

MATSA RESOURCES LIMITED

ABN 48 106 732 487

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INTERIM FINANCIAL REPORT

For the half year ended 31 December 2021

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MATSA RESOURCES LIMITED

CORPORATE DIRECTORY

Directors

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

Company Secretary

Andrew Chapman

Registered Office

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

Postal Address

PO Box 376
Northbridge WA 6865

Website www.matsa.com.au

Auditors

Nexia Perth Audit Services Pty Ltd
Level 3
88 William Street
Perth WA 6000

Share Registry

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009
Tel: (08) 9389 8033
Fax: (08) 6370 4203

Home Stock Exchange

Australian Securities Exchange Ltd
Level 40
Central Park
152-158 St Georges Terrace
PERTH WA 6000
ASX Code: MAT

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 2021.

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
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 loss of \$2,730,453 (2020: loss of \$4,912,060).

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 503km² Lake Carey Gold Project located in Western Australia, where the Board remains committed to growing shareholder value by building a resource inventory base that will support the Lake Carey Gold Project development strategy.

Successful exploration campaigns at Devon resulted in a steady growth in resources, which together with resource increases at Red October, allowed the Company to sell those 2 projects which was announced on 20 December 2021 with the Company entering into a Sale and Purchase Agreement (SPA) with Linden Gold Pty Ltd (LGL) for a consideration of \$20M.

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

- Subject to a Sale and Purchase Agreement as announced on 20 December 2021, Matsa will divest its Red October and Devon assets (Figure 2) to Linden Gold Pty Limited (LGL) for a consideration of \$20M
- Upgraded Mineral Resource Estimate and mining optimisation study completed at Fortitude
- Fortitude North Exploration Target progress update
- Ground magnetic survey and re-logging of drill core at Fortitude North
- Devon Hub soil sampling defined new gold target at New Years Gift
- Planning of ground magnetic surveys, soil surveys and drilling programs for Fortitude North, Fortitude East area, FF1, New Years Gift, Bindah, Carmen, Wilga and Mirage
- Acquisition of the 9km² Carmen prospect (E39/2128) at Lake Carey, 942km² (65 SPLAs) in Thailand and 2 new tenements in the Fraser Range (E39/2162 and E39/2159)

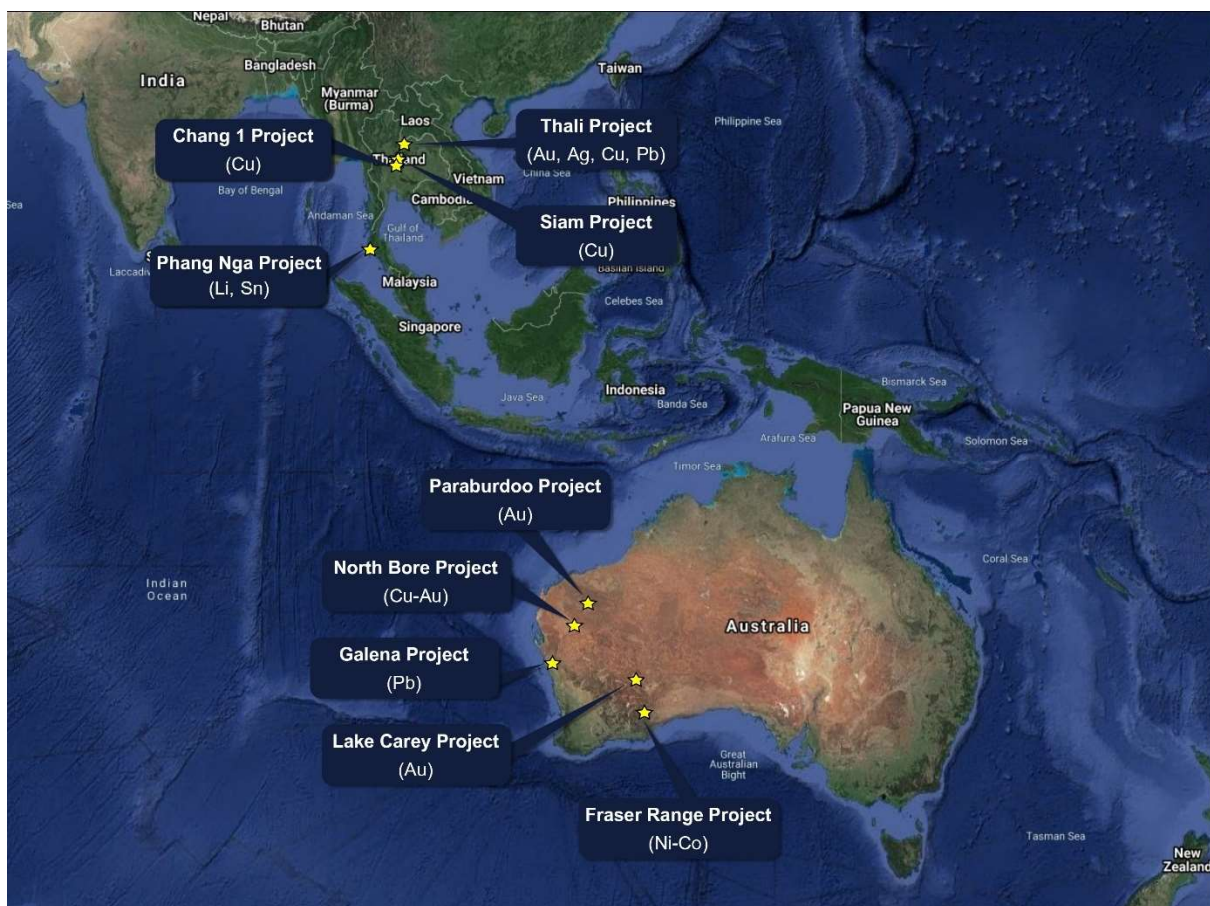


Figure 1: Matsa's Projects

LAKE CAREY

With a refocussed business strategy and strategic pathway centred on resource growth, the Company made a conscious decision to concentrate on early stages of the exploration pipeline to identify new drilling opportunities during the period whilst background work continued in respect of mining studies at Devon and Fortitude. The aim of this exploration work is to progress a sufficient number of new targets with a view to drilling commencing during H1 2022. The early stage exploration work centred on collection and interpretation of new geochemical and geophysical data, largely focussed on the Fortitude Shear trend.

Soil Sampling Program

At New Years Gift, where previous drilling achieved several narrow very high grade gold hits including 3m @ 13.96 g/t Au from 25m (NYGRC002), 1m @ 23.6 g/t Au from 23m (NYGRC004), 2m @ 3.52 g/t Au from 12m (NYGRC003) and 1m @ 19.4 g/t Au from 44m (20NYGRC006) and 1m @ 10.45 g/t Au from 35m 20NYGRC007, 124 soil samples were collected on a staggered grid with 80m spaced soil samples located along EW lines spaced 160m apart.

Results of the sampling identified a large 400m x 600m anomaly extending well beyond the historic New Years Gift workings which are located at the northern extremity of the soil gold anomaly (Figure 3). Three costeans have been planned to expose the shallow bedrock that will enable further mapping and sampling.

