and equipment under a number of finance lease agreements. The leased equipment secures the lease obligations. At 30 June 2011 the net carrying amount of leased plant and equipment was $76,930 (2010:$91,628). During the year, the Group acquired leased assets of $44,811 (2010:nil).

	2011 $	2010 $
11. Trade and other payables		
Unsecured liabilities		
Trade payables	242,503	385,232
Sundry creditors and accrued expenses	196,849	126,713
	439,352	511,945
12. Borrowings		
Current		
Secured liabilities		
Finance lease liabilities (i)	94,890	85,941
	94,890	85,941
Non Current		
Secured liabilities		
Finance lease liabilities (i)	43,887	60,892
	43,887	60,892

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

	2011 $	2010 $
13. Provisions		
Provision for employee benefits	72,064	35,739
Provision for mine restoration	15,000	36,000
	87,064	71,739
Movement in provision		
Provision for mine restoration		
Opening balance 1 July	36,000	36,000
Disposal of tenements	(36,000)	-
Increase in provision	15,000	-
Closing balance 30 June	15,000	36,000

A provision has been recognised for the costs associated with the Dundas Iron Project.

	2011	2010	2011	2010
14. Issued capital				
122,351,215 (2010: 119,010,963) fully paid ordinary shares	35,255,459	33,987,518	35,255,459	33,987,518
	No.	**No.**	**$**	**$**
Ordinary shares				
At the beginning of reporting period	119,010,963	88,561,143	33,987,518	26,314,908
Placement of shares	3,000,000	25,072,236	1,200,000	6,935,160
Shares issued in lieu of services	-	987,012	-	307,005
Shares issued to acquire tenements	340,252	-	100,000	-
Shares issued pursuant to a share purchase plan	-	1,860,000	-	465,000
Shares issued as repayment of loans	-	2,480,572	-	248,057
Shares issued on exercise of options	-	50,000	-	13,650
Transaction costs	-	-	(32,059)	(296,262)
At reporting date	122,351,215	119,010,963	35,255,459	33,987,518

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 November 2012	2,000,000	-	-	(1,000,000)	1,000,000
$0.273	31 December 2012	1,400,000	-	-	(200,000)	1,200,000
$0.40	31 August 2013	-	2,075,000	-	-	2,075,000
$0.45	30 November 2013	-	4,250,000	-	-	4,250,000

	2011 $	2010 $
15. Reserves		
Equity settled transaction	5,113,355	4,174,100
Foreign currency translation	37,113	38,821
	5,150,468	4,212,921

Equity settled transaction reserve

Balance at beginning of financial year	4,174,100	3,276,587
Share based payment	939,255	897,513
Balance at end of financial year	5,113,355	4,174,100

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

Foreign currency translation reserve

Balance at beginning of financial year	38,821	38,986
Translation of foreign operations	(1,108)	(165)
Balance at end of financial year	37,713	38,821

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

16. Accumulated losses

Accumulated losses at beginning of financial year	20,919,157	16,466,962
Loss for the year	2,801,357	4,452,195
Accumulated losses at end of financial year	23,720,514	20,919,157

17. Loss per share

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

Loss	(2,801,357)	(4,452,195)
	No.	**No.**
Weighted average number of ordinary shares	121,057,039	110,436,250

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 $1,484,509 (2010: $1,346,582). This amount has not been provided for in the financial report. These obligations are capable of being varied from time to time. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

Finance lease commitments

	2011 $	2010 $
Commitments in relation to finance leases are payable as follows:		
Within one year	104,227	95,675
Later than one year but not later than five years	48,921	65,090
Later than five years	-	-
Minimum lease payments	153,148	160,765
Less: Future finance charges	(14,371)	13,932
	138,777	146,833
Recognised as a liability		
Representing lease liabilities:		
Current (note 12)	94,890	85,941
Non-current (note 12)	43,887	60,892
	138,777	146,833

Contingencies

There are no contingent assets or contingent liabilities as at 30 June 2011.

