

MATSA RESOURCES LIMITED

ABN 48 106 732 487

INTERIM FINANCIAL REPORT

31 December 2013

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MATSA RESOURCES LIMITED

COMPANY DIRECTORY

Directors

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

Company Secretary

Andrew Chapman

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88 William Street
Perth WA 6000

Share Registry

Advanced Share Registry Services
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Tel: (08) 9389 8033
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Home Stock Exchange

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2013.

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.

OPERATING RESULTS

During the half year the Group made a loss of \$1,942,056 (2012: profit of \$919,538).

REVIEW OF OPERATIONS

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

Symons Hill

During the period Matsa conducted Phase 1 and Phase 2 aircore drilling on its Symons Hill Project located within the Fraser Range Tectonic zone and within 6kms SSW of Sirius Resources Ltd's Nova-Bollinger nickel-copper deposit.

Phase 1 drilling confirmed the presence of mafic intrusions associated with SHG01 and SHG02 with strong nickel enrichment in weathered ultramafic /mafic rocks at SHG02. Phase 2 drilling comprised 148 step-out and infill drillholes designed to identify the width, strike length and geological character of the nickel rich gabbro, explore for primary nickel sulphide mineralisation and define anomalous nickel and copper zones.

Very strongly enriched nickel values were found at both SHG02 and SHG03 within the weathered zones and has similarities to early near surface exploration results reported at the Nova-Bollinger discovery.

In addition to the aircore drilling a total of 13 RC holes were drilled to test for the presence of nickel and copper sulphide mineralisation in the unweathered rocks underlying the nickel and copper anomalous zones previously defined by the aircore drilling and soil sampling. RC drilling at SHG02 and SHG03 has confirmed strongly elevated nickel values in weathered mafic/ultramafic gabbro with more moderately elevated values in unweathered rocks at depth.

DIRECTORS' REPORT

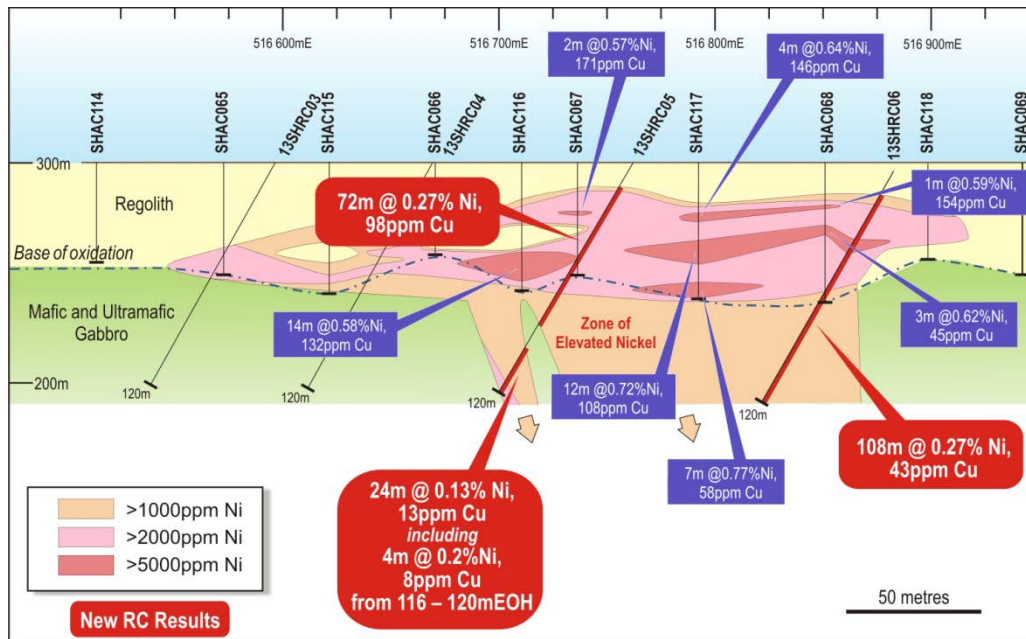


Figure 1: Section 6463800N Showing RC 4m Composite and Aircore Drilling Results

Significant results from 4m RC composite samples are as follows:

Drillhole	Intercept
13SHRC01	40m @ 0.32% Ni, 159ppm Cu from 40m Including 8m @ 0.64% Ni, 404ppm Cu from 52m
13SHRC02	56m @ 0.39% Ni, 162ppm Cu from 28m Including 4m @ 0.56% Ni, 90ppm Cu from 56m
13SHRC03	16m @ 0.35% Ni, 650ppm Cu from 48m
13SHRC04	24m @ 0.2% Ni, 331ppm Cu from 44m
13SHRC06	108m @ 0.27% Ni, 43ppm Cu from 12m (to end of hole) Including 8m @ 0.81% Ni, 82ppm Cu from 36m
13SHRC09	100m @ 0.21% Ni, 29ppm Cu from 20m (to end of hole)

These new results confirm that both the regolith and basement rocks at Symons Hill appear to be similar to that of Nova-Bollinger. A ground gravity survey has been completed recently with further drilling to occur in the first quarter of 2014.

Mt Henry Gold Project Joint Venture – Matsa 30%

The Mt Henry JV tenements cover 134km² and are located south of Norseman in Western Australia. Matsa is in a joint venture with Panoramic Resources Ltd (Panoramic) on a 30/70 basis.

Panoramic is undertaking a Bankable Feasibility Study (BFS) on behalf of the JV, on the Mt Henry Gold Project. Work has continued to advance the studies required for completion of the economic evaluation of the Project and to ensure that necessary statutory approvals can be obtained in a timely manner. During the period environmental baseline studies, metallurgical testwork and site planning were the main focus of the BFS.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

In September 2013 Panoramic advised that the total resources of the Mt Henry Gold Project (PAN 70%; MAT 30%) has been increased by 248,000 oz to 1.71 million oz of gold (Matsa's share 510,000 Oz). Importantly 77% of the resource is now in the Indicated Resource category.

Matsa is pleased that the Mt Henry Gold Project continues to move forward under the stewardship of Panoramic and its exploration team.

For further details please refer to Panoramic's quarterly report for 31 December 2013 dated 28 January 2014.

Mt Henry Project

Resource	Date of Resource	Indicated		Inferred		Total		Metal (Au oz)
		Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)	
Selene	July 2013	16,416,000	1.17	4,951,000	0.93	21,367,000	1.11	765,600
Mt Henry	July 2013	14,981,000	1.27	6,336,000	1.14	21,317,000	1.23	844,000
North Scotia	July 2013	357,000	3.11	138,000	1.95	496,000	2.79	44,430
Total (100%)		31,754,000	1.24	11,425,000	1.05	43,180,000	1.19	1,654,080

Resource table above represents 100% project basis; Matsa hold a 30% equity interest

The information in this report that relates to the Mt Henry Project Mineral Resources is based on information compiled by or reviewed by Andrew Bewsher (MAusIMM). Andrew Bewsher is a full time employee of BM Geological Services and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Andrew Bewsher consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The Mt Henry Joint Venture is now targeting the completion of the Mt Henry BFS in the June 2014 quarter.

Mt Henry Regional Exploration

Panoramic and Matsa formed a separate regional exploration Joint Venture to conduct greenfield exploration on underexplored leases located within the Mt Henry tenement area, which Matsa manages on behalf of the joint venture. Several targets were tested during the period.

At Abbotshall South twelve reverse circulation (RC) holes for 1,185m were completed targeting a dilational zone within a mapped geochemical anomaly. The holes intersected large zones of silicification and disseminated arsenopyrite mineralisation. Results received show anomalous results explaining the target concept. No follow-up work is planned at this stage.

At Lake Kirk 2 RC holes were drilled testing an Induced Polarisation (IP) target in proximity to the historic Lake Kirk diggings. The drill program intersected disseminated arsenopyrite which was interpreted to be the source of the IP anomaly. Only trace gold results were received and no follow-up work is planned at this stage.

Killaloe Project Exploration – Matsa 80%

The Killaloe project comprising 94km² is located 35km NE of Norseman in Western Australia.

In the September quarter Matsa conducted "sighter" aircore drilling at the KLGT02 target in Lake Cowan which provided encouraging gold results as well as RC drilling on the Felsic Porphyry target which showed broad low grade gold intercepts. A programme is currently being developed to carry out further aircore and RC drilling to better define mineralisation in both targets.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

In addition nickel exploration during the period included collection of 160 soil samples in two areas within the project where only sparse sampling had previously been carried out. Assays were carried out on prepared and mounted pulps using Matsa's hand-held XRF analyser.

