

# **MATSA RESOURCES LIMITED**

ABN 48 106 732 487

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## **INTERIM FINANCIAL REPORT**

**31 December 2011**

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# MATSA RESOURCES LIMITED

## COMPANY DIRECTORY

### Directors

Paul Poli (Executive Chairman)  
Frank Sibbel (Executive Director)  
Andrew Chapman (Non-Executive Director)

### Company Secretary

Andrew Chapman

### Registered Office

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139 Newcastle Street  
PERTH WA 6000  
Tel: (08) 9230 3555  
Fax: (08) 9227 0370  
Email: [reception@matsa.com.au](mailto:reception@matsa.com.au)

### Postal Address

PO Box 376  
Northbridge WA 6865

### Kalgoorlie Office

Suite 1, Vosper House  
31-33 Dugan Street  
KALGOORLIE WA 6430  
Tel: (08) 9021 7200  
Fax: (08) 9021 7277  
Email: [reception@matsa.com.au](mailto:reception@matsa.com.au)

### Postal Address

PO Box 376  
Northbridge WA 6865

Website [www.matsa.com.au](http://www.matsa.com.au)

### Auditors

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

### Share Registry

Advanced Share Registry Services  
150 Stirling Highway  
NEDLANDS WA 6909  
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

# MATSA RESOURCES LIMITED

## DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the six months ended 31 December 2011 and the review report thereon. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The names of directors who held office during or since the end of the interim period to the date of this report are:

Mr Paul Poli  
Mr Frank Sibbel  
Mr Andrew Chapman

Directors were in office for this entire period unless otherwise stated.

### REVIEW AND RESULTS OF OPERATIONS

During the half year the Group made a loss of \$760,660 (2010: \$2,064,643).

### EXPLORATION ACTIVITIES

Matsa is an ASX listed exploration and development company based in Western Australia. The Corporate office is located in Perth with offices in Bangkok, Thailand.

The Company aims to increase shareholder wealth through the discovery and development of mineral properties within Australia and South East Asia.

It is committed to developing its Norseman Gold Project and associated magnetite by-product to generate cash flow for shareholder benefit.

### COMPANY ACTIVITIES

#### NORSEMAN GOLD PROJECT

The focus during the period has been to advance discussions with potential investors who have expressed interest in acquiring an equity share and to develop the Norseman Gold Project.

During the period infill soil sampling commenced on the Abbotshall South anomalies with collection of 551 samples spaced at 100 x 50 metre intervals. The soil sampling was conducted following identification of a 7.5km anomaly along strike south of the historic Abbotshall open pit as a result of a reconnaissance sampling pattern conducted which identified a number of targets. Further collection of the remaining samples and gold assays are planned during the March quarter.

#### Killaloe Project Exploration

Work during the period focused on high priority geochemical targets identified by a consultant's review of available geochemical data. Field activities during the quarter included:

- Collection of 222 soil samples for gold assay by aqua regia digest/ICP.
- Collection of 110 soil samples for gold and multi element assay by Mobile Metal Ion (MMI).

Infill soil sampling for a total of 222 samples, was carried out over three of the priority targets identified by the ioGlobal review. Targets sampled include Duke, Target 28 and the Cashel Fault prospects with assay results pending.

## MATSA RESOURCES LIMITED

### DIRECTORS' REPORT

The MMI programme (trialing the MMI partial extraction assay technique) consisted of 110 soil samples from the Cashel, Cashel Fault, Duke and Target 28 prospects. This assay method reportedly has the potential to provide better definition of underlying mineralisation, providing for more effective planning of follow up costeaning and drilling. Results have been received for the samples completed at Cashel.

Cashel is a high level soil anomaly with results up to 3,000ppb Au associated with quartz veins, some of which contain coarse visible gold. Unfortunately conventional soil sampling provides a broad diffuse anomaly which does not clearly define a target for costeaning and drilling.

It was decided to trial MMI in order to provide a more robust exploration target for drilling. Results received to date are encouraging and indicate that there are now two clearly defined NW Au anomaly trends. This supports the result of earlier quartz lag sampling and confirms the importance and benefits of the MMI assay technique.

