

MATSA RESOURCES LIMITED

ABN 48 106 732 487

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2022

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MATSA RESOURCES LIMITED

CORPORATE DIRECTORY

Directors

Paul Poli (Executive Chairman)
Andrew Chapman (Director)
Pascal Blampain (Director)

Company Secretary

Andrew Chapman

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MATSA RESOURCES LIMITED

DIRECTORS REPORT

Your directors submit their report for Matsa Resources Limited (Matsa or the Company) and its controlled entities (Group or Consolidated Entity) for the half year ended 31 December 2022.

DIRECTORS

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

Mr Paul Poli
Mr Frank Sibbel (resigned on 3 March 2023)
Mr Andrew Chapman
Mr Pascal Blampain

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

OPERATING RESULTS

During the half year the Group made a profit of \$1,516,655 (2021: loss of \$2,730,453).

REVIEW OF OPERATIONS

Matsa is an ASX listed exploration and mining company based in Western Australia. The Corporate office is located in Perth with an office in Bangkok, Thailand. Matsa holds a number of gold and base metals projects in Western Australia and copper, tin and lithium in Thailand (Figure 1). During the period, the Company's principal activity was mineral exploration and identification of new exploration opportunities.

COMPANY ACTIVITIES

The Company's activities during the period were principally focused on the 449km² Lake Carey Gold Project located in Western Australia (Figure 2) where the Company remains committed to growing shareholder value by building a resource inventory base that will support the Lake Carey Gold Project development strategy.

The Company has also discovered three new lithium projects in western Thailand where it now holds 1,160km² under applications accepted and registered by the Thailand authorities.

A summary of key activities during the period includes the following:

- Execution of a formal binding profit-sharing joint venture agreement (JVA) with Linden Gold Alliance Limited (LGA) whereby Matsa and Linden formed an equal 50/50 development and profit sharing joint venture to advance the Devon Pit to a feasibility study and subsequently into production
- Receipt of assays from diamond drilling at Fortitude North and FF1 indicating gold mineralisation in both holes
- Assay results were received for soil samples collected over the Compensation prospect with results being integrated with historic drilling data to develop new gold targets
- Costeaning at New Years Gift was completed to expose lode structures and assist drill hole designs to execute a drilling program that could be completed with the planned Fortitude North drilling program
- New lepidolite bearing pegmatite outcrops have been discovered in the Phang Nga, Ratchaburi and Kanchanaburi provinces in western Thailand covering a combined area of approximately 14km².

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- Approximately 700 rock, soil and stream sediment samples have been submitted for lithium assays. Rock samples will undergo further analysis to determine the type and proportion of mineral species in the rocks sampled to provide whole rock characterisation
- Identification and pegging of two new projects Kanchanaburi and Ratchaburi with new SPLA's being granted subsequent to period end
- Discussions are well advanced with Thailand government departments to progress granting of selected applications to enable drilling

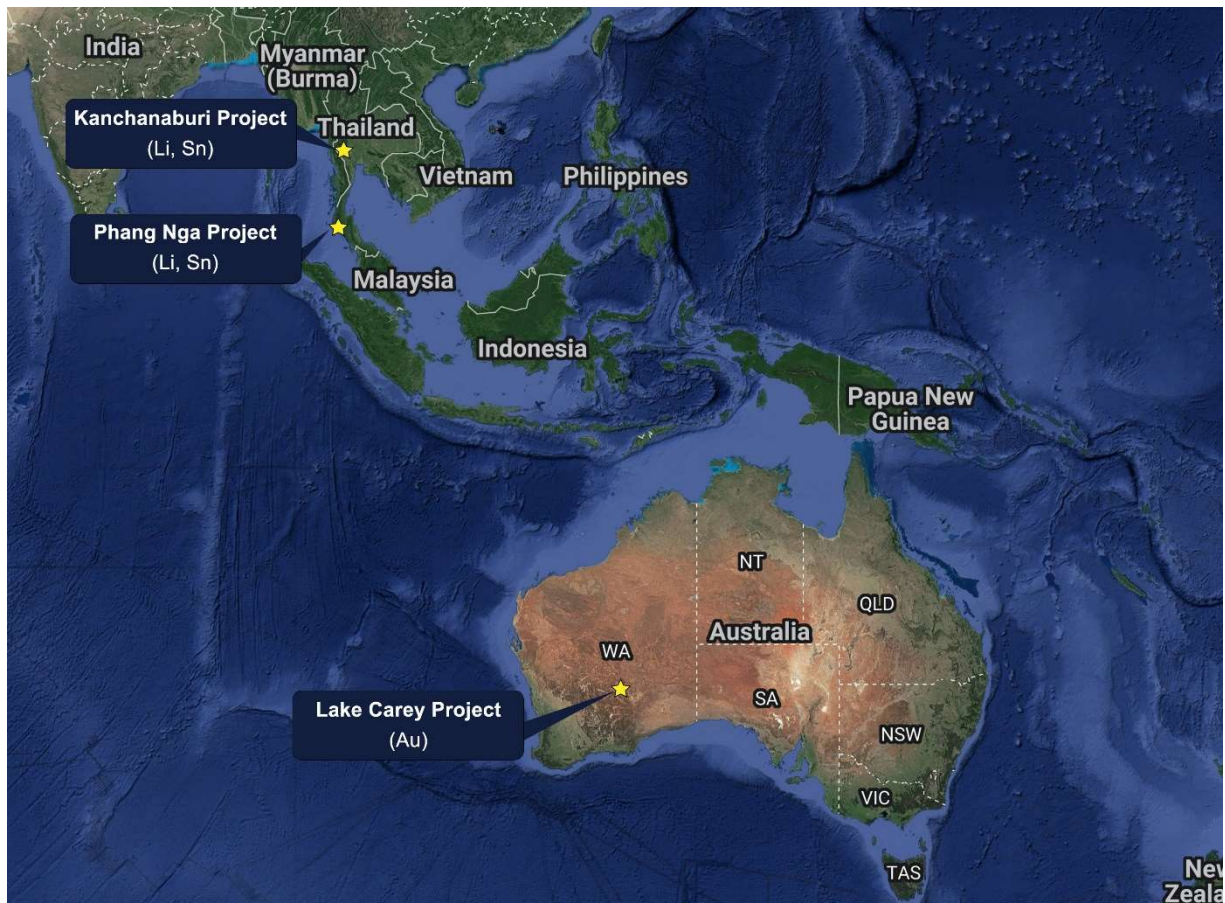


Figure 1: Matsa's Australian and Thai Projects

LAKE CAREY

During the period assays were received for the two diamond drill holes, including one drill hole at Fortitude North (22FNDD009 for 230.7m) and one drill hole at FF1 (22FFD001 for 341.7m). Drilling at both prospects was essentially focussed on the Fortitude Fault system host to the 489koz resource at Fortitude Gold Mine which is located 6km south of Fortitude North (Figure 2)¹.

Fortitude North

Diamond drill hole 22FNDD009 (Figure 3) was completed to test potential down-dip continuity of the mineralised intersection in diamond drill hole 19FNDD001 (Figure 3), which intersected **8m @ 2.94 g/t Au from 106.25m** including **5.75m @ 3.8 g/t Au**².

Significant new assays in 22FNDD009 include **9.4m @ 3.27 g/t Au** from 120.8m, which includes a higher grade zone of **2.1m @ 7.76 g/t Au** from 121.65m.