Three discrete soil nickel results were defined by Ni values up to 497 ppm, Cu values to 102 ppm and Co values to 310 ppm. All areas are interpreted to overlie ultramafic komatiitic volcanic rocks. Selected samples have been sent for laboratory analysis by 4 acid digest and ICP with results awaited. It is intended to use the laboratory assays to determine calibration factors for XRF data and integration with existing surface sample database. Field inspection and further sampling is then proposed in these 3 areas to determine the significance of the results.

Matsa remains very encouraged by the discovery of strongly elevated zinc values associated with black shales and with the KC50 conductor as reported in the previous quarter. Aircore drilling is proposed to better define the extent of the prospective black shale unit to evaluate potential for significant mineralisation.

There was no further development with respect to the granting of a number of applications on the Company's Thailand projects. A number of applications have been recommended for granting by the Screening Committee of the Department of Primary Industries and Mining and Matsa expects that the applications will be granted in due course.

CORPORATE ACTIVITIES

In September 2013 Matsa raised A\$2.86 million, before costs, in a placement to domestic and international institutional and sophisticated investors. The placement of approximately 9.5 million shares was made at a price of A\$0.30 per share which represented a 8.81% discount to the 20 day VWAP of A\$0.329 per share.

During the period Matsa issued a total of 1,550,000 unlisted options under the Company's Employee Share Option Plan and to consultants and brokers associated with the capital raising. In addition 6.3 million options expired during the period.

In December Matsa advised that it has executed a binding Terms Sheet with Bulletin Resources Limited (Bulletin) for the acquisition of an initial 49% direct interest in Bulletin's Halls Creek Gold Project with staged farm-in arrangements to increase that interest up to 75% by meeting specific expenditure requirements on the project.

Matsa paid a deposit of \$500,000 (\$250,000 in this period, and \$250,000 in the subsequent period) to Bulletin, with final agreements to be executed upon receipt of all statutory and shareholders' approvals where required. Subsequent to the end of the period Bulletin received an alternative offer from Pacific Niugini Limited which resulted in Matsa having its initial deposit of \$500,000 refunded and also received a \$100,000 break fee as per the agreement.

Matsa currently holds a 23% interest in Bulletin.

AUDITOR'S DECLARATION

The 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 2013.

This report is signed in accordance with a resolution of the Board of Directors.



Paul Poli
Executive Chairman

Dated this 13th day of March 2014

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

The information in this report that relates to Exploration results is based on information compiled by David Fielding, who is a Fellow of the Australasian Institute of Mining and Metallurgy. David Fielding is a full time employee of Matsa Resources Limited. David Fielding has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. David Fielding consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Matsa Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2013, there have been:

- (i) no contraventions of the auditor's 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.



Nexia Perth Audit Services Pty Ltd



PTC Kloppe
Director

Perth
13 March 2014

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2013

	2013	2012
	\$	\$
Net gain on sale of exploration assets	-	4,171,253
Net gain on sale of investments	-	2,828
Other income	29,505	-
Other expenses		
Consultants' expense	-	(7,150)
Travel and accommodation expense	(47,003)	(53,130)
Depreciation expense	(72,597)	(79,166)
Salaries and employment benefits expenses	(430,026)	(845,662)
Exploration expenditure written off	(291,700)	(635,188)
Occupancy expense	(81,940)	(73,565)
Other administration expenses	(298,362)	(306,271)
Share based payments expense	(271,975)	(1,262,619)
Legal expenses	(83,601)	(59,413)
Impairment loss on available-for-sale investments	(422,703)	-
Results from operating activities	(1,970,402)	851,917
Finance income	32,918	74,763
Finance costs	(4,572)	(7,142)
Net finance income	28,346	67,621
Profit/(loss) before income tax expense	(1,942,056)	919,538
Income tax expense	-	-
Net profit/(loss) for the period attributable to equity holders of the company	(1,942,056)	919,538
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net loss on available-for-sale financial assets	-	(1,264,402)
Net change in fair value of available-for-sale financial assets	700,000	-
Net change in foreign currency translation reserve	-	(43)
Other comprehensive income for the period, net of income tax	700,000	(1,264,445)
Total comprehensive loss for the period attributable to equity holders of the company	(1,242,056)	(344,907)
Profit/(loss) for the period is attributable to:		
Owners of the parent	(1,942,056)	919,545
Non-controlling interest	-	(7)
	(1,942,056)	919,538
Total comprehensive loss for the period is attributable to:		
Owners of the parent	(1,242,056)	(344,900)
Non-controlling interest	-	(7)
	(1,242,056)	(344,907)
Earnings per share:		
Basic profit/(loss) per share attributable to ordinary equity holders of the parent (cents per share)	(1.39)	0.69
Diluted profit/(loss) per share attributable to ordinary equity holders of the parent (cents per share)	(1.39)	0.69

