MATSA
RESOURCES

Annual Report **2014**

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Dear Shareholder,

During the year the Company continued to seek to add value to its existing Western Australian projects as well as adding, where pertinent, exploration projects of merit to its portfolio.

Much of the focus during the year was on the advancement of Matsa's 100% owned Symons Hill Project, located just 6kms south of Sirius Resources Ltd's Nova/Bollinger nickel project, where a considerable amount of work was done to better understand the complex geology of the project and to target a significant nickel discovery. While that has not yet occurred the Company is confident that it will in due course.

A significant amount of work was also conducted at the Killaloe JV Project, where Matsa has an 80% interest. Exploration work conducted in the second half of the financial year has successfully seen positive signs that a nickel discovery is a distinct possibility and follow-up work is being planned with that aim.

In addition to the significant progress made on both of these exciting nickel projects, Matsa has also advanced nickel and gold exploration on its 100% owned Minigwal project. While at an early stage it is a promising project.

Matsa's joint venture partner in the Mt Henry Gold Project, Panoramic Resources Limited, continued to advance the bankable feasibility study. Matsa looks forward to the completion of the study and creating further value from its 30% interest for the Company and its shareholders.

During the year a key focus of the Company has been to acquire an interest in an advanced development project with a view to establishing an ongoing cash flow for the Company. To that end Matsa initially sought to acquire an interest in Bulletin Resources Limited's Nicholson's Gold Project. While Matsa decided not to pursue the acquisition of the project, Matsa did acquire a 26.4% interest in Bulletin and via that investment has retained an interest in the Nicholson's Gold Project which is now being advanced by Pacific Niugini Limited.

Matsa will continue to seek opportunities in advanced development or operating projects a number of which are becoming available in subdued financial markets and to which Matsa can leverage its healthy liquidity position to advantage.

Matsa proudly has a loyal and dedicated team that focuses on pursuing the Company's growth strategies and I extend my sincere thanks to all staff that work for Matsa in Australia and Thailand for their ongoing dedication to the task at hand. Their commitment to Matsa is boundless.

Without our loyal and supportive shareholder base Matsa would not be able to achieve its objectives and thanks go to them for their continued support to the Company and the Company's board of directors. It is this support that aides the Company to realise the Company's aspirations and improve value to all shareholders.

PAUL POLI
EXECUTIVE CHAIRMAN

INTRODUCTION

During the 2013-14 financial year, Matsa continued to build on its portfolio of projects and advance them through targeted exploration and assessment. Matsa has continued to utilise its capabilities to further shareholder satisfaction by building up its exploration development portfolio.

Matsa's joint venture partner in the Mt Henry Gold Project, Panoramic Resources Limited, continued to advance the bankable feasibility study and are well advanced in this regard.

The year saw Matsa continue to explore its 100% owned Symons Hill Project, located just south of Sirius Resources' Nova/Bollinger nickel project, as well as advance its 80% owned Killaloe project. In addition to the significant progress made on both of these exciting nickel projects, Matsa has also advanced nickel and gold exploration on its 100% owned Minigwal project.

Matsa has increased its interest in Bulletin Resources Limited to 26% while Bulletin are in a secure position with minimal expenditure commitments with $1.6M in cash and investments, and looking for new projects.

Matsa is a unique Australian junior explorer in the resources sector because it has accumulated a quality pipeline of assets and projects in Western Australia and Thailand. Further, Matsa continues to be very well funded.

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

A snapshot of Matsa's projects in the southern part of Western Australia is provided in Figure 1.

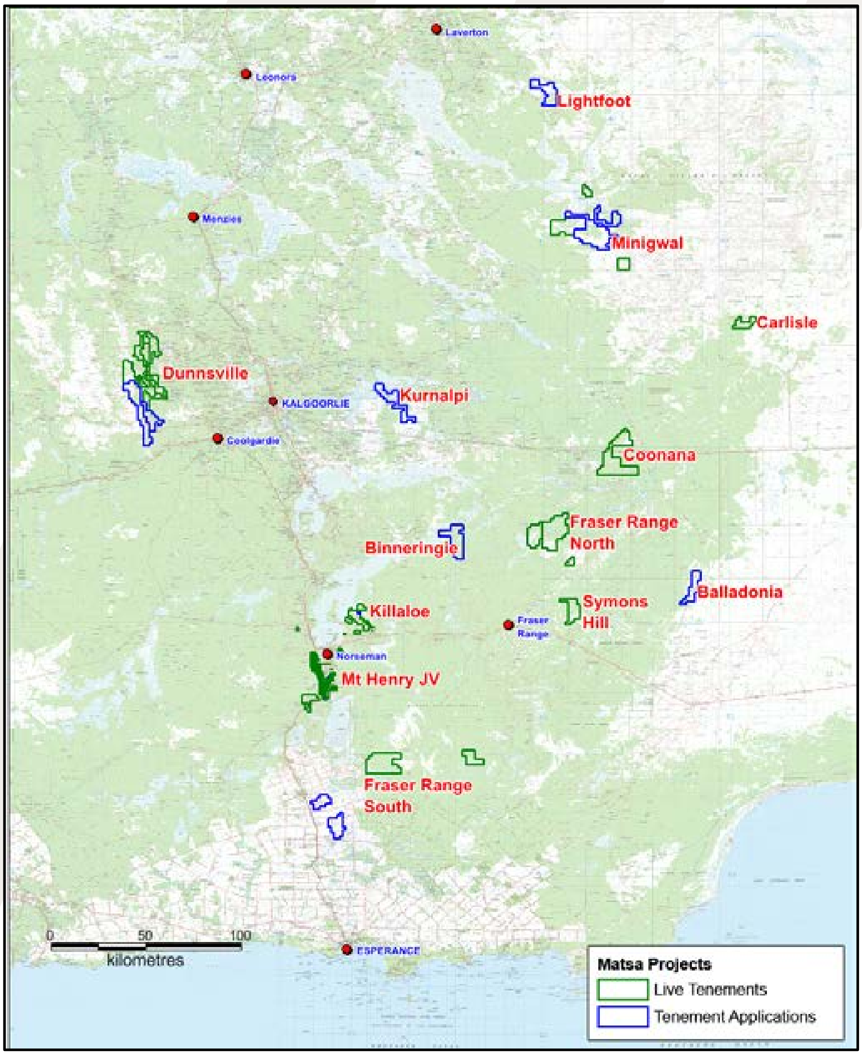

FIGURE 1: Matsa Yilgarn and Fraser Range Projects

COMPANY ACTIVITIES

The primary focus of activities in Matsa is:

- To progress the Bankable Feasibility Study for the Mt Henry Gold Project via its joint venture partner, Panoramic;
- Continue to explore and exploit the nickel potential, and continue to develop and evaluate innovative geophysical technologies to detect nickel sulphides at Symons Hill;
- Expedite drill testing of exciting exploration targets at the Killaloe, and Minigwal Projects;
- Actively carry out regional exploration programmes to develop and test new targets within the company's large tenement portfolio in Western Australia;
- Review new tenement and project opportunities as they arise; and
- Continue to pursue the granting of Special Prospecting License Applications in Thailand to enable commencement of exploration within the Paisali Iron Ore, Siam Copper and KT Gold Projects.

MT HENRY GOLD JOINT VENTURE (MATSA 30%, PANORAMIC RESOURCES 70%)

The Mt Henry JV tenements cover 77km^2 and are located south of Norseman in Western Australia. This is a joint venture between Matsa Resources Ltd 30% and Panoramic Resources Ltd 70%.

In September 2013 Panoramic advised that the total resource of the Mt Henry Gold Project has been increased by 248,000oz to 1.71 million oz of gold (Matsa's share 510,000oz). Importantly 77% of the resource is now in the Indicated Resource category (Table 1).

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**

TABLE 1: Mt Henry Gold JV Project revised Resource 13 September 2013. Resource table is shown on a 100% basis - Matsa 30% Panoramic 70% Cut-off grade 0.4g/t (previously reported at 1g/t)

COMPETENT PERSONS STATEMENT

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

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. Activities during the year have included environmental baseline studies, metallurgical testwork and site planning.

BANKABLE FEASIBILITY STUDY

Work 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 with much of the focus during the year being on the following:

- Environmental Baseline Studies - work concentrated on demonstrating that pit lake formations at mine closure and final waste dumps can be managed to minimise the effects of any potentially acid forming (PAF) material generated during open pit mining.

- Metallurgical testwork - work was undertaken to optimise the grind size and gold recovery relationship in the treatment process. The innovative concept whereby magnetite is recovered as a by-product of gold continues to be evaluated in conjunction with studies to understand the optimal conditions to maximise gold recovery.

- Site planning - detailed mine plans, designs and schedules have been produced and the site layout plans to locate infrastructure are continuing to evolve.

- Hydrogeological investigations including ground geophysical surveys and drilling to confirm sufficient water to meet proposed process requirements.

- Geotechnical investigations to confirm viability of proposed mine and infrastructure developments.

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

MT HENRY JV REGIONAL EXPLORATION

Panoramic and Matsa formed a separate regional exploration Joint Venture to conduct greenfield exploration on under-explored leases located within the Mt Henry tenement area, which Matsa manages on behalf of the joint venture. Several targets including Abbotshall South (Au), Lake Kirk (Au) and Mt Thirsty (Ni PGE) 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. While drilling intersected large zones of silicification and disseminated arsenopyrite mineralisation only weakly anomalous gold values were intersected. 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.

At Mt Thirsty, the target comprised a strong EM conductor at the base of the Mt Thirsty sill in a structurally favourable position which coincides with strongly anomalous values of Ni, Cu and PGE's in soil. The target was tested by a single diamond drillhole to 320.1m which intersected strongly sulphidic metasediments at the base of the sill, but did not intersect any Ni mineralisation. No further work is being contemplated at this stage.

KILLALOE (MATSA 80%, CULLEN RESOURCES 20%)

The Killaloe project comprising 98km^2 is located 35km NE of Norseman in Western Australia. A partial surrender was carried out on E63/1018 to comply with 40% tenement reduction after 4 years. The most prospective 26 blocks have been retained.

Matsa has been operating the project under a farm in agreement with Cullen Resources Limited (ASX:CUL) since 2010. Matsa fulfilled the farm-in requirements and notified Cullen of its entitlement to a 70% interest in the project. Cullen has exercised its option to be free carried to a decision to mine, and Matsa, as a result of Cullen's decision, has now earned 80% of the project.

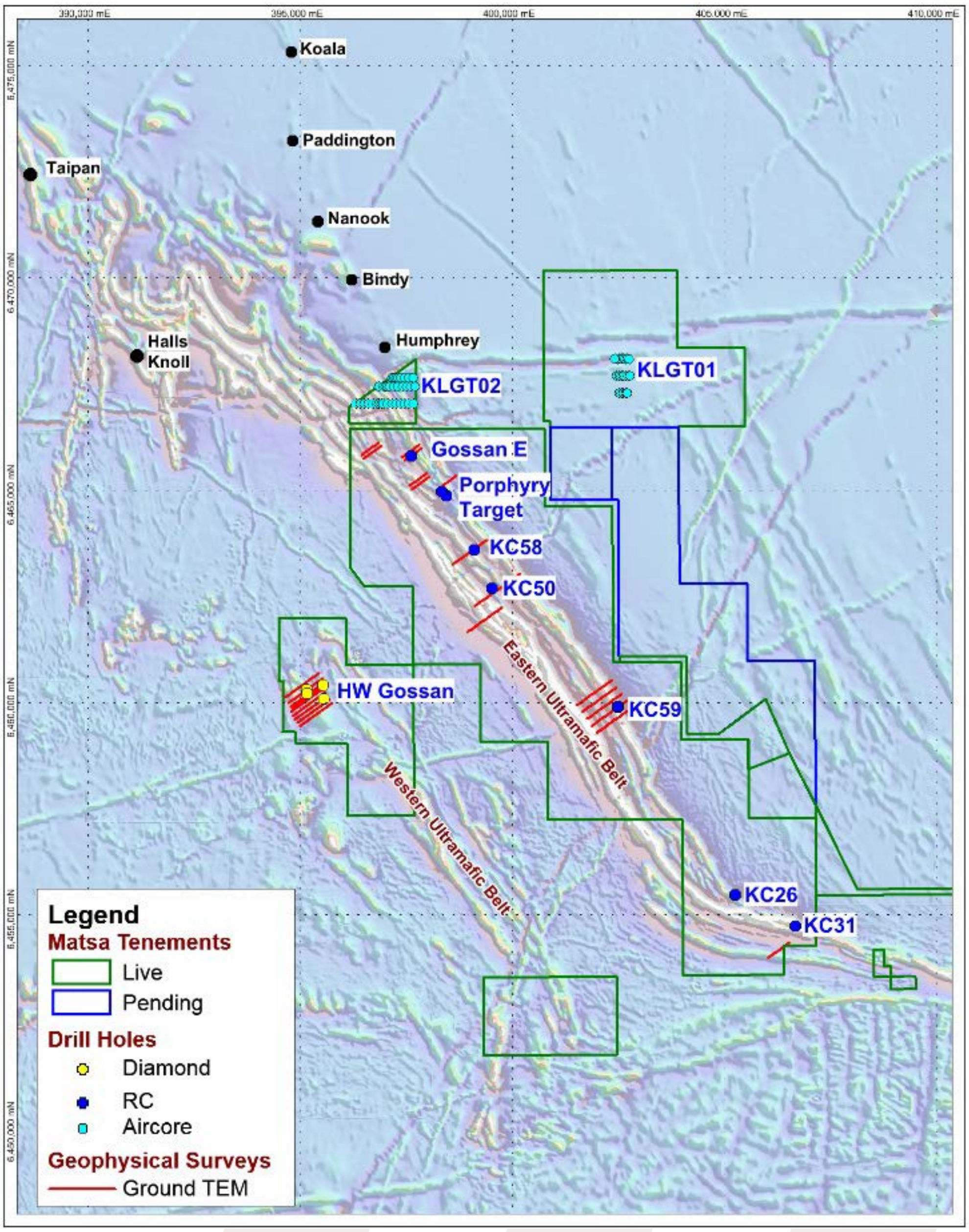

FIGURE 2: Killaloe Project Summary

Exploration during the year at Killaloe focused on a number of nickel and gold prospects and resulted in discovery of komatiite nickel sulphide mineralisation at the Hanging Wall Gossan (HWG) prospect (Figure 2).

NICKEL EXPLORATION KILLALOE

There has been extensive past exploration for nickel over the Killaloe project commencing in the 1960's by companies including Anaconda, Union Oil, Western Mining and more recently, joint ventures between Cullen Resources and Sipa Resources and subsequently Cullen Resources and Australian Nickel. This work has provided a large database including aeromagnetic/radiometric surveys, geological mapping, sampling, ground electromagnetic surveys and drilling.

This work has shown that rock units making up the Western Ultramafic Belt (WUB) and Eastern Ultramafic Belt (EUB) are very similar to the mafic ultramafic sequence containing the Widgiemooltha and Kambalda nickel deposits some 60km and 100km respectively to the NW.

Early drilling of the WUB by Anaconda in the early 1970's achieved a sulphide nickel intercept of 3m @ 0.49% Ni and 0.15% Cu in drill hole KLC21 at the Hanging Wall Gossan (HWG) prospect which confirms the potential for sulphide nickel deposits at Killaloe. More recently in July 2014, Ni sulphides were discovered by Sirius Resources at the Taipan prospect. This recent discovery is located 9km NW of the Killaloe project in ultramafic komatiite lavas which appear to be extensions to the Eastern Ultramafic Belt at Killaloe (Figure 2).

Work carried out during the year has included the following:

- A review of past exploration results which identified 3 existing high priority EM conductors from previous work for immediate drill testing. The review highlighted a further 6 high priority conductors which required additional ground EM surveys to better define them for drilling;

- Stage 1 FLEM. A total of 10 Fixed Loop Electromagnetic (FLEM) surveys were carried over previously identified conductors at Gossans C, D, E & F, Anomaly 58, KC37, KC50, Hanging Wall Gossan, and Anomaly 64 as well, an untested, coincident strongly anomalous Ni Cu soil anomaly over komatiite lavas at Beetroot East;

- Five RC drillholes were completed to test the highest priority conductors (Conductors KC26, Anomaly 58, KC31, KC50 and Beetroot East) in the EUB, which were interpreted to represent Kambalda style massive Ni Cu sulphide mineralisation;

- Complete diamond drillhole 14KLDH01 at HWG prospect, designed to test high priority conductor target for a total of 198m of drilling; and

- Downhole EM survey completed on diamond drillhole 14KLDH01.

RC DRILLING EUB

Five RC drill holes for 874m were completed to test for massive Ni sulphide mineralisation associated with the high priority EM conductors discussed above. Drill holes intersected mostly olivine and pyroxene bearing komatiitic volcanics, basaltic volcanics and lesser graphitic shales.

Drilling confirmed that three of the 5 targets tested (KC50, Anomaly 58 and Beetroot East) were produced by conductive graphitic and pyritic black shales. The source of the remaining 2 conductors, KC26 and KC31, was not resolved. Down-hole EM surveys to test for significant off-hole conductors are proposed.