¹ ASX Announcement 12th August 2022 New Drilling Results Lake Carey Gold Project

² ASX Announcement 7th May 2019 New Gold Results Enhance Fortitude North Lake Carey Gold Project

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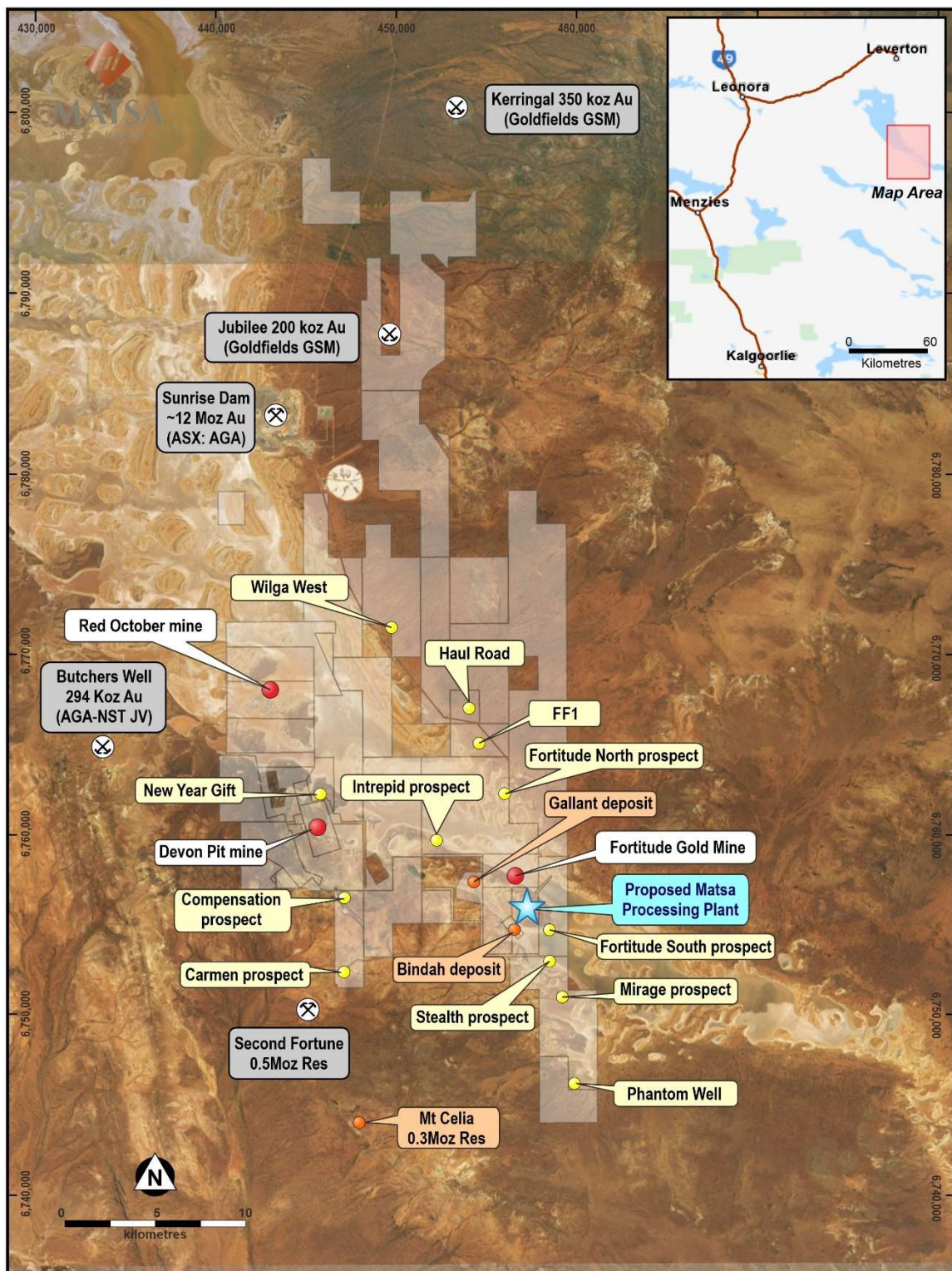


Figure 2: Lake Carey Gold Project showing location of Fortitude Gold Mine and Fortitude North prospect

Mineralisation is associated with a zone of fine grained albite silica alteration, hydraulic fracturing, quartz veining, and disseminated sulphides, which is identical to, and an extension of, the mineralised intercept in 19FNDD001.

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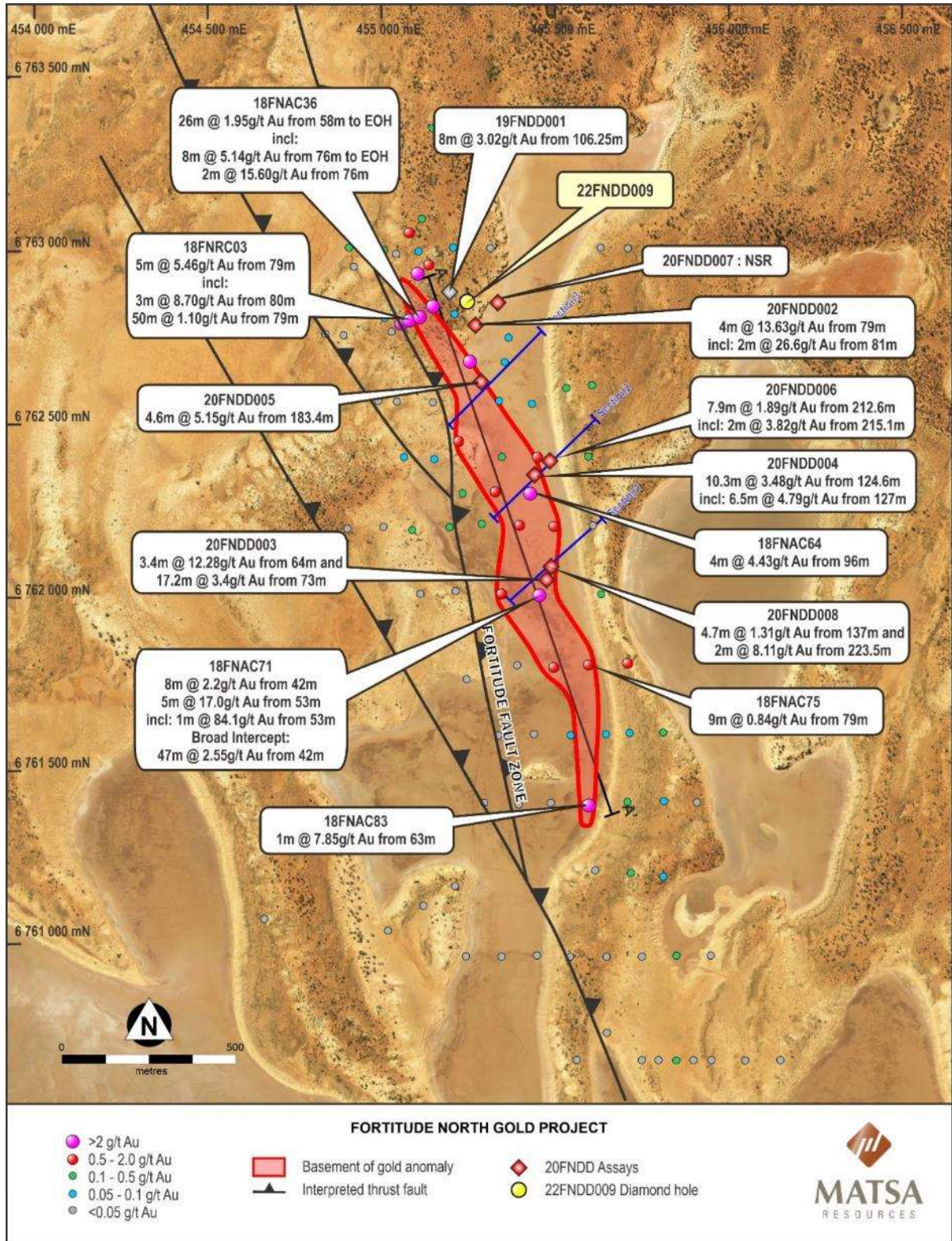


Figure 3: Fortitude North drilling

The Company now has a better understanding of the context and attitude of these high grade shoots with an interpreted plunge and dip to the northeast compared to earlier expectations of dips to the northwest. This has led to a new drilling program commenced at Fortitude North in the first quarter of 2023 with the initial results being very promising and returning assays of:

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- **14m @ 2.87g/t Au** from 130m (23FNRC010)
- **19m @ 3.77g/t Au** from 100m (23FNRC011)
- **16m @ 1.44g/t Au** from 88m (23FNRC012)
- **4m @ 3.32g/t Au** from 110m (23FNRC013)

This drilling program is expected to be completed during March 2023 with final assays returned during May 2023.