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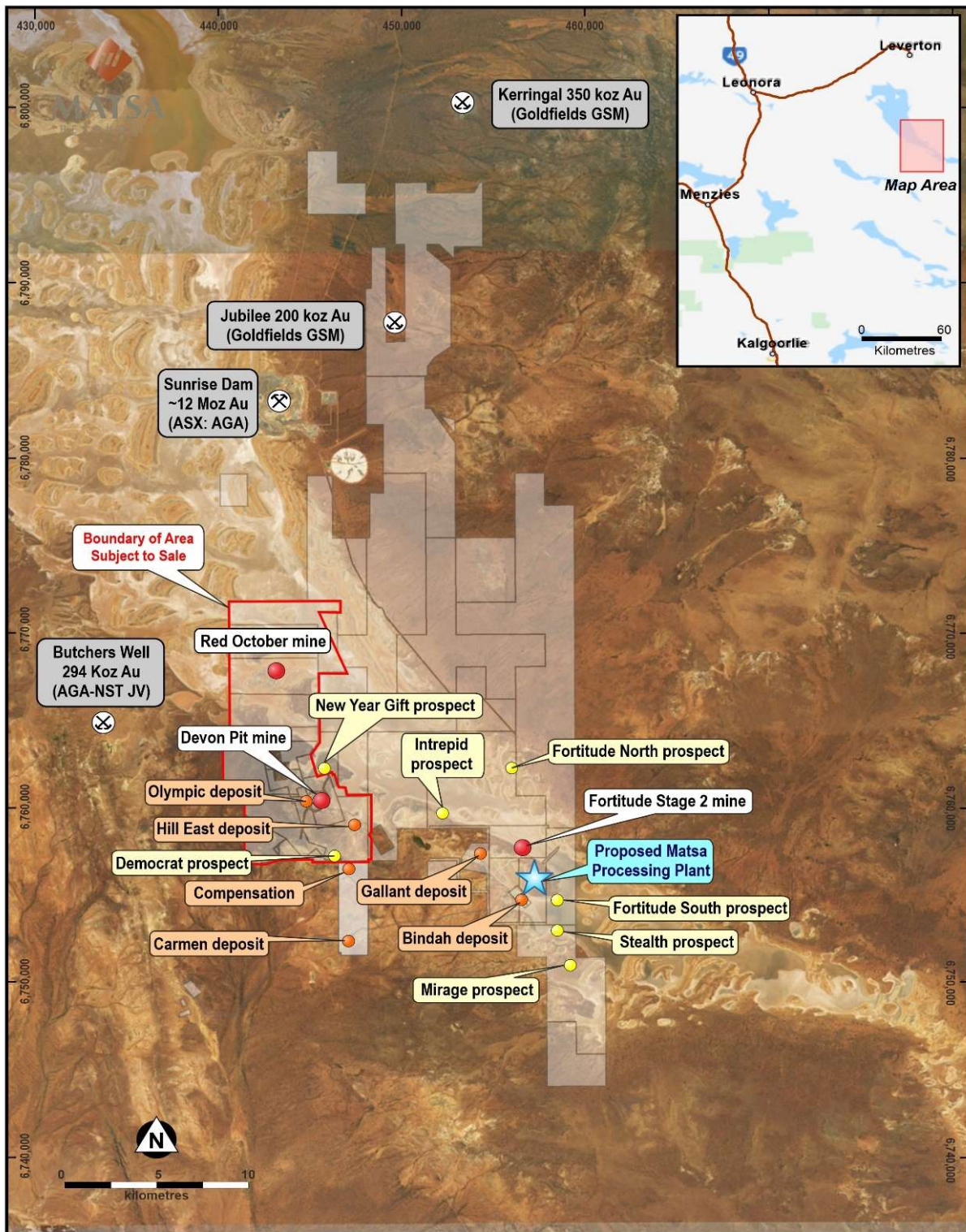


Figure 2: Lake Carey Gold Project

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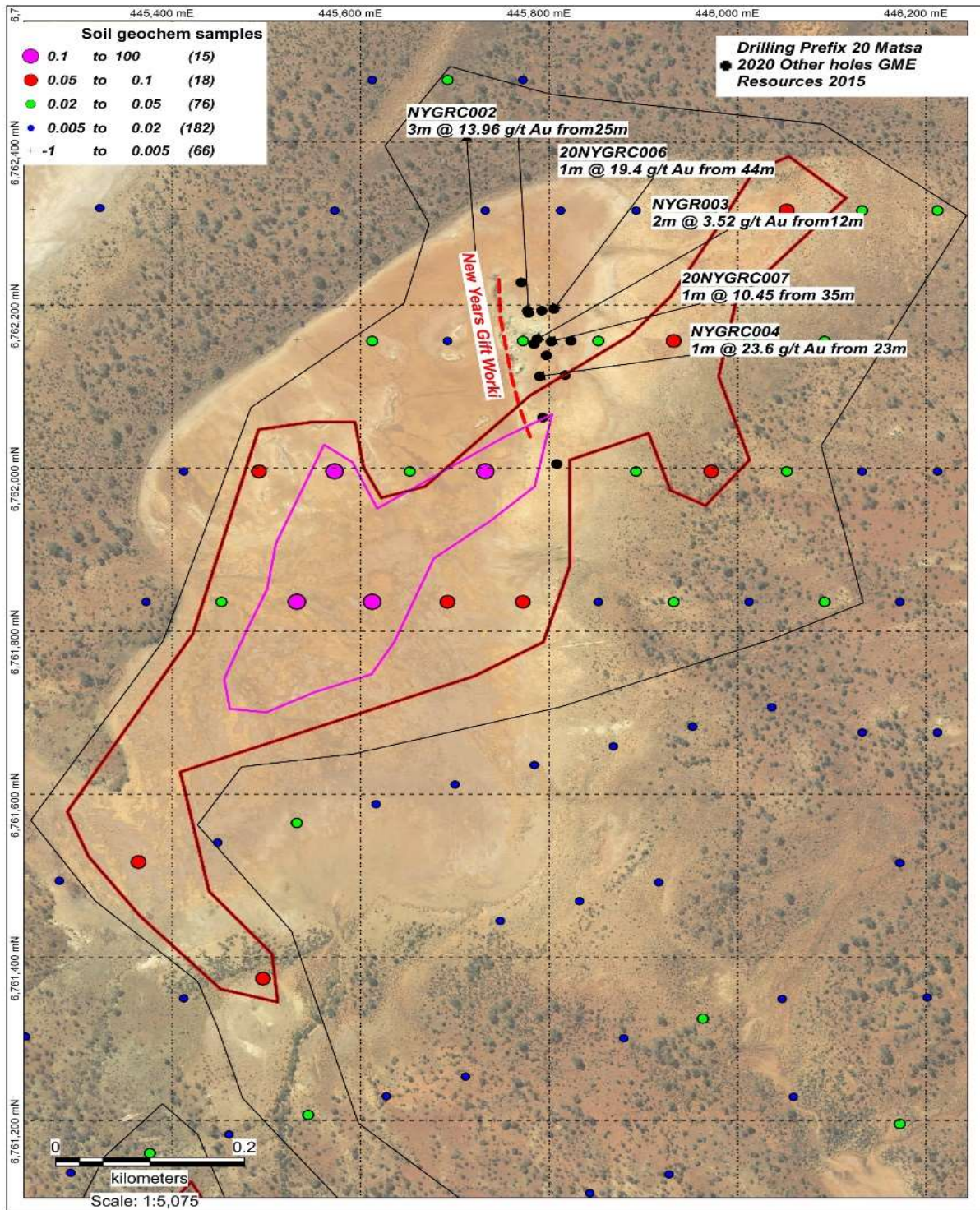


Figure 3: New Years Gift, summary of soil sample results and previous drilling on satellite image

In addition to sampling at New Years Gift, a regional soils program for a total of 838 soil samples over 6 grids was completed on, and adjacent to, major faults as interpreted from regional magnetics (Table 1, Figure 4). Sampling was mostly focused on the highly prospective Fortitude Fault corridor, in areas of residual soil or interpreted shallow transported cover. Interpretation of assay results are expected during the first quarter of 2022.