Assay results for each of the 5 RC drillholes are briefly summarised below:

- Significantly elevated nickel values were returned in weathered ultramafic rocks in Target KC26 as noted below (8m @ 0.42% Ni, 0.088% Cu, 0.106% Co from 24m). These enriched values do not continue below the weathered profile and are interpreted to reflect supergene enrichment of nickel by breakdown of unstable nickel rich silicate minerals in the weathered zone.

- Drillhole 13KC50 (Target KC50) intersected 24m of graphitic shales from 87m beneath a sequence of pyroxenites and olivine-bearing ultramafics. Strongly elevated zinc 18m @ 1.05% Zn from 96m contains an individual high grade Zn value of 1m @ 8.04% Zn, 0.09% Cu, 0.1% Pb and 5.1g/t Ag from 110m. This intercept may indicate significant potential for base metal mineralisation in black shales at Killaloe. Follow up aircore drilling may be effective in defining the extent and distribution of anomalous base metal values in black shales.

- Drillhole 13KC58 (Target KC58) intersected meta-basalts and ultramafic units with intercalated graphitic shale bands up to 6m in thickness. Strongly elevated PGE's in conjunction with unusually low Ni values were returned from an ultramafic unit logged as pyroxenites. 20m @ 43ppb Pd and 53ppb from 76m including 4m @ 59ppb Pd and 102ppm Pt from 80m.

- Drillhole 13KC59 (Beetroot East Prospect) intersected mostly olivine rich ultramafics (some with spinifex textures) with interbands of carbonaceous shale and ultramafic schist. Elevated Zn values (e.g. 8m @ 0.18% Zn), from 136m are associated with narrow graphitic shale intercalations. A preliminary assessment of the drill results over the expected EM target interval also suggests the source to be graphitic shales.

DIAMOND DRILLING HWG PROSPECT

Diamond drillhole 14KLDH01 was designed to test the FLTEM conductor identified by over the Hanging Wall Gossan prospect (Tables 2 and 3, Figure 2).

HOLE	EAST	NORTH	RL	GDA ZONE	DEPTH	AZIMUTH	DIP
14KLDH01	395140	6460305	302mRL	MGA51	198.5	055 deg	-60

TABLE 2: Diamond Hole 14KLDH01 Location and Orientation

A 0.2m lens of semi-massive sulphide mineralisation was intersected at 93.15m below a 14.5m thick zone of disseminated sulphides close to the basal contact between komatiite lavas and underlying basalt. Further zones of semi massive sulphides of 0.2m and 0.5m respectively were intersected in the underlying basalt.

Final 4-acid digest results have subsequently been received with intercepts of significantly elevated Ni values based on interpreted geology presented in Table 3.

It can be seen in Table 3 that elevated Ni values up to 0.65% Ni are close to the interpreted base of the komatiite unit and also coincide partly with the development of massive sulphides, consequently giving rise to an EM conductor as interpreted from Matsa's 2013 MLTEM survey data. Further it could be seen that elevated Ni values to 0.46% Ni below 137.1m depth also coincide with a massive sulphide lens and are likely an additional conductor. These results encouraged Matsa to carry out down hole EM surveys (DHEM) and further surface EM surveys to explore for extensions to these zones of Ni sulphide mineralisation.

HOLE	FROM (M)	TO (M)	INTERCEPT (M)	COMMENTS	NI %	CU %	CR %	CO%
14KLDH01	78.7	93.15	14.45	1%–3% disseminated sulphides in komatiite. Spot handheld XRF values to 0.6% Ni.	0.21	0.003	0.23	0.01
14KLDH01	93.15	93.35	0.2	30%–40% semi-massive sulphides in sheared komatiite (Figure 2). Mineralisation is located close to the contact between komatiite and underlying metabasalt. Spot handheld XRF results to 3.15% Ni.	0.57	0.091	0.24	0.034
14KLDH01	93.35	93.7	0.35	Foliated/sheared komatiite with fine disseminated sulphides (~1%), part of probable base of komatiite flow sequence.	0.65	0.054	0.24	0.03
14KLDH01	93.7	94.5	0.8	~1% fine grained sulphides (possibly pyrrhotite and pentlandite) in sheared komatiite, part of probable base of komatiite flow sequence.	0.47	0.129	0.26	0.008
14KLDH01	94.5	94.8	0.3	~5% disseminated sulphides (pyrrhotite and possible pentlandite) in footwall basalt.	0.27	0.084	0.005	0.014
14KLDH01	137.1	137.6	0.5	Semi-massive sulphide vein including Ni sulphides (probably pentlandite) in metabasalt with spot handheld XRF value to 1.75% Ni. (assayed interval 137.1-137.6m)	0.46	0.043	0.12	0.02

TABLE 3: 14KLDH01 Summary Results

DOWN HOLE EM (DHEM) SURVEY

Downhole surveys were carried out using a 200m loop designed to couple with semi-massive sulphide lenses intersected by diamond drillhole 14KLDH01. Refer to Appendix 1 in Matsa's announcement dated 20th June 2014.

Preliminary modelling and interpretation of downhole survey results identified two strong off-hole conductors. Both targets are highly conductive, and were both interpreted to be located at a distance of ~40m from diamond drillhole 14KLDH01 and are considered to be consistent with the presence of well-developed significant sulphides.

HWG_C1 – This conductor is interpreted to be consistent with the targeted highly conductive (~15,000-20,000 Siemens) FLTEM source identified in the 2013 survey and to be an extension of the steeply SW dipping semi-massive sulphide lens in komatiite lavas intersected between 93.15m and 93.35m.

HWG_C2 – This offset DHTEM conductor is present below HWG_C1 and is also interpreted to be highly conductive (~10,000 Siemens). This conductor may be an extension of the semi-massive sulphide lens in metabasalt intersected between 137.5m and 137.7m.

It was concluded that conductors HWG_C01 and HWG_C02 reflect massive sulphide bodies containing Ni sulphide mineralisation. It could be clearly seen that both conductors are located at the extreme SE edge of ground EM surveys carried out to date, including Matsa's 2013 survey. Consequently the decision was made to extend MLTEM/FLTEM coverage to the SE to map the extension of the key conductor targets prior to further drilling in July/August 2014.

GOLD EXPLORATION KILLALOE

Exploration for gold at Killaloe included a three hole RC drilling programme to test the Felsic Porphyry prospect and a total of 55 aircore drillholes testing gold geochemical anomalies KLGT01 (20 holes) and KLGT02 (35 holes) (Aircore drilling over target KLGT02, which is located within Lake Cowan required the use of a specialised Lake rig designed for operating in shallow water and boggy conditions). Encouraging bottom of hole sample results were returned from aircore drilling at KLGT02, and anomalous gold intercepts were achieved in three widely spaced RC holes at the Felsic Porphyry target.

FELSIC PORPHYRY

Anomalous gold intersections were achieved in 3 RC drillholes on this prospect and include 48m @ 0.28 g/t Au including 1m @ 7.24 g/t Au (RC001), 20m @ 0.16 g/t Au from 8m (RC005) and 2m @ 1.46 g/t Au from 56m (RC004). Mineralisation appears to be localised in brittle fractures in a felsic porphyry sill/dyke probably caused by ductile deformation of enclosing mafic and ultramafic lavas. Further drilling is proposed to test potential for higher grade and thicker gold mineralisation at depth and along strike.

KLGT02

Three anomalous gold intercepts including 2m @ 0.63 g/t Au, 4m @ 0.33 g/t Au and 4m @ 0.15 g/t Au were intersected in bottom of hole samples at aircore refusal in drillholes KAC024, KAC005, and KAC002 respectively. These intercepts are located in weathered mafic and ultramafic lavas within 1-2km of Sirius' Polar Bear gold prospect. Further close spaced aircore drilling is proposed to better define this target for drilling.

SYMONS HILL PROJECT (Matsa 100%)

This project comprises one exploration licence E69/3070 which is 96km² in extent, located within the Fraser Range Tectonic zone and within 6kms SSW of Sirius Resources' Nova and Bollinger Nickel Copper deposits. The project is located in a soil covered area with only minimal outcrop. A comparison between regional aeromagnetic and gravity information at Symons Hill Project and the Nova/Bollinger discoveries indicates marked similarities in geological setting.

Exploration during the year included a semi-regional aircore drilling programme which led to recognition of a distinctive nickel rich stratabound mafic/ultramafic gabbro along the eastern edge of a well-defined domal feature the "Symons Hill Dome" in the central part of the Symons Hill Project.

This unit was defined as a distinctive corridor of highly anomalous nickel values (>300ppm Ni) in weathered bedrock which Matsa has named the Gloucester Corridor. Key exploration targets SHG02, SHG03, SHG04 which were defined in 2013 and newly defined targets SHG11 are located within the Gloucester Corridor.

The majority of ground geophysical surveys, RC drilling and diamond drilling carried out during the year was focused on Ni-Cu sulphide targets within the Gloucester Corridor.

Activities carried out during the year under review include:

- Continue to evaluate the effectiveness of innovative EM surveys carried out during 2013 using data obtained from aircore, RC and Diamond drilling and further EM and IP surveys;
- Aircore drilling carried out as two programmes for a total of 643 drillholes and 22,656m;
- Ground FLTEM Surveys on anomalies VA01, VA02 and VA15;
- Ground MLTEM VA15 – VA11 along Gloucester Corridor;
- Experimental Induced Polarisation Surveys along three lines over SHG01, SHG02 and SHG03;
- RC drilling for a total of 13 drillholes and 1560m;
- Downhole EM on 13 RC drillholes;
- Diamond drilling for a total of 4 drillholes and 1,278m;
- Gravity survey comprising 2,212 stations spaced at 400 x 100m intervals; and
- High resolution low level aeromagnetic survey.

AIRCORE DRILLING

Aircore drilling during the year comprised 643 drillholes for 22,656m of drilling, along lines spaced between 200m and 400m apart with drilling carried out at 100m and 50m spacings along lines. Drilling was designed to test a number of regional exploration targets including high priority bedrock Ni and Cu targets SHG01 - SHG06, which were defined by soil sampling and the Phase 1 aircore drilling during the previous year. Real-time assays of bottom of hole samples using a portable XRF (PXRF) analyser enabled modifications to planned drilling in response to significant assay results e.g. immediate follow up drilling upon discovery of new anomalous bedrock Ni and Cu values SHG07, SHG08, SHG09, SHG10 and SHG11 (Figure 3).

A total of 4,867 composite samples and 643 bottom of hole samples, were submitted for laboratory analysis. Aircore drilling has shown SHG02, SHG03, SHG04 and SHG11 to reflect the presence of mafic/ultramafic gabbros within a well-defined corridor of highly anomalous nickel values in weathered mafic/ultramafic gabbros. This corridor defined by bedrock Ni values >350ppm has been termed the Gloucester Corridor which is located along the eastern margin of the complexly folded Symons Hill Dome.

Very strongly enriched nickel values similar to those previously announced last year at SHG02, were also returned from SHG03, SHG10 and SHG11, intercepts during the year include:

SHG02: 16m @ 0.31% Ni, 0.013% Cu, 0.012% Co (20-36m) SHAC625

Inc. 4m @ 0.72% Ni, 0.026% Cu, 0.030% Co (32-36m)

SHG03: 13m @ 1.52% Ni, 0.012% Cu, 0.035% Co, (48-61m) SHAC591

SHG10: 17m @ 0.10% Ni, 0.008% Cu, 0.011% Co (44-61m) SHAC633

SHG11: 16m @ 0.31% Ni, 0.013% Cu, 0.012% Co (20-40m) SHAC625

Inc. 4m @ 0.72% Ni, 0.026% Cu, 0.03 Co (32-36m)

SHG04: 8m @ 0.24% Ni, 0.021% Cu, 0.004% Co (24-32m) 14SHAC392

SHG01: 3m @ 0.19% Ni, 0.008% Cu, 0.019% Co, (48-51m) 14SHAC394

Highest nickel values occur in the weathering profile developed over mafic/ultramafic rocks. Nickel values while still elevated, typically decrease in the less weathered underlying mafic/ultramafic rocks as discussed in relation to RC drilling below.

The enrichment of nickel by weathering processes which has been noted at SHG02, SHG03, SHG04, SHG10 and SHG11 has similarities with the near surface geology at Sirius' Nova/Bollinger and represents a significant discovery by Matsa. However, the focus remains on discovery of disseminated and massive Ni and Cu sulphides in unweathered rocks.

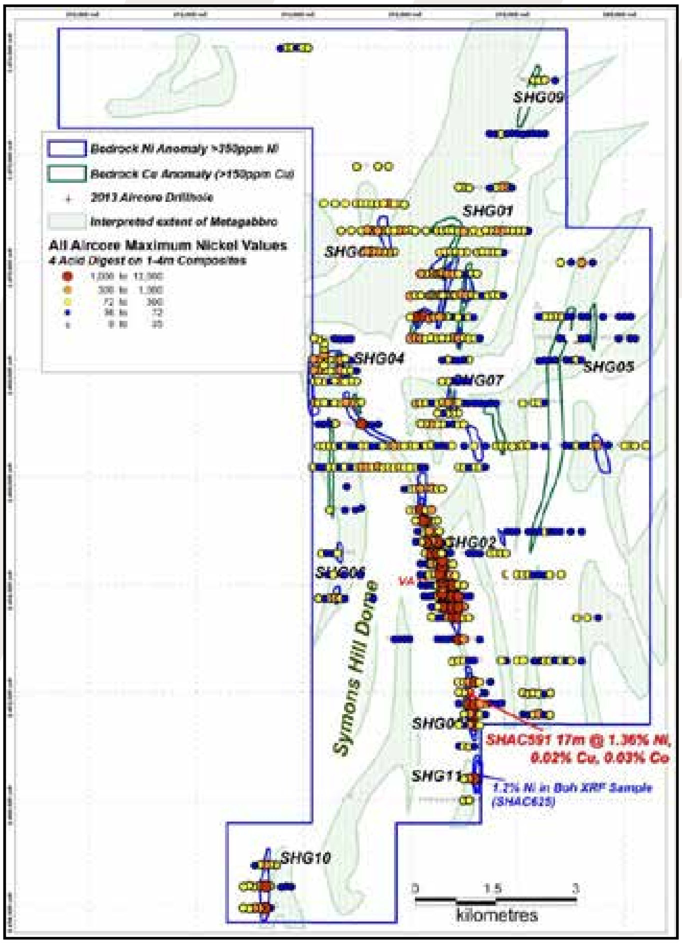

FIGURE 3: Symons Hill Exploration Summary

The presence of highly anomalous Ni values >0.1% Ni in SHG04 emphasises the importance of Matsa's newly interpreted Gloucester Corridor, which extends north of SHG02 and SHG03. This mafic/ultramafic granulite which is defined by consistently anomalous bottom of drillhole XRF Ni values can be seen to follow around the interpreted fold nose at the northern extremity of the Symons Hill Dome through SHG04 and possibly as far as SHG06.

The presence of Ni values >0.1% Ni at the SW edge of aircore drilling coverage over SHG01 is potentially significant and will be delineated by further aircore drilling.

Discovery of strongly Ni anomalous mafic/ultramafic granulites at SHG11, has defined the extents of the Gloucester Corridor over more than 9km between SHG04 and SHG11 within the Symons Hill Dome. The ultramafic and mafic rocks identified by aircore and RC drilling in the Gloucester Corridor are interpreted to represent a distinctive stratabound unit which is highly prospective for Ni-Cu sulphide mineralisation.

Discovery of a new zone of significantly anomalous Ni values at SHG10 along the SW margin of the Symons Hill Dome has returned elevated Ni values >0.1% Ni in mafic ultramafic granulite bedrock on 3 EW drill lines spaced 400m apart. This Ni rich zone is overlain by sandy transported cover and was not detected as a nickel anomaly by surface soil sampling. Key intercepts at SHG10 include 17m @ 0.10% Ni, 0.008% Cu, 0.011% Co (from 44m) in drillhole 14SHAC633 and 1m @ 0.11% Ni, 0.055% Cu, 0.014% Co (from 44m) in drillhole 14SHAC716.

Petrographic results from bottom of hole samples have confirmed that enriched Ni values coincide with olivine bearing mafic/ultramafic granulites in targets SHG01 – SHG03. In addition, petrographic observations on samples from SHG01 identified trace chalcopyrite in basement rocks underlying elevated copper values (>100ppm Cu) in soil and weathered bedrock.

GROUND EM SURVEY TECHNIQUE EVALUATION

Matsa recognised early on that a technique capable of exploring large areas quickly and effectively for concealed and deep-seated sulphide mineralisation would be the key to success at Symons Hill.

Matsa, through its consultants, Newexco, set up an innovative EM survey technique by laying out very large 400m x 400m loops thereby exploring large areas relatively quickly for responses of Nova/Bollinger type Ni-Cu sulphides.

During the year the area covered by the experimental broad scale EM survey was tested by a combination of Aircore, RC and Diamond Drilling and further high powered EM surveys in order to confirm, improve and fine-tune rapid EM surveys as a fast and effective ore finder.

Matsa continues to evaluate, develop and apply new and innovative ground electromagnetic techniques.