THAILAND OPERATIONS

Matsa has discovered two new lithium provinces hosting widespread lithium bearing pegmatite outcrops and float at Kanchanaburi and Ratchaburi in western Thailand (Figure 1). Extensive lithium bearing discoveries cover an area of approximately 6km strike by 1km wide at Kanchanaburi (Photos A & B) and 2km long by 0.5km wide at Ratchaburi. These discoveries build on Matsa's recently announced lepidolite discovery (Figure 4) in the Phang Nga province some 600km to the south.

Matsa is now arguably one of the larger holders of tenure, prospective for lithium in south-east Asia and with these new discoveries, Matsa has an impressive pipeline of lithium projects.

These discoveries are highly significant, in that it opens up new lithium provinces at Kanchanaburi and Ratchaburi where lithium bearing pegmatites have not previously been recorded, in contrast to the Phang Nga province, where the British Geological Survey mapped known lithium bearing pegmatites at Reung Kiet, Khata Tong and Bang I Tun in the 1970s.



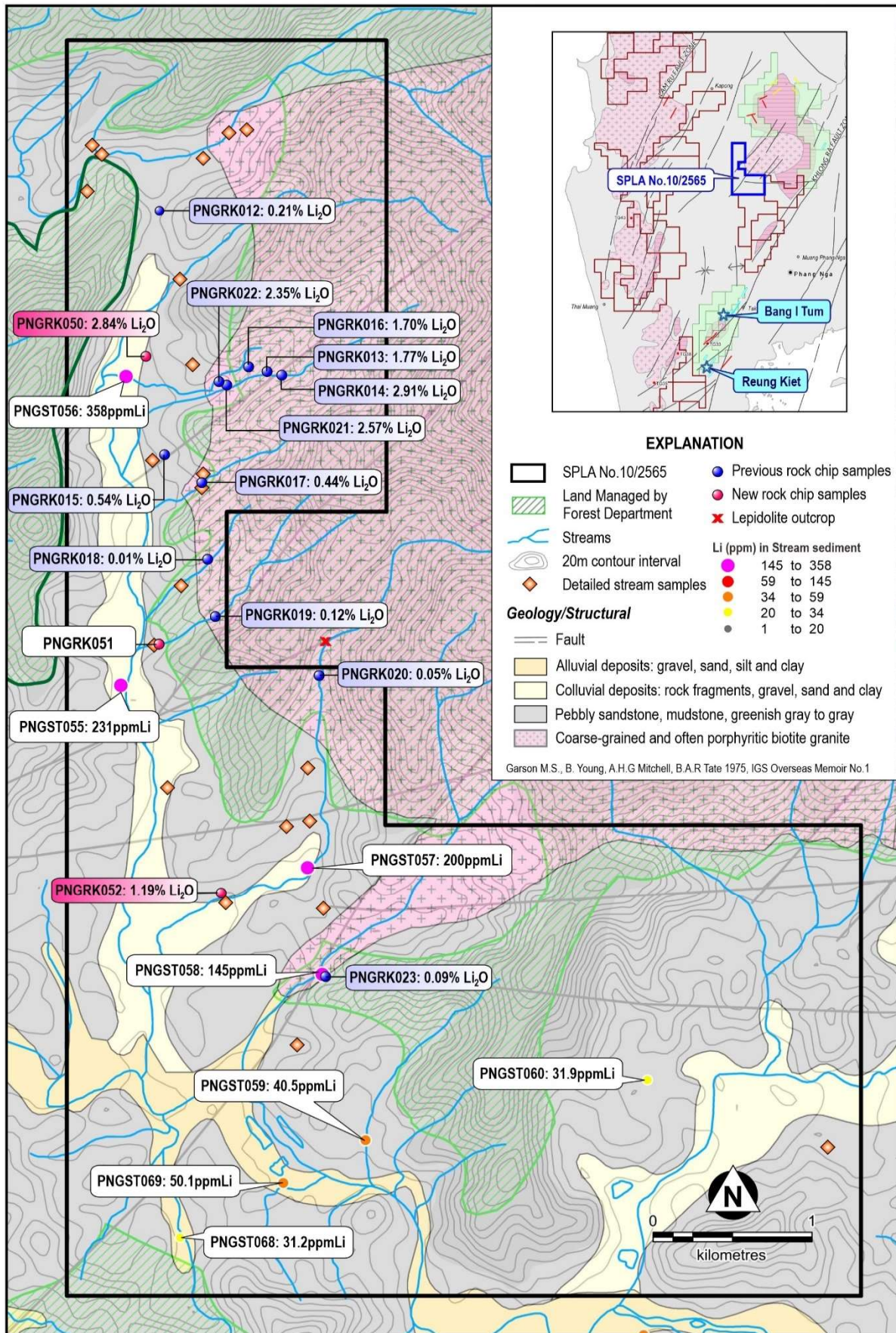
Photo (A): Rock samples from Pink Panther (Kanchanaburi) where LIBS analyser testing confirmed 3.45% Li (7.4% Li₂O) in lepidolite (pink minerals) bearing pegmatites

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Photos (B): pegmatite with coarse lepidolite (top image) within pegmatite swarm (bottom image) at Pink Panther (Kanchanaburi)



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The Kanchanaburi project comprising 4 SPLAs covering 62.5km² (Figure 5) have been lodged and accepted by the Thailand government and is characterised by widespread occurrences of both coarse grained lepidolite and polyolithionite pegmatitic outcrop and float.

In Ratchaburi, 2 SPLAs have been lodged and accepted by the Thailand government (Figure 5) where Matsa has identified fine grained polyolithionite bearing pegmatites. The lithium mica polyolithionite has been confirmed via XRD work by Thailand's Department of Mineral Resources on Matsa samples.

Matsa's SPLAs for lithium in Western Thailand now covers a total of 1,160km² (Figure 6).

Assay Results to Date

Matsa has some 500 stream sediment and whole rock samples awaiting detailed multi-element and quantitative mineralogical assessment at commercial laboratories in Perth, Western Australia. The results for the bulk of these samples are expected shortly.

A number of whole rock samples were expedited for assay from Phang Nga (Rose Panther) with additional samples from Kanchanaburi and Ratchaburi which has returned the following (above 0.49% Li₂O, a full table of results above 0.20% Li₂O can be found in Table 1):

Area	SampleID	Orig_North	Orig_East	Orig_RL	Tenement	WholeRK_Li%	Lab Li ₂ O%
Phang Nga	PNGRK013	950904	439255	172	10/2565	0.821	1.77
Phang Nga	PNGRK014	950874	439345	180	10/2565	1.355	2.91
Phang Nga	PNGRK016	950923	439145	160	10/2565	0.792	1.70
Phang Nga	PNGRK015	950367	438608	105	10/2565	0.249	0.54
Phang Nga	PNGRK021	950838	438953	147	10/2565	1.195	2.57
Phang Nga	PNGRK022	950827	438974	144	10/2565	1.095	2.35
Phang Nga	PNGRK026	970740	430261	32	5/2565	0.464	1.00
Phang Nga	PNGRK026/1	970741	430154	38	5/2565	0.450	0.97
Phang Nga	PNGRK050	950978	438495	115	10/2565	1.320	2.84
Phang Nga	PNGRK052	947565	438974	60	10/2565	0.550	1.19
Kanchanaburi	KANRK030/1	1533202	515110	177	1/2566	0.250	0.53
Kanchanaburi	KANRK032	1537057	513557	197	1/2566	0.490	1.06
Kanchanaburi	KANRK033/2	1537044	513547	198	1/2566	0.330	0.70
Kanchanaburi	KANRK033/3	1537044	513547	198	1/2566	0.360	0.78
Kanchanaburi	KANRK034	1537021	513548	197	1/2566	0.300	0.64
Kanchanaburi	KANRK035	1537014	513628	187	1/2566	0.260	0.56
Kanchanaburi	KANRK025	1536920	513744	178	1/2566	0.650	1.39