19. Interest in joint venture

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

Joint Venture Party	Activities	Percentage Interest (%) 2011	2010
Metro Energy	Oil and Gas Exploration	75	75

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 (%) 2011	2010
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	95
Paisali Mining Co Ltd	Thailand	95	95
Wichan Buri Resources Co Ltd	Thailand	100	-
Siam Copper Resources Co Ltd	Thailand	100	-
Loei Mining C o Ltd	Thailand	100	-

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:

	2011 $	2010 $
Cash and cash equivalents	1,521,789	3,671,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

21. Cash flow information (Continued)
Reconciliation of loss for year to net cash flows from operating activities

	2011 $	2010 $
Loss for year	(2,801,357)	(4,452,195)
Non-cash flows in loss from ordinary activities:		
Provision for doubtful debt	-	8,524
Share-based payments	939,255	830,653
Depreciation	180,344	106,998
Exploration expenditure written off	82,412	620,020
Provision for impairment	292,454	1,722,824
Equity issued in lieu of services	-	427,005
Equity issued in lieu of repayment of loans	-	248,057
Net gain/(loss) on disposal of plant and equipment	3,636	(268)
Changes in assets and liabilities:		
Decrease (increase) in receivables	384,420	(333,192)
Decrease (increase) in prepayments	(7,328)	2,449
Increase (decrease) in trade creditors and accruals	148,352	(489,851)
Increase (decrease) in provisions	15,325	5,319
Cash flow from operations	(762,487)	(1,303,657)

Non-cash financing and investing activities
During the financial year nil (2010: 600,000) shares were issued in lieu of consultancy services provided.

During the financial year nil (2010: 387,012) shares were issued in lieu of a placement fee.

During the financial year nil (2010: 2,480,572) shares were issued as repayment of outstanding loans.

During the financial year 340,252 (2010: nil) shares were issued to consideration for the acquisition of exploration tenements.

22. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2011 the parent company of the Group was Matsa Resources Limited.

	Company	
	2011	2010
	$	$
Result of the parent Entity		
Profit/(loss) for the period	(3,565,827)	(4,254,741)
Other comprehensive income	-	-
Total comprehensive income for the period	-	-
Financial position of parent entity at year end		
Current assets	3,502,360	5,002,347
Total assets	14,755,704	16,179,484
Current liabilities	647,971	668,569
Total liabilities	691,858	757,007
Total equity of the parent entity comprising of:		
Share capital	35,255,459	33,987,518
Reserves	5,113,355	4,174,100
Retained earnings	(26,304,969)	(22,739,141)
Total equity	14,063,845	15,422,477

23. Financial instruments

Financial risk management

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

Credit risk

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

23. Financial instruments (Continued)

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

Cash and cash equivalents

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

Trade and other receivables

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

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.

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	
	2011	2010
	$	$
Trade and other receivables	53,200	437,580
Cash and cash equivalents	1,521,789	3,671,437
Deposits held	849,959	510,286
Impairment of deposits (refer Note 8 (ii))	(210,992)	(127,572)

None of the Group's other receivables are past due (2010: nil).

Liquidity risk

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

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

The Company has 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:

23. Financial instruments (Continued)

30 June 2011

	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	439,352	439,352	439,352	-	-	-
Finance lease liabilities	9.8%	138,777	138,777	51,356	43,534	23,137	20,570
		578,129	578,129	490,708	43,534	23,137	20,570

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

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	
	2011	2010
	$	$
Trade and other receivables	875,843	534,574
Cash and cash equivalents	142,769	16,964

The Group is exposed to fluctuations in foreign currencies arising from the acquisition of services from time to time in currencies other than the Group's functional currency. Matsa does not have any financial assets other than its functional currency.