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 2013

		31 Dec 13	30 June 13
		\$	\$
Current Assets			
Cash and cash equivalents		2,581,307	2,555,122
Trade and other receivables		234,066	131,715
Other current assets		1,164,091	1,107,701
Total Current Assets		<u>3,979,464</u>	<u>3,794,538</u>
Non-Current Assets			
Available-for-sale financial assets	5	3,710,810	3,152,083
Property, plant and equipment	6	191,747	216,830
Exploration and evaluation assets	7	9,050,955	7,740,645
Total Non-Current Assets		<u>12,953,512</u>	<u>11,109,558</u>
Total Assets		<u>16,932,976</u>	<u>14,904,096</u>
Current Liabilities			
Trade and other payables		831,692	519,406
Borrowings		42,256	59,664
Provisions		86,157	100,214
Total Current Liabilities		<u>960,105</u>	<u>679,284</u>
Non-Current Liabilities			
Borrowings		61,736	45,910
Provisions		67,440	91,040
Total Non-Current Liabilities		<u>129,176</u>	<u>136,950</u>
Total Liabilities		<u>1,089,281</u>	<u>816,234</u>
Net Assets		<u>15,843,695</u>	<u>14,087,862</u>
Equity			
Issued capital	8	40,536,876	37,810,962
Reserves		7,448,473	6,476,498
Accumulated losses		(32,219,780)	(30,277,724)
Total equity attributable to equity holders of the Company		<u>15,765,569</u>	<u>14,009,736</u>
Non-controlling Interests		<u>78,126</u>	<u>78,126</u>
Total Equity		<u>15,843,695</u>	<u>14,087,862</u>

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 2013

	Issued Capital Ordinary \$	Accumulated Losses \$	Equity Settled Benefits Reserve \$	Other Reserves \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2013	37,810,962	(30,277,724)	6,439,344	37,154	14,009,736	78,126	14,087,862
Comprehensive loss for the period	-	(1,942,056)	-	700,000	(1,242,056)	-	(1,242,056)
Total comprehensive loss for the period	-	(1,942,056)	-	700,000	(1,242,056)	-	(1,242,056)
<i>Transactions with owners in their capacity as owners</i>							
Shares issued during the period	2,860,500	-	-	-	2,860,500	-	2,860,500
Capital raising costs during the period	(134,586)	-	-	-	(134,586)	-	(134,586)
Share based payment	-	-	271,975	-	271,975	-	271,975
Balance at 31 December 2013	40,536,876	(32,219,780)	6,711,319	737,154	15,765,569	78,126	15,843,695
Balance at 1 July 2012	36,886,308	(25,335,667)	5,149,930	32,316	16,732,887	78,228	16,811,115
Comprehensive loss for the period	-	919,545	-	(1,264,445)	(344,900)	(7)	(344,907)
Total comprehensive loss for the period	-	919,545	-	(1,264,445)	(344,900)	(7)	(344,907)
<i>Transactions with owners in their capacity as owners</i>							
Shares issued during the period	933,100	-	-	-	933,100	-	933,100
Capital raising costs during the period	(8,446)	-	-	-	(8,446)	-	(8,446)
Share based payment	-	-	1,262,619	-	1,262,619	-	1,262,619
Balance at 31 December 2012	37,810,962	(24,416,122)	6,412,549	(1,232,129)	18,575,260	78,221	18,653,481