Table 1: Initial Assay Results from Whole Rock Sampling at Phang Nga and Katchanaburi

*** Note these are whole rock assay results and are not based on selective sampling of lithium mineral species. These samples represent what could be mined from surface should a mining operation go ahead**

The assay results from Rose Panther (Phang Nga province) returned an average Li₂O result above 2% lithium oxide, which is considered an excellent result for whole rock sampling and assay. Some detailed mineralogical assessment is still underway to fully characterise the mineral suite associated with the Rose Panther prospect.

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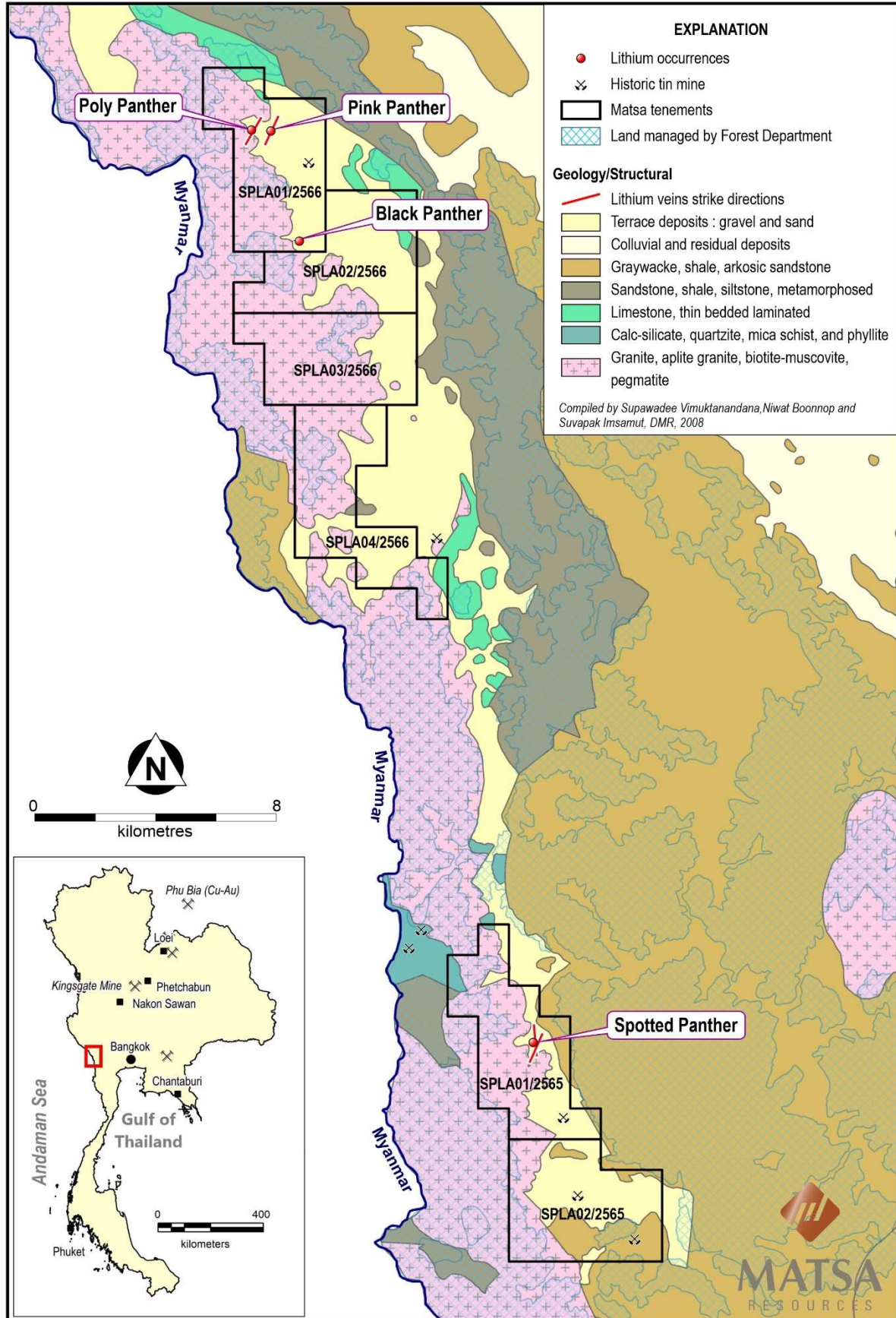


Figure 5: Kanchanaburi (top of image) and Ratchaburi (bottom of image) Special Prospecting Lease Applications (SPLA) lodged and accepted by Thailand authorities

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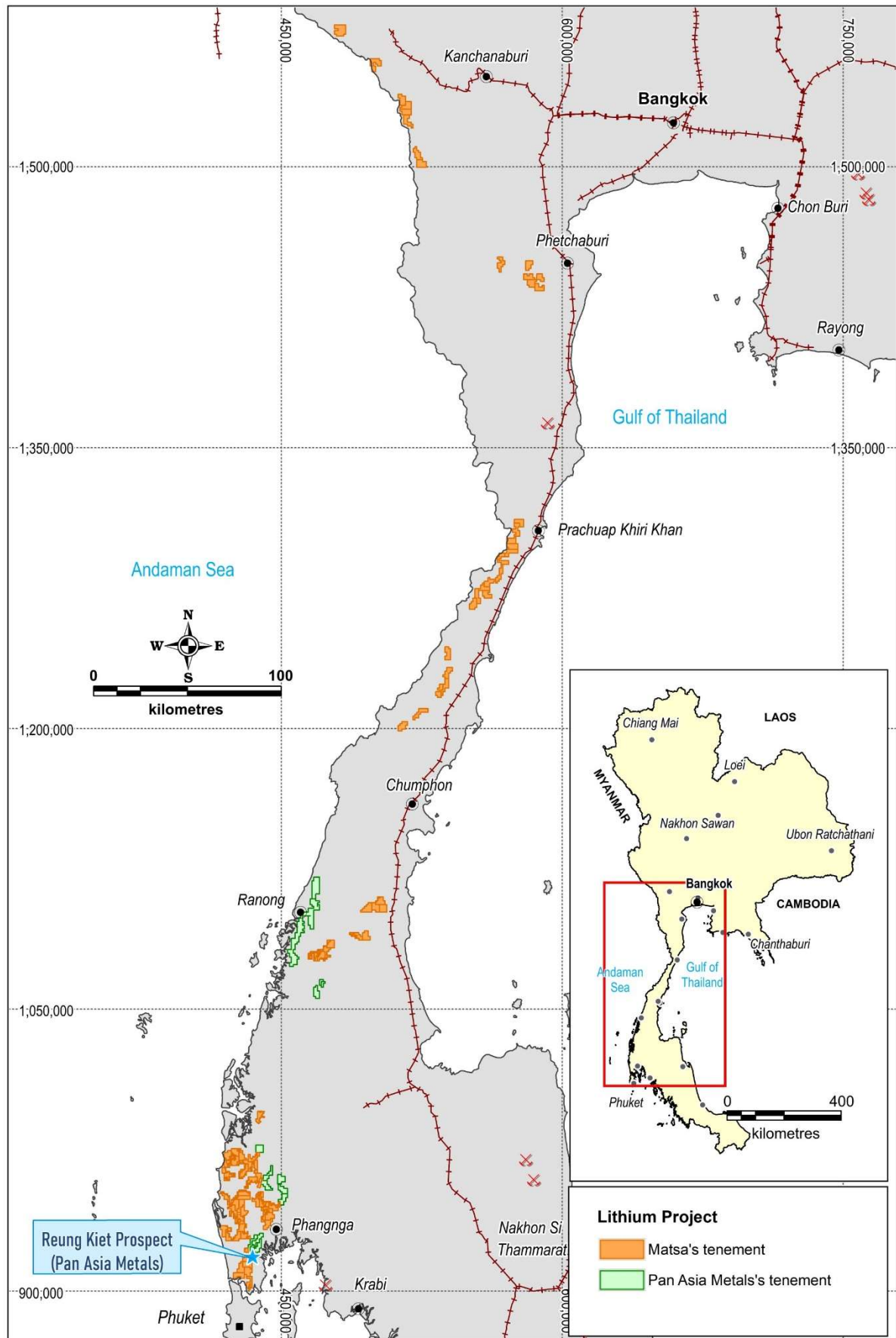