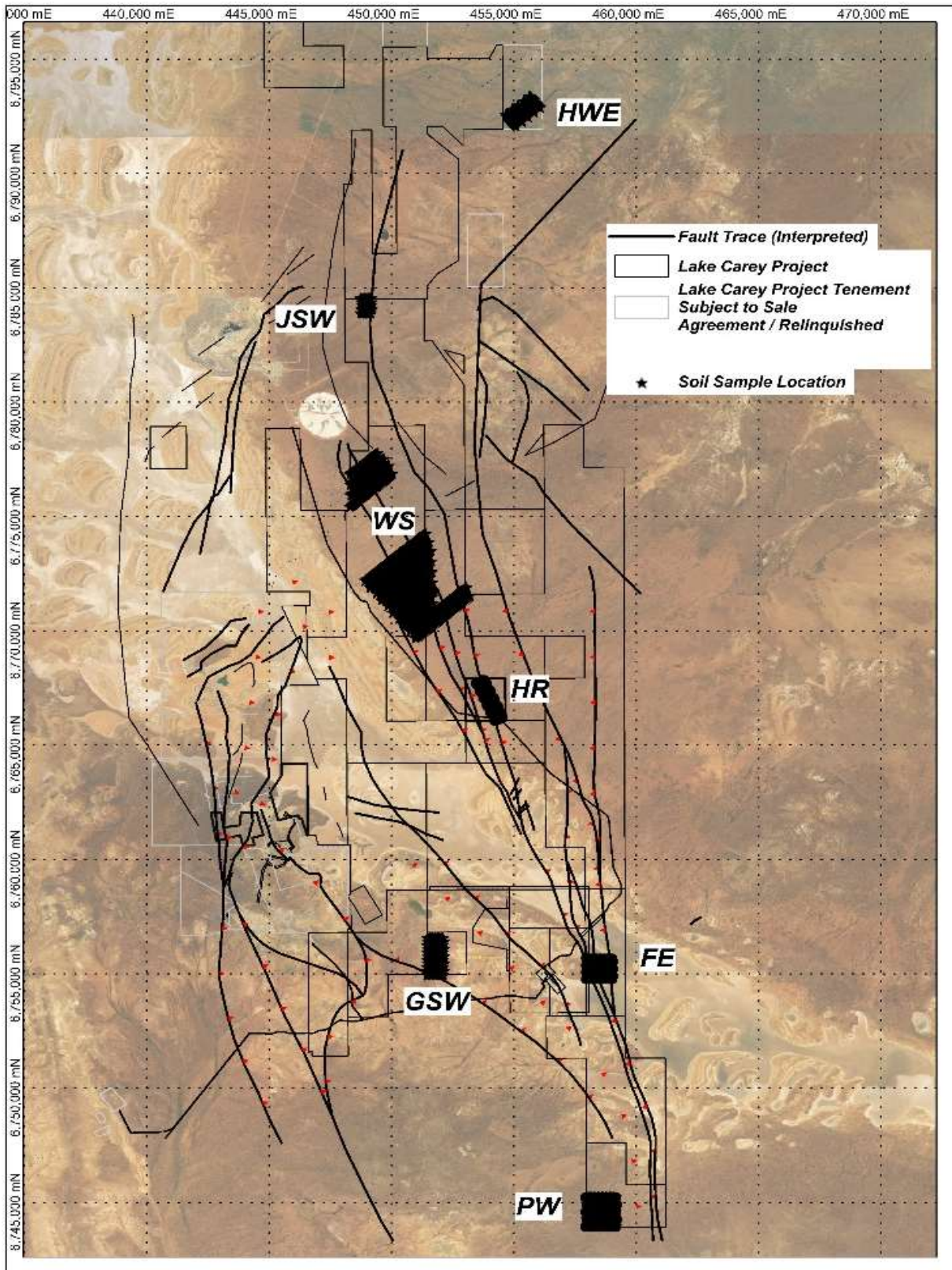


Figure 4: Outline of the Lake Carey Gold Project with location of soil sampling in December quarter showing soil grids, interpreted major faults

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Soil Grid	Samples	Target
HWE	45	NE Magnetic Linear in area of residual soil
JSW	29	Anomalous gold values in historic aircore drillholes in area of mostly residual soil
WS	425	NNW trending splays of Fortitude Fault system, interpreted shallow cover, minimal drilling
HR	55	Discrete NW trending magnetic anomaly under moderate soil cover
GSW	99	Follow up anomalous gold values in historic auger samples
FE	105	Interpreted dilational zone in fault splay east of the Fortitude Fault
PW	80	Southern extension of Fortitude Fault in area of shallow cover
TOTAL	838	

Table 1: Outline of the Lake Carey Gold Project with location of soil sampling in December quarter showing soil grids, interpreted major faults

Vanta pXRF Analyser

A total of 2,967 samples have been analysed to date with pXRF analyses being conducted on 2,493 sample residues from drilling and 474 residues from soil sampling.

Potential gold pathfinder assays eg As, Bi, Sb can enable program decisions to be made during drilling or underground development without waiting for final gold assay results. Multi-element soil sample assays are also a valuable early stage exploration tool to improve survey design and to guide follow up soil sample surveys.

Ground Magnetic Surveys

A 66 line km high resolution ground magnetic survey was completed at Fortitude North and interpretation of the processed magnetic data shows that mineralisation (as reflected by the basement gold aircore anomaly), is located in a structurally complex dilational jog within the NW trending Fortitude Fault where it splits into a number of NW trending splays (refer Figure 5).

The data also suggests mineralisation could be associated with a number of interpreted NE trending cross faults (potentially “linking faults”) in the interpreted dilational jog, which would represent conjugate structural sets. These are interpreted to be dilatant fractures produced by a right lateral (dextral) movement along the Fortitude Fault and may have acted as a secondary control on gold mineralisation at Fortitude North. Whilst the drilling data set is currently limited, these NE trending controls may contain the higher grades at Fortitude North and characterised as grade shoots. This apparent NE trend is evident elsewhere in the region including Red October, Hill East, Sunrise Dam and Wallaby gold mines.

Further surveys are planned to the north and south of Fortitude North to assist with drill planning, slated for a H1 2022 commencement.

Fortitude North re-logging

The results and interpretation of the recent ground magnetic survey has prompted Matsa to re-log key drill holes of the prospect to determine if mineralised and structural characteristics of the core can be matched to the interpreted model from the magnetic survey.

Whilst this re-logging is not yet complete, the early data indicates up to four episodes of mineralisation can be identified, which lends support to a long lived shear hosted system with subsequent dilational events, with new gold mineralisation occurring at each stage.

It is anticipated that characterisation of the various mineralising textures, mineralogical associations and orientations could be matched to the magnetic data, trends and interpretations. This will help to improve geological understanding and refine the geological model to assist in the planning of future drilling.