The central Au anomaly is stronger and exhibits response ratios between 5 to 24 times the background value (<2 ppb Au). This anomaly appears to represent the continuity of the quartz vein intersected from previous drilling. A more subdued Au anomaly, with response ratios between 5 to 8 times the background value is located 30m to the east.

#### **Dunnsville Gold Project**

Following a review of RAB and RC drilling previously undertaken on the Big Red soil anomaly a number of conceptual targets were identified and it is proposed to carry out a programme of four diamond drill holes to test the conceptual targets. Matsa was pleased to receive Department of Mineral Resources Exploration Incentive Scheme (EIS) funding to cover diamond drilling of a conceptual shear hosted gold target within the Big Red prospect. Funding under the EIS will reimburse 50% of capped direct drilling costs.

#### **Dundas Iron Ore Project - Corporate**

In December 2011 Matsa announced that a Binding Terms Sheet for the farm-in and Development of the Dundas Iron Project was signed with Haina Resources Pty Ltd ("Haina") a member of the Shandong Shanshi International Trading Company Ltd group of companies. The highlights of this agreement were:

- Haina to take up a placement of up to 4 million shares at a minimum of 26 cents per share.
- Immediately proceed to a formal agreement with development strategies, subject to statutory and shareholder approval, if any.
- Payment of \$1.95 million to Matsa on completion of due diligence.
- \$7 million project exploration program to proceed.
- Definitive Feasibility to be undertaken upon completion of successful exploration.

Matsa has already received \$286,000 from the issue of first tranche of 1.1 million shares at 26 cents per share. Matsa expects a further \$700,000 representing a minimum of 26 cents/share, plus payment in accordance with the agreement.

#### **Thailand**

Matsa is very pleased to confirm that 15 of Matsa's most prospective tenements for a total of 233.41km<sup>2</sup> (Table 1) have now received formal consent and final clearance by the screening committee of the Mineral Act Committee which is under the Department of Primary Industries and Mining (DPIM).

# MATSA RESOURCES LIMITED

## DIRECTORS' REPORT

Project	Number of SPLA's	Area Km <sup>2</sup>
Siam Copper Project	8	125.72
KT Gold Project	2	31.31
Paisali Iron Project	5	76.38
<b>TOTAL</b>	<b>15</b>	<b>233.41</b>

**Table 1: SPLA's consented to by DPIM Screening Committee**

The last requirement prior to formal grant and ministerial signing of the SPLA's (Special Prospecting License Applications) is the approval by the Mineral Act Committee. In most cases this committee accepts the screening committee and DPIM decisions. The rare exceptions to this tend to involve forest boundaries. These SPLA's are not located in any forestry areas and accordingly Matsa does not expect any objections from the Mineral Act Committee or DPIM.

This consent is the final requirement for the DPIM to obtain ministerial approval for the granting of the SPLA's which enables Matsa to undertake exploration for a 5 year term.

Matsa has a total of 121 Special Prospecting Licence Applications (SPLA's) amassing an area of approximately 1,750km<sup>2</sup> prospective for gold, iron ore and copper in Thailand.

During the approval process the Group continues to carry out limited early stage exploration (sampling and prospecting activities) which is permitted under SPLA terms and conditions in order to provide a clear focus for drilling upon granting of these SPLA's and would fast track the discovery, evaluation and development of new mineral deposits. Upon granting of the licences Matsa will be able to outline its exploration programme in more detail.

### **Paisali Iron Ore Exploration**

Ground magnetic surveys were conducted during the period with completion of a further 40 line kilometres of traversing over 24 targets. This brings the total of magnetic surveying to date to approximately 740 line kilometres.

This work comprised single reconnaissance traverses over discrete magnetic targets selected from airborne magnetic data. The intention was to ground locate targets as a first step in detailed delineation by close spaced follow up lines. Results to date have outlined at least three additional high amplitude magnetic anomalies in low lying agricultural land with minimal outcrop. These are believed to reflect further concealed bodies of magnetite skarn mineralisation at shallow depth. These results support the Company's exploration target of substantial magnetite mineralisation in a number of discrete separate deposits in the district.