Figure 6: Matsa's Thailand lithium – tin projects (SPLA)

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PLANNED WORK PROGRAM H1 2023

A summary of key activities planned for H1 2023 includes the following:

Lake Carey

- Drilling program at Fortitude North to finalise the program commenced in January 2023
- Drilling program at New Years Gift
- The calculation of a maiden resource at Fortitude North post the above drilling program
- Development and progress of approvals for the Devon Pit joint venture with Linden

Thailand

- Progress select SPLAs to grant
- Provision of four 25kg samples to Yongxing for metallurgical assessment
- Progress the SPLA process for new project areas in Kanchanaburi and Ratchaburi
- Commencement of drilling program on approved project SPLs at Kanchanaburi and Phang Nga where the Company has confirmed the presence of lepidolite bearing pegmatites in field work
- Ongoing soil and stream sediment sampling programs
- Follow up of anomalous lithium stream sediment assay results

CORPORATE

On 7 October 2022, Matsa announced that it had executed a non-binding indicative term sheet with Linden whereby Matsa and Linden form an equal 50/50 development and profit sharing joint venture to advance the Devon Pit to a feasibility study and subsequently into production and that Linden had paid a \$100,000 deposit.

On 11 November 2022, a formal binding profit-sharing joint venture agreement (JVA) with Linden Gold Alliance Limited (LGA) was executed.

On 23 December 2022, Matsa announced that it received \$3.9M from Linden Gold Alliance Limited ("LGA") as required under the profit-sharing joint venture agreement ("JVA") between Matsa and Linden in relation to the Devon Gold Pit ("Devon Pit") and that settlement of the transaction had been achieved.

The key terms of the JVA are as follows:

- Linden will be granted a 50% profit-share interest in the Devon Pit and be appointed JV Manager
- Matsa is not obligated to repay the \$4M upfront non-recourse prepayment and Linden can only recoup that prepayment from profits generated by the Devon mine
- Matsa will be free carried by Linden and fund Matsa's share of feasibility, development, finance, working capital and all other mining costs, with Matsa's share of these costs only recouped from the Devon Pit's profits ("Carried Costs"). Furthermore, under the terms of the free carry, Matsa is not responsible for any losses
- Matsa is entitled to 50% of the profit once the \$4M and free-Carried Costs have been repaid to Linden
- Linden is required to deliver certain development milestones:
 - (i) Non-binding commitment from a toll mill or ore purchaser by 31 March 2023
 - (ii) Delivery of an approved Definitive Feasibility Study by 31 August 2023
 - (iii) Proof of funding by 30 September 2023

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(iv) Commencement of mining before 30 June 2024

- If milestones 1, 3 and 4 are not met, Matsa has the right to terminate the JVA (except in certain extension scenarios including suppressed gold prices, government permitting/approvals and other items outside Linden's control)
- A JV committee will be formed with two representatives each from Linden and Matsa

As part of the settlement of the JVA the existing Sale and Purchase Agreement between Matsa and Linden in respect of Red October and Devon and any subsequent amendments has been terminated.

On 2 December 2022, Matsa announced that it had extended the term of its existing \$4M borrowing facility to 30 November 2025, on the same terms and conditions as the previous \$4M facility which was due to be repaid on 30 November 2022.

Matsa executed new loan agreements with its existing two independent lenders who have each provided a \$2 million facility. The key terms and conditions of the loans are as follows:

Amount:	\$4,000,000
Term:	3 years, repayable by 30 November 2025
Interest Rate:	12% pa payable monthly in arrears
Security:	Charge over all property of the Company by way of a general security agreement and a mortgage over the Fortitude Gold Project tenements
Fee:	Issue of 150,000 fully paid ordinary shares to the lenders at the commencement date and each anniversary date of the loan advance while it remains outstanding.

All other terms and conditions are standard for a transaction of this nature and are similar to the terms and conditions of the existing loan.

GOING CONCERN

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

The Group has reported a profit for the period of \$1,516,655 (2021: loss of \$2,730,453) and a cash inflow from operating activities of \$2,021,679 (2021: outflow of \$3,893,825).

At the end of the half year, the Group had \$4,174,358 (30 June 2022: \$1,572,483) in cash and term deposit balances. The Group also had borrowings of approximately \$4,000,000 due and payable on 30 November 2025.

On 11 November 2022, the Company executed a formal binding profit-sharing joint venture agreement (JVA) with Linden Gold Alliance Limited (LGA), in respect of a joint venture over the Devon Gold Pit. During the period, the Company received an upfront non-refundable prepayment of \$4M cash from LGA for a 50% profit share in the Devon Pit. See note 4(i) for further details.

The Directors also manage discretionary expenditure in line with the Group's cash flow and are confident that there are sufficient funds to meet the Group's working capital and funding requirements for a minimum of 12 months from the date of this report.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds. In the event that the Group is not successful in raising funds from the issue of new equity, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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SUBSEQUENT EVENTS

On 14 February 2023, the Company announced it had secured 6 new SPLAs comprising 90km² which have been accepted by the Thailand government to capture the new lithium bearing pegmatites and float over an area of approximately 6km strike by 1km wide at Kanchanaburi and 2km long by 0.5km wide at Ratchaburi.

On 15 February 2023, Matsa announced that it had signed a cooperation letter agreement with Yongxing Special Materials Technology Co., Ltd, in the Jiangxi province, China to conduct testwork on samples from Matsa's Thailand lithium projects for conventional lepidolite processing.

Other than the above, no matter or circumstance that hasn't already been discussed above has arisen subsequent to the reporting date, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

AUDITOR'S DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 15 and forms part of the directors' report for the half year ended 31 December 2022.

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



Paul Poli
Executive Chairman

Dated this 16th day of March 2023

To the Board of Directors of Matsa Resources Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2022 there have been:

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

Yours sincerely



Nexia Perth Audit Services Pty Ltd



PTC Kloppe

Director

Perth

16 March 2023

Nexia Perth

Audit Services Pty Ltd

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MATSA RESOURCES LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the half year ended 31 December 2022

	Note	31 Dec 22 \$	31 Dec 21* \$
Continuing operations			
Net loss on sale of tenements		-	(145,901)
Net (loss)/gain on sale of fixed assets		-	60,000
Other income	4	4,166,267	1,062,974
Depreciation expense		(53,910)	(57,196)
Salaries and employment benefits expenses		(714,809)	(694,018)
Other administration expenses		(628,419)	(706,485)
Share based payments expense	11	(48,509)	(5,329)
Exploration expenditure written-off	7	(264,537)	-
Results from operating activities		2,456,083	(485,955)
Finance income		326	476
Finance costs		(262,096)	(270,286)
Net finance cost		(261,770)	(269,810)
Share of profit/(loss) of investment in associates, net of tax		-	-
Profit/(loss) before income tax expense		2,194,313	(755,765)
Income tax expense		-	-
Profit/(loss) from continuing operations		2,194,313	(755,765)
Discontinued operations			
Loss from discontinued operations	5	(677,658)	(1,974,688)
Profit/(loss) for the period		1,516,655	(2,730,453)

*There was no impact to the comparative information from the changes in discontinued operations as disclosed in note 5.