GROUND GEOPHYSICAL SURVEYS

FIXED LOOP EM (FLTEM) SURVEYS

A detailed analysis of all electromagnetic data collected to date including helicopter borne VTEM and ground based MLTEM and FLTEM surveys was completed. This review was carried out taking into account the potential for concealment of mineralisation by younger cover, and the location of EM targets relative to favourable structural locations within highly deformed stratabound metagabbros interpreted by the recently completed structural targeting review. Accordingly, previously identified but lower ranked conductors have been reprioritised higher as massive Ni-Cu sulphide targets.

As a consequence, VTEM conductors VA01, VA02 and VA015 were selected for ground FLTEM surveys because of their location relative to interpreted prospective stratabound metagabbro units and in the case of conductor VA15, its location relative to high priority Ni-Cu targets SHG02 and SHG03 (Figure 6).

Conductors VA01 and VA02 were confirmed by fixed loop ground EM (FLTEM) surveys with modelled depths of approximately 75-100 metres and 50-75 metres respectively. RC drilling is proposed to test these conductors.

FLTEM surveys at VA15 identified complex anomalous responses at a depth of around 300m. Because of the potential importance of this target given its proximity to high priority Ni target SHG02, it was decided to be included for MLTEM surveying in an attempt to provide a well-defined drill target.

MOVING LOOP (MLTEM) ELECTROMAGNETIC SURVEY

A high powered moving loop EM (MLTEM) survey was completed over the southern 5 strike kilometres of the Gloucester Corridor. Specific objectives were to better define a potential deep (>300m) conductors VA11 and VA15 detected by the helicopter borne VTEM survey carried out during 2013.

Conductor VA15 is located on a strong gravity gradient, immediately adjacent to strongly enriched Ni values (up to 1.1% Ni) in weathered olivine metagabbro at SHG02. Diamond drilling is proposed to test for the source of this conductor.

Conductor VA11 is located adjacent to strong Ni enrichment in bedrock at SHG11 and interpreted at a depth of 350m. The conductor at VA11 which was tested by diamond drillhole 14SHDH06 was not massive sulphide related and is interpreted to be caused by the presence of saline groundwater associated with deep weathering along faults.

TWO - DIMENSIONAL (2DIP) INDUCED POLARISATION SURVEYS

Induced Polarisation (IP) surveys were carried out over key sections of SHG01, SHG02 and SHG03 to explore for disseminated Ni and Cu sulphide mineralisation in mafic/ultramafic intrusions associated with those targets.

Three survey lines were carried out with 1 line each, over targets SHG01, SHG02 and SHG03 with the objective of exploring for disseminated Ni-Cu sulphide mineralisation associated with near surface Ni, Cu and Co enrichment.

A preliminary interpretation of the data identified shallow, (75-150m depth) chargeable and conductive zones closely correlating with surface Ni enrichment at SHG02 and SHG03.

Diamond drillholes 14SHDH03 and 14SHDH04 were completed to test the SHG02 and SHG03 chargeability anomalies respectively. Diamond drilling to date reflects disseminated sulphide mineralisation or alternatively deeper weathering of serpentinised dunite. A programme of RC drilling is proposed to test for Ni-Cu sulphide mineralisation.

A preliminary interpretation of the single IP line at SHG01 did not identify an electrical target.

GRAVITY SURVEY

Gravity surveying comprising 2,212 stations was carried out over most of the project area. Inspection of gravity and magnetic data has led to a selection of a number of targets which possibly represent concealed mafic/ultramafic intrusions. Aircore drilling is proposed to obtain geological and geochemical information on these targets prior to planning deeper drilling to test the source.

RC AND DIAMOND DRILLING

A total of 36 RC drillholes were completed during the year for a total of 6,041m of RC drilling. A total of 1,515 assays using 4-acid digest ICP OES procedure were carried out on composite samples based on sample intervals 1-4m in length. In addition, four diamond drill holes for 480m of RC pre-collars and 792m of NQ diamond core were completed under this programme.

Drilling was carried out in two programmes as follows:

- Phase 1 RC Programme carried out in November/December 2013 comprised 13 holes each to a depth of 120m for a total of 1,560m. The programme was designed to test for the presence of nickel and copper sulphide in fresh basement lithologies at SHG01, SHG02 and SHG03.

- Phase 2 RC and diamond drilling programme carried out in June/July 2014 comprised 23 RC drillholes for a total of 4,481 metres and included 12 drillholes to a depth of 250m. In addition, the programme included four diamond drillholes for a further 480m of RC pre-collars and 792m of diamond drilling. The RC component of the programme was designed to test anomalous bedrock Ni values at SHG02, SHG03, SHG04 and SHG11 along the Gloucester Corridor. Stage 2 RC drilling also tested newly discovered targets SHG07 and SHG10 and EM target VA01 located outside of the Gloucester Corridor. Diamond drillholes were focused on 2 priority IP targets at SHG02, SHG03 and 2 EM targets VA11, and VA02.

STAGE 1 RC PROGRAMME

The RC drilling program (Figure 6) was designed to test bedrock mineralisation immediately below anomalous nickel zones outlined from soil surveys and aircore drilling of the regolith at SHG01, SHG02 and SHG03 as well as to provide for a down hole EM program to commence as soon as possible.

Highly anomalous Ni assays were returned on 1-4m composite samples from SHG02 and SHG03 and more significant results are summarised in Table 4.

TARGET	DRILLHOLE	INTERCEPT
SHG03	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
SHG02	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)

TABLE 4: Phase 1 RC Drilling Selected Intercepts

The results indicate nickel is elevated in fresh unweathered gabbro bedrock underlying strongly nickel enriched regolith as identified by aircore drilling.

Elevated copper values are associated with higher nickel values in the southern part of SHG02 (holes 13SHRC03 and 13SHRC07) and SHG03 (13SHRC01). This supports the potential for magmatic nickel copper sulphides as inferred by earlier petrographic work.

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. (Figures 4 and 5)

Downhole EM surveys were carried out on all Stage 1 RC drillholes completed at SHG01, SHG02 and SHG03 during 2013. These holes were very shallow, (not exceeding 120 metres depth) and therefore did not significantly increase the effective depth as compared with the previous EM surveys, and consequently did not detect any nearby conductors.

STAGE 2 RC AND DIAMOND DRILLING

This combined diamond and RC drilling programme commenced in June 2014 to test high priority targets mostly within Ni anomalous mafic and ultramafic granulites of the Gloucester Corridor.

Diamond and RC drilling focused on high priority targets within the Symons Hill Dome with particular emphasis on targets SHG02, SHG03, SHG04, SHG10, SHG11, EM Targets VA1, VA2, VA11, VA15 and IP targets IP01 and IP02. These targets are all considered to have high potential for associated Ni-Cu sulphide mineralisation (Figure 6).

Four diamond drill holes for 480m of RC pre-collars and 792m of NQ diamond core were completed under this programme. The RC drilling programme comprising 23 drillholes for 4,481m of drilling was also completed.

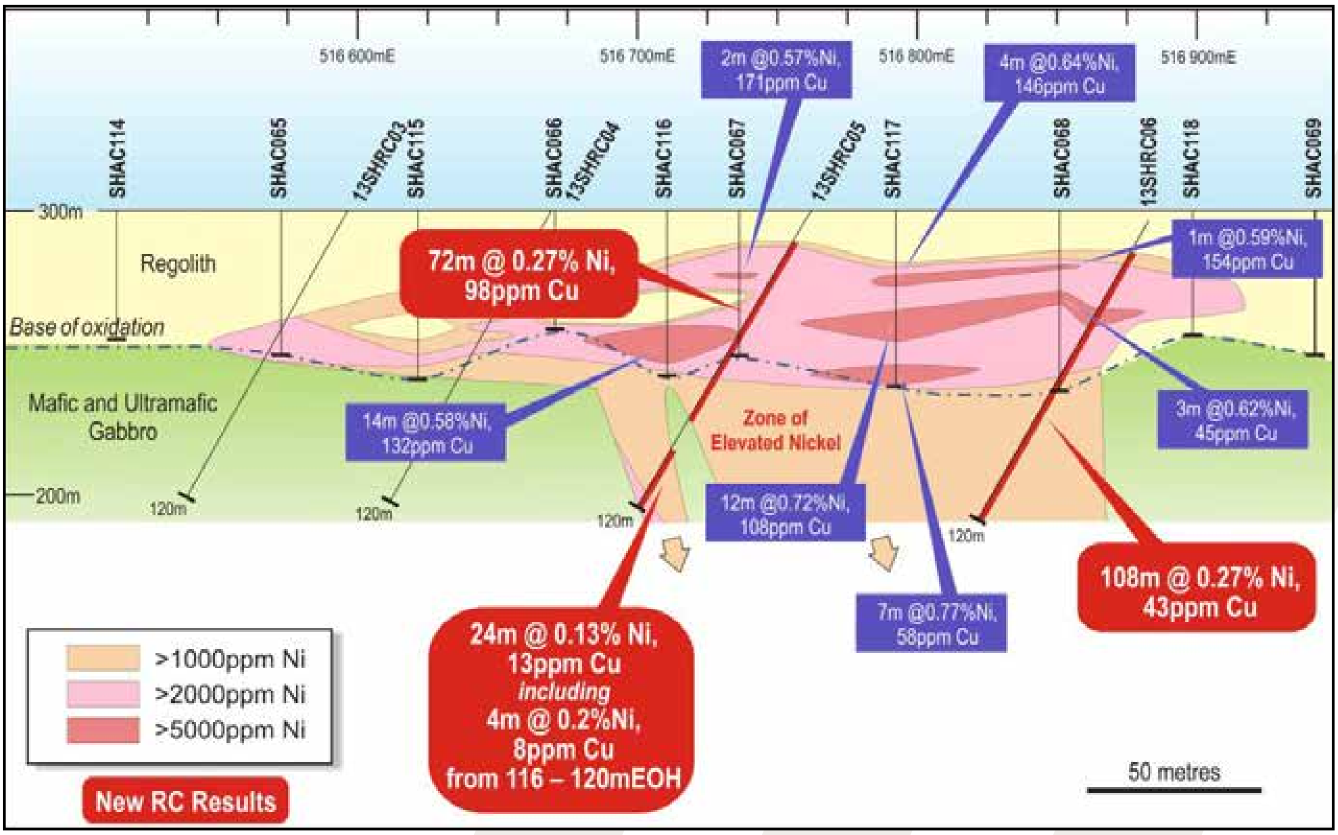

FIGURE 4: Section 6463800N Showing RC 4m Composite and Aircore Drilling Results

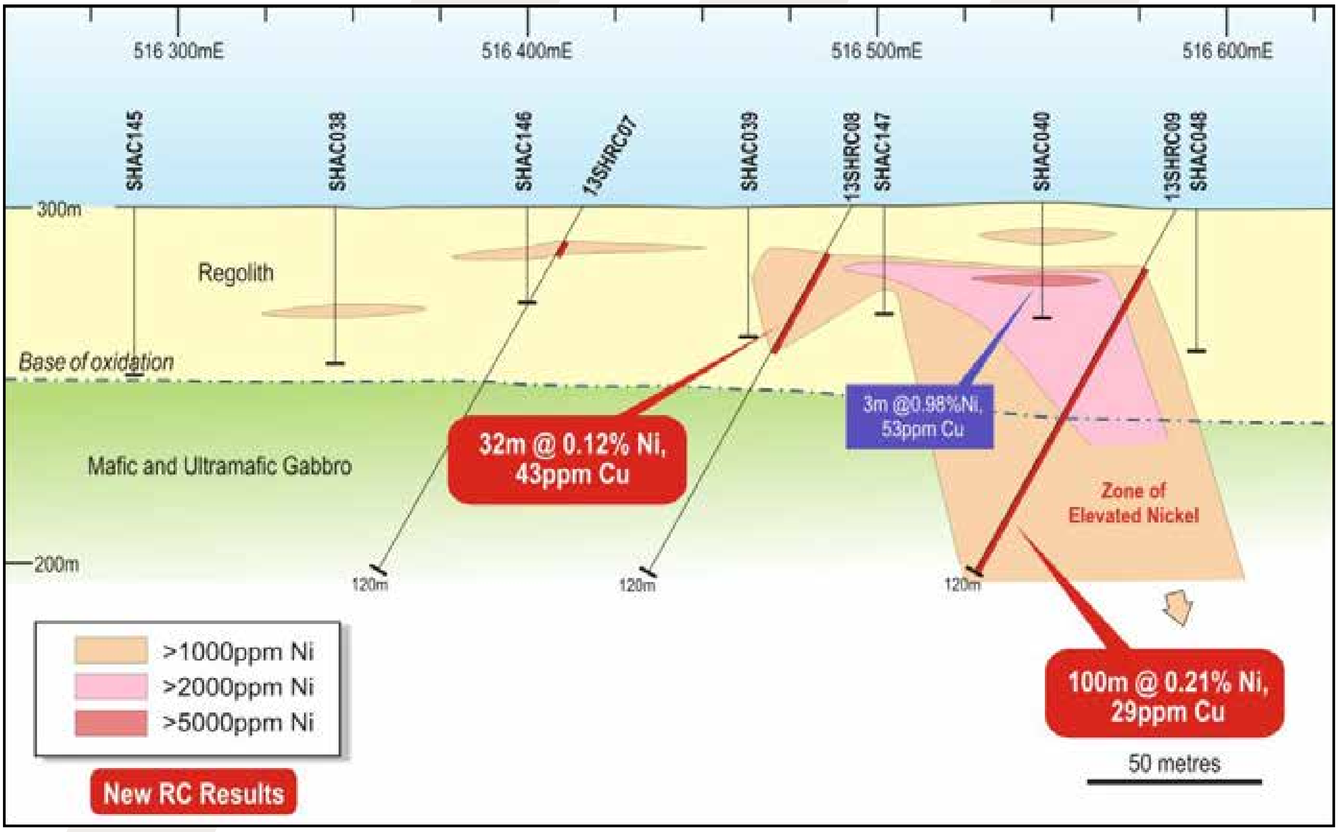

FIGURE 5: Section 6464600N showing RC 4m composite and Aircore drilling results

The Stage 2 RC drilling programme was designed with two main objectives:

- Deep RC to directly test for Ni sulphides in mafic/ultramafic granulites underlying highly Ni anomalous (>1% Ni) values in weathered basement at SHG02, SHG03 and SHG11. Where possible these holes were completed to 250 metres and lined with PVC tubing to enable DHEM surveys to be carried out; and

- Reconnaissance RC drillholes between 120m and 250m depth to better define the character of rocks underlying anomalous bedrock Ni values along the Gloucester Corridor including targets SHG04, SHG07 and SHG10 and shallow EM conductor VA02.

Samples were composited for assaying over 4m intervals for a total of 1,125 samples. A total of 865 composite assay results have been received to date.

Results to date confirm highly anomalous Ni values >0.1% Ni in fresh mafic/ultramafic granulites at SHG02, SHG03, SHG11 and SHG04 along the Gloucester Corridor and at SHG10 in the SW of the project area.

TARGET SHG02

Highly anomalous Ni values were obtained from 10 drillholes completed over the 3km strike extent of SHG02. These include a number of broad anomalous intercepts as follows:

72m @ 0.17% Ni, 18 ppm Cu, 78 ppm Co from (88-160m) 14SHRC16

56m @ 0.18% Ni, 23 ppm Cu, 79 ppm Co from (44-100m) 14SHRC17

136m @ 0.17% Ni, 11 ppm Cu, 77 ppm Co from (88-224m) 14SHRC25

92m @ 0.16% Ni, 17 ppm Cu, 75 ppm Co from (84-176m) 14SHRC26

100m @ 0.17% Ni, 19 ppm Cu, 79 ppm Co from (92-192m) 14SHRC29

96m @ 0.18% Ni, 21 ppm Cu, 76 ppm Co from (40-136m) 14SHRC30

These intercepts together with earlier shallow RC intercepts, confirm the Ni rich nature of mafic/ultramafic granulites including pyroxenites and dunites which underlie Ni enrichment up to >1% Ni in weathered bedrock at SHG02. These rocks which contain trace sulphides throughout are comparable with those described in the hanging wall sequence at Nova-Bollinger and remain highly prospective for Ni sulphide mineralisation.

TARGET SHG03

Results were obtained for one of three RC holes completed over this target. Three highly anomalous Ni intercepts were obtained from drillhole SHRC015 as follows:

40m @ 0.17% Ni, 133 ppm Cu, 134 ppm Co (40-80m) 14SHRC15

Including: 8m @ 0.26% Ni, 344 ppm Cu, 196 ppm Co (68-76m) and

12m @ 0.11% Ni, 89 ppm Cu, 85 ppm Co from (92-104m)

These intercepts are noteworthy for the relatively enriched Cu values (up to 344 ppm Cu) compared to the values in SHG02. It is proposed to redo assay composites at 1m intervals and to submit key samples for petrographic examination for the presence of Ni sulphides. As per comments related to SHG02 above, intercepts during the year are comparable with those described during early stage exploration from the hanging wall sequence at Nova-Bollinger and remain highly prospective for Ni sulphide mineralisation.