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 2013

	2013	2012
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,001,581)	(1,440,323)
Interest received	57,330	30,587
Other income	29,505	-
Interest paid	(19,297)	(7,142)
Net cash used in operating activities	(934,043)	(1,416,878)
Cash flows from investing activities		
Purchase of plant and equipment	(8,514)	(66,643)
Exploration and evaluation expenditure	(1,379,193)	(958,560)
Refund of/(payments for) security deposits	194,033	(375,390)
Deposits for joint venture acquisition	(250,000)	-
Payments for available-for-sale financial assets	(281,430)	(13,330)
Proceeds from sale of investments	-	18,224
Proceeds from sale of exploration and evaluation assets	-	3,500,000
Net cash used in investing activities	(1,725,104)	2,104,301
Cash flows from financing activities		
Proceeds from issue of shares	2,860,500	933,100
Capital raising costs	(134,586)	(8,446)
Repayment of lease liabilities	(40,582)	(33,510)
Net cash provided by financing activities	2,685,332	891,144
Net increase/(decrease) in cash and cash equivalents	26,185	1,578,567
Cash and cash equivalents at beginning of the period	2,555,122	2,119,711
Cash and cash equivalents at end of the period	2,581,307	3,698,278

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 2013

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 2013 comprises the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2013 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.

This condensed consolidated half-year financial report was authorised for issue in accordance with a resolution of the Board of Directors on 13 March 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the half-year financial report

This general purpose condensed consolidated financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated half-year financial report does not include all notes of the type normally included within the consolidated annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the consolidated annual financial report.

It is recommended that the condensed consolidated half-year financial report be read in conjunction with the consolidated annual financial report of Matsa Resources Limited for the year ended 30 June 2013 and considered together with any public announcements made by Matsa Resources Limited and its controlled entities during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent consolidated annual financial report.

(b) Basis of Consolidation

The condensed consolidated half-year financial statements comprise the financial statements of Matsa Resources Limited and its controlled entities ('the Consolidated Entity').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intragroup balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

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

Non-controlling interests not held by the Consolidated Entity are allocated their share of net profit after tax in the consolidated statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(c) New and amended accounting standards and interpretations

From 1 July 2013, the Consolidated Entity has adopted the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2013. Adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Consolidated Entity.

The Consolidated Entity has not elected to early adopt any new standards or amendments.

3. 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 total assets relating to the Thailand operations are approximately 5% of the Group's total assets. The decision to allocate resources to individual projects is predominantly based on available cash reserves, technical data and the expectation of future metal prices. Accordingly, the Group effectively operates as one segment, being mineral exploration in Western Australia. The financial information presented in the consolidated statement of comprehensive income and consolidated 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.

4. COMMITMENTS

Exploration and Expenditure Commitments

In order to maintain the mineral tenements in which the Consolidated Entity 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 requirements for the next year is \$1,439,600 (30 June 2013: \$1,393,256). 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 \$91,053 outstanding at 31 December 2013 (2012: \$33,894).

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

- (a) The Company has a 4.38% (2013: 5.48%) interest in Panoramic Resources Limited, which is involved in the mining and exploration of base metals in Australia and Canada. Panoramic is listed on the Australian Securities Exchange.

At the end of the period the fair value of the investment was \$3,500,000 (30 June 2013: \$2,800,000) which is based on Panoramic Resources Limited's quoted share price.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2013

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont.)

- (b) The Company has a 23.03% (30 June 2013: 17.65%) interest in Bulletin Resources Limited, which is involved in the mining and exploration of precious and base metals in Australia. Bulletin is listed on the Australian Securities Exchange.

At the end of the period the market value of the investment was lower than the carrying value, the Company has therefore recognised an additional impairment loss of \$422,703 (31 December 2012: Nil).

6. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2013 the Group acquired items of property, plant and equipment with a cost of \$8,514 (2012: \$63,788).

There were no assets disposed of during the six months ended 31 December 2013 (2012: nil).

7. EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 13 \$	30 Jun 13 \$
Costs carried forward in respect of areas of interest in: Exploration and evaluation phase	<u>9,050,955</u>	<u>7,740,645</u>

Movements in carrying amounts

Balance at beginning of period	7,740,645	15,555,003
Disposal of tenements (a)	-	(8,808,747)
Exploration and evaluation incurred	1,602,010	1,773,113
Expenditure written off	-	(642,429)
Provision for impairment	(291,700)	(136,295)
Balance at end of period	<u>9,050,955</u>	<u>7,740,645</u>

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.