The notes on pages 21 to 30 are an integral part of these condensed consolidated interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the half year ended 31 December 2022

	Note	31 Dec 22 \$	31 Dec 21* \$
Profit/(loss) for the period		1,516,655	(2,730,453)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive profit/(loss) for the period attributable to equity holders of the company		1,516,655	(2,730,453)
Profit/(loss) for the period is attributable to:			
Owners of the parent		1,516,332	(2,730,490)
Non-controlling interest		323	37
		1,516,655	(2,730,453)
Total comprehensive profit/(loss) for the period is attributable to:			
Owners of the parent		1,516,332	(2,730,490)
Non-controlling interest		323	37
		1,516,655	(2,730,453)
Earnings per share:			
Basic/diluted (earnings/(loss) per share attributable to ordinary equity holders of the parent (cents per share)		0.38	(0.77)
Earnings per share – continuing operations:			
Basic/diluted (earnings/(loss) per share attributable to ordinary equity holders of the parent (cents per share)		0.55	(0.21)

*There was no impact to the comparative information from the changes in discontinued operations as disclosed in note 5.

The notes on pages 21 to 30 are an integral part of these condensed consolidated interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	31 Dec 22 \$	30 Jun 22 \$
Current Assets			
Cash and cash equivalents		4,174,358	1,572,483
Trade and other receivables		243,495	175,469
Other assets		102,987	172,935
Assets classified as held for sale	5	6,557,898	9,008,264
Total Current Assets		<u>11,078,738</u>	<u>10,929,151</u>
Non-Current Assets			
Other assets		287,363	287,363
Other receivables		200,000	200,000
Financial assets		80,000	-
Exploration and evaluation assets	7	13,567,309	10,627,811
Property, plant and equipment	6	311,265	538,564
Right-of-use assets		17,280	61,776
Total Non-Current Assets		<u>14,463,217</u>	<u>11,715,514</u>
Total Assets		<u>25,541,955</u>	<u>22,644,665</u>
Current Liabilities			
Trade and other payables	8	2,082,040	2,694,409
Borrowings	9	35,780	4,118,332
Lease liabilities		22,003	66,360
Provisions		254,219	295,290
Liabilities associated with assets held for sale	5	2,729,004	2,506,240
Total Current Liabilities		<u>5,123,046</u>	<u>9,680,631</u>
Non-Current Liabilities			
Borrowings	9	3,992,621	-
Lease liabilities		5,878	15,850
Provisions		420,962	402,924
Total Non-Current Liabilities		<u>4,419,461</u>	<u>418,774</u>
Total Liabilities		<u>9,542,507</u>	<u>10,099,405</u>
Net Assets		<u>15,999,448</u>	<u>12,545,260</u>
Equity			
Issued capital	10	65,596,277	63,892,578
Reserves		10,262,349	10,028,515
Accumulated losses		(59,937,805)	(61,454,137)
Total equity attributable to equity holders of the Company		<u>15,920,821</u>	<u>12,466,956</u>
Non-controlling Interests		<u>78,627</u>	<u>78,304</u>
Total Equity		<u>15,999,448</u>	<u>12,545,260</u>

The notes on pages 21 to 30 are an integral part of these condensed consolidated interim financial statements.

MATSA RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2022

	Issued Capital Ordinary \$	Accumulated Losses \$	Equity Settled Benefits Reserve \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2021	60,696,604	(55,426,026)	10,023,186	15,293,764	78,218	15,371,982
Comprehensive loss for the period	-	(2,730,490)	-	(2,730,490)	37	(2,730,453)
Total comprehensive loss for the period	-	(2,730,490)	-	(2,730,490)	37	(2,730,453)
<i>Transactions with owners in their capacity as owners</i>						
Issue of share capital	3,375,350	-	-	3,375,350	-	3,375,350
Share issue costs	(223,726)	-	-	(223,726)	-	(223,726)
Share based payment	-	-	5,329	5,329	-	5,329
Balance at 31 December 2021	63,848,228	(58,156,516)	10,028,515	15,720,227	78,255	15,798,482
Balance at 1 July 2022	63,892,578	(61,454,137)	10,028,515	12,466,956	78,304	12,545,260
Comprehensive income for the period	-	1,516,332	-	1,516,332	323	1,516,655
Total comprehensive income for the period	-	1,516,332	-	1,516,332	323	1,516,655
<i>Transactions with owners in their capacity as owners</i>						
Issue of share capital	2,015,750	-	-	2,015,750	-	2,015,750
Share issue costs	(312,051)	-	-	(312,051)	-	(312,051)
Share based payment	-	-	233,834	233,834	-	233,834
Balance at 31 December 2022	65,596,277	(59,937,805)	10,262,349	15,920,821	78,627	15,999,448

The notes on pages 21 to 30 are an integral part of these condensed consolidated interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2022

	31 Dec 22	31 Dec 21
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	131,092
Other income	4,252,130	1,470,515
Payments to suppliers and employees	(2,230,777)	(5,495,908)
Interest received	326	476
Net cash provided by/(used in) operating activities	2,021,679	(3,893,825)
Cash flows from investing activities		
Payments for financial assets	(80,000)	-
Proceeds from sale of plant and equipment	81,000	293,860
Proceeds from sale of right-of-use assets	-	25,000
Purchase of plant and equipment	(47,062)	(31,225)
Exploration and evaluation expenditure	(827,196)	(1,082,000)
Proceeds on sale of tenements	-	113,637
Refund of security deposits	320	-
Net cash used in investing activities	(872,938)	(680,728)
Cash flows from financing activities		
Proceeds from issue of shares	1,976,000	3,375,350
Proceeds from issue of options	1,500	-
Costs of issue	(128,226)	(223,726)
Repayment of other borrowings and lease liabilities	(134,044)	(189,893)
Interest paid	(262,096)	(270,815)
Net cash provided by financing activities	1,453,134	2,690,916
Net increase/(decrease) in cash and cash equivalents	2,601,875	(1,883,637)
Cash and cash equivalents at beginning of the period	1,572,483	3,029,326
Cash and cash equivalents at end of the period	4,174,358	1,145,689

The notes on pages 21 to 30 are an integral part of these condensed consolidated interim financial statements.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2022

1. CORPORATE INFORMATION

The financial report of Matsa Resources Limited and its controlled entities for the half year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 16 March 2023.

Matsa Resources Limited is a for profit company incorporated in Australia and limited by shares, which 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 address of the registered office is Suite 11, 139 Newcastle Street Perth WA 6000.

2. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of preparation of the Interim Financial Report

The Interim Financial Report is prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*, applicable accounting standards and other mandatory professional reporting requirements.

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

It is recommended that the condensed consolidated interim financial report be read in conjunction with the consolidated annual financial report of Matsa Resources Limited for the year ended 30 June 2022 and considered together with any public announcements made by Matsa Resources Limited and its controlled entities during the half year ended 31 December 2022 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2022.

(b) Changes in accounting policies and disclosures

Since 1 July 2022 the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2022. The adoption of any new and revised standards and interpretations effective from 1 July 2022 has not resulted in any changes to the Group's accounting policies and has had no material effect on the amounts reported to the current or prior period. The Group has not elected to early adopt any new standards or interpretations that are not mandatory effective.

(c) Basis of Consolidation

The condensed consolidated interim financial statements comprise the financial statements of Matsa Resources Limited and its controlled entities ('the Consolidated Entity' or 'Group').