TARGET SHG10

Assay results received of composite samples from two of the three drillholes completed over this target confirm strongly anomalous Ni values in mafic ultramafic granulites underlying surface Ni enrichment derived by previously reported aircore drilling. Key intercepts are as follows:

8m @ 0.13% Ni, 218 ppm Cu, 102 ppm Co from (72-80m) 14SHRC14

20m @ 0.13% Ni, 170 ppm Cu, 97 ppm Co from (52-72m) 14SHRC33

RC drilling was terminated short of the target depth of 250m in two holes, because of drilling difficulties associated with unconsolidated sandy palaeochannel fill overlying basement. The presence of transported cover also screened the presence of Ni rich mafic granulites from detection by surface soil sampling.

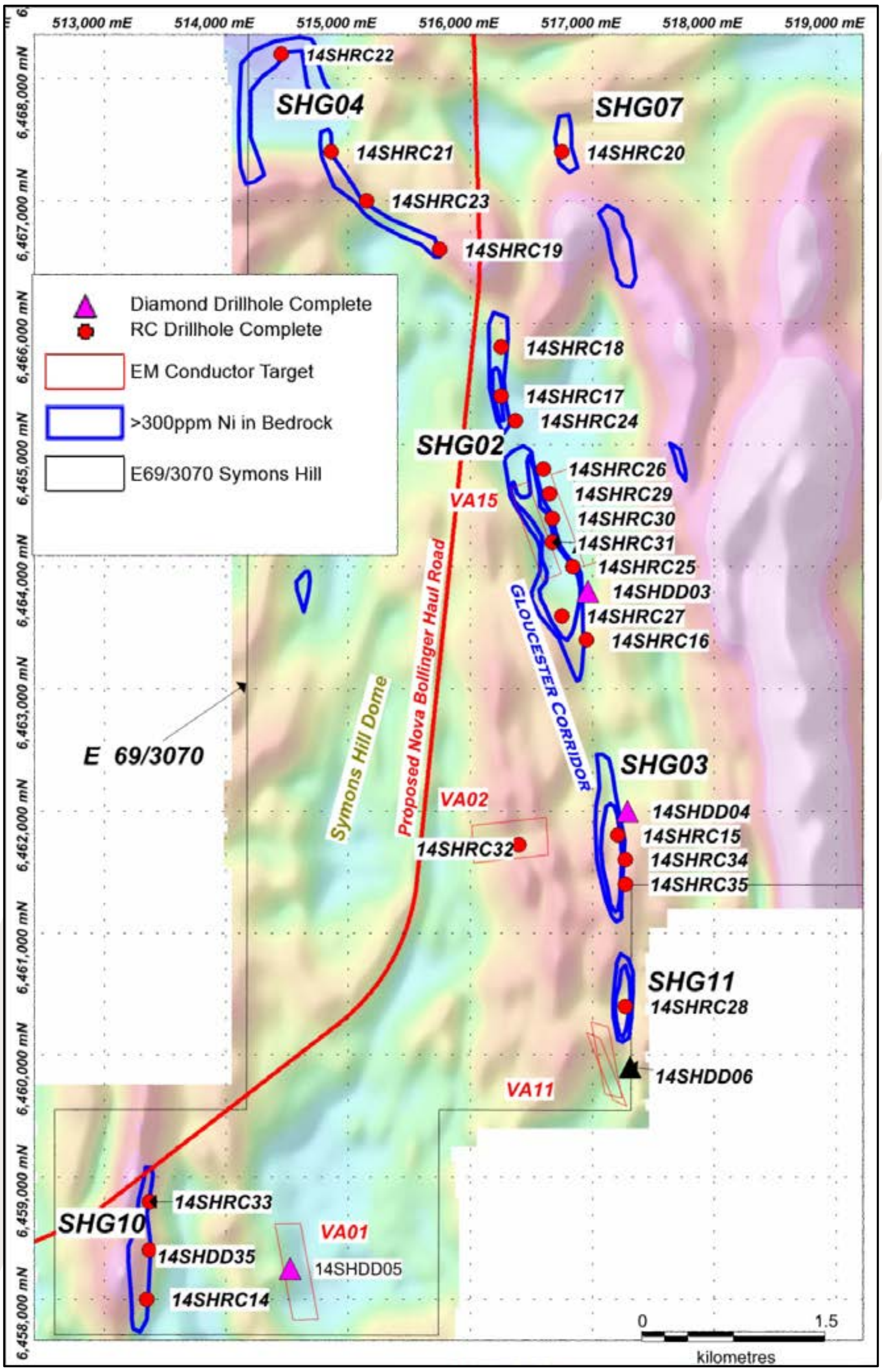

FIGURE 6: Stage 2 RC and Diamond Drill Hole Locations and Targets

TARGET SHG11

One RC drillhole was completed to test this newly defined strong bedrock Ni anomalism along the southern end of the Gloucester Corridor. Handheld XRF values >1% Ni were previously reported from aircore drilling a short distance from EM conductor target VA11. The significant intercept is as follows:

52m @ 0.17% Ni, 28 ppm Cu, 82 ppm Co from (60-112m) 14SHRC28

TARGET EM CONDUCTOR VA11

Diamond drillhole 14SHDDH06 was designed to test conductor VA11 which was initially detected by Matsa's 2012 helicopter borne VTEM survey and subsequently confirmed by ground MLEM surveys carried out in March 2014. The drillhole has intersected a range of mafic and variably feldspathic felsic granulites. Disseminated sulphide mineralisation was recognized in a sheared garnet bearing feldspathic granulite between 454.4m and 458.2m with approximately equal amounts of chalcopyrite and pyrite.

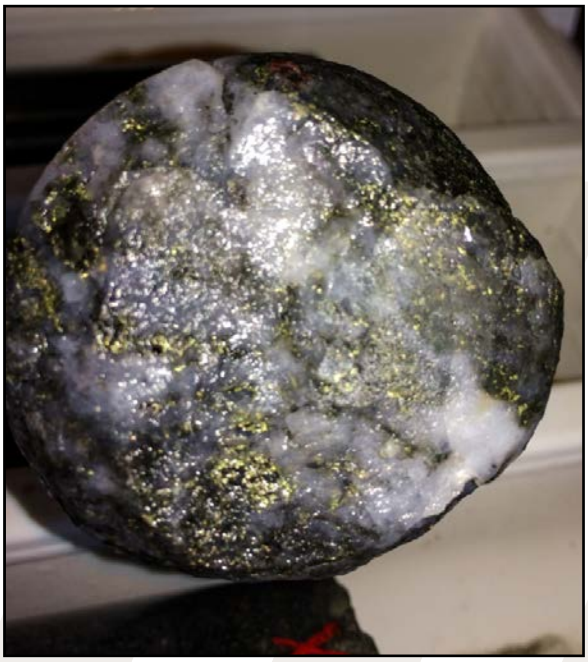

FIGURE 7: Pyrite and chalcopyrite in quartz vein aligned with foliation in a garnet bearing granulite gneiss

Identification of a sulphide source for conductor VA11 is extremely encouraging because:

- It increases the possibility that the source of Matsa's second similar but deeper conductor at VA15 which underlies highly anomalous bedrock Ni values >1% Ni at SHG02, is also sulphide related and may lead directly to a Ni sulphide discovery;
- Highly enriched Ni values >1% Ni associated with weathering of Ni-rich rocks have been identified at SHG02, SHG03 and SHG11. This discovery of disseminated sulphides close to SHG11 confirms the presence of sulphur in the mafic granulite sequence in close proximity to the Ni-rich mafic and ultramafic granulites in the Gloucester Corridor. The presence of sulphur at an early stage in the mineralisation process is an important component in the formation of Ni sulphide mineralisation; and
- The intersection of a steeply dipping zone of disseminated chalcopyrite/pyrite and quartz veining may represent a new and potentially significant mineralisation style.

TARGET CHARGEABILITY ANOMALY IP01 AT SHG02

Diamond drillhole 14SHDD03 which was completed to a depth of 300m, was designed to test the strong chargeability response IP01 at a modelled depth of 250m underlying strongly enriched Ni values >1% Ni in weathered basement rocks at SHG02 as described above. The drillhole intersected a suite of ultramafic and mafic granulites with trace sulphides throughout. The granulites are cut by narrow (<2m) steeply dipping clay rich and micaceous shears which extend to the modelled depth of the IP anomaly. The presence of saline groundwater in these fractures may be the source of this anomaly.

As noted, trace sulphide minerals, principally pyrrhotite were observed throughout the granulite sequence which remains highly prospective for Ni sulphide mineralisation. Assays are awaited.

TARGET CHARGEABILITY ANOMALY IP02 AT SHG03

Diamond drillhole 14SHDD04, which was completed to a depth of 175m, was designed to test chargeability response IP02 at a modelled depth of 120m underlying strongly enriched Ni values >1% Ni in weathered basement rocks at SHG03. The modelled depth of the IP anomaly coincides with an observed increase in grain size of trace sulphides principally pyrrhotite in a serpentinised olivine bearing ultramafic. Trace sulphides were observed throughout the drilled section which remains highly prospective for Ni sulphide mineralisation. Assays are awaited.

TARGET CONDUCTOR VA01

Diamond drillhole 14SHDD05 was completed to a depth of 300m targeting a moderate VTEM conductor at a modelled depth of ~200m. The drillhole intersected a suite of variably feldspathic mafic granulites with several zones of brittle fracturing. A preliminary interpretation suggests the source of the EM anomaly to be the presence of saline groundwater in brittle fractures some of which are occupied by thin (<2mm) black possibly carbonaceous partings.

HIGH RESOLUTION AEROMAGNETIC AND RADIOMETRIC SURVEY

The survey was completed by Thomson Aviation Services in mid-May for a total of 4,355 line kilometres along mostly EW lines spaced 50m apart. Magnetic and radiometric data was collected at a mean sensor height of 35m. High resolution magnetic data was used as the basis for a structural and targeting study, and was used in conjunction with results of the gravity survey to highlight a number of targets for aircore drilling.

STRUCTURAL TARGETING STUDY

Matsa commissioned a detailed independent structural targeting study incorporating all available data, focusing on the regional geology and structural setting of Symons Hill in relation to Nova/Bollinger and other nickel discoveries.

Findings to date show that in common with Nova-Bollinger, Symons Hill can be seen to occupy a unique complex structural flexure within the generally NE-trending Fraser Zone (Figure 8).

As a result of the findings at Symons Hill, we can interpret the magnetic units to define a large (~10km) NNW-trending complexly folded elliptical dome structure (Figure 9). This structural setting is believed to be highly favourable for Ni-Cu mineralisation because of similarities with the regional structural setting of a number of world-class mineral deposits, e.g. the Kambalda nickel deposits and the 30M oz Telfer gold deposit in Western Australia which are similarly located in structural domes.

The structural dome at Symons Hill (Symons Hill Dome, Figure 9) incorporates 4 key bedrock geochemical targets along its margin. Target SHG04 is located at the NW apex of the dome and also encloses targets SHG02, SHG03 and SHG11 on its eastern margin and SHG06 on its western margin.

The presence of a coherent bedrock Ni response which links all of these targets and newly discovered target SHG11 has been discussed above and led to Matsa assigning a name to this potentially highly significant and prospective zone namely the Gloucester Corridor.

The important olivine-bearing gabbro identified by drilling at Target SHG02 is now interpreted to lie within the Gloucester Corridor and forms part of a regionally extensive, complexly folded stratabound metagabbro unit. This Gloucester Corridor is an important component of the Symons Hill Dome.

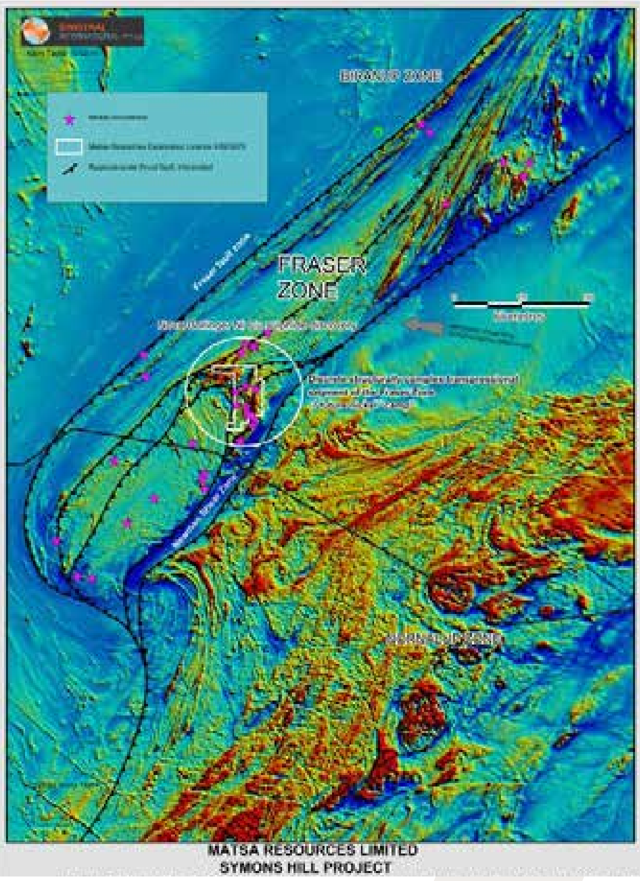

FIGURE 8: Regional structural setting of Symons Hill project on aeromagnetic imagery

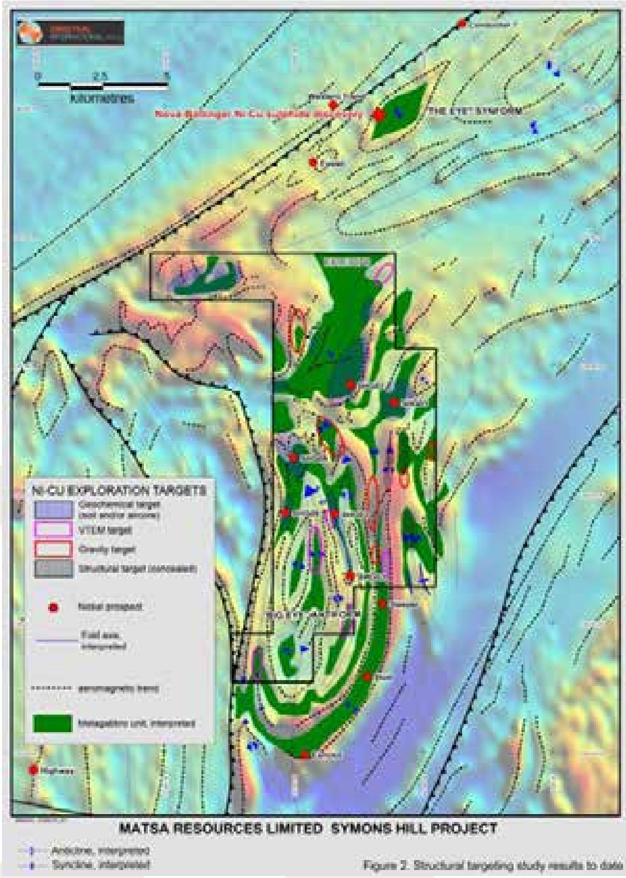

FIGURE 9: Structural interpretation and extent of metagabbro unit

DUNNSVILLE GOLD PROJECT (Matsa 100%)

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

A regional 100m spaced high resolution aeromagnetic survey for a total of 10,097 line km was completed during the quarter in order to finesse Matsa's large soil gold anomalies adjacent to the Ida Fault.

This survey data has been merged with other new data over the project and has now been compiled into high resolution magnetic and radiometric images. This very high resolution dataset is currently being integrated into Matsa's exploration database and will be used to advance a number of large gold targets including Big Red where the company has previously intersected gold values to 7 g/t Au in deeply weathered basement rocks.

MINIGWAL GOLD AND NICKEL PROJECT (Matsa 100%)

During the year, Matsa carried out regional auger soil sampling at Minigwal, comprising of 883 samples. The sample spacing was 800m x 400m for most part while at E39/1735, it was 400m x 400m spacing.

The sampling area is mostly covered in wind-blown sand from the Great Victorian Desert located to the east. In field use of PXRF, analyses were carried out on prepared powders for Ni and Cu, while assays were submitted to ALS for Aqua Regia digest for gold. A total of 42 duplicate PXRF samples were submitted to ALS for AR analysis for Ni and Cu as part of the QA QC process.