23. Financial instruments (Continued)

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures. The Group is not exposed to cash flow volatility from interest rate changes on borrowings as the finance leases carry fixed rates of interest.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 90 day rolling periods or less.

Profile

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

	Carrying amount	
	2011	**2010**
	$	**$**
Fixed rate instruments		
Cash and cash equivalents	-	-
Cash backed performance bonds	50,000	283,000
	50,000	283,000
Variable rate instruments		
Cash and cash equivalents	1,521,789	3,671,437
Cash backed performance bonds	-	-
	1,521,789	3,671,437

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss		Equity	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp decrease**
	$	**$**	**$**	**$**
30 June 2011				
Variable rate instruments	1,522	(1,522)	1,522	(1,522)
30 June 2010				
Variable rate instruments	3,671	(3,671)	3,671	(3,671)

23. Financial instruments (Continued)

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities approximate fair value. The basis for determining fair values versus carrying value of financial instruments not carried at fair value is described below.

(i) Other receivables, trade and other payables:

Other receivables, trade and other payables are short term in nature. As a result, the fair value if these instruments is considered to approximate its fair value.

(ii) Deposits held on tenement applications :

The deposits held with Thai authorities are recoverable at 75% of their value should the applications not be granted. As a result the 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.

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.

24. 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. A new ESOP was approved by shareholders on 30 November 2010 and adopted. Options issued under the ESOP vest on the grant date.

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

(a) Options issued pursuant to the plan will generally be issued free of charge. During the year a number of options were issued for a small consideration.

(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.

24. Share-based payments (Continued)

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 24(g).

	2011 Number of Options	2011 Weighted Average Exercise Price $	2010 Number of Options	2010 Weighted Average Exercise Price $
Outstanding at the beginning of the year	1,420,000	0.37	220,000	0.75
Granted	1,575,000	0.40	1,250,000	0.273
Exercised	-	-	(50,000)	0.273
Expired	(220,000)	0.59	-	-
Outstanding at year-end	2,775,000	0.35	1,420,000	0.37
Exercisable at year-end	2,775,000	0.35	1,420,000	0.37

The outstanding balance as at 30 June 2011 is represented by the following options over ordinary shares, exercisable upon meeting the above terms and conditions:

- 1,200,000 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.
- 1,575,000 options with an exercise price of $0.40 each and with an expiry date of 31 August 2013. 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 1.9 years (2010: 2.1 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 $0.18 (2010: $0.27).

(d) Exercise prices

The weighted average exercise price for options outstanding at the end of the year was $0.35 (2010: $0.37).

24. Share-based payments (Continued)

(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 2011	
Grant Date	3 December 2010
Dividend yield (%)	-
Expected volatility (%)	78.67
Risk-free interest rate (%)	4.89
Expected life of options (years)	3
Option exercise price ($)	0.40
Share price at grant date ($)	0.29
Fair value at grant date ($)	0.1274

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.

(f) 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 or, if they resigned, in accordance with their specific terms and conditions; and
- upon exercise, these options will be settled in ordinary shares of Matsa Resources Limited.

(g) 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.

	2011 No.	**2011 WAEP $**	**2010 No.**	**2010 WAEP $**
Outstanding at 1 July	11,200,000	0.42	10,300,000	0.47
Granted during the year	4,750,000	0.44	2,200,000	0.273
Exercised during the year	-	-	-	-
Expired during the year[1]	(4,066,667)	0.40	(1,300,000)	-
Outstanding at 30 June	11,883,333	0.42	11,200,000	0.42
Exercisable at 30 June	11,883,333	0.42	11,200,000	0.42

24. Share-based payments (Continued)

[1] In both years the expired options relate to persons who ceased to be directors or executives during the year

The following options were issued during 2010 and 2011.

Directors

2011

- 4,250,000 options over ordinary shares with an exercise price of $0.45 each, exercisable upon meeting the relevant conditions and until 30 November 2013.

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.