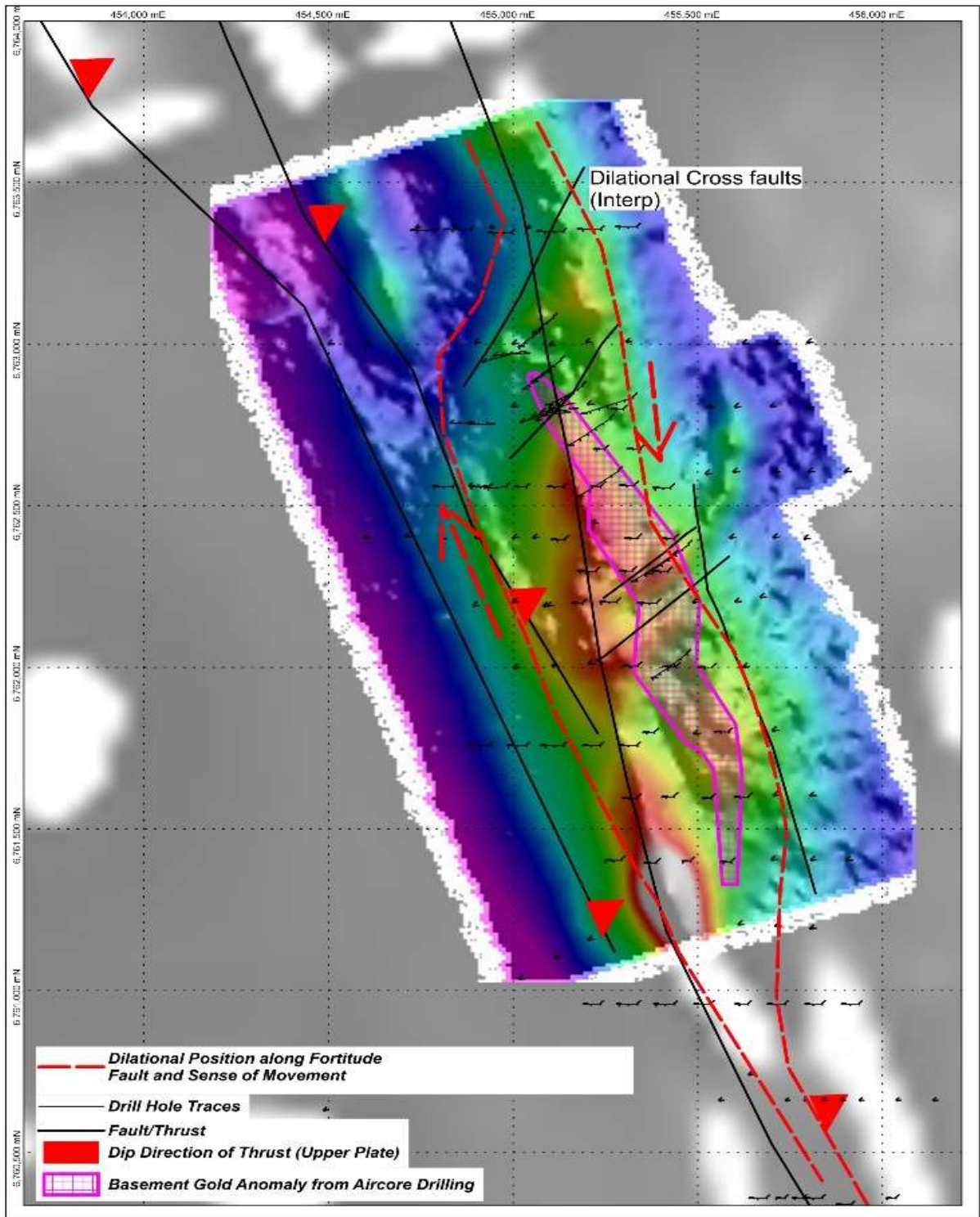


Figure 5: Fortitude North: Total Magnetic Intensity (TMI) ground magnetic image showing drilling, outline of gold mineralisation in weathered basement and summary structural interpretation

Planned drilling will aim to improve prospect definition (infill drilling) as well as extending mineralisation, enabling Matsa to work towards a maiden resource at Fortitude North and grow Lake Carey towards 1Moz.

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Carmen - Compensation (E39/2128)

This licence is located SE of Devon and covers the eastern part of the Linden gold camp. The tenement is generally characterised by thin soil cover with widespread quartz and meta-basalt float and includes a number of historic gold workings in both the southern and northern parts of the tenement. There is evidence in historic literature that the eastern margin of the tenement contains granite.

Matsa collected 22 rock grab samples from mullock and quartz vein material from a number of locations. The historic workings at the Carmen prospect, are located in the southern portion of the tenement whilst the Compensation prospect is located in the northern part of the Carmen project.

Results included several high grade gold values as shown in Table 2 and Figure 6.

Prospect	No. of samples	g/t Au	
		Minimum	Maximum
Carmen	6	0.02	2.97
Carmen SW	3	1.79	13.75
Carmen W	4	0.11	1.88
Compensation	9	0.03	6.86

Table 2: Rock grab samples from historic workings E39/2128

A review of available magnetic data is currently underway to assess the significance of these results although early data suggests a number of walk up targets are likely to become priority drill targets.

Resources and General Modelling

The Fortitude Mineral Resource Estimate has grown to **489koz @ 1.9 g/t Au** (1g/t cut-off) and represents a **43% increase** against previous estimates of 343koz @ 2.0 g/t Au.

At 31 December 2021, the global Mineral Resource Estimate for Lake Carey remains at **867,000oz @ 2.4g/t Au** as outlined in Table 3 below (rounding errors may cause a column to not add up precisely).

	Cutoff g/t Au	Measured		Indicated		Inferred		Total Resource		
		('000t)	g/t Au	('000t)	g/t Au	('000t)	g/t Au	('000t)	g/t Au	('000 oz)
Red October										
Red October UG	2.0	105	8	483	5.7	411	6.3	999	6.2	199
Red October Subtotal		105	8.4	483	5.7	411	6.3	999	6.2	199
Devon										
Devon Pit (OP)	1.0	-	-	341	4.8	102	3.6	443	4.6	65
Olympic (OP)	1.0	-	-	-	-	171	2.8	171	2.8	15
Hill East (OP)	1.0	-	-	-	-	633	1.7	633	1.7	35
Devon Subtotal		-	-	341	4.8	906	2.1	1247	2.9	115
Fortitude										
Fortitude	1.0	127	2.2	2,979	1.9	4,943	1.9	8,048	1.9	489
Gallant (OP)	1.0	-	-	-	-	341	2.1	341	2.1	23
Bindah (OP)	1.0	-	-	43	3.3	483	2.3	526	2.4	40
Fortitude Subtotal		127	2.2	3021	2.0	5,767	1.9	8,915	1.9	553
Total		232	5.0	3,845	2.7	7,084	2.2	11,161	2.4	867

Table 3: Lake Carey Resource*

**Matsa confirms that it is not aware of any new information or data that materially affects the Resource as stated. All material assumptions and technical parameters underpinning the Mineral Resource estimate continue to apply and have not changed since the last release.*

**Special note: The Resources of the Red October and Devon projects, representing 314koz, are subject to the Sale and Purchase Agreement announced on 20 December 2021.*

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Fortitude Updated Optimisation Study

Strong results from updated optimisation study enhances Fortitude's value by effectively doubling mine life, production output and cash flow for the Fortitude Gold Mine.

Key outcomes from the study (@ A\$2,400/oz gold price) include:

- Total operating cash surplus grows to **A\$95M over 4 years** (+72% increase)
- Mine production of **~132,000 oz Au @ 1.6g/t** (up from 58koz)
- 95% of the ounces are in the Measured and Indicated resource category
- **2.7Mt of ore** (up from 1.1Mt)
- Strip ratio of 8:1 (down from 14:1)
- Operating **cash costs of A\$1,570/oz** (previously A\$1,483/oz)

Fortitude North Potential Update

In August 2020, Matsa identified an exploration target of between 310,000oz and 600,000oz for the Fortitude North prospect. New geological modelling* strongly supports the exploration target with only the northern 2/3rd of the known 1.5km anomaly having been drill tested to date.

Exploration and modelling* completed so far has achieved a potential 378,990oz @ 2.53 g/t Au to 600,000oz @ 3.8 g/t Au in the target. The prospect has undergone very limited drilling and further drilling is planned both to drill test the remaining 1/3rd of the anomaly and to better define the resource potential within the exploration target.

The new model** comprises 33 mineralised intercepts and has dimensions of 1,300m length by 350m depth and approximately 4m thickness. The prospect has been modelled as steeply dipping stacked lodes with minor components of poddy flat supergene.

The following previously reported intersections highlight the extensive gold mineralisation at Fortitude North and further drilling is a priority for the Company:

- **47m @ 2.55 g/t Au** from 42m (18FNAC71)
- **26m @ 1.95 g/t Au** from 58m (18FNAC36)
- **8.0m @ 3.02 g/t Au** from 106m (19FNDD001)
- **4.0m @ 13.63 g/t Au** from 79m (20FNDD002)
- **17.2m @ 3.4 g/t Au** from 73m (20FNDD003)

Planned drilling will aim to improve definition (infill drilling) and extend mineralisation. This next step will enable us to work towards a maiden resource at Fortitude North and add to the wider Lake Carey Mineral Resource Estimate.