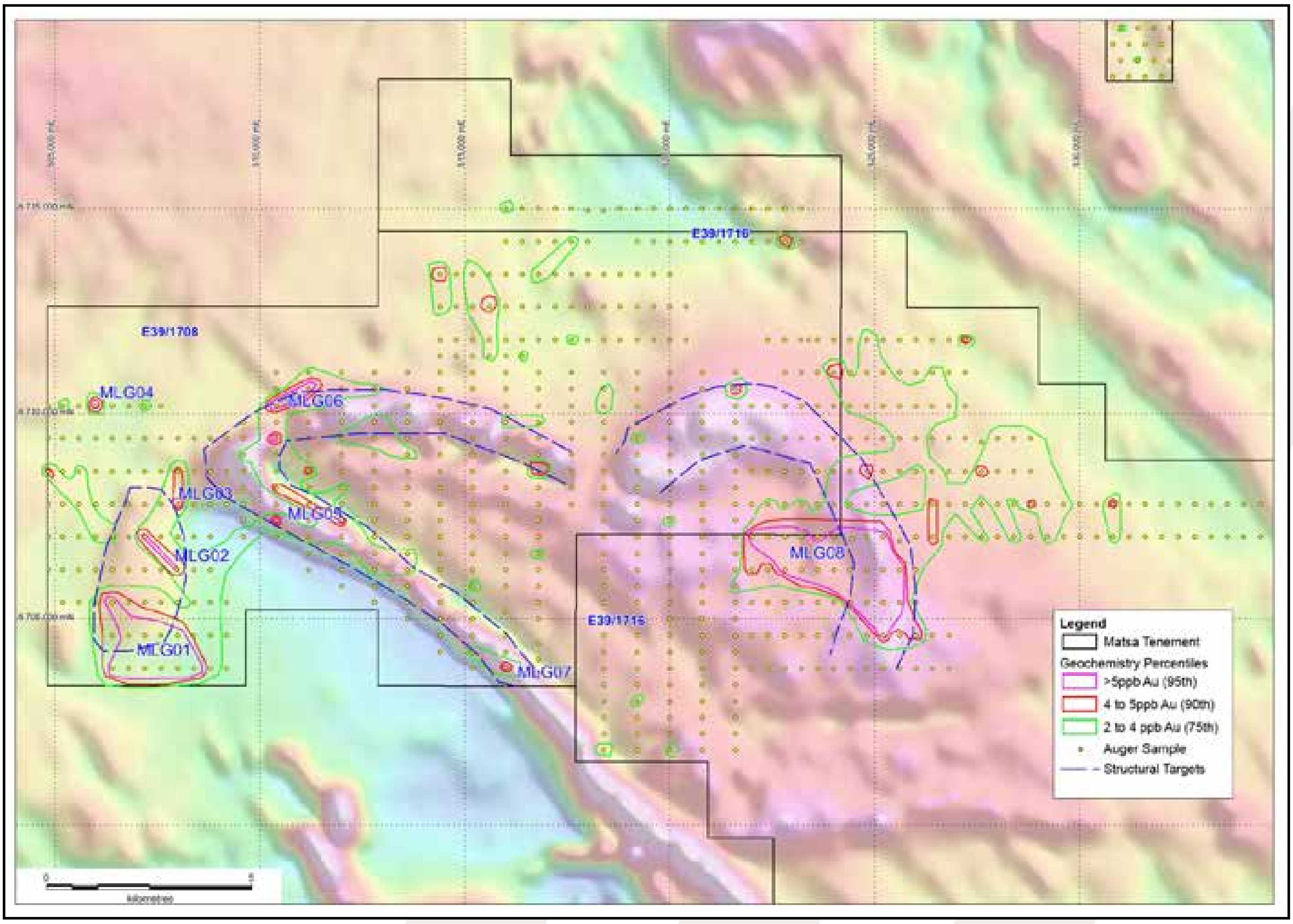

FIGURE 10: Minigwal Auger Sampling Summary

This reconnaissance exploration work has successfully defined at least 9 anomalous gold targets and 6 of these are more than 1 km in strike extent. A brief summary of auger sample results is presented in Table 5.

The gold anomalies are +5ppb and peak Au recorded is 15ppb. Based on this sampling work, most of the anomalies overlie three distinct structural features in the Minigwal project area.

- The largest target, MLG08, is located in the central part of the Minigwal project area and is defined on a broad 5km x 2km area over the eastern part of an 8km wide semi-circular/arcuate structural complex, probable dome. This large target has a peak Au value of 15 ppb.

- Situated along the western part of the project area, MLG01 straddles the southern part of the intrusive and the anomaly is spread along a 3km x 2km area. The current sampling coverage indicates that the anomaly is still open to the west and southern directions. Two relatively smaller anomalies, MLG02 and MLG03, were also associated with the same intrusive complex as MLG01.

- Adjacent to the MLG01 intrusive are anomalies along the fold nose of the "hair pin" fold. MLG05 and MLG06 flank the northern and southern limbs.

ALS ASSAYS	Au_ppb	Cr_ppm	Cu_ppm	Ni_ppm
Samples	882	42	42	42
Minimum	-1	26	4	7.3
Maximum	15	304	24.9	57.6
Mean	1.91	69.76	13.87	23.90
Median	2	60.5	13.8	21.9
25 percentile	1	51.25	10.225	13.175
50 percentile	2	60.5	13.8	21.9
75 percentile	3	76	18.1	32.5
90 percentile	4	96.4	21.78	39.64
95 percentile	6	111.05	24.47	43.85
98 percentile	8	304	24.9	57.6

FPXRF		Cr_ppm	Cu_ppm	Ni_ppm
Samples		879	879	879
Minimum		8.9		
Maximum		559	60	136
Mean		117	22.5	32.4
Median		114	22	31
25 percentile		96	15.2	20
50 percentile		114	22	31
75 percentile		134	29	44
90 percentile		156	34	53
95 percentile		173	36	59
98 percentile		217.6	39	68

TABLE 5: Minigwal Auger Sampling Assay Summary

To further refine the extents of these targets, an infill auger sampling program, at 200m x 200m spacing, has already been planned and a POW lodged with the DMP. Auger sampling is expected to commence once the POW has been granted.

FRASER RANGE NORTH JV (Matsa 90% Triton 10%)

This project comprises 2 exploration licences for a total of 354km^2 which are located within the Proterozoic Fraser Range Tectonic zone close to the south eastern margin of the Archaean Yilgarn Craton.

Matsa has continued to develop innovative geochemical tools by using the MMI soil geochemistry technique in different environments in the Eastern Goldfields (Minigwal).

A total of 10 RC drillholes were completed on the project of which 9 were drilled to test a well defined structurally hosted gold target at Similkameen and a single drillhole to test a discrete bullseye magnetic anomaly FNB1.

No significant mineralisation was intersected and no further work is proposed to be carried out at this stage.

NEW PROJECTS (Matsa 100%)

Matsa continues to conduct detailed reviews of available strategic projects which are highly prospective for gold and base metals. To this end, tenements have been acquired based on appraisals of past exploration in a number of areas.

DUNDAS IRON ORE PROJECT

The Dundas Iron Ore Project covers 11.3km^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 (wholly-owned subsidiary of Matsa). The leases are north of and abut the Mt Henry Gold Joint Venture area 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 kilometres to the south. 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.

No exploration was carried out during the year under review.

Prior to the year under review, RC and diamond drilling achieved the following outcomes which have been reported in detail to the ASX:

- Established the Grade and Continuity of the target magnetite BIF Bands;
- Confirmed the potential for an exploration Target of 350-750Mt*[1] (magnetite BIF);
- Confirmed Davis Tube weight recoveries of magnetite in the range 25 to 40%*[1]; and
- Confirmed magnetite concentrate specs in terms of low content of SiO^2, Al^2O^3, P and S.

THAILAND

Matsa Resources have applied for 124 Special Prospecting Licenses Applications (SPLA's) prospective for gold, iron ore and copper in Thailand for a total of 1,766km^2 (Figure 11).

It can be seen in Figure 11 that Matsa's exploration tenements in Thailand cover three broad projects. Matsa's activities in the past have included low impact sampling and ground surveys. No activities were carried out during the year under review. A brief summary of the three projects is included below:

- Paisali Iron Ore Project which comprises 56 SPLA's covering an area of 789km^2. The project covers a number of concealed high amplitude magnetic anomalies in flat agricultural land which Matsa is targeting for skarn type magnetite iron ore.
- Siam Copper Project is held under 49 SPLA's. The project covers widespread copper anomalies which led to discovery of a number of rock float occurrences containing visible copper mineralisation dominated by native copper with lesser malachite, azurite and chalcocite.
- Matsa's KT Gold Project is located only 18km East of Kingsgate Consolidated Limited's 5 million ounce Chatree Gold Mine and includes two large stream sediment gold anomalies each approximately 2.5km x 0.5km in extent, one with a historic diamond drill hole intercept of 4m @ 3.3g/t Au from 60m in altered veined and silicified conglomerate.

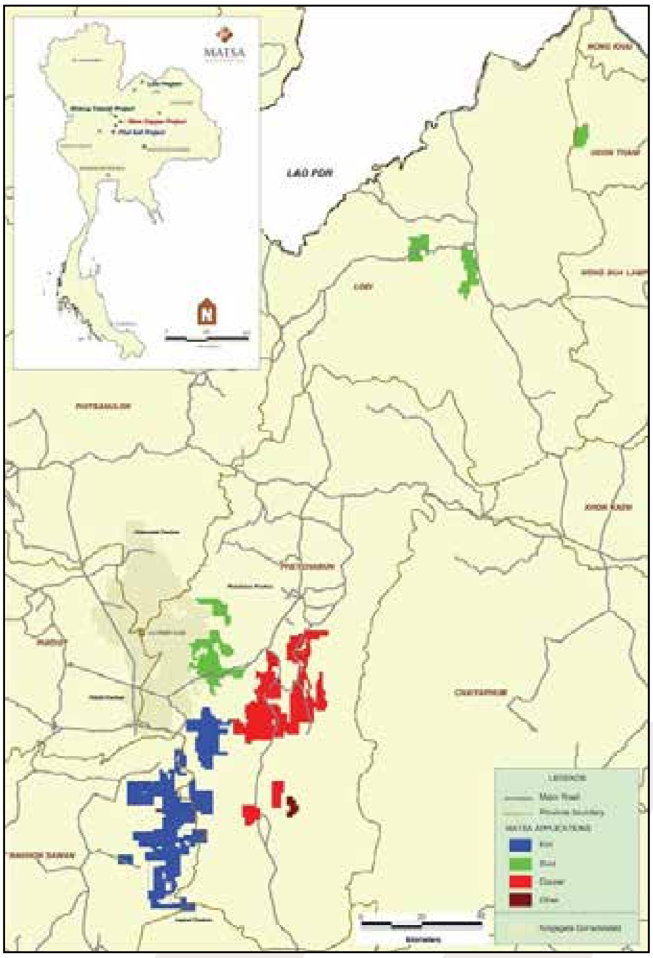

FIGURE 11: Matsa Special Prospecting Licence Applications Thailand

EXPLORATION RESULTS

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2014.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

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

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

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

Mr Poli was appointed as Chairman of Bulletin Resources Limited on 24 June 2014. Other than Bulletin, 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

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

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

Bulletin Resources Limited (Appointed 13 August 2013)

Mr Andrew Chapman CA F Fin

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

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

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

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

Operating Results for the Year

The Group's net loss for the year after income tax is $1,490,855 (2013: $4,942,159 loss).

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

- A gain of $1,142,908 on the sale of shares held in Panoramic Resources Limited.
- Impairment losses of $904,121 (2013: $136,295) attributable to the Group's exploration projects.
- Impairment losses of $213,451 (2013: $5,639,580) on available-for-sale investments
- The write-off of exploration expenditure of $341,044 (2013: $642,429).
- Share based payments expense of $298,769 (2013:$ 1,289,414)
- Income of $907,475 (2013: $672,609) relating to a tax refund for eligible research and development expenditure.

Review of Financial Condition

The net assets attributable to the shareholders of the parent have increased by $8,541,132 from 30 June 2013 to $22,550,868 at 30 June 2014.

The Company raised $2,860,500 (2013: $933,100) before costs from the issue of shares during the financial year.

Cash reserves at 30 June 2014 were $2.63 million compared to $2.56 million in the previous financial year.

DIVIDENDS

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

CORPORATE STRUCTURE

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

EMPLOYEES

The Group had 13 employees of which 9 were full-time as at 30 June 2014 (2013: 11 full-time equivalent employees).

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

Review of Operations
A full review of the operations of the Group during the year ended 30 June 2014 is included on pages 3 to 24.

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

The Company sold 920,379 shares in Panoramic Resources Limited ("Panoramic") after the end of the financial year for total gross proceeds of $836,420. The Company also acquired 648,298 Panoramic shares for a total gross cost of $557,570 in the same period.

On 12 August 2014 350,000 unlisted options exercisable at 31 cents each expired.

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

FUTURE DEVELOPMENTS

As described above there are no further likely developments.

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.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

DIRECTORS' MEETINGS

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

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

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

	Number of Ordinary Shares	Number of $0.43 Options	Number of Performance Rights
Paul Poli	10,600,000	2,750,000	1,000,000
Frank Sibbel	268,048	1,500,000	-
Andrew Chapman	-	1,250,000	-

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted the following 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
David Fielding	200,000	$0.40	30 September 2016

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

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
12 September 2015	$0.40	900,000
30 November 2015	$0.43	5,500,000
30 September 2015	$0.40	625,000
30 September 2016	$0.40	925,000
		7,950,000

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

Principles of Compensation

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the four executives in the parent and the Group receiving the highest remuneration.

For the purposes of this remuneration report, the term 'executive' includes the Executive Directors, Senior Executives and Secretary of the Parent and the Group.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Board oversight of remuneration
3. Non-executive Director remuneration arrangements
4. Executive remuneration arrangements
5. Company performance and the link to remuneration
6. Executive contractual arrangements
7. Equity instruments disclosures

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Individual Key Management Personnel Disclosures

Details of KMP of the Parent and Group are set out below:

Key Management Personnel

Name	Position	Date of Appointment	Date of Resignation
Directors			
P Poli	Executive Chairman	23 December 2008	-
F Sibbel	Director	25 October 2010	-
A Chapman	Director and Company Secretary	17 December 2009*	-
Executives			
D Fielding	Group Exploration Manager	12 April 2010	-

*A Chapman was appointed Company Secretary on 6 November 2007.

There were no other changes to key management personnel after reporting date and before the date the financial report was authorised for issue.

Board Oversight of Remuneration

Remuneration Committee

In the opinion of the directors the Company is not of sufficient size to warrant the formation of a remuneration committee. It is the board of directors' responsibility for determining and reviewing compensation arrangements for the directors and the senior executives.

The Board assesses the appropriateness of the nature and amount of remuneration of Non-Executive Directors and Executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team.

Remuneration Approval Process

The Board approves the remuneration arrangements of the Executive Directors and Executives and all awards made under the long-term incentive plan. The Board also sets the aggregate remuneration of non-executive directors which is then subject to shareholder approval.

Remuneration Strategy

The Company's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To this end, the Company embodies the following principles in its remuneration framework:

- retention and motivation of key executives;
- attraction of quality management to the Company; and
- performance incentives which allow executives to share the rewards of the success of the Company.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Senior Management remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Remuneration Policy

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The current aggregate remuneration is $250,000 per year.

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.

Structure

The remuneration of Non-Executive Directors consists of directors' fees. Non-Executives are entitled to receive retirement benefits and to participate in any incentive programs. There are currently no specific incentive programs.

The Executive Chairman receives no additional directors' fee in addition to his executive remuneration. The other non-executive directors received a base fee of $42,000 per annum during the financial year (apart from 1 August 2013 to 30 September 2013 where they received the equivalent of $36,000 per annum) for being a director of the Group.

There are no additional fees for serving on any board committees. Non-executive directors can receive additional fees for work conducted for the Company outside the scope of their normal duties subject to being authorised by the Board.

The remuneration report for the Non-Executive Directors for the year ending 30 June 2014 and 30 June 2013 is detailed in this report.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Managing Director and Executive Remuneration Structure

Remuneration Policy

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

Structure

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

Remuneration consists of the following key elements:

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

The proportion of fixed remuneration and variable remuneration for each executive for the period ending 30 June 2014 and 30 June 2013 is detailed in this report.

Fixed Remuneration

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

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

The fixed remuneration component for executives for the period ending 30 June 2014 and 30 June 2013 is detailed in this report.

Variable Remuneration – Short Term Incentive (STI)

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

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

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

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

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

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

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

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

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

Company Performance and the Link to Remuneration

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

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

Service Agreements

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

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

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

Mr Frank Sibbel, Project Manager, has a consultancy contract with the Company. Mr Sibbel is paid an hourly rate for the provision of consultancy services outside those provided as a director. 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, with effect from 1 October 2013, is employed as a casual employee with the Company and is remunerated on an hourly basis for the provision of company secretarial services. Mr Chapman was employed on a consultancy basis prior to 1 October 2013 and has no formal service agreement with the Company.

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

As at 30 June	2014	2013	2012	2011	2010
Closing share price	$0.375	$0.33	$0.115	$0.20	$0.26
Net comprehensive income/(loss) per year ended	5,516,405	(4,937,321)	(1,628,494)	(2,803,065)	(4,452,360)

2014	Short Term Benefits			Post-employment Benefits	Share-based payments			
Key Management Person	Salary & Fees $	Bonus $	Non-monetary benefits $	Superannuation $	Securities $	Total $	% Performance Related	% of Remuneration that consists of securities
Directors								
Paul Poli	369,552	-	-	23,375	51,904	444,831	11.67	11.67
Frank Sibbel[2]	90,621	-	-	-	-	90,621	-	-
Andrew Chapman[1]	141,769	-	-	9,172	-	150,941	-	-
Total	**601,942**	**-**	**-**	**32,547**	**51,904**	**686,393**	**-**	**-**

[1] Mr Chapman provided company secretarial services to the Company totalling $100,769 during the year.
[2] Mr Sibbel provided consultancy services to the Company totalling $49,621 during the year.