- (a) On 16 August 2012 Matsa completed the sale of a 70% interest in the Mt Henry Gold Project to Panoramic Resources Limited ("Panoramic") under a Sale and Purchase Agreement on the following terms:

- (i) Consideration of \$5 million in cash and 14 million fully paid Panoramic shares with a market value of \$7,980,000 at 15 August 2012, resulting in a total consideration received of \$12,980,000;
- (ii) Matsa to be free carried for a fully funded Bankable Feasibility Study (BFS), which is underway; and
- (iii) Provision for Panoramic to buy out Matsa's remaining 30% interest for \$6.5 million with a \$5 million royalty as a safety net should Matsa not be able to participate further or is unable to finance its share of the project within 180 days of the delivery of the BFS.

The disposal of tenements reflects 70% of the carrying value of the tenements included in the Mt Henry Gold Project at the time of settlement of the transaction.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 31 December 2013

	31 Dec 13 \$	30 Jun 13 \$
8. ISSUED CAPITAL		
144,156,779 (30 June 2013:134,621,781) ordinary shares	40,536,876	37,810,962

Issue of Ordinary Shares – during the period	Number of shares	\$
At 1 July 2013	134,621,781	37,810,962
Issued during the period	9,534,998	2,860,500
Transaction costs relating to share issues	-	(134,586)
	<u>144,156,779</u>	<u>40,536,876</u>

Issue of options during the period	Number of options	\$
Opening balance at 1 July 2013	13,050,000	6,407,960
Unlisted options under the ESOP issued during this period	925,000	159,407
Unlisted options issued to consultants/brokers	625,000	87,458
Options expired during the period	(6,300,000)	-
Options exercised during the period	-	-
	<u>8,300,000</u>	<u>6,654,825</u>

9. SHARE BASED PAYMENTS

During the six months ended 31 December 2013 under the Company's Long Term Incentive Plan (LTIP), 925,000 share options were issued to employees and 625,000 share options were issued to consultants.

The options vest immediately at the date of grant. The contractual life of each option is two years for the consultant options and three years for the employee options 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 Black Scholes Option Valuation 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 2013 was estimated at the date of grant using the following assumptions:

Grant Date	20 September 2013	20 September 2013
Number of Share Options	925,000	625,000
Dividend Yield (%)	Nil	Nil
Expected Volatility (%)	90.43	90.43
Risk-free interest rate (%)	2.86	2.86
Expected Life (years)	3.00	2.00
Exercise Price (cents)	40 cents	40 cents
Fair Value per Option (cents)	17.23	13.99
Total Value of Options (\$)	159,407	87,458

For the six months ended 31 December 2013, the Group has recognised \$271,975 of share based payment expense in the income statement (2012: \$1,262,619).

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 31 December 2013

10. RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2013 consolidated annual financial report.

11. SUBSEQUENT EVENTS

In December 2013 Matsa advised that it has executed a binding Terms Sheet with Bulletin Resources Limited (Bulletin) for the acquisition of an initial 49% direct interest in Bulletin's Halls Creek Gold Project with staged farm-in arrangements to increase that interest up to 75% by meeting specific expenditure requirements on the project. In accordance with the Terms Sheet Matsa paid a deposit of \$500,000 to Bulletin (\$250,000 in this period, \$250,000 in subsequent period).

Subsequent to the end of the period Bulletin received an alternative offer from Pacific Niugini Limited which resulted in Matsa having its initial deposit of \$500,000 refunded and also received a \$100,000 break fee as per the agreement.

MATSA RESOURCES LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Matsa Resources Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Paul Poli
Director

Dated this 13th day of March 2014

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

Report on the Interim Financial Report

We have reviewed the accompanying half-year financial report of Matsa Resources Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes 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 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*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the interim 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.

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 Group's financial position as at 31 December 2013 and its performance for the half-year 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*.

Nexia Perth Audit Services Pty Ltd

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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 and its controlled entities 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 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



Nexia Perth Audit Services Pty Ltd



PTC Klopper
Director

Perth
13 March 2014