**The Fortitude North exploration and mineralising target (model) is not a resource, conceptual in its present form, and is based on wide spaced drill lines up to 300m apart. Whilst geological continuity is thought to be present, further drilling is required. The model has been prepared to guide exploration and prioritise future drillhole planning.*

*** Modelling was completed using eight AC holes, six RC holes and seven diamond core drill holes.*

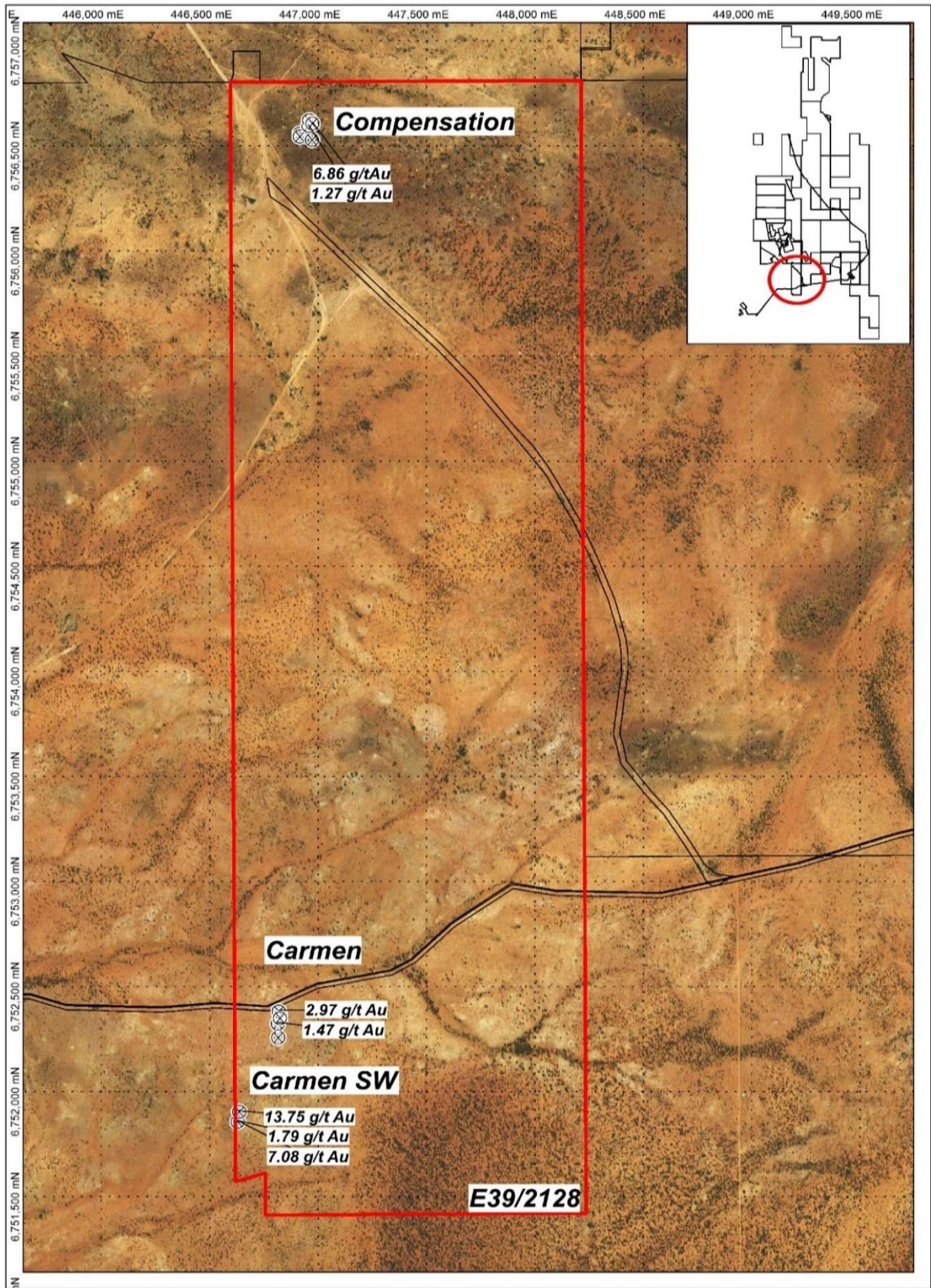


Figure 6: Carmen and Compensation prospects recently added to Matsa's Lake Carey Gold Project with rock chip sample locations and results

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FRASER RANGE NICKEL PROJECT

Symons Hill (Matsa 100%; IGO Earning 80%)

The Symons Hill project is located approximately 6km south of IGO's NOVA Ni-Cu-Co Operation and is being explored by IGO under a \$7M earn in agreement. Should IGO choose to continue with the earn-in a payment of \$1.375M is due to Matsa by June 2022.

In June 2021, a single 843m long diamond drill (21AFDD105) hole to test for nickel sulphides returned a 410m long interval (215m-625m) of blebby and semi massive sulphides.

The assay results were received for drill hole with peak Ni results summarised as follows:

HOLEID	FROM	TO	LENGTH (m)	Ni ppm(1)	Lith1	Co ppm	Cu ppm
21AFDD105	66	67	1	617	MGNG	77	524
21AFDD105	106	107	1	544	MGNG	79	518
21AFDD105	446.1	446.55	0.45	507	UWB	193	1400
21AFDD105	456.3	456.9	0.6	510	MGNG	170	456
21AFDD105	577.8	578.1	0.3	645	MGNG	216	745

Table 4: Significant Ni intercepts with major associated sulphide metals

IGO are completing a full data review and 3D integration of all work, including the new drill hole, to determine the next exploration steps with further exploration drilling yet to be determined.

Two new tenements have been added to Matsa's Fraser range portfolio being E39/2162 and E39/2159, located in the NE extent of the Fraser Range belt and approximately 80km south of the Tropicana Mine.

THAILAND OPERATIONS

Matsa has maintained its existing copper and gold SPLAs during the recent unfavourable mining climate in Thailand. The Company has always believed that whilst ongoing industry and government dialogue continued, there was every chance that positive changes in government support for minerals development would eventuate. As such, Matsa has retained a fully functional office, staff, skills and projects in readiness for first mover advantage during this period.

The strategy appears to have been justified with Kingsgate Consolidated Limited ("KCN") announcing recommencement of operations at the world class Chatree gold mine and the recent exploration successes of Pan Asia Limited "PAM" lithium exploration projects, paving the way for an expansion of minerals exploration and development in Thailand.

Matsa has been reviewing geological prospectivity and land availability for a number of commodities including base metals, gold, silver, lithium and tin. The Company has assembled a highly attractive tenement portfolio (Figures 7 & 8) in this mineral rich and relatively untapped jurisdiction.

Mapping and sampling field activities have commenced at Phang Nga which lies along strike and directly to the south west of Pan Asia's Reung Kiet lithium project.