Drill testwork to evaluate the potential of underlying mineralisation as a viable iron ore project is planned immediately upon grant of the SPLA's.

### **Siam Copper Exploration**

This project area was selected on the basis of anomalous copper values in a regional stream sediment survey carried out by the DMR in 2006. These anomalous catchments cover an area of >100km<sup>2</sup>. Exploration during the period focused on the Siam 1 and Siam 2 copper stream sediment anomalies.

Geological mapping was completed over the Siam 1 prospect and shows that extensive anomalous soil and rock chip values are located in a background of Permo Triassic andesites and Permian Limestone. While there is no evidence of intrusives it is believed that native copper mineralisation in the andesitic volcanics is related to hydrothermal alteration of submarine lavas by an intrusive body at shallow depth.

## MATSA RESOURCES LIMITED

### DIRECTORS' REPORT

An association between soil copper anomalism and weak magnetic anomalies from the regional data can be observed. One of the soil anomalies also coincides with the location of a pronounced resistivity feature in regional electromagnetic data.

Consequently proposed further work at the Siam 1 prospect will include:

- Infill geochemical sampling and geological mapping
- Detailed ground magnetics
- Orientation Induced Polarisation (IP) ground electrical survey.

Geological mapping was completed over the Siam 2 prospect and showed that anomalous copper values in soil and rock chips were located in a background of andesitic volcanics intruded by a number of small diorite bodies. It was observed that the linear E-W soil copper anomaly which extends over 8km is closely associated with a linear resistivity feature. It is likely that this reflects the presence of a major fault which has focused hydrothermal alteration and mineralisation above an intrusive body at shallow depth within the volcanic pile.

Reconnaissance ground magnetic traversing has commenced over 9 discrete magnetic anomalies which were selected from airborne data. Targets may represent mineralised intrusives associated with widespread copper mineralisation.

8 SPLA's underlying these targets are included in the group of tenements which have already received screening committee consent (Table 1). Early grant of these will enable the Company to carry out planned follow up activities including detailed soil sampling, ground geophysical surveys, trenching and drilling to identify and delineate the mineralisation underlying the anomalies.

### CORPORATE ACTIVITIES

#### Share Placements

In December Matsa appointed Phillip Capital Ltd which is part of the Intersuisse Group as corporate advisers on a continuing basis. Phillip Capital Ltd has been engaged to introduce Matsa to institutional investors.

Matsa through Phillip Capital Ltd raised \$300,000 with a placement of 1,578,950 shares at an issue price of \$0.19 per share to institutional investors.

As mentioned above Matsa has received \$286,000 from Haina Resources Pty Ltd being the first tranche of 1.1 million shares under a binding terms sheet for the farm-in and development of the Dundas Iron Project. Matsa expects the balance of \$700,000, plus payment in accordance with the agreement, of exploration funds.

In August Matsa raised \$624,000 via the issue of 3.12 million shares at an issue price of \$0.20 each to sophisticated investors. The proceeds from the raising will be used for applications for further Special Prospecting Licences and working capital in Thailand.

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 with the funds to be used for working capital purposes.

### SUBSEQUENT EVENTS

On 29 February 2012 the Company raised \$250,000 via the issue of 1,250 000 fully paid ordinary shares at an issue price of \$0.20 each via a placement to sophisticated investors.

On the same date the Company announced that it had terminated the funding arrangement with SpringTree Special Opportunities Fund LP announced in July 2011.

# MATSA RESOURCES LIMITED

## DIRECTORS' REPORT

### AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 and forms part of the directors' report for the six months ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to Section 306(3) of the Corporations Act 2001.