Executives								
David Fielding	221,000	-	-	17,262	34,466	272,728	12.64	12.64
Total	**221,000**	**-**	**-**	**17,262**	**34,466**	**272,728**	**-**	**-**

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

2013	Short Term Benefits			Post-employment Benefits	Share-based payments			
Key Management Person	**Salary & Fees $**	**Bonus $**	**Non-monetary benefits $**	**Superannuation $**	**Securities $**	**Total $**	**% Performance Related**	**% of Remuneration that consists of securities**
Directors								
Paul Poli	383,544	250,000	-	17,623	576,159	1,227,326	46.95	46.95
Frank Sibbel[2]	174,625	50,000	-	-	297,150	521,775	56.95	56.95
Andrew Chapman[1]	115,750	-	-	-	247,625	363,375	68.15	68.15
Total	**673,919**	300,000	**-**	**17,623**	**1,120,934**	**2,112,476**	**-**	**-**

[1] Mr Chapman provided company secretarial services to the Company totalling $74,750 during the year.
[2] Mr Sibbel provided consultancy services to the Company totalling $133,625 during the year.

Executives								
David Fielding	212,923	-	-	24,596	46,800	284,319	16.46	16.46
Total	**212,923**	**-**	**-**	**24,596**	**46,800**	**284,319**	**-**	**-**

Compensation Options and Performance Rights Granted and Vested during the year

The table below sets out options and performance rights granted during the year to Directors and Executives. There were no options or performance rights that were granted in previous years that vested during the year. The options and performance rights were issued free of charge and entitle the holder to subscribe for one fully paid ordinary share in the Company.

2014	Vested	Granted	Grant Date	Value per Security at Grant Date	Exercise Price	First Exercise Date	Expiry Date
	No.	No.		Cents	Cents		
David Fielding	200,000	200,000	20.09.13	17.23	40	20.09.13	30.09.16

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

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

The maximum value of the award is equal to the number of options and performance rights granted multiplied by the fair value at the grant date. The minimum value of the award in the event of forfeiture is zero.

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

There were no shares issued on exercise of compensation options or performance rights during the year.

Value of Options and Performance Rights granted as part of remuneration

2014	Value of performance rights granted during the year $	Value of performance rights exercised during the year $	Value of performance rights lapsed during the year $	Remuneration consisting of performance rights during the year %	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options during the year %
Paul Poli	51,904	-	-	11.67	-	-	-	-
David Fielding	-	-	-	-	34,466	-	-	12.64

2013	Value of performance rights granted during the year $	Value of performance rights exercised during the year $	Value of performance rights lapsed during the year $	Remuneration consisting of performance rights during the year %	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options during the year %
Paul Poli	31,384	-	-	2.56	544,775	-	-	44.38
Frank Sibbel	-	-	-	-	297,150	-	-	56.95
Andrew Chapman	-	-	-	-	247,625	-	-	68.15
David Fielding	-	-	-	-	46,800	-	-	16.46

End of Audited Remuneration Report

INDEMNIFYING OFFICERS

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

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

MATSA RESOURCES LIMITED

DIRECTORS' REPORT

paid in respect of Directors' and Officers' liability as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON-AUDIT SERVICES

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

The following fees for non-audit services were paid/payable to the external auditors, or by related practices of the external auditors, during the year ended 30 June 2014:

Taxation services	$12,158

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 38.

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

Paul Poli
Executive Chairman
Dated this 26th day of September 2014.

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

To the directors of Matsa Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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.

Nexia Perth Audit Services Pty Ltd

PTC Klopper
Director

26 September 2014
Perth

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MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Other income	5(a)	2,189,571	5,255,308
Depreciation expense	5(c)	(127,346)	(158,168)
Other expenses	5(d)	(3,032,486)	(3,887,215)
Exploration and evaluation expenditure written off	10	(341,044)	(642,429)
Impairment loss on available-for-sale assets		(213,451)	(5,639,580)
Results from operating activities		(1,524,756)	(5,072,084)
Finance income	5(b)	63,350	138,294
Finance costs		(29,449)	(8,369)
Net finance income		33,901	129,925
Loss before income tax expense		(1,490,855)	(4,942,159)
Income tax expense	6	-	-
Net loss for the year attributable to equity holders of the company		(1,490,855)	(4,942,159)
Other comprehensive income to be reclassified subsequently through profit or loss			
Net change in foreign currency translation reserve		-	(43)
Net change in fair value of available-for-sale financial assets		7,007,260	4,881
Other comprehensive income for the year, net of tax		7,007,260	4,838
Total comprehensive profit/(loss) for the year attributable to equity holders of the company		5,516,405	(4,937,321)
Loss for the year is attributable to:			
Owners of the parent		(1,490,811)	(4,942,057)
Non-controlling interest		(44)	(102)
		(1,490,855)	(4,942,159)
Total comprehensive profit/(loss) for the year is attributable to:			
Owners of the parent		5,516,449	(4,937,219)
Non-controlling interest		(44)	(102)
		5,516,405	(4,937,321)
			Cents
Basic loss per share attributable to ordinary equity holders of the parent	19	(1.05)	(3.7)
Diluted loss per share attributable to ordinary equity holders of the parent	19	(1.05)	(3.7)

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	23	2,625,853	2,555,122
Trade and other receivables	7	413,979	131,715
Other current assets	8	915,140	1,107,701
Total current assets		3,954,972	3,794,538
Non-current assets			
Available-for-sale financial assets	9	9,355,826	3,152,083
Investments in associates	10	475,099	-
Exploration and evaluation assets	11	10,146,013	7,740,645
Property, plant and equipment	12	181,338	216,830
Total non-current assets		20,158,276	11,109,558
Total assets		24,113,248	14,904,096
Current liabilities			
Trade and other payables	13	1,089,935	519,406
Borrowings	14	52,711	59,664
Provisions	15	122,525	100,214
Total current liabilities		1,265,171	679,284
Non-current liabilities			
Borrowings	14	46,335	45,910
Provisions	15	172,792	91,040
Total non-current liabilities		219,127	136,950
Total liabilities		1,484,298	816,234
Net assets		22,628,950	14,087,862
Equity			
Issued capital	16	40,536,876	37,810,962
Reserves	17	13,782,527	6,476,498
Accumulated losses	18	(31,768,535)	(30,277,724)
Total equity attributable to equity holders of the Company		22,550,868	14,009,736
Non-controlling interests		78,082	78,126
Total equity		22,628,950	14,087,862

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital Ordinary $	Accumulated Losses $	Other Reserves $	Equity Settled Benefits Reserve $	Total $	Non-controlling interest $	Total $
Balance at 1 July 2012	36,886,308	(25,335,667)	32,316	5,149,930	16,732,887	78,228	16,811,115
Comprehensive gain/(loss) for the period	-	(4,942,057)	4,838	-	(4,937,219)	(102)	(4,937,321)
Total comprehensive gain/(loss) for the period	-	(4,942,057)	4,838	-	(4,937,219)	(102)	(4,937,321)
Transactions with owners recorded directly in equity							
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	-	-	-	1,289,414	1,289,414	-	1,289,414
Balance at 30 June 2013	37,810,962	(30,277,724)	37,154	6,439,344	14,009,736	78,126	14,087,862
Balance at 1 July 2013	37,810,962	(30,277,724)	37,154	6,439,344	14,009,736	78,126	14,087,862
Comprehensive gain/(loss) for the period	-	(1,490,811)	7,007,260	-	5,516,449	(44)	5,516,405
Total comprehensive gain/(loss) for the period	-	(1,490,811)	7,007,260	-	5,516,449	(44)	5,516,405
Transactions with owners recorded directly in equity							
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	-	-	-	298,769	298,769	-	298,769
Balance at 30 June 2014	40,536,876	(31,768,535)	7,044,414	6,738,113	22,550,868	78,082	22,628,950

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Other income		1,045,664	941,227
Dividend income		-	140,000
Payments to suppliers and employees		(1,665,664)	(2,424,146)
Interest received		95,792	99,556
Net cash used in operating activities	23	(524,208)	(1,243,363)
Cash flows from investing activities			
Proceeds from sale of exploration and evaluation assets		-	3,500,000
Payments for available-for-sale financial assets		(487,264)	(815,711)
Proceeds from sale of available-for-sale financial assets		1,558,440	18,222
Purchase of plant and equipment		(46,853)	(122,587)
Exploration and evaluation expenditure (capitalised)		(3,251,278)	(1,504,754)
Proceeds on sale of plant and equipment		1,000	-
Payments for (Refund of) security deposits		192,202	(264,802)
Net cash provided by investing activities		(2,033 ,753)	810,368
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		(67,773)	(47,879)
Interest paid		(29,449)	(8,369)
Net cash provided by financing activities		2,628,692	868,406
Net increase/(decrease) in cash and cash equivalents		70,731	435,411
Cash and cash equivalents at beginning of financial year		2,555,122	2,119,711
Cash and cash equivalents at end of financial year	23	2,625,853	2,555,122

The accompanying notes form part of these financial statements.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. CORPORATE INFORMATION

The consolidated financial statements of Matsa Resources Limited for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 26 September 2014.

Matsa Resources Limited (the "Company") is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company, its subsidiaries (together referred to as the "Group" or "Consolidated Entity") and the Group's interest in associates.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

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

Adoption of new accounting standards
In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2013. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

The Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2013, adopted include the following. Adoption of these Standards and Interpretations did not have any effect on the financial position or the performance of the Consolidated Entity.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title
AASB 10	**Consolidated Financial Statements** AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 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. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.
AASB 11	**Joint Arrangements** AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly - controlled Entities - Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it 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. Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. Amendments made by the IASB in May 2014 add guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business**.
AASB 12	**Disclosure of Interests in Other Entities** AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.
AASB 13	**Fair Value Measurement** AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 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. Consequential amendments were also made to other standards via AASB 2011-8.
AASB 2012-2	**Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities** AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.
AASB 2012-5	**Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle** AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: Repeat application of AASB 1 is permitted (AASB 1) Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements)
AASB 2012-9	**Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039** AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title
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 c. Public sector entities other than the Australian Government and State, Territory and Local governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.
AASB 119	Employee Benefits The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.

The following standards and interpretations have been issued by the AASB, but are not yet effective and have not been adopted by the Group for the period ending 30 June 2014. The Directors have not yet determined the impact of new and amended accounting standards and interpretations applicable 1 July 2014.

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 9	Financial Instruments	On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI). • The remaining change is presented in profit or loss.	1 January 2018	1 July 2018

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 9 (cont.)	Financial Instruments	AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.	1 January 2018	1 July 2018
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	1 July 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	1 July 2014

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2014-1 Part A - Annual Improvements 2010 – 2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010 – 2012 Cycle	Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: • AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. • AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. • AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. • AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. • AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 January 2014	1 July 2014
AASB 2014-1 Part A - Annual Improvement s 2011–2013 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: • AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. • AASB140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 January 2014	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014*.	1 January 2014	1 July 2014

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application Date of Standard *	Application Date for Consolidated Entity *
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	^	^
Amendments to IAS 16 and IAS 38**	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016
IFRS 15 **	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 January 2017	1 July 2017

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

** These IFRS amendments have not yet been adopted by the AASB. In order to claim compliance with IFRS, these amendments should be noted in the financial statements.

^ The application dates of AASB 2013-9 are as follows:

Part B - periods beginning on or after 1 January 2014	Application date for the Group: period beginning 1 July 2014
Part C - reporting periods beginning on or after 1 January 2015	Application date for the Group: period beginning 1 July 2015

(c) Basis of Consolidation

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

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a consolidated entity controls another entity.

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

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

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

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

(d) Segment Reporting

Determination and presentation of operating segments

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of AASB 139, it is measured in accordance with the appropriate IFRS.

(f) Foreign currency transactions and balances

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Non monetary items are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences in the consolidated financial report are recorded in profit and loss.

(iii) Transactions of subsidiary Companies' functional currency to presentation currency

The results of the subsidiaries are translated into Australian Dollars (presentation currency). Income and expenses are translated at the exchange rates at the date of the transactions. Assets and liabilities are translated at the closing exchange rate for each balance date. Share capital, reserves and accumulated losses are converted at applicable historical rates.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency transactions and balances (continued)

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity. On consolidation, exchange differences arising from the translation of the net investment in subsidiaries are taken to the foreign currency translation reserve. If a subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

(g) Financial instruments

Non derivative financial instruments

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

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

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

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

Available-for-sale financial assets

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (continued)

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

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

Other

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

(h) Investments in associates

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

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

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leases

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

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

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

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

(j) Impairment of financial assets

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

(k) Cash and cash equivalents

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

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

(l) Trade and other receivables

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables (continued)

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

(m) Interests in Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the Group's interest are shown at Note 21.

(n) Property, plant and equipment

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

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

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

Derecognition

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

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

(o) Exploration, evaluation and development expenditure

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

i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or

ii) exploration and evaluation activities are continuing in an area of interest, but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Exploration, evaluation and development expenditure (continued)

Impairment

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

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

(p) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received, less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(r) Borrowing costs

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

(s) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Provisions

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

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

(u) Share-based payment transactions

The Consolidated Entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Consolidated Entity has one plan in place that provides these benefits. It is the Employee Share Option Plan ("ESOP") which provides benefits to all employees including Directors. The scheme has no direct performance requirements. The terms of the share options are as determined by the Board. Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited. Where a participant ceases employment after the vesting of their share options, the share options automatically lapse after one month of ceasing employment unless the Board decides otherwise at its discretion.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black & Scholes model. Further details of which are given in note 26.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share-based payment transactions (continued)

If a non-vesting condition is within the control of the Consolidated Entity, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Consolidated Entity, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(v) Revenue

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised income taxes are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Contributed equity

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

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

(y) Other taxes

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

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

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

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

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

(z) 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Significant accounting estimates and assumptions

Share-based payment transactions

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

Impairment of capitalised exploration and evaluation expenditure

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

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

Impairment of available-for-sale investments

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

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

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

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

Impairment of property, plant and equipment

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

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. SEGMENT REPORTING

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

The Group operates primarily in mineral exploration in Western Australia. 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 operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
5. Revenue		
The loss before income tax includes the following revenues whose disclosure is relevant in explaining the performance of the entity:		
(a) Other income		
R&D tax incentive refund	907,475	672,609
Net gain on sale of exploration assets	-	4,171,253
Net gain on sale of plant and equipment	1,000	-
Net gain on sale of investments	1,142,908	2,828
Dividend income	-	140,000
Other income	138,188	268,618
Total sales revenue	2,189,571	5,255,308
(b) Finance income		
Interest earned from other persons	63,350	138,294
	63,350	138,294
(c) Expenses included in the statement of comprehensive income		
Depreciation of plant and equipment	127,346	158,168
(d) Other expenses		
(i) Employee benefits expense		
Salaries and wages	892,832	1,402,826
Superannuation expenses	45,871	43,300
Share based payments	298,769	1,289,414
Total employee benefits expense	1,237,472	2,735,540
(ii) Administration and other expenses		
Operating lease rentals – minimum lease payments	151,453	151,501
Administration expenses	739,440	863,879
Provision for impairment on exploration projects	904,121	136,295
Impairment on deposits (refer Note 8)	-	-
	1,795,014	1,151,675
	3,032,486	3,887,215

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
6. Income taxes		
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income)	-	-
Net deferred tax liability	-	-

Income tax recognised in profit or loss		
The prima facie income tax expense/(income) on the pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(income) in the financial statements as follows:		
Loss from continuing operations	(1,490,855)	(4,942,159)
Income tax benefit calculated at 30%	(447,257)	(1,482,648)
Section 40-880 expenses	(43,741)	(52,131)
Exploration expenses	(512,244)	(338,895)
Effect of expenses that are not deductible in determining taxable profit	59,280	4,945,531
Effect of revenues that are not assessable in determining taxable profit	(271,934)	(201,783)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	-
Current year carried forward tax losses	1,215,896	-
Recognition of tax losses not previously recognised	-	(2,870,074)
	-	-

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.

	2014 $	2013 $
Unrecognised deferred tax assets/(liabilities)		
The following deferred tax assets have not been brought to account:		
Tax losses - revenue	6,878,006	6,045,585
Temporary differences - exploration	(3,043,804)	(2,321,883)
Section 40-880 expenses	57,243	60,607
Temporary differences	(557,787)	1,783,482
	3,333,658	5,567,791

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
7. Trade and other receivables		
Current		
Amounts receivable from Australian Taxation Authorities	105,387	62,600
Other receivables	308,592	69,115
	413,979	131,715

	2014 $	2013 $
8. Other current assets		
Prepayments	19,811	20,913
Cash backed performance bond (i)	123,243	314,702
Deposits held (ii)	772,086	772,086
	915,140	1,107,701

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

(ii) The Company has cash deposits held with the Thailand government with respect to a number of tenement applications in Thailand. Should the applications not be successful 75% of the deposits will be returned to the Company. A cumulative impairment of $424,932 (2013: $424,932) has been made against the deposits held of $1,197,018 (2013: $1,197,018).

	2014 $	2013 $
9. Other investments		
Available-for-sale financial assets	9,355,826	3,152,083
	9,355,826	3,152,083

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

Listed shares

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

(a) The Company has a 3.5% (2013: 5.48%) interest in Panoramic Resources Limited, which is involved in the mining and exploration of gold and base metals in Australia and Canada. Panoramic is listed on the Australian Securities Exchange.