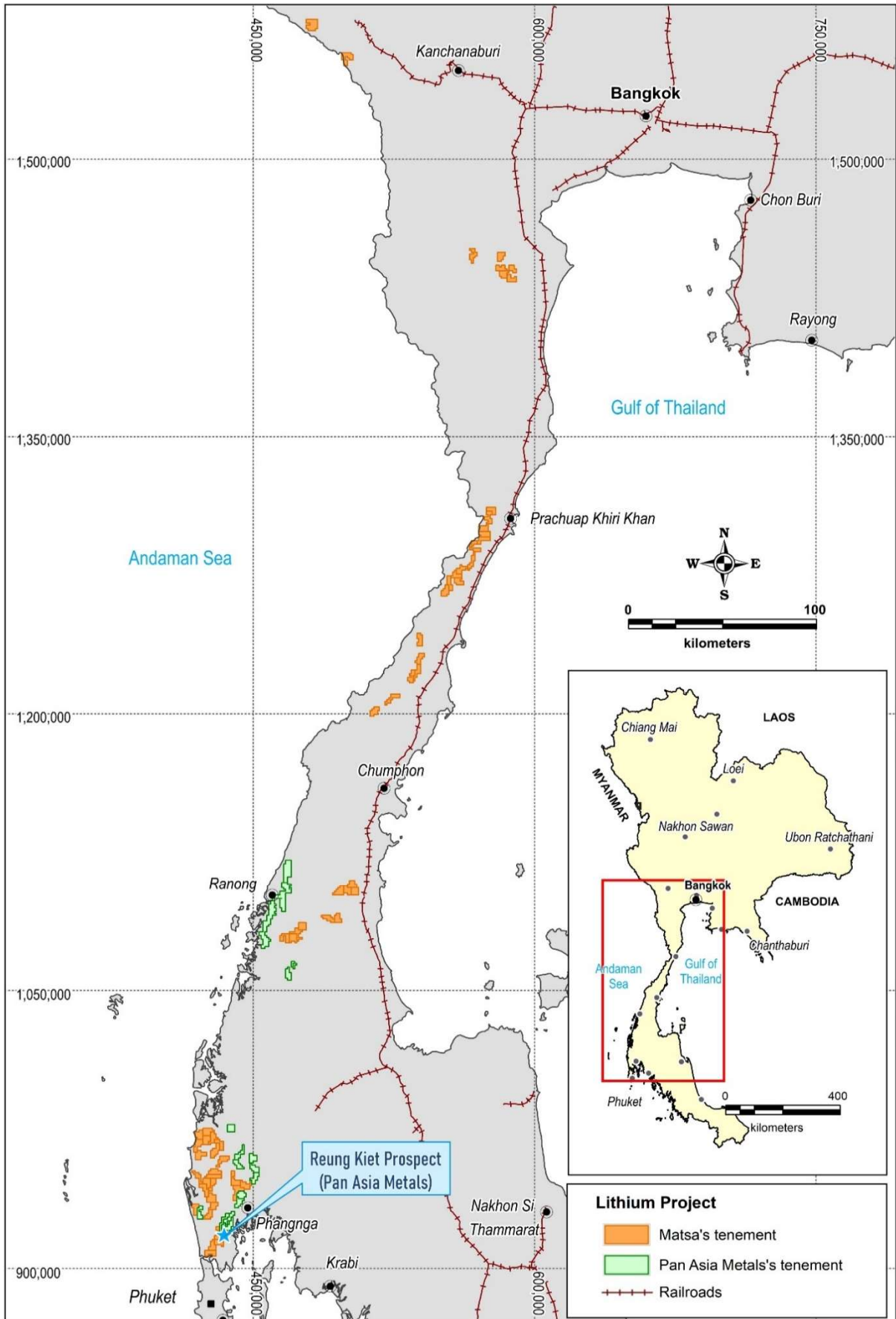


Figure 7: Matsa's Thailand lithium – tin projects

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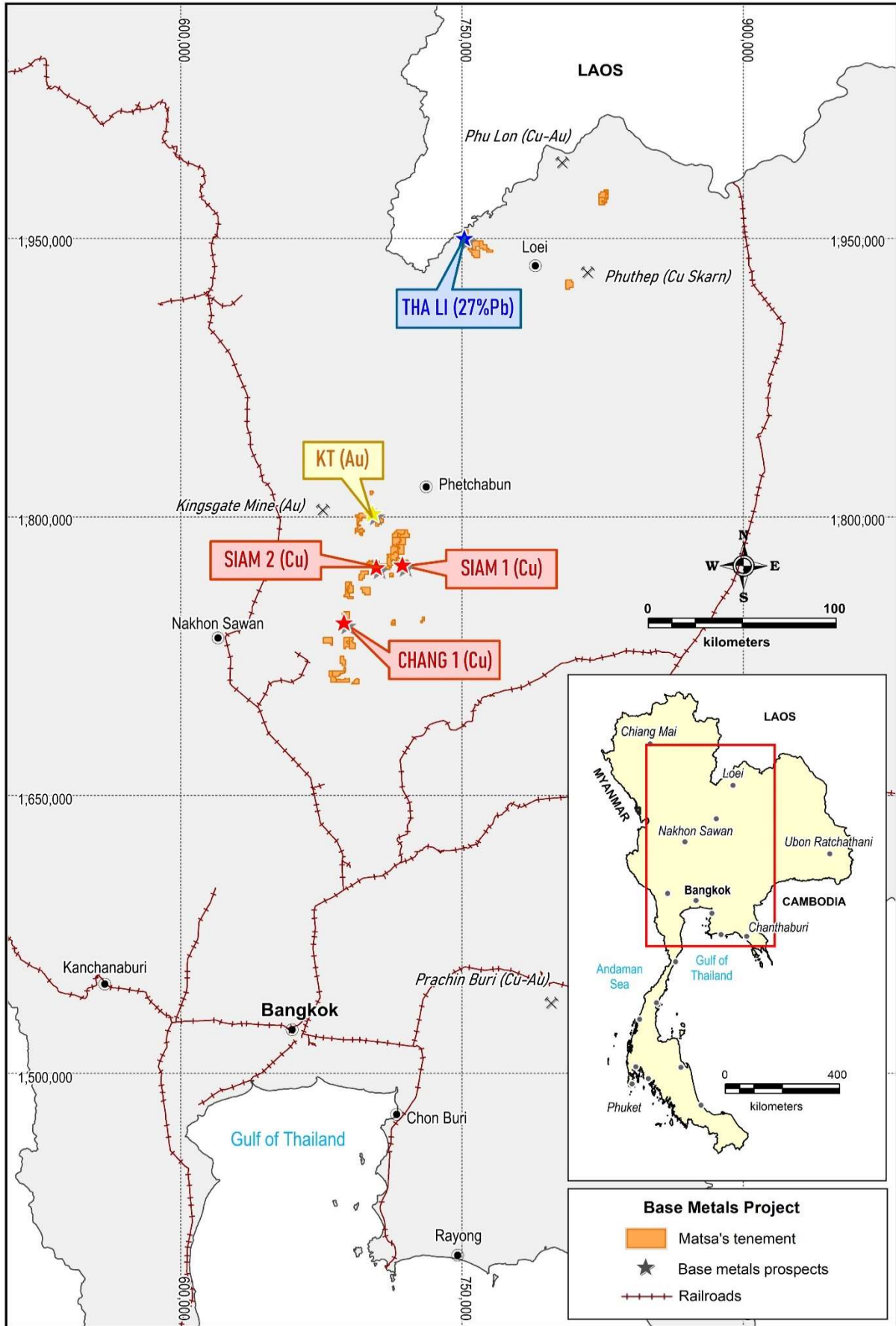


Figure 8: Matsa's Thailand gold – silver – base metals projects

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PLANNED WORK PROGRAM H1 2022

A summary of key activities planned for H1 2022 includes the following:

Lake Carey

- Ongoing regional soil surveys
- Extension of ground magnetic coverage of the Fortitude Shear zone including FF1, Fortitude East and Fortitude South
- 3D inversion modelling of Fortitude Shear zone and Carmen
- Planning and commencement of drilling during Q2 of 2022

Thailand

- Ongoing regional mapping and sampling of pegmatites for lithium
- Commence regional mapping and sampling of granite belt for tin
- Reconnaissance field work at the Tha li silver-gold-base metals and KT gold projects
- Sampling at the Siam 1 copper project for metallurgical test work
- Ongoing stakeholder engagement to facilitate drilling operations later in 2022

CORPORATE

Matsa sold its shareholding in Bulletin Resources Limited generating \$2.23 million in cash before costs representing a return of approximately \$7.4 million from an original cost of \$1.4 million, and is an excellent outcome. Matsa retains its 20% free carried interest in the Lake Rebecca Gold Project

The Company completed a \$3.38 million placement via the issue of approximately 42.2 million shares at \$0.08 per share (incl. a free 1 for 2 listed option exercisable at \$0.17 each expiring 30 April 2023).

On 20 December 2021 Matsa announced that it had entered into a Sale and Purchase Agreement (SPA) with Linden Gold Pty Ltd ("LGL") to sell its Red October and Devon gold projects to LGL for a consideration of \$20 million. Matsa's existing plant and equipment was separately sold for \$0.5 million.

LGL is a privately owned gold producer established in 2020 operating the Second Fortune underground gold mine, which is some 14km south of Red October. In August 2020, LGL acquired the Second Fortune gold project and wider ~55km² Linden gold project situated in the north eastern goldfields of Western Australia, which is contiguous to the Red October and Devon gold projects. LGL commenced production from Second Fortune with first gold poured in April 2021, with the ore processed at St Barbara Ltd's Gwalia processing facility under a toll milling/ore purchase arrangement.

Matsa will retain 385km² of the Lake Carey gold project including the 553,000oz gold Resource at Fortitude and the nearby Bindah and Gallant satellite resources following the sale of the Red October and Devon gold projects.