**Paul Poli**  
**Executive Chairman**

Dated this 15th day of March 2012

*The information in this report that relates to Exploration Results, Mineral Resources or Ore 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. 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 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.*

#### **Exploration Target**

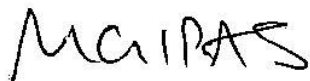
*Under Clause 18 of the JORC Code the exploration targets outlined in this report are conceptual in nature as there has been insufficient exploration by the Company at this stage to define a Mineral Resource and that there is no certainty that further exploration will result in the determination of a Mineral Resource or a Mineral Reserve. Estimates of tonnages and grade have been made by geologists who are familiar with the style and type of magnetite mineralisation and who have conducted field mapping and limited sampling, including the drilling contained in this announcement, of the mineralisation and completed aeromagnetic interpretation of the units hosting the mineralisation.*

**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 review for the period ended 31 December 2011 there have been:

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



**MGI Perth Audit Services Pty Ltd**



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

Perth  
15 March 2012

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the six months ended 31 December 2011

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Continuing operations</b>		
Other income	-	3,656
Research and development grant income	726,106	-
Net gain on sale of exploration assets	35,000	-
<b>Other expenses</b>		
Consultants' expense	(20,965)	(9,500)
Travel and accommodation expense	(81,781)	(103,850)
Depreciation expense	(125,010)	(80,572)
Salaries and employment benefits expenses	(529,487)	(491,327)
Exploration expenditure written off	(412,458)	(145,431)
Occupancy expense	(76,797)	(36,646)
Other administration expenses	(238,972)	(297,057)
Share based payments expense	(36,575)	(939,255)
Legal expenses	(5,261)	(42,313)
<b>Results from operating activities</b>	<b>(766,200)</b>	<b>(2,142,295)</b>
<b>Finance income</b>		
Interest income	21,559	84,953
Interest expense	(16,019)	(7,301)
<b>Net finance income</b>	<b>5,540</b>	<b>77,652</b>
<b>Loss before income tax</b>	<b>(760,660)</b>	<b>(2,064,643)</b>
Income tax benefit	-	-
<b>Loss for the period</b>	<b>(760,660)</b>	<b>(2,064,643)</b>
<b>Other comprehensive income</b>		
Net loss on available-for-sale financial assets	(1,583)	-
Foreign currency translation reserve	108	(394)
<b>Other comprehensive income for the period, net of income tax</b>	<b>(1,475)</b>	<b>(394)</b>
<b>Total comprehensive loss for the period</b>	<b>(762,135)</b>	<b>(2,065,037)</b>
<b>Loss for the period is attributable to:</b>		
Owners of the parent	(752,158)	(2,064,643)
Non-controlling interest	(8,502)	-
	<b>(760,660)</b>	<b>(2,064,643)</b>
<b>Total comprehensive loss for the period is attributable to:</b>		
Owners of the parent	(753,633)	(2,065,037)
Non-controlling interest	(8,502)	-
	<b>(762,135)</b>	<b>(2,065,037)</b>
<b>Earnings per share:</b>		
Basic loss per share attributable to ordinary equity holders of the parent (cents per share)	(0.60)	(1.72)
Diluted loss per share attributable to ordinary equity holders of the parent (cents per share)	(0.60)	(1.72)

The notes on pages 12 to 16 are an integral part of these consolidated interim financial statements.

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2011

	<b>31 Dec 11</b>	<b>30 June 11</b>
	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>		
Cash and cash equivalents	1,615,033	1,521,789
Trade and other receivables	29,814	53,200
Other current assets	864,282	708,359
	<hr/>	<hr/>
<b>Total Current Assets</b>	2,509,129	2,283,348
<b>Non-Current Assets</b>		
Available-for-sale financial assets	7,700	-
Plant and equipment	8 286,742	388,658
Exploration and evaluation assets	9 15,131,831	14,678,600
	<hr/>	<hr/>
<b>Total Non-Current Assets</b>	15,426,273	15,067,258
<b>Total Assets</b>	<hr/>	<hr/>
	17,935,402	17,350,606
<b>Current Liabilities</b>		
Trade and other payables	317,519	439,352
Borrowings	57,200	94,890
Provisions	90,889	87,064
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	465,608	621,306
<b>Non-Current Liabilities</b>		
Borrowings	25,682	43,887
	<hr/>	<hr/>
<b>Total Non-Current Liabilities</b>	25,682	43,887
<b>Total Liabilities</b>	<hr/>	<hr/>
	491,290	665,193
<b>Net Assets</b>	<hr/>	<hr/>
	17,444,112	16,685,413
<b>Equity</b>		
Issued capital	10 36,652,946	35,255,459
Reserves	5,185,568	5,150,468
Accumulated losses	(24,472,672)	(23,720,514)
	<hr/>	<hr/>
<b>Parents Interests</b>	17,365,842	16,685,413
<b>Non-controlling Interests</b>	78,270	-
	<hr/>	<hr/>
<b>Total Equity</b>	17,444,112	16,685,413
	<hr/>	<hr/>