Executives

2011

500,000 options over ordinary shares with an exercise price of $0.40 each exercisable upon meeting the relevant conditions and until 31 August 2013.

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.

(h) 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 2011 is 1.27 years (2010: 1.75 years).

(i) 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 - $0.50 (2010: $0.273 - $1.00).

(j) 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 $0.11 (2010: $0.14).

24. Share-based payments (Continued)

(k) 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.

	2011		2010	
	Directors	**Executives**	**Directors**	**Executives**
Dividend yield (%)	-	-	-	-
Expected volatility (%)	78.67	78.67	100.00	100.00
Risk-free interest rate (%)	4.89	4.89	5.00	5.00
Expected life of options (years)	3	3	1.5	1.5
Option exercise price ($)	0.45	0.40	0.273	0.273
Share price at grant date ($)	0.34	0.29	0.265	0.32
Fair value at grant date (c)	15.88	12.74	19.66	24.81

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	
	2011	**2010**
Employee Expenses	**$**	**$**
Share options granted in 2010		
- equity settled	-	442,864
Share options granted in 2011		
- equity settled	738,600	-
Total expense recognised as employee costs	738,600	442,864

25. Key management personnel

Details of key management personnel

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

Name	**Position**
Directors	
Paul Poli	Executive Chairman
Frank Sibbel	Non-Executive Director (appointed 25 October 2010)
Andrew Chapman	Director, Company Secretary and Chief Financial Officer
Andy Viner	Executive Director (resigned 25 October 2010)
Executives	
Frank Sibbel	Project Manager (appointed 15 January 2010)
David Fielding	Iron Ore Executive (appointed 12 April 2010)

25. Key management personnel (Continued)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report on pages 36 to 43. These transferred disclosures have been audited.

	2011 $	2010 $
Compensation of Key Management Personnel		
Short-term employment benefits	922,013	799,238
Post-employment benefits	57,064	42,776
Termination benefits	37,500	-
Share-based payment	738,600	442,864
	1,755,177	1,284,878

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.

25. Key management personnel (Continued)

Option holdings of key management personnel

	Balance 1 July No.	Granted as remune-ration No.	Exercised No.	Net change other No.	Balance on Resignation No.	Balance 30 June No.	Vested & Exercisable No.	Not Exercisable No.
2011								
P Poli	8,747,733	2,750,000	-	-	-	11,497,733	11,497,733	-
A Viner	4,666,667	-	-	-	(4,666,667)	-	-	-
A Chapman	-	750,000	-	-	-	750,000	750,000	-
F Sibbel	-	1,000,000	-	-	-	1,000,000	1,000,000	-
D Fielding	-	250,000	-	-	-	750,000	750,000	-
	13,414,400	4,750,000	-	-	(4,666,667)	13,997,733	13,997,733	-

	Balance 1 July No.	Granted as remune-ration 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	-

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.
2011						
P Poli	10,205,933	-	-	344,067	-	10,550,000
A Viner	3,100,500	-	-	-	(3,100,500)	-
A Chapman	-	-	-	-	-	-
F Sibbel	-	-	-	200,000	-	200,000
D Fielding	-	-	-	-	-	-
	13,306,433	-	-	544,067	(3,100,500)	10,750,000

	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

26. 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 25.

27. Remuneration of auditors

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

	Consolidated	
	2011	2010
	$	$
Amounts received or due and receivable by MGI Perth for an audit or review of the entity and any other entity in the consolidated group.	50,433	50,001
Amounts received or due and receivable by related practices of MGI Perth for:		
- tax compliance	13,502	7,858
	13,502	7,858
	63,935	57,859

28. Events Subsequent to Balance Date

On 4 July 2011 the Company announced that it had entered into a terms sheet with Shandong Gold Mineral Resources Group Co. Ltd and a Letter of Intent to enter into an agreement received from China Nerin Engineering Co. Ltd for the potential development of the Norseman Gold Project with site visits and due diligence planned to commence in September 2011. An additional Letter of Intent was executed with Shanghai Zendai Investment Development Co. Ltd on 6 July 2011 for the Norseman Gold Project.