The \$20 million consideration under the terms of the SPA consists of the following:

1. A deposit of \$1 million payable on the execution of the SPA. Matsa has received this amount from LGL. This deposit may be increased by two additional \$1 million installments if:
 - (a) LGL has not received conditional approval from the ASX for admission to the ASX by 28 February 2022, extending the completion date to 30 April 2022; and
 - (b) LGL has not received conditional approval from the ASX for admission to the ASX by 30 April 2022, extending the completion date to 30 June 2022.
2. On completion occurring in conjunction with the successful listing of LGL on the ASX, Matsa will receive:

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- (a) A cash payment of \$5 million reduced by any amounts paid under 1(a) or (b) above; and
- (b) \$9 million either in cash or LGL shares (the full \$9 million in shares is expected to equate to an approximately 19.6% interest in LGL at the time of LGL listing on the ASX) at LGL's election, subject to a maximum of \$4.5 million able to be paid by way of cash. Note that the amount that may be paid to Matsa in cash (together with shares in LGL) will be subject to ASX Listing Rule 1.1 condition 11, to the extent applicable.
3. A deferred payment of \$5 million consisting of:
- (a) A deferred cash payment of \$2.5 million within 24 months of LGL receiving conditional approval from the ASX for admission to the ASX; and
- (b) A net profit payment of \$2.5 million payable quarterly from mining operations at the Devon gold project.

Should LGL not receive conditional approval from the ASX for admission to the ASX by 30 June 2022 as a result of events beyond the control of LGL, the deadline for conditional approval will be extended for up to a further 90 days. At this point LGL may elect to complete the sale by paying the balance of the payments described in 2(a) and (b) \$12 million in cash to Matsa.

Matsa has the right to terminate the SPA should LGL not successfully complete the acquisition by the deadlines noted above (through either successful listing on the ASX or cash settlement) and elect not to complete the sale, Matsa can retain any deposit it has received, at which point ownership of the Red October and Devon gold projects is retained by Matsa.

Where Matsa holds at least a 15% shareholding interest in LGL, Matsa has the right to appoint a nominee director to LGL.

Based on early due diligence enquiries and discussions with LGL and its IPO lead manager, Argonaut Securities, Matsa expects LGL (inclusive of its current operations and the sale assets from Matsa) to be suitable for listing, however there is no guarantee that LGL will be listed on ASX. Matsa has been advised that LGL is a company which is suitable to list provided it undertakes an initial public offer and complies with the requirements of the ASX. It is expected that LGL intends to lodge its planned IPO prospectus in March 2022. In the event the sale assets were to be acquired entirely for cash (without listing of LGL), settlement would be dependent on LGL obtaining finance for the same. Matsa will keep shareholders informed of progress.

In accordance with the Listing Rule 11.4, the sale of Red October and Devon gold projects has been approved by the shareholders at a shareholder meeting held on 28 February 2022.

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 loss for the period of \$2,730,453 (2020: \$4,912,060) and a cash outflow from operating activities of \$3,893,825 (2020: \$1,138,235).

At the end of the half year, the Group had \$1,145,689 (30 June 2021: \$3,029,326) in cash and term deposit balances. The Group also had borrowings of approximately \$4,000,000 due and payable on 31 July 2022. Discussions with the lending parties for an extended repayment date is currently underway.

On 20 December 2021, the Company executed a binding agreement to sell the Red October and Devon gold projects to Linden Gold Pty Ltd (LGL) for a consideration of \$20,000,000 with the sale expected to be completed within the next 4 to 9 months. Refer note 5 for further details.

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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 the successful completion of the sale of Red October and Devon gold projects and extension of borrowings. In the event that the Group is not successful in the aforementioned sale or extension of borrowings, 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.

SUBSEQUENT EVENTS

On 4 February 2022, the Company announced that it was conducting an unmarketable parcel share sale facility whereby it would offer shareholders of fully paid ordinary shares in the Company (Shares) valued at less than \$500 to dispose of those shares at no cost to the shareholder. The unmarketable parcel share sale facility remained open at the date of this report.

On 7 February 2022, the Company announced it had secured 65 strategic SPLAs (Special Prospecting Licence Applications) comprising 942km² prospective for lithium in Thailand in addition to its other base metal projects. Planning is underway to sample the new licences with the goal of identifying lithium bearing pegmatites for potential future drill testing.

On 15 February 2022, LGL and Matsa agreed to extend the completion date of the sale of the Red October and Devon projects under the SPA, by paying the Company an additional \$1 million on 28 February 2022. LGL and the Company has entered into a Deed of Variation which allowed LGL to split the \$1 million payment into \$0.4 million (which has been paid) and \$0.6 million to be paid no later than 25 March 2022.

On 28 February 2022, the Company held a shareholder meeting to approve the sale of the Red October and Devon projects to LGL on the terms above with shareholders approving the sale.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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 18 and forms part of the directors' report for the half year ended 31 December 2021.

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



Paul Poli
Executive Chairman

Dated this 16th day of March 2022

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 2021 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 Klopper

Director

Perth

16 March 2022

Nexia Perth

Audit Services Pty Ltd

ACN 145 447 105

Level 3, 88 William Street

Perth WA 6000

GPO Box 2570, Perth WA 6001

p +61 8 9463 2463

f +61 8 9463 2499

e audit@nexiaperth.com.au

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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 2021

	Note	31 Dec 21 \$	31 Dec 20* \$
Continuing operations			
Net gain on sale of investments		-	97,750
Net loss on sale of tenements		(145,901)	-
Net gain on sale of fixed assets		60,000	-
Other income	4	1,062,974	102,578
Depreciation expense		(57,196)	(81,753)
Salaries and employment benefits expenses		(694,018)	(766,178)
Other administration expenses		(706,485)	(624,367)
Share based payments expense	12	(5,329)	(141,237)
Unrealised gain on financial assets at fair value		-	53,550
Results from operating activities		(485,955)	(1,359,657)
Finance income		476	17,140
Finance costs		(270,286)	(262,440)
Net finance cost		(269,810)	(245,300)
Share of profit/(loss) of investment in associates, net of tax		-	155,877
Loss before income tax expense		(755,765)	(1,449,080)
Income tax expense		-	-
Loss from continuing operations		(755,765)	(1,449,080)
Discontinued operations			
Loss from discontinued operations	5	(1,974,688)	(3,462,980)
Loss for the period		(2,730,453)	(4,912,060)
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 loss for the period attributable to equity holders of the company		(2,730,453)	(4,912,060)
Loss for the period is attributable to:			
Owners of the parent		(2,730,490)	(4,911,659)
Non-controlling interest		37	(401)
		(2,730,453)	(4,912,060)
Total comprehensive loss for the period is attributable to:			
Owners of the parent		(2,730,490)	(4,911,659)
Non-controlling interest		37	(401)
		(2,730,453)	(4,912,060)
Earnings per share:			
Basic/diluted (loss per share attributable to ordinary equity holders of the parent (cents per share))		(0.77)	(1.92)
Earnings per share – continuing operations:			
Basic/diluted (loss per share attributable to ordinary equity holders of the parent (cents per share))		(0.21)	(0.57)

The notes on pages 23 to 31 are an integral part of these condensed consolidated interim financial statements.

*Comparative information has been re-presented due to a discontinued operation. See Note 5.

MATSA RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

		31 Dec 21	30 Jun 21
		\$	\$
Current Assets			
Cash and cash equivalents		1,145,689	3,029,326
Trade and other receivables		252,772	237,596
Other assets		205,893	253,900
Inventories		7,178	79,981
Assets classified as held for sale	5	9,038,777	-
Total Current Assets		<u>10,650,309</u>	<u>3,600,803</u>
Non-Current Assets			
Other assets		287,362	287,363
Other receivables		200,000	200,000
Exploration and evaluation assets	8	13,592,689	21,437,966
Property, plant and equipment	6	763,508	1,917,968
Mine properties and development	7	-	192,694
Right-of-use assets		124,709	195,831
Total Non-Current Assets		<u>14,968,268</u>	<u>24,231,822</u>
Total Assets		<u>25,618,577</u>	<u>27,832,625</u>
Current Liabilities			
Trade and other payables	9	2,476,512	4,807,829
Borrowings	10	4,078,208	224,732
Lease liabilities		93,094	98,986
Provisions		295,473	376,222
Liabilities associated with assets held for sale	5	2,434,704	-
Total Current Liabilities		<u>9,377,991</u>	<u>5,507,769</u>
Non-Current Liabilities			
Borrowings	10	-	3,984,116
Lease liabilities		34,074	87,434
Provisions		408,030	2,881,324
Total Non-Current Liabilities		<u>442,104</u>	<u>6,952,874</u>
Total Liabilities		<u>9,820,095</u>	<u>12,460,643</u>
Net Assets		<u>15,798,482</u>	<u>15,371,982</u>
Equity			
Issued capital	11	63,848,228	60,696,604
Reserves		10,028,515	10,023,186
Accumulated losses		(58,156,516)	(55,426,026)
Total equity attributable to equity holders of the Company		<u>15,720,227</u>	<u>15,293,764</u>
Non-controlling Interests		<u>78,255</u>	<u>78,218</u>
Total Equity		<u>15,798,482</u>	<u>15,371,982</u>