The notes on pages 12 to 16 are an integral part of these consolidated interim financial statements.

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the six months ended 31 December 2011

	Issued Capital Ordinary \$	Accumulated Losses \$	Equity Settled Benefits Reserve \$	Other Reserves \$	Owners of the Parent \$	Non- controlling interest \$	Total \$
Balance at 1 July 2011	35,255,459	(23,720,514)	5,113,355	37,113	16,685,413	-	16,685,413
Comprehensive loss for the period	-	(752,158)	-	(1,475)	(753,633)	(8,502)	(762,135)
Total comprehensive loss for the period	-	(752,158)	-	(1,475)	(753,633)	(8,502)	(762,135)
Shares issued during the period	1,560,000	-	-	-	1,560,000	86,772	1,646,772
Capital raising costs during the period	(162,513)	-	-	-	(162,513)	-	(162,513)
Share based payment	-	-	36,575	-	36,575	-	36,575
Balance at 31 December 2011	36,652,946	(24,472,672)	5,149,930	35,638	17,365,842	78,270	17,444,112
Balance at 1 July 2010	33,987,518	(20,919,157)	4,174,100	38,821	17,281,282	-	17,281,282
Comprehensive loss for the period	-	(2,064,643)	-	(394)	(2,065,037)	-	(2,065,037)
Total comprehensive loss for the period	-	(2,064,643)	-	(394)	(2,065,037)	-	(2,065,037)
Shares issued during the period	1,200,000	-	-	-	1,200,000	-	1,200,000
Capital raising costs during the period	(30,559)	-	-	-	(30,559)	-	(30,559)
Share based payment	-	-	939,255	-	939,255	-	939,255
Balance at 31 December 2010	35,156,959	(22,983,800)	5,113,355	38,427	17,324,941	-	17,324,941

The notes on pages 12 to 16 are an integral part of these consolidated interim financial statements.

**MATSA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six months ended 31 December 2011**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,111,696)	(1,095,421)
Interest received	21,559	106,562
Other income	726,106	319,153
Interest paid	(16,019)	(7,301)
	(380,050)	(677,007)
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(6,427)	(132,580)
Exploration and evaluation expenditure	(739,057)	(1,402,147)
Deposits for fixed term guarantees	-	(112,000)
Deposits for application licences	(209,894)	(331,561)
Payments for available-for-sale financial assets	(9,283)	-
Proceeds from sale of exploration and evaluation assets	110,000	8,000
	(854,661)	(1,970,558)
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,410,000	1,200,000
Capital raising costs	(26,150)	(30,559)
Repayment of borrowings	(55,895)	(52,085)
	1,327,955	1,117,356
<b>Net cash provided by financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	93,244	(1,530,209)
Cash and cash equivalents at beginning of the period	1,521,789	3,671,437
	1,615,033	2,141,228
<b>Cash and cash equivalents at end of the period</b>	1,615,033	2,141,228

The notes on pages 12 to 16 are an integral part of these consolidated interim financial statements.

## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2011

#### 1. REPORTING ENTITY

Matsa Resources Limited (the "Company") is a company domiciled in Australia. The condensed consolidated financial report of the Company as at and for the six months ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at Suite 11, 139 Newcastle Street, Perth WA 6000 or at [www.matsa.com.au](http://www.matsa.com.au).