On 12 July 2011 the Company announced that it had entered into an agreement with a US-based institutional investment fund SpringTree Special Opportunities Fund, LP (“SpringTree”), managed by SpringTree Global Investors, LLC, to provide funding of up to AUD$8.6 million over 18 months with the proceeds to be used towards the Norseman Gold Project and working capital.

On 12 August 2011 the Company announced it has agreed to raise $624,000 via the issue of 3.12 million shares at an issue price of $0.20 each to sophisticated investors with the proceeds from the raising will be used to further the Company’s Thailand projects, in particular for costs with respect to applications for further Special Prospecting Licences in Thailand and working capital.

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

MATSA RESOURCES LIMITED

DIRECTORS DECLARATION

1. In the opinion of the directors of Matsa Resources Limited (the "Company"):

   (a) the consolidated financial statements and notes and the Remuneration report in the Directors' report, set out on pages 31 to 38, 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 2011 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 2011.

Signed in accordance with a resolution of the directors;

Paul Poli
Executive Chairman

Perth, 30 September 2011

AUDITORS REPORT

mgi
BUSINESS SOLUTIONS WORLDWIDE

MGI Perth Audit Services Pty Ltd
ACN 145 447 105
Level 7, The Quadrant,
1 William Street,
GPO Box 2570,
Perth, Western Australia 6001

T: +61 8 9463 2463
F: +61 8 9463 2499

E: audit@mgiperth.com.au

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

Report on the financial report

We have audited the accompanying financial report of Matsa Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control 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 that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's responsibility

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

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

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

Independence

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

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 2011 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.*

(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 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Matsa Resources Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

MGIPAS

MGI Perth Audit Services Pty Ltd

TJ Spooner CA FCA(UK) ACIS
Director

Perth, 30 September 2011

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

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

SHAREHOLDING

Distribution of Shareholders as at 22 September 2011

Category (size of holding)	Number of Shareholders
1 – 1,000	209
1,001 – 5,000	396
5,001 – 10,000	227
10,001 – 100,000	472
100,001 – and over	142
	1,446

The number of shareholdings held in less than marketable parcels is 389.

Twenty Largest Shareholders as at 22 September 2011

Name	No.	%
JP Morgan Nominees Australia Limited <Cash Income A/C>	15,550,114	12.22
HF Resources Pty Ltd	11,770,000	9.25
Mr Paul Poli (P Poli Family A/C)	8,900,000	7.00
RASL AU LLC	8,482,241	6.67
Rock Resource Limited	3,000,000	2.36
Mr Oliver Nikolovski (The Nikolovski Family A/C)	2,890,000	2.27
Edwin Leigh Davies (The Davies Family A/C)	2,287,707	1.80
Burgundy Triangle Pty Ltd	2,275,000	1.79
Mr Steven James Brown (Family A/C)	2,101,100	1.65
Mr William Robert Maunder & Mrs Jeanette Margaret Maunder <Superannuation Fund A/C>	2,015,000	1.58
Mr Mark John Allison & Mrs Lorraine Frances Allison <The M&L Allison S/F A/C>	1,890,000	1.48
Mr Edwin Leigh Davies (The Davies Family A/C)	1,660,000	1.30
Mr Paul Poli & Mrs Sonya Kathleen Poli <P Poli Super Fund A/C>	1,650,000	1.30
Mr Mark John Allison	1,595,500	1.25
Ms Suzanne Karine Van Der Werf	1,435,000	1.13
Mr Kimberley Alan Harris (Family Account)	1,338,702	1.05
Mr Robert Genovesi & Mrs Magalay Genovesi & Mr Frank Giannasi & Mrs Maria Giannasi (The Bld Workshop No1 S/F)	1,250,000	0.98
HSBC Custody Nominees (Australia) Limited	1,156,659	0.91
Mr John Francis Young & Mr Christopher John Young & Mr Brett William Young <JF Young Super Fund A/C>	1,057,000	0.83
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,048,073	0.82
	73,352,096	57.64

ASX ADDITIONAL INFORMATION

Substantial Shareholders

	Fully paid	
Ordinary shareholder	**Number**	**Percentage**
HF Resources Pty Ltd	11,770,000	9.25%
Paul Poli	10,260,933	8.29%
RASL AU LLC	8,822,241	6.67%

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
9,000,000	3	$0.50	1 July 2012
1,000,000	2	$0.273	26 November 2012
1,200,000	3	$0.273	31 December 2012
2,075,000	11	$0.40	31 August 2013
4,250,000	3	$0.45	30 November 2013
1,250,000	1	$0.266	13 July 2014
350,000	1	$0.31	12 August 2014

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
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%
P 24/4514	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/4515	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/4516	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/4517	Broad Arrow	Matsa Resources Limited	Live	100%
P 24/4518	Broad Arrow	Matsa Resources Limited	Live	100%
M 63/177	Buldania Rocks	Matsa Resources Limited	Live	-%
P 63/1503	Buldania Rocks	Matsa Resources Limited	Live	-%
M 24/808	Fair Adelaide	Matsa Resources Limited	Pending	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 16/297	Dunnsville	Matsa Resources Limited	Live	100%
E 16/296	Dunnsville	Matsa Resources Limited	Live	100%
E 16/362	Dunnsville	Matsa Resources Limited	Live	100%
E 16/399	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/389	Dunnsville	Matsa Resources Limited	Live	100%
E 16/390	Dunnsville	Matsa Resources Limited	Live	100%
E 16/405	Dunnsville	Matsa Resources Limited	Live	100%
E 16/406	Dunnsville	Matsa Resources Limited	Live	100%
E 16/407	Dunnsville	Matsa Resources Limited	Live	100%
E 16/408	Dunnsville	Matsa Resources Limited	Live	100%
E 16/409	Dunnsville	Matsa Resources Limited	Live	100%
E 16/427	Dunnsville	Matsa Resources Limited	Pending	100%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
E 16/428	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/429	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/430	Dunnsville	Matsa Resources Limited	Pending	100%
E 16/431	Dunnsville	Matsa Resources Limited	Pending	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%
E 63/1018	Killaloe	Cullen Resources Limited	Live	-%
E 63/1199	Killaloe	Cullen Resources Limited	Live	-%
P 63/1331	Killaloe	Cullen Resources Limited	Live	-%
P 63/1332	Killaloe	Cullen Resources Limited	Live	-%
P 63/1333	Killaloe	Cullen Resources Limited	Live	-%
P 63/1672	Killaloe	Cullen Resources Limited	Live	-%
E 16/409	Mt Burges	DRM	Live	-%
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		Australian Strategic and Precious Metals	Live	100%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
	Norseman	Investment Pty Ltd		
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%
		Australian Strategic and Precious Metals		

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
P 63/1409	Norseman	Investment Pty Ltd	Live	100%
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 63/1393	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%
		Australian Strategic and		

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
P 63/1583	Norseman	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%
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%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
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%
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%
		Australian Strategic and Precious Metals		

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
P 63/1661	Norseman	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%
		Australian Strategic and Precious Metals		

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
P 63/1419	Norseman	Investment Pty Ltd	Live	100%
P 63/1420	Norseman	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 63/1852	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1853	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%

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

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 2011 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

Principle #	**ASX Corporate Governance Council Recommendations**	**Reference**	**Comply**
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	5(a), 5(b)	Yes

	reporting on principle 6.		
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
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
- 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.

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.

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 MGI Perth'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.

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

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

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

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.

MATSA RESOURCES LIMITED

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