The notes on pages 23 to 31 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 2021

	Issued Capital Ordinary \$	Accumulated Losses \$	Equity Settled Benefits Reserve \$	Total \$	Non- controlling interest \$	Total \$
Balance at 1 July 2020	51,348,741	(45,770,822)	9,752,588	15,330,507	77,727	15,408,234
Comprehensive loss for the period	-	(4,911,659)	-	(4,911,659)	(401)	(4,912,060)
Total comprehensive loss for the period	-	(4,911,659)	-	(4,911,659)	(401)	(4,912,060)
<i>Transactions with owners in their capacity as owners</i>						
Issue of share capital	6,611,901	-	-	6,611,901	-	6,611,901
Share issue costs	(483,068)	-	-	(483,068)	-	(483,068)
Share based payment	-	-	206,393	206,393	-	206,393
Balance at 31 December 2020	57,477,574	(50,682,481)	9,958,981	16,754,074	77,326	16,831,400
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

The notes on pages 23 to 31 are an integral part of these condensed consolidated interim financial statements.

MATSA RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2021

	2021 \$	2020 \$
Cash flows from operating activities		
Receipts from customers	131,092	6,707,369
Other income	1,470,515	138,686
Payments to suppliers and employees	(5,495,908)	(8,001,430)
Interest received	476	17,140
	<hr/>	<hr/>
Net cash used in operating activities	(3,893,825)	(1,138,235)
Cash flows from investing activities		
Proceeds from sale of financial assets	-	292,625
Proceeds from sale of plant and equipment	293,860	-
Proceeds from sale of right-of-use assets	25,000	-
Purchase of plant and equipment	(31,225)	(760,877)
Exploration and evaluation expenditure	(1,082,000)	(2,346,875)
Refund of/(payments for) security deposits	-	2,911
Proceeds on sale of tenements	113,637	-
Payments for mine properties and development	-	(2,212,533)
	<hr/>	<hr/>
Net cash used in investing activities	(680,728)	(5,024,749)
Cash flows from financing activities		
Proceeds from issue of shares	3,375,350	6,611,901
Costs of issue	(223,726)	(417,912)
Repayment of other borrowings	(130,640)	(129,046)
Interest paid	(270,815)	(251,641)
Repayment of lease liabilities	(59,253)	(67,944)
	<hr/>	<hr/>
Net cash provided by financing activities	2,690,916	5,745,358
Net decrease in cash and cash equivalents	(1,883,637)	(417,626)
Cash and cash equivalents at beginning of the period	3,029,326	1,797,098
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	1,145,689	1,379,472

The notes on pages 23 to 31 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 2021

1. CORPORATE INFORMATION

The financial report of Matsa Resources Limited and its controlled entities for the half year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 16 March 2022.

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 half-year financial report

The half year 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 2021 and considered together with any public announcements made by Matsa Resources Limited and its controlled entities during the half year ended 31 December 2021 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 Company's annual financial report for the financial year ended 30 June 2021.

(b) Changes in accounting policies and disclosures

Since 1 July 2021 the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2021. The adoption of any new and revised standards and interpretations effective from 1 July 2021 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 2021

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 loss for the period of \$2,730,453 (2020: \$4,912,060) and a cash outflow from operating activities of \$3,893,825 (2020: \$1,138,235).

At the end of the half year, the Group had \$1,145,689 (30 June 2021: \$3,029,326) in cash and term deposit balances. The Group also had borrowings of approximately \$4,000,000 due and payable on 31 July 2022. Discussion with the lending parties for an extended repayment date is currently underway.

On 20 December 2021, the Company executed a binding agreement to sell the Red October and Devon gold projects to Linden Gold Pty Ltd (LGL) for a consideration of \$20,000,000 with the sale expected to be completed within the next 4 to 9 months. Refer note 5 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 the successful completion of the sale of Red October and Devon gold projects and extension of borrowings. In the event that the Group is not successful in the aforementioned sale or extension of borrowings, 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 2021

3. SEGMENT INFORMATION (cont.)

Half-year ended 31 December 2021	Reportable Segments		Total \$
	Australia \$	Thailand \$	
Other income	1,026,195	36,779	1,062,974
Net loss on sale of tenements and PPE	(85,901)	-	(85,901)
Income from discontinued operations	220,304	-	220,304
Segment revenue	1,160,598	36,779	1,197,377
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)
Half-year ended 31 December 2020*			
Other income	42,146	60,432	102,578
Net gain on sale of investments	97,750	-	97,750
Unrealised gain on financial assets at fair value	53,550	-	53,550
Income from discontinued operations	5,540,355	-	5,540,355
Segment revenue	5,733,801	60,432	5,794,233
Loss from continued operations	(1,227,897)	(221,183)	(1,449,080)
Loss from discontinued operations	(3,462,980)	-	(3,462,980)
Segment loss before tax	(4,690,877)	(221,183)	(4,912,060)
Segment assets			
At 31 December 2021	25,091,555	527,022	25,618,577
Segment assets			
At 30 June 2021	27,349,402	483,223	27,832,625
Segment liabilities			
At 31 December 2021	9,816,076	4,019	9,820,095
Segment liabilities			
At 30 June 2021	12,458,606	2,037	12,460,643

*Comparative information has been re-presented due to a discontinued operation. See Note 5.

4. OTHER INCOME

	31 Dec 21 \$	31 Dec 20 \$
Foreign currency exchange gain	-	-
Other income (i)	1,062,974	102,578
	1,062,974	102,578

- (i) On 20 December 2021, the Company received a non-refundable deposit of \$1,000,000 on execution of the Red October and Devon Sale and Purchase Agreement (SPA). Refer note 5 for further details.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2021

5. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 20 December 2021, the Company executed a binding agreement to sell the Red October and Devon gold projects to Linden Gold Pty Ltd (LGL) for a consideration of \$20 million.

The \$20 million consideration under the terms of the Sale and Purchase Agreement (SPA) consists of the following:

1. A deposit of \$1 million payable on the execution of the SPA. The Company has received this amount from LGL. This deposit may be increased by two additional \$1 million instalments if:
 - (a) LGL has not received conditional approval from the ASX for admission to the ASX by 28 February 2022, extending the completion date to 30 April 2022; and
 - (b) LGL has not received conditional approval from the ASX for admission to the ASX by 30 April 2022, extending the completion date to 30 June 2022.
2. On completion occurring in conjunction with the successful listing of LGL on the ASX, the Company will receive:
 - (a) A cash payment of \$5 million reduced by any amounts paid under 1(a) or (b) above; and
 - (b) \$9 million either in cash or LGL shares (the full \$9 million in shares is expected to equate to an approximately 19.6% interest in LGL at the time of LGL listing on the ASX) at LGL's election, subject to a maximum of \$4.5 million able to be paid by way of cash.
3. A deferred payment of \$5 million consisting of:
 - (a) A deferred cash payment of \$2.5 million within 24 months of LGL receiving conditional approval from the ASX for admission to the ASX; and
 - (b) A net profit payment of \$2.5 million payable quarterly from mining operations at the Devon gold project.

Should LGL not receive conditional approval from the ASX for admission to the ASX by 30 June 2022 as a result of events beyond the control of LGL, the deadline for conditional approval will be extended for up to a further 90 days. At this point, LGL may elect to complete the sale by paying the balance of the payments described in 2(a) and (b) \$12 million in cash to the Company.

At the balance sheet date, the projects were classified as assets held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The fair value of the Red October and Devon gold projects at 31 December 2021 have been determined based on comparable market transactions. The fair value methodology adopted at 31 December 2021 is categorised as Level 3 in the fair value hierarchy.

In accordance with Australian Accounting Standards, immediately before the