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

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

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

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2022

2. SUMMARY OF ACCOUNTING POLICIES (cont.)

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

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

(d) Going Concern

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

The Group has reported a profit for the period of \$1,516,655 (2021: loss of \$2,730,453) and a cash inflow from operating activities of \$2,021,679 (2021: outflow of \$3,893,825).

At the end of the half year, the Group had \$4,174,358 (30 June 2022: \$1,572,483) in cash and term deposit balances. The Group also had borrowings of approximately \$4,000,000 due and payable on 30 November 2025.

On 11 November 2022, the Company executed a formal binding profit-sharing joint venture agreement (JVA) with Linden Gold Alliance Limited (LGA), in respect of a joint venture over the Devon Gold Pit. During the period, the Company received an upfront non-refundable prepayment of \$4M cash from LGA for a 50% profit share in the Devon Pit. See note 4(i) for further details.

The Directors also manage discretionary expenditure in line with the Group's cash flow and are confident that there are sufficient funds to meet the Group's working capital and funding requirements for a minimum of 12 months from the date of this report.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds. In the event that the Group is not successful in raising funds from the issue of new equity, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

3. SEGMENT INFORMATION

Identification of reportable segment

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

The Group operates primarily in small scale mining and mineral exploration in Western Australia and Thailand. The Group considers that it operates in two geographical segments but within the same operating segment. The decision to allocate resources to individual projects is predominantly based on available cash reserves, technical data and the expectation of future metal prices.

The financial information presented in the statement of profit and loss and other comprehensive income and statement of financial position is the same as that presented to the chief operating decision maker. For financial reporting purposes, the Australian and the Thai segments are presented separately.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

3. SEGMENT INFORMATION (cont.)

Half-year ended 31 December 2022	Reportable Segments Australia \$	Thailand \$	Total \$
Other income	4,166,267	-	4,166,267
Income from discontinued operations	168,935	-	168,935
Segment revenue	4,335,202	-	4,335,202
Profit/(loss) from continued operations	2,452,585	(258,272)	2,194,313
Loss from discontinued operations	(677,658)	-	(677,658)
Segment loss before tax	1,774,927	(258,272)	1,516,655
Half-year ended 31 December 2021			
Other income	1,026,195	36,779	1,062,974
Income from discontinued operations	220,304	-	220,304
Segment revenue	1,246,499	36,779	1,283,278
Loss from continued operations	(584,347)	(171,418)	(755,765)
Loss from discontinued operations	(1,974,688)	-	(1,974,688)
Segment loss before tax	(2,559,035)	(171,418)	(2,730,453)
Segment assets			
At 31 December 2022	25,053,744	488,211	25,541,955
Segment assets			
At 30 June 2022	22,174,226	470,439	22,644,665
Segment liabilities			
At 31 December 2022	9,541,724	783	9,542,507
Segment liabilities			
At 30 June 2022	10,093,491	5,914	10,099,405

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

4. OTHER INCOME

	31 Dec 22 \$	31 Dec 21 \$
Foreign currency exchange gain	-	-
Joint venture payment (i)	4,000,000	-
Other income	166,267	1,062,974
	<u>4,166,267</u>	<u>1,062,974</u>

- (i) On 11 November 2022, the Company executed a formal binding profit-sharing joint venture agreement (JVA) with Linden Gold Alliance Limited (LGA), in respect of a joint venture over the Devon Gold Pit. During the period, the Company received an upfront non-refundable prepayment of \$4M cash from LGA for a 50% profit share in the Devon Pit.

Other key terms of the JVA include;

- the Company and LGA will form an unincorporated development and profit-sharing joint venture (50/50) (JV) which will be responsible for the progression of the development of the Devon Pit and, in turn, production;
- the Company will be free carried by LGA for all costs of development including all development capital, sustaining capital, attributable debt financing and operating working capital including completion and closure of mining activities;
- LGA will recover all of the Company's attributed share of costs (including the \$4M) from the Company's share of proceeds from the sale of its share of production of the JV. Should the Company's share of proceeds be insufficient for LGA to recover its costs and the upfront \$4M, the Company will have no liability to pay any outstanding balance;
- LGA will be appointed as the manager of the JV and must deliver an acceptable Definitive Feasibility Study by 31 August 2023 and be able to commence mining by 30 June 2024, subject to certain conditions. If LGA fails to meet these deadlines the JV terminates and the \$4M paid to the Company is non-refundable. The Company retains 100% ownership in the Devon Gold Mine tenements at all times; and
- Upon execution of the JVA and the receipt of the \$4M, the existing Sale and Purchase Agreement between the Company and LGA in respect of Red October and Devon (SPA) and subsequent amendments to that SPA will be terminated. See note 5 for further details.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2022

5. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 20 December 2021, the Company entered into a \$20M Sale and Purchase Agreement (SPA) with LGA for the sale of Red October and Devon Pits and associated tenements, which has delivered the Company \$3M in non-refundable deposits.

On 29 September 2022, the Company was advised that LGA had not received conditional approval for admission to the ASX as required by the SPA and that LGA had 5 business days to advise the Company whether or not it will complete the sale via a cash payment of \$12M. LGA was not able to do so and therefore could not complete the transaction as per the SPA.

Following ongoing discussions with LGA, a proposal for a joint venture for the Devon Pit was agreed. This allowed the Company to retain 100% of all the tenements listed in the SPA including the Red October Gold project and Devon Gold project and continue to conduct exploration activities on these projects (excluding the Devon Pit area) unhindered. See note 4(i) for further details of the agreed joint venture between the Company and LGA.

As at 30 June 2022, the Red October and Devon Gold Project was previously classified as assets held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (AASB 5).

As a result of the JVA, the Company continues to retain 100% ownership in the Devon Gold Project and the project is no longer classified as an asset held for sale. At balance sheet date, the carrying value (\$2,655,963) of the Devon Gold Project was reclassified as exploration and evaluation assets in the consolidated statement of financial position. The Devon Gold Project did not have any impact on the comparative information in discontinued operations disclosed in the condensed consolidated statement of profit or loss and other comprehensive income.

The Company is continuing to evaluate all viable options for the Red October Gold Project including ongoing discussions with multiple parties on a separate deal for the project. At balance sheet date, the Red October Gold Project continues to be classified as asset held for sale in accordance with AASB 5.

Any profit or loss arising from the sale of a discontinued operations or its measurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

As at 31 December 2022, the carrying value of assets held for sale and liabilities associated with assets held for sale in the consolidated statement of financial position are detailed below:

Assets held for sale:

	31 Dec 2022	30 Jun 2022
	\$	\$
Capitalised exploration expenditure	6,376,441	8,753,281
Plant and equipment	181,457	254,983
Total	6,557,898	9,008,264

Liabilities associated with assets held for sale:

	31 Dec 2022	30 Jun 2022
	\$	\$
Rehabilitation provision	2,729,004	2,506,240
Total	2,729,004	2,506,240

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2022

5. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont.)

For the period ended 31 December 2022, the results of discontinued operations in the statement of profit or loss are detailed below:

	31 Dec 22 \$	31 Dec 21 \$
Revenue from customers	-	131,092
Mining operations	-	(470,486)
Amortisation and depreciation	(217,239)	(557,663)
Other income	168,935	293,958
Care and maintenance	(365,101)	(1,166,088)
Other expenses	(1,256)	(226)
Loss on sale of fixed assets	(40,234)	(204,746)
Finance costs	(222,763)	(529)
Loss from discontinued operations	(677,658)	(1,974,688)

The cash flow from discontinued operations included in the condensed consolidated statement of cash flows are as follow:

	31 Dec 22 \$	31 Dec 21 \$
Net cash used in operating activities	(160,930)	(2,788,247)
Net cash used in investing activities	(198,123)	(292,134)
Net cash flows used in discontinued operations	(359,053)	(3,080,381)

6. PROPERTY, PLANT AND EQUIPMENT

During the half year ended 31 December 2022 the Group acquired items of property, plant and equipment with a cost of \$47,062 (2021: \$31,225).