In the prior period the market value of the investment was lower than the carrying value and the Company recognised an impairment of $5,180,000.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. Other investments (continued)

(b) The Company has a 26.40% (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 30 June 2014 this investment has been reclassified as an investment in associate (refer Note 10).

At the end of the period the market value of the investment was lower than the carrying value, the Company has recognised an impairment of $213,451 (2013: $450,297).

(c) The Company has a minor interest in Norseman Gold plc, which is involved in the mining and exploration of precious base metals in Australia. Norseman is listed on the Australian Securities Exchange. At the end of the period due to the prolonged period of suspension from trading the market value of the investment was written down to nil.

In the prior period the market value of the investment was lower than the carrying value and the Company recognised an impairment of $9,283.

10. Investment in an Associate

The Company has a 26.40% (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. Previously the investment in Bulletin has been treated as an available-for-sale investment (refer Note 9) however with effect from 30 June 2014 Bulletin has been deemed an associate and is treated as an investment accounted for using the equity method. As the reclassification of the investment has occurred at 30 June 2014 the Company will not recognise a share of Bulletin's profit or loss for the year ended 30 June 2014. At 30 June 2014 the fair value of the investment was $475,099.

	2014 $	2013 $
Movements in carrying value of the Company's investment in associate:		
At 1 July	-	-
Transfer from available-for-sale investments at fair value	475,099	-
Additions	-	-
Share of losses after income tax	-	-
Impairment	-	-
Share of change in reserves	-	-
At 30 June	475,099	-

The following table illustrates the summarised financial information of the Company's investment in Bulletin:

Current assets	851,820	-
Non-current assets	1,724,063	-
Current liabilities	(56,250)	-
Non-current liabilities	(68,850)	-
Equity	2,450,783	-
Company's share of loss for the year	-	-

The associate had no contingent liabilities or capital commitments as at 30 June 2014.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
11. Exploration and evaluation assets		
Exploration expenditure capitalised at cost		
-exploration and evaluation phase	10,146,013	7,740,645
	10,146,013	7,740,645
Movements in carrying amounts		
Exploration and evaluation phase		
Balance at beginning of year	7,740,645	15,555,003
Purchase of tenements	40,000	-
Disposal of tenements	-	(8,808,747)
Exploration and evaluation incurred	3,610,533	1,773,113
Expenditure written off	(341,044)	(642,429)
Provision for impairment	(904,121)	(136,295)
Balance at end of year	10,146,013	7,740,645

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 $904,121 (2013: $136,295) in the financial year.

	2014 $	2013 $
12. Property, plant and equipment		
Buildings at cost	11,000	11,000
Accumulated depreciation	(3,850)	(3,300)
	7,150	7,700
Plant and equipment at cost	995,268	906,466
Accumulated depreciation	(821,080)	(697,336)
	174,188	209,130
Total property, plant and equipment	181,338	216,830

Movements in carrying amounts	Buildings $	Plant and Equipment $	Total $
Consolidated			
Balance at 30 June 2012	8,250	211,432	219,682
Additions	-	155,316	155,316
Disposals	-	-	-
Depreciation expense	(550)	(157,618)	(158,168)
Balance 30 June 2013	7,700	209,130	216,830
Additions	-	91,854	91,854
Disposals	-	-	-
Depreciation expense	(550)	(126,796)	(127,346)
Balance 30 June 2014	7,150	174,188	181,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12. 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 2014 the net carrying amount of leased plant and equipment was $66,693 (2013:$ 43,586). During the year, the Group acquired leased assets of $39,000 (2013: $42,728).

	2014 $	2013 $
13. Trade and other payables		
Unsecured liabilities		
Trade payables	726,327	336,190
Sundry creditors and accrued expenses	363,608	183,216
	1,089,935	519,406

	2014 $	2013 $
14. Borrowings		
Current		
Secured liabilities		
Finance lease liabilities (i)	52,711	59,664
	52,711	59,664
Non Current		
Secured liabilities		
Finance lease liabilities (i)	46,335	45,910
	46,335	45,910

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

	2014 $	2013 $
15. Provisions (current)		
Current		
Provision for annual leave	122,525	100,214
	122,525	100,214
Non-current		
Provision for long service leave	22,168	-
Provision for mine restoration	150,624	91,040
	172,792	91,040

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
15. Provisions (non-current) (continued)		
Movement in long service leave provision		
Opening balance 1 July	-	-
Increase in provision	22,168	-
Closing balance 30 June	22,168	-
Movement in provision for mine restoration		
Opening balance 1 July	91,040	18,000
Disposal of tenements	-	-
Increase in provision	59,584	73,040
Closing balance 30 June	150,624	91,040

16. Issued capital	2014 $	2013 $	2014 $	2013 $
144,156,779 (2013: 134,621,781) fully paid ordinary shares	40,536,876	37,810,962	40,536,876	37,810,962
	No.	**No.**	**$**	**$**
Ordinary shares				
At the beginning of reporting period	134,621,781	131,171,781	37,810,962	36,886,308
Placement of shares	9,534,998	-	2,860,500	-
Exercise of options	-	3,450,000	-	933,100
Transaction costs	-	-	(134,586)	(8,446)
At reporting date	144,156,779	134,621,781	40,536,876	37,810,962

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

Options

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

Exercise Price	Expiry Date	Balance at beginning of year	Issued	Exercised	Lapsed	Balance at end of year
$0.40	31 August 2013	2,050,000	-	-	(2,050,000)	-
$0.45	30 November 2013	4,250,000	-	-	(4,250,000)	-
$0.31	12 August 2014	350,000	-	-	-	350,000
$0.40	12 September 2015	900,000	-	-	-	900,000
$0.43	30 November 2015	5,500,000	-	-	-	5,500,000
$0.40	30 September 2015	-	625,000	-	-	625,000
$0.40	30 September 2016	-	925,000	-	-	925,000
		13,050,000	1,550,000	-	(6,300,000)	8,300,000

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
17. Reserves		
Equity settled transaction	6,738,113	6,439,344
Available-for-sale reserve	7,007,260	-
Foreign currency translation	37,154	37,154
	13,782,527	6,476,498

Equity settled transaction reserve		
Balance at beginning of financial year	6,439,344	5,149,930
Share based payment	298,769	1,289,414
Balance at end of financial year	6,738,113	6,439,344

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

Foreign currency translation reserve		
Balance at beginning of financial year	37,154	37,197
Translation of foreign operations	-	(43)
Balance at end of financial year	37,154	37,154

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.

Net unrealised gains reserve		
Balance at beginning of financial year	-	(4,881)
Net change in fair value of available-for-sale financial assets	7,007,260	4,881
Balance at end of financial year	7,007,260	-

18. Accumulated losses		
Accumulated losses at beginning of financial year	30,277,724	25,335,667
Loss for the year	1,490,811	4,942,057
Accumulated losses at end of financial year	31,768,535	30,277,724

19. Loss per share

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

Loss	(1,490,855)	(4,942,159)
	No.	**No.**
Weighted average number of ordinary shares	142,014,670	133,315,736

Diluted loss per share

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

20. 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 $2,230,100 (2013: $1,393,256). 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	**2014** **$**	**2013** **$**
Commitments in relation to finance leases are payable as follows:		
Within one year	58,164	66,636
Later than one year but not later than five years	49,522	50,817
Minimum lease payments	107,686	117,453
Less: Future finance charges	(8,640)	(11,879)
	99,046	105,574
Recognised as a liability		
Representing lease liabilities:		
Current (note 14)	52,711	59,664
Non-current (note 14)	46,335	45,910
	99,046	105,574
Operating lease commitments		
Future operating lease rentals of office space provided for in the financial statements and payable:		
- Not later than one year	108,257	111,062
- Later than one year but not later than five years	64,421	183,353
	172,678	294,415

Contingencies
There are no contingent assets or contingent liabilities as at 30 June 2014.

21. Interest in joint venture

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

		Percentage Interest (%)	
Joint Venture Party	**Activities**	**2014**	**2013**
Metro Energy	Oil and Gas Exploration	0	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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22. Subsidiaries

	Country of Incorporation	Percentage Owned (%) 2014	2013
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 Investment Pty Ltd	Australia	100	100
Matsa Resources (Aust) Pty Ltd	Australia	100	100
Matsa Iron Pty Ltd	Australia	100	100
Cundeelee Pty Ltd	Australia	100	100
Matsa (Thailand) Co Ltd	Thailand	100	100
PVK Mining Loei Co Ltd	Thailand	100	100
Khlong Tabaek Co Ltd	Thailand	95	95
Paisali Mining Co Ltd	Thailand	95	95
Wichan Buri Resources Co Ltd	Thailand	100	100
Siam Copper Resources Co Ltd	Thailand	100	100
Loei Mining C o Ltd	Thailand	100	100

23. Cash flow information

Reconciliation of cash and cash equivalents

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

	2014 $	2013 $
Cash and cash equivalents	2,625,853	2,555,122

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

23. Cash flow information (Continued)

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

	2014 $	2013 $
Loss for year	(1,490,855)	(4,942,159)
Non-cash flows in loss from ordinary activities:		
Share-based payments	298,769	1,289,414
Depreciation	127,346	158,168
Exploration expenditure written off	341,044	642,429
Provision for impairment	904,121	136,295
Net (gain)/loss on disposal of tenements	-	(4,171,253)
Net (gain) on sale of available-for-sale investments	(1,142,908)	(2,828)
Net (gain)/loss on disposal of plant and equipment	(1,000)	-
Impairment loss on available-for-sale assets	213,451	5,639,580
Interest expense classified as financing cash flow	29,449	8,369
Insurance	22,240	43,321
Interest accrued	(32,442)	(38,738)
Changes in assets and liabilities:		
Decrease (increase) in receivables	(282,263)	(75,430)
Decrease (increase) in prepayments	1,102	(100)
Increase (decrease) in trade creditors and accruals	383,676	41,114
Increase (decrease) in provisions	104,062	110,683
Cash flow from operations	(524,208)	(1,243,363)

Non-cash financing and investing activities

During the financial year nil (2013: nil) shares were issued as consideration for the acquisition of exploration tenements.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

24. Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2014 the parent company of the Group was Matsa Resources Limited.

	Company	
	2014	2013
	$	$
Result of the parent Entity		
Loss for the year	1,254,428	768,683
Other comprehensive loss	-	4,881
Total comprehensive loss for the year	1,254,428	773,564
Financial position of parent entity at year end		
Current assets	2,870,624	2,663,716
Total assets	23,880,834	14,478,043
Current liabilities	1,205,395	707,000
Total liabilities	1,378,186	762,911
Total equity of the parent entity comprising of:		
Share capital	40,536,875	37,810,962
Reserves	13,745,375	6,439,345
Accumulated losses	(31,779,602)	(30,525,174)
Total equity	22,502,648	13,715,132

25. Financial instruments

Financial risk management

Overview

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

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

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

Credit risk

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

25. Financial instruments (Continued)

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

Cash and cash equivalents

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

Trade and other receivables

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

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of other inter-company receivables and investments. Although management believes 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	
	2014	**2013**
	$	**$**
Trade and other receivables	308,592	69,115
Cash and cash equivalents	2,625,853	2,555,122
Deposits held	1,197,018	1,197,018
Impairment of deposits (refer Note 8 (ii))	(424,932)	(424,932)

None of the Group's other receivables are past due (2013: nil).

Liquidity risk

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

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

25. Financial instruments (Continued)

30 June 2014

	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	1,089,935	1,089,935	1,089,935	-	-	-
Finance lease liabilities	7.1%	99,046	99,046	30,588	22,123	24,514	21,821
		1,188,981	1,188,981	1,120,523	22,123	24,514	21,821

30 June 2013

	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	510,915	510,915	510,915	-	-	-
Finance lease liabilities	7.4%	105,574	105,574	29,680	29,984	17,606	28,304
		616,489	616,489	540,595	29,984	17,606	28,304

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	
	2014	2013
		$
Trade and other receivables	1,117,118	1,113,518
Cash and cash equivalents	197,196	269,852

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 RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

25. 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	
	2014	**2013**
		$
Fixed rate instruments		
Cash and cash equivalents	-	-
Cash backed performance bonds	25,743	314,702
	25,743	314,702
Variable rate instruments		
Cash and cash equivalents	2,625,853	2,555,122
Cash backed performance bonds	-	-
	2,625,853	2,555,122

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as 2013.

	Profit or loss		Equity	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp decrease**
	$	**$**	**$**	**$**
30 June 2014				
Variable rate instruments	26,258	(26,258)	26,258	(26,258)
30 June 2013				
Variable rate instruments	25,551	(25,551)	25,551	(25,551)

25. Financial instruments (Continued)

Fair values

Fair values versus carrying amounts

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

(i) Other receivables, trade and other payables:

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

(ii) Deposits held on tenement applications :

The deposits held with Thai authorities are recoverable at 75% of their value should the applications not be granted. As a result the carrying amount is considered to approximate its fair value.

Equity Price Risk

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

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

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

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

	Note	30 June 2014 $	30 June 2013 $
Listed equities (Level 1 fair value hierarchy)	9	9,355,826	3,152,083

Sensitivity analysis

The Group's equity investments are listed on the Australian Securities Exchange. A 3% increase in stock prices at 30 June 2014 would have increased equity by $280,675 (2013: $94,562), an equal change in the opposite direction would have decreased equity by an equal but opposite amount.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio; however there are no external borrowings as at balance date.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

25. Financial instruments (Continued)

The Group encourages employees to be shareholders through the Long Term Incentive Plan and the Executive Share Option Plan.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. Share-based payments

Employee Share Option Plan

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

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

(a) Options issued pursuant to the plan will generally be issued free of charge. During the 2010 financial 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.

26. Share-based payments (Continued)

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

The following table summarises the number (No.) and the weighted average exercise price (WAEP) of, and movements in, share options issued during the year to employees other than to key management personnel which have been disclosed in Note 27.

	2014 Number of Options	2014 Weighted Average Exercise Price $	2013 Number of Options	2013 Weighted Average Exercise Price $
Outstanding at the beginning of the year	2,550,000	0.39	3,100,000	0.35
Granted	1,350,000	0.40	650,000	0.40
Exercised	-	-	(1,200,000)	0.273
Expired	(1,550,000)	0.40	-	-
Outstanding at year-end	2,350,000	0.40	2,550,000	0.39
Exercisable at year-end	2,350,000	0.40	2,550,000	0.39

The outstanding balance as at 30 June 2014 is represented by the following options over ordinary shares, exercisable upon meeting the above terms and conditions:

- 350,000 options with an exercise price of $0.31 each and with an expiry date of 12 August 2014. All have vested and are exercisable at balance date.
- 650,000 options with an exercise price of $0.40 each and with an expiry date of 12 September 2015. All have vested and are exercisable at balance date.
- 625,000 options with an exercise price of $0.40 each and with an expiry date of 30 September 2015. All have vested and are exercisable at balance date.
- 725,000 options with an exercise price of $0.40 each and with an expiry date of 30 September 2016. All have vested and are exercisable at balance date.

26. Share-based payments (Continued)

Directors and Executives Options and Performance Rights

In addition to the ESOP, the Company has issued options to Directors and Executives from time to time. The terms and conditions of those options and performance rights vary between option holders and performance right holders. There were 200,000 (2013: 5,750,000) options and nil (2013: 1,000,000) performance rights issued to Directors or Executives during the financial year.

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

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

- any Directors or Executives vested options and performance rights that are unexercised by the anniversary of their grant date will expire or, if they resigned, in accordance with their specific terms and conditions; and
- upon exercise, these options and performance rights will be settled in ordinary shares of Matsa Resources Limited.

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

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

	2014 No.	2014 WAEP $	2013 No.	2013 WAEP $
Outstanding at 1 July	10,500,000	0.44	9,750,000	0.45
Granted during the year	200,000	0.40	5,750,000	0.43
Exercised during the year	-	-	-	-
Disposed of during the year	-	-	(1,000,000)	0.273
Expired during the year	(4,750,000)	0.44	(4,000,000)	0.50
Outstanding at 30 June	5,950,000	0.43	10,500,000	0.44
Exercisable at 30 June	5,950,000	0.43	10,500,000	0.44

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

	2014 No.	2013 No.
Outstanding at 1 July	1,000,000	-
Granted during the year	-	1,000,000
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 30 June	1,000,000	1,000,000
Exercisable at 30 June	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

26. Share-based payments (Continued)

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

Directors

2013

- 5,500,000 options over ordinary shares with an exercise price of $0.43 each, exercisable upon meeting the relevant conditions and until 30 November 2015.
- Issued on 10 December 2012 were 1,000,000 performance rights with no exercise price, and an expiry date of 30 November 2015. Vesting of the performance rights is subject to achieving specific milestones.

Executives

2014

- 200,000 options over ordinary shares with an exercise price of $0.40 each exercisable upon meeting the relevant conditions and until 30 September 2016.

2013

- 250,000 options over ordinary shares with an exercise price of $0.40 each exercisable upon meeting the relevant conditions and until 12 September 2015.

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

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

	2014		2013	
	Directors	**Executives**	**Directors**	**Executives**
Dividend yield (%)	-	Nil	Nil	Nil
Expected volatility (%)	-	90.43	100.00	100.00
Risk-free interest rate (%)	-	2.86	2.62	2.60
Expected life of options (years)	-	3.00	3.00	3.00
Option exercise price ($)	-	0.40	0.43	0.40
Share price at grant date ($)	-	0.32	0.345	0.32
Fair value at grant date (c)	-	17.23	19.81	18.72

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.