This condensed consolidated half-year financial report was authorised for issue in accordance with a resolution of the Board of Directors on 15 March 2012.

#### 2. BASIS OF PREPARATION

The condensed consolidated half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative announcements issued by the Australian Accounting Standards Board and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The condensed consolidated half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2011 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

Apart from the adoption of new or revised standards noted below the accounting policies applied by the Group in this condensed consolidated half-year financial report are the same as those applied by the Group in its consolidated annual financial report for the year ended 30 June 2011.

##### Adoption of New or Revised Standards and Interpretations

The Group did not early adopt any Australian Accounting Standards that are not yet mandatory. From 1 July 2011 the Group has adopted all Australian Accounting Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2011, including:

- *AASB 124 Related Party Transactions (amendment)*: The amended standard clarifies the definitions of a related party. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government entity as the reporting entity. The amendment has no impact.
- *AASB 132 Financial Instruments: Presentation (amendment)*: The amendment alters the definition of a financial liability to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment has no impact.
- *AASB 7 Financial Instruments – Disclosures (amendment)*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information into context. The amendment has no impact.
- *AASB 101 Presentation of Financial Statements (amendment)*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The amendment has no impact.

## MATSA RESOURCES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2011

#### 3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

- *AASB 134 Interim Financial Statements (amendment)*: The amendment requires additional information for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

#### 4. ESTIMATES

The preparation of half year financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated half year financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

#### 5. FINANCIAL POSITION

The 31 December 2011 condensed interim financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the half year ended 31 December 2011 the Group recorded a loss of \$760,660 (2010: \$ 2,064,643) and had a net working capital surplus of \$2,043,521 (June 2011: surplus of \$1,662,042).

The Company will require further funding during the 2012 and 2013 financial years in order to meet the planned day to day obligations as they fall due and progress its exploration projects. Based on the Company's cash flow forecast the Board of Directors is aware of the Company's need to access additional working capital funds in the next 12 months to enable the Company to continue its normal business activities, proceed with its planned exploration projects and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

In raising additional working capital the Company may reduce planned exploration expenditure by relinquishing tenements, raise capital from existing or new shareholders or enter into farm-in agreements for existing projects.

Based on these facts the Directors consider that the going concern basis of preparation to be appropriate for this financial report.

#### 6. SEGMENT INFORMATION

##### Identification of reportable segment

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

The Group operates primarily in mineral exploration in Western Australia. The Group has also applied for exploration licences in Thailand but at this stage they have not been granted. The decision to allocate resources to individual projects is predominantly based on available cash reserves, technical data and the expectation of future metal prices. Accordingly, the Group effectively operates as one segment, being mineral exploration in Western Australia. The financial information presented in the income statements and balance sheet is the same as that presented to the chief operating decision maker.

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the six months ended 31 December 2011

**6. SEGMENT INFORMATION (cont.)**

**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.

**7. COMMITMENTS**

**Exploration and Expenditure Commitments**

In order to maintain the mineral tenements in which the Company and other parties are involved, the Company is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. The minimum estimated expenditure commitment requirements for the next year is \$1,338,880 (30 June 2011: \$1,484,509). These obligations are capable of being varied from time to time. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

**Finance Lease Commitments**

The Company has finance lease commitments of \$82,882 outstanding at 31 December 2011 (2010: \$140,040).

**8. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 31 December 2011 the Group acquired items of property, plant and equipment with a cost of \$23,093 (2010: \$148,690).

There were no assets disposed of during the six months ended 31 December 2011 (2010: nil).