During the half year ended 31 December 2022 the Group disposed of items of property, plant and equipment with a written down value of \$121,234 (2021: \$447,917).

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2022

7. EXPLORATION AND EVALUATION EXPENDITURE

Movements in carrying amounts

	Total \$
Balance at 1 July 2022	10,627,811
Exploration and evaluation incurred	548,072
Expenditure written off	(264,537)
Transfer from assets held for sale (note 5)	2,655,963
Balance at 31 December 2022	13,567,309

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

8. TRADE AND OTHER PAYABLES

Unsecured liabilities

	31 Dec 2022 \$	30 Jun 22 \$
Trade payables	1,448,372	1,651,509
Sundry creditors and accrued expenses	633,668	1,042,900
	2,082,040	2,694,409

9. BORROWINGS

	31 Dec 22 \$	30 Jun 22 \$
Current		
Insurance premium finance - unsecured	35,780	120,160
Loan – secured (i)	-	3,998,172
	35,780	4,118,332
Non Current		
Loan – secured (i)	3,992,621	-
	3,992,621	-

- (i) On 8 August 2017, the Company entered into loan agreements with two separate parties for a \$4,000,000 facility with the funds being predominantly used as a working capital facility to ensure smooth operations of the trial mine at the Fortitude Gold Project and to conduct further exploration at Lake Carey. The repayment date was initially 31 July 2018 but was extended by mutual consent on 12 April 2018 to 31 July 2019. On 5 May 2019 a further \$1,000,000 was borrowed and the repayment date extended to 31 July 2020. On 29 May 2020, the repayment date was extended to 31 July 2022. Discussion with the lending parties for an extended repayment date is currently underway. On 2 December 2022, the Company has extended the terms of its existing \$4M borrowing facility to 30 November 2025. On this basis, the loan has been disclosed as non-current.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2022

9. BORROWINGS (cont.)

The key terms of the finance facility are as follows:

Principal Amount:	\$4,000,000
Interest Rate:	12% per annum paid monthly in arrears (penalty rate of 18% if the Company is in default)
Term:	Repayable by 30 November 2025
Security:	The loan facility is secured by a mortgage over the Fortitude Gold Project

At the time of the original loan, the Company agreed to issue a total of 1,000,000 options in the Company, split equally amongst the parties, with an exercise price of \$0.20 each with a two year life from the date of issue. The principal loan balance of \$4,000,000 has been offset by the value of the options issued. At the end of the period the carrying value of the loan was \$3,992,621. In return for the loan extension, the Company agreed to pay each of the lenders an annual Facility Fee of 150,000 fully paid ordinary shares for every year or part year that the loans remain outstanding. A Facility Fee of 150,000 fully paid ordinary shares was issued on or about 9 December 2022 (note 10).

10. ISSUED CAPITAL

	31 Dec 22 \$	30 Jun 22 \$
412,004,620 (30 June 2022: 358,954,620) ordinary shares	65,596,277	63,892,578
Movement in ordinary shares on issue during the period	Number of shares on issue	\$
Opening balance at 1 July 2022	358,954,620	63,892,578
Issued capital (at \$0.038 per share)	52,000,000	1,976,000
Issued capital (at \$0.037 per share) – see note 9	150,000	5,550
Issued capital (at \$0.038 per share) – see note 10(i)	900,000	34,200
Share issue costs	-	(312,051)
Closing balance at 31 December 2022	412,004,620	65,596,277

- (i) During the period, 900,000 shares were issued at \$0.038 per share to acquire mining information, data and technical advice. The amount of \$34,200 was expensed in the consolidated statement of profit or loss.

11. SHARE BASED PAYMENTS

During the half year ended 31 December 2022, the following options were issued;

- 3,000,000 share options with an exercise price of \$0.09 each, were issued to employees. The options vest immediately at the date of grant. The contractual life of each option is three years and there is no cash settlement of the options.
- 6,000,000 share options with an exercise price of \$0.09 each, were issued to directors. The exercise price has been calculated at 145% of \$0.06 which is deemed as the vesting price condition attached to the options, based on a 10-day trading period above the share price on the date of issue of the options up to the expiry date. The contractual life of each option is three years and there is no cash settlement of the options.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2022

11. SHARE BASED PAYMENTS (cont.)

- 15,000,000 share options with an exercise price of \$0.08 each, were issued to Westar Capital as part of their fee for acting as Lead Managers to the share placement. The options vest immediately at the date of grant. The contractual life of each option is three years and there is no cash settlement of the options.

The fair value of the options granted to directors is estimated at the date of grant using a Trinomial Option Valuation Model, taking into account the terms and conditions upon which the options were granted.

The fair value of the options granted to employees and Westar Capital is estimated at the date of grant using a Black Scholes Option Valuation Model, taking into account the terms and conditions upon which the options were granted.

The fair value of the options granted during the half year ended 31 December 2022 was estimated at the date of grant using the following assumptions:

Grant Date	2 December 2022	25 November 2022	1 September 2022
Number of Share Options	3,000,000	6,000,000	15,000,000
Dividend Yield (%)	Nil	Nil	Nil
Expected Volatility (%)	68.94	69.13	69.13
Risk-free interest rate (%)	3.02	3.27	3.33
Expected Life (years)	3	3	3
Exercise Price (cents)	9 cents	9 cents	8 cents
Fair Value per Option (cents)	0.01	0.01	0.01
Total Value of Options (\$)	37,459	66,600	183,825

For the half year ended 31 December 2022, the Group has recognised \$48,509 (2021: \$5,329) of share based payment expense in the condensed consolidated statement of profit or loss and other comprehensive income.

For the half year ended 31 December 2022, the Group has recognised \$183,825 (2021: Nil) of share based payment expense in equity as share issue costs in the condensed consolidated statement of financial position.

12. RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2022 consolidated annual financial report.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **For the half year ended 31 December 2022**

13. SUBSEQUENT EVENTS

On 14 February 2023, the Company announced it had secured 6 new SPLAs comprising 90km² which have been accepted by the Thailand government to capture the new lithium bearing pegmatites and float over an area of approximately 6km strike by 1km wide at Kanchanaburi and 2km long by 0.5km wide at Ratchaburi.

On 15 February 2023, Matsa announced that it had signed a cooperation letter agreement with Yongxing Special Materials Technology Co., Ltd, in the Jiangxi province, China to conduct test work on samples from Matsa's Thailand lithium projects for conventional lepidolite processing.

No matter or circumstance has arisen subsequent to the reporting date, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

14. CONTINGENT ASSETS AND LIABILITIES

There have been no material changes to contingent assets or liabilities as disclosed in the 30 June 2022 annual report.

15. COMMITMENTS

There have been no material changes to commitments as disclosed in the 30 June 2022 annual report.

MATSA RESOURCES LIMITED

DIRECTORS DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2022 and the performance for the half year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standard AASB 134 *"Interim Financial Reporting"* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Paul Poli
Executive Chairman

Dated this 16th day of March 2023

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

Report on the Interim Financial Report

Conclusion

We have reviewed the interim financial report of Matsa Resources Limited (the Company and its controlled entities ("the Group")), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim financial report of the Group does not comply with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Group's financial position at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

Without modifying our review conclusion, we draw attention to Note 2(d) of the interim financial report, which indicates that the Group will require further funding in the next twelve months from the date of this report to fund its planned operating costs. These conditions, along with other matters as set forth in Note 2(d), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nexia Perth

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Responsibility of the Directors for the Interim Financial Report

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

Auditor's Responsibility for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Nexia Perth Audit Services Pty Ltd



PTC Kloppe
Director

Perth
16 March 2023