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

26. Share-based payments (Continued)

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

	2014		2013	
	Directors	**Executives**	**Directors**	**Executives**
Dividend yield (%)	-	-	Nil	-
Expected volatility (%)	-	-	100.00	-
Risk-free interest rate (%)	-	-	2.62	-
Expected life of performance rights (years)	-	-	3.00	-
Share price at grant date ($)	-	-	0.335	-
Fair value at grant date (c)	-	-	0.16	-

The risk free rate is the yield on Australian Government Bonds with a 3 year life which is the effective life of the performance rights at the assumed grant date.

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

The performance rights have a market capitalisation performance hurdle before they vest and this has been taken into account in determining the fair value.

There is no dividend yield included in the calculation of the fair value as the holders are not entitled to any dividends until the performance rights have vested.

	Consolidated	
	2014	**2013**
Employee Expenses	**$**	**$**
Share options granted in 2013		
- equity settled	51,904	1,289,414
Share options granted in 2014		
- equity settled	246,865	-
Total expense recognised as employee costs	298,769	1,289,414

Conditions of vesting of the performance rights

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

27. Key management personnel

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

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

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report on pages 29 to 36. These transferred disclosures have been audited.

	2014 $	2013 $
Compensation of Key Management Personnel		
Short-term employment benefits	822,942	1,186,842
Post-employment benefits	49,809	42,219
Termination benefits	-	-
Share-based payment	86,370	1,167,734
	959,121	2,396,795

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.

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

27. 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.
2014								
P Poli	5,500,000	-	-	(2,750,000)	-	2,750,000	2,750,000	-
A Chapman	2,000,000	-	-	(750,000)	-	1,250,000	1,250,000	-
F Sibbel	2,500,000	-	-	(1,000,000)	-	1,500,000	1,500,000	-
D Fielding	500,000	200,000	-	(250,000)	-	450,000	450,000	-
	10,500,000	200,000	-	(4,750,000)	-	5,950,000	5,950,000	-

	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.
2013								
P Poli	7,750,000	2,750,000	-	(5,000,000)*	-	5,500,000	5,500,000	-
A Chapman	750,000	1,250,000	-	-	-	2,000,000	2,000,000	-
F Sibbel	1,000,000	1,500,000	-	-	-	2,500,000	2,500,000	-
D Fielding	250,000	250,000	-	-	-	500,000	500,000	-
	9,750,000	5,750,000	-	(5,000,000)	-	10,500,000	10,500,000	-

*1 million options were transferred to an unrelated third party who exercised the options during the year.

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.
2014						
P Poli	10,600,000	-	-	-	-	10,600,000
A Chapman	-	-	-	-	-	-
F Sibbel	268,048	-	-	-	-	268,048
D Fielding	91,176	-	-	-	-	91,176
	10,959,224	-	-	-	-	10,959,224

	Balance 1 July No.	Granted as remuneration No.	Options exercised No.	Net change other No.	Balance on resignation No.	Balance 30 June No.
2013						
P Poli	10,550,000	-	-	50,000	-	10,600,000
A Chapman	-	-	-	-	-	-
F Sibbel	200,000	-	-	68,048	-	268,048
D Fielding	50,000	-	-	41,176	-	91,176
	10,800,000	-	-	159,224	-	10,959,224

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

27. Key management personnel (Continued)

Performance rights of key management personnel

	Balance 1 July	Granted as remuneration	Net change other	Balance 30 June	Vested and exercisable	Not vested and not exercisable
	No.	No.	No.	No.	No.	No.
2014						
P Poli	1,000,000	-	-	1,000,000	-	1,000,000
A Chapman	-	-	-	-	-	-
F Sibbel	-	-	-	-	-	-
D Fielding	-	-	-	-	-	-
	1,000,000	-	-	1,000,000	-	1,000,000

	Balance 1 July	Granted as remuneration	Net change other	Balance 30 June	Vested and exercisable	Not vested and not exercisable
	No.	No.	No.	No.	No.	No.
2013						
P Poli	-	1,000,000	-	1,000,000	-	1,000,000
A Chapman	-	-	-	-	-	-
F Sibbel	-	-	-	-	-	-
D Fielding	-	-	-	-	-	-
	-	1,000,000	-	1,000,000	-	1,000,000

28. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 22.

Key management personnel
Disclosures relating to key management personnel are set out in note 27.

29. Remuneration of auditors

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

	Consolidated	
	2014	**2013**
	$	**$**
Amounts received or due and receivable by Nexia Perth for an audit or review of the entity and any other entity in the consolidated group.	41,949	54,645
Amounts received or due and receivable by related practices of Nexia Perth for:		
- tax compliance	12,158	8,722
	54,107	63,367

MATSA RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30. Events Subsequent to Balance Date

The Company sold 920,379 shares in Panoramic Resources Limited ("Panoramic") after the end of the financial year for total gross proceeds of $836,420. The Company also acquired 648,298 Panoramic shares for a total gross cost of $557,570.

On 12 August 2014 350,000 unlisted options exercisable at 31 cents each expired.

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 29 to 36, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 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(b);

   (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 2014.

Signed in accordance with a resolution of the directors;

Paul Poli
Executive Chairman

Perth, 26 September 2014

nexia australia

the next solution

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 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

Auditor's responsibility

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

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

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

Independence

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

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nexia australia

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 2014 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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 2014 complies with Section 300A of the *Corporations Act 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

PKlopper

PTC Klopper
Director

26 September 2014
Perth

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

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

SHAREHOLDING

Distribution of Shareholders as at 16 September 2014

Category (size of holding)	Number of Shareholders
1 – 1,000	235
1,001 – 5,000	482
5,001 – 10,000	307
10,001 – 100,000	725
100,001 – and over	175
	1,924

The number of shareholdings held in less than marketable parcels is 412.

Twenty Largest Shareholders as at 16 September 2014

Name	No.	%
JP Morgan Nominees Australia Limited <Cash Income A/C>	15,221,959	10.56
HF Resources Pty Ltd	11,770,000	8.16
Mr Paul Poli <P Poli Family A/C>	8,550,000	5.93
RASL AU LLC	8,482,241	5.88
UOB Kay Hian Private Limited <Clients A/C>	4,219,957	2.93
Mr William Robert Maunder & Mrs Jeanette Margaret Maunder <Superannuation Fund A/C>	3,180,000	2.21
Mr Steven James Brown <Family A/C>	2,501,100	1.74
Mr Mark John Allison & Mrs Lorraine Frances Allison <The M&L Allison S/F A/C>	2,305,000	1.60
L & S Davies Pty Ltd <Davies International A/C>	2,174,409	1.51
Mr Paul Poli & Mrs Sonya Kathleen Poli <P Poli Super Fund A/C>	2,050,000	1.42
Citicorp Nominees Pty Ltd	1,734,016	1.20
Mr Oliver Nikolovski & Mrs Suzanne Karine Nikolovski <The Nikolovski S/Fund A/C>	1,550,000	1.08
Mr Oliver Nikolovski <The Nikolovski Family A/C>	1,543,657	1.07
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,425,154	0.99
Mr Kimberley Alan Harris <Family Account>	1,338,702	0.93
Mr Robert Genovesi & Mrs Magalay Genovesi & Mr Frank Giannasi & Mrs Maria Giannasi <The Bld Workshop No1 S/F>	1,250,000	0.87
Mr Adam Georgiu <The A Georgiu Family A/C>	1,100,000	0.76
Mr John Francis Young & Mr Christopher John Young & Mr Brett William Young <J F Young Super Fund A/C>	1,090,000	0.76
Mr Carmelo Poli & Mrs Eileen Poli <Carmelo Poli Super Fund A/C>	990,500	0.68
Goldfire Enterprises Pty Ltd	972,000	0.67
	73,448,695	50.95

MATSA RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Substantial Shareholders

	Fully paid	
Ordinary shareholder	**Number**	**Percentage**
HF Resources Pty Ltd	11,770,000	8.16%
Paul Poli	10,600,000	5.93%
RASL AU LLC	8,482,241	5.88%

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
900,000	7	$0.40	12 September 2015
5,500,000	3	$0.43	30 November 2015
625,000	3	$0.40	30 September 2015
925,000	9	$0.40	30 September 2016

There is 1 holder of 1,000,000 performance rights with specific performance hurdles which expire 30 November 2015.

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
M 63/177	Buldania Rocks	Matsa Resources Limited	Live	100%
P 63/1503	Buldania Rocks	Matsa Resources Limited	Live	100%
P 63/1636	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1637	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1638	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1639	Dundas	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1710	Dundas	Matsa Resources Limited	Pending	-
E 15/1380	Dunnsville	Matsa Resources Limited	Live	100%
E 15/1381	Dunnsville	Matsa Resources Limited	Live	100%
E 16/294	Dunnsville	Matsa Resources Limited	Live	100%
E 16/296	Dunnsville	Matsa Resources Limited	Live	100%
E 16/297	Dunnsville	Matsa Resources Limited	Live	100%
E 16/362	Dunnsville	Matsa Resources Limited	Live	100%
E 16/389	Dunnsville	Matsa Resources Limited	Live	100%
E 16/390	Dunnsville	Matsa Resources Limited	Live	100%
E 16/399	Dunnsville	Matsa Resources Limited	Live	100%
E 16/403	Dunnsville	Matsa Resources Limited	Live	100%
E 16/404	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	Live	100%
E 16/428	Dunnsville	Matsa Resources Limited	Live	100%
E 16/429	Dunnsville	Matsa Resources Limited	Live	100%
E 16/430	Dunnsville	Matsa Resources Limited	Live	100%
E 16/431	Dunnsville	Matsa Resources Limited	Live	100%
E 16/439	Dunnsville	Matsa Resources Limited	Live	100%
E 16/443	Dunnsville	Matsa Resources Limited	Live	100%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
E 63/1703	Dunnsville	Matsa Resources Limited	Pending	-
E 63/1704	Dunnsville	Matsa Resources Limited	Pending	-
E 28/1663[1]	Fraser Range	Matsa Resources Limited	Live	90%
E 28/1664[1]	Fraser Range	Matsa Resources Limited	Live	90%
E 28/2260	Fraser Range	Matsa Resources Limited	Live	100%
E 28/2261	Fraser Range	Matsa Resources Limited	Live	100%
E 28/2339	Fraser Range	Matsa Resources Limited	Live	100%
E 63/1576	Fraser Range	Matsa Resources Limited	Live	100%
E 63/1577	Fraser Range	Matsa Resources Limited	Live	100%
E 63/1638	Fraser Range	Matsa Resources Limited	Live	100%
E 63/1639	Fraser Range	Matsa Resources Limited	Live	100%
E 63/1646	Fraser Range	Matsa Resources Limited	Pending	-
E 63/1655	Fraser Range	Matsa Resources Limited	Live	100%
E 63/1660	Fraser Range	Matsa Resources Limited	Live	100%
E 63/1661	Fraser Range	Matsa Resources Limited	Live	100%
E 69/3070	Symons Hill	Matsa Resources Limited	Live	100%
E 80/2559	Halls Creek	Matsa Resources Limited	Live	100%
E 80/4807	Halls Creek	Matsa Resources Limited	Live	100%
E 80/4809	Halls Creek	Matsa Resources Limited	Live	100%
E 63/1018[2]	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 63/1199[2]	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 63/1662	Killaloe	Matsa Resources Limited	Live	100%
E 63/1713	Killaloe	Matsa Resources Limited	Pending	-
P 63/1331[2]	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
P 63/1332[2]	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
P 63/1333[2]	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
P 63/1672[2]	Killaloe	Australian Strategic and Precious Metals Investment Pty Ltd	Live	80%
E 28/2293	Minigwal	Matsa Resources Limited	Live	100%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
E 38/2823	Minigwal	Matsa Resources Limited	Pending	-
E 38/2948	Minigwal	Matsa Resources Limited	Pending	-
E 38/2949	Minigwal	Matsa Resources Limited	Pending	-
E 39/1707	Minigwal	Matsa Resources Limited	Live	100%
E 39/1708	Minigwal	Matsa Resources Limited	Live	100%
E 39/1716	Minigwal	Matsa Resources Limited	Live	100%
E 39/1728	Minigwal	Matsa Resources Limited	Live	100%
E 39/1735	Minigwal	Matsa Resources Limited	Live	100%
E 39/1812	Minigwal	Matsa Resources Limited	Pending	-
E 39/1813	Minigwal	Matsa Resources Limited	Pending	-
E 39/1814	Minigwal	Matsa Resources Limited	Pending	-
E 39/1823	Minigwal	Matsa Resources Limited	Pending	-
E 39/1824	Minigwal	Matsa Resources Limited	Pending	-
E 39/1825	Minigwal	Matsa Resources Limited	Pending	-
E 16/466	Mt Burges	Matsa Resources Limited	Pending	-
E 16/467	Mt Burges	Matsa Resources Limited	Pending	-
E 16/468	Mt Burges	Matsa Resources Limited	Pending	-
P 63/1830	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1454[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1455[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1456[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1457[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1458[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1459[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1460[3]	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		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 63/1396	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1397	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1398	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1399	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1400	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1401	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1402	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1403	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1404	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1405	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1406	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1407	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1408	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1409	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
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 63/1414	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 63/1417		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 63/1418	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1419	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1420	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/653	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Application	-
P 63/1426[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1427[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1428[3]	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[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1640	Norseman	Matsa Resources Limited	Live	100%
P 63/1807[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1805[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%
P 63/1806[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	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%

MATSA RESOURCES LIMITED

SCHEDULE OF MINERAL PROPERTIES

Tenement Type and No.	Project	Holder	Status	Share Held
P 63/1389	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1582	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1583	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/516[3]	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[3]	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[3]	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[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1581[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1752[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1753[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1754[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1755[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1751[3]	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[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1564[3]	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 63/1565[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1566[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1567[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1568[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1569[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
L 63/64[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/236[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1673[3]	Norseman	Matsa Resources Limited	Live	100%
P 63/1408	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1674[3]	Norseman	Matsa Resources Limited	Live	100%
M 63/515[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1562[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
P 63/1563[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
L 63/58[3]	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%
P 63/1661[3]		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 63/1575	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%
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 63/1853	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Live	100%
M 63/366[3]	Norseman	Australian Strategic and Precious Metals Investment Pty Ltd	Pending	100%

[1]= 90% held by Matsa
[2]= 80% held by Matsa
[3]= 30% controlled by Matsa

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

Since 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 2014 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

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
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 diversity and disclose the policy or a summary. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	4(c)	Yes
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	4(c)	Yes
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	4(c)	Yes
3.5	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(c)	Yes
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

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
Principle 6	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
Principle 8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	The Remuneration Committee should be structured so that it is: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least 3 members.	3(b)	No
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	3(b),	Yes

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

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

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

2. THE BOARD OF DIRECTORS (continued)

2(b) Board Composition (continued)

- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

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

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

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

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

2(c) Chairman and Chief Executive Officer

The Chairman is responsible for:

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

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.

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

2. THE BOARD OF DIRECTORS (continued)

2(d) Board Composition (continued)

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.

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

2. THE BOARD OF DIRECTORS (continued)

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 Nexia 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.

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

3. BOARD COMMITTEES

3(a) Audit Committee

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

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

3(b) Remuneration 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.

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

4. ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and 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 last updated in December 2010. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

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

- No trading is permitted in the period of two weeks prior to the announcement to the ASX of the Company's full year, half year and quarterly results or any other designated blackout period;

27. Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
28. Obtain the prior written consent of the Chairman (or two of the other Directors/Board if you are the Chairman).

4(c) Policy concerning diversity

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

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

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

4. Ethical and responsible decision making (Continued)

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

Objectives	Position
Increase the number of women in the workforce, including management and at board level.	There were no key senior female appointments made during the year. As at 30 June 2014, women represented 30% in the Consolidated Entity's workforce (2013: 25%), nil in key management positions (2013: nil) and Nil at board level (2013: Nil).
Review gender pay gaps on an annual basis and implement actions to address any variances.	As a part of the annual remuneration review, the Board assesses the performance and salaries of all key management personnel and executive directors. Any gender pay disparities are addressed.
Provide flexible workplace arrangements.	During the year Matsa employed 2 employees on flexible work arrangements (2013: 1).
Provide career development opportunities for every employee, irrespective of any cultural, gender and other differences.	Whilst Matsa places special focus on gender diversity, career development opportunities are equal for all employees. Employees are encouraged to attend professional development courses/workshops throughout the year.
Promote an inclusive culture that treats the workforce with fairness and respect.	Matsa has set a zero tolerance policy against discrimination of employees at all levels. The Company provides avenues to employees to voice their concerns or report any discrimination. No cases of discrimination were reported during the year (2013: Nil).

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.

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

5. TIMELY AND BALANCED DISCLOSURE (continued)

5(a) Shareholder communication (continued)

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.

MATSA RESOURCES LIMITED

CORPORATE GOVERNANCE

6. RECOGNISING AND MANAGING RISK (continued)

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

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

a. regular reporting to the Board in respect of operations and the Company's financial position; and

b. regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

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

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.