**9. EXPLORATION AND EVALUATION EXPENDITURE**

	<b>31 Dec 11</b>	<b>30 Jun 11</b>
	<b>\$</b>	<b>\$</b>
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase	<b>15,131,831</b>	14,678,600
<b>Movements in carrying amounts</b>		
Balance at beginning of period	<b>14,678,600</b>	12,891,349
Purchase of tenements	-	243,234
Disposal of tenements	<b>(75,000)</b>	(187,234)
Exploration and evaluation incurred	<b>671,210</b>	2,022,697
Expenditure written off	<b>(128,380)</b>	(82,412)
Provision for impairment	<b>(14,599)</b>	(209,034)
Balance at end of period	<b>15,131,831</b>	14,678,600

In addition to the above Exploration and Evaluation Expenditure to the value of \$269,479 was incurred and expensed during the period.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the continuance of the Group's rights to tenure of the interest, the results of future exploration, and the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**MATSA RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the six months ended 31 December 2011

	<b>31 Dec 11</b>	<b>30 Jun 11</b>
	<b>\$</b>	<b>\$</b>
<b>10. ISSUED CAPITAL</b>		
129,921,781 (30 June 2011: 122,351,215) ordinary shares	36,652,946	35,255,459
<b>Issue of Ordinary Shares – during the period</b>	<b>Number of shares</b>	<b>\$</b>
At 1 July 2011	122,351,215	35,255,459
Issued during the period		
Issued on placement of 19 cents each	1,578,950	300,000
Issued on placement of 20 cents each	3,120,000	624,000
Issued on placement of 26 cents each	1,100,000	286,000
Issued shares in accordance with SpringTree agreement	1,771,616	350,000
Transaction costs relating to share issues	-	(162,513)
	129,921,781	36,652,946
<b>Issue of options during the period</b>	<b>Number of options</b>	<b>\$</b>
Opening balance at 1 July 2011	25,325,000	5,113,355
Unlisted options under the ESOP issued during this period	350,000	36,575
Unlisted options issued to SpringTree agreement during the period	1,250,000	-
Options expired during the period	(7,800,000)	-
	19,125,000	5,149,930

**11. SHARE BASED PAYMENTS**

During the six months ended 31 December 2011 under the Company's Long Term Incentive Plan (LTIP), 350,000 share options were issued to staff and consultants.

The options vest immediately at the date of grant. The contractual life of each option is three years and there is no cash settlement of the options.

The fair value of the options granted is estimated at the date of grant using a Binomial Pricing Model, taking into account the terms and conditions upon which the options were granted. The fair value of the options granted during the six months ended 31 December 2011 was estimated at the date of grant using the following assumptions:

Grant Date	<b>12 August 2011</b>
Number of Share Options	350,000
Dividend Yield (%)	Nil
Expected Volatility (%)	78.00
Risk-free interest rate (%)	3.78
Expected Life (years)	3.00
Exercise Price (cents)	31 cents
Fair Value per Option (cents)	10.45
<b>Total Value of Options (\$)</b>	<b>36,575</b>

For the six months ended 31 December 2011, the Group has recognised \$36,575 of share based payment expense in the income statement (2010:\$939,255).

## **MATSA RESOURCES LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2011**

#### **12. RELATED PARTIES**

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2011 annual financial report.

#### **13. SUBSEQUENT EVENTS**

On 29 February 2012 the Company raised \$250,000 via the issue of 1,250 000 fully paid ordinary shares at an issue price of \$0.20 each via a placement to sophisticated investors.

On the same date the Company announced that it had terminated the funding arrangement with SpringTree Special Opportunities Fund LP announced in July 2011.

## MATSA RESOURCES LIMITED

### DIRECTORS' DECLARATION

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

1. The financial statements and notes set out on pages 8 to 16 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the six month period on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors, made pursuant to Section 303 (5) of the Corporations Act 2001.



**Paul Poli**  
**Executive Chairman**

Dated this 15th day of March 2012

## **Independent Auditor's Review Report to the members of Matsa Resources Limited**

### **Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Matsa Resources Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of accounting policies, other explanatory notes 1 to 13, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the interim period.

### **Directors' Responsibility for the Interim Financial Report**

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Matsa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

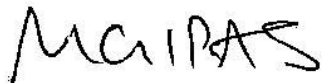
### **Independence**

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Matsa Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.



**MGI Perth Audit Services Pty Ltd**



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

Perth  
15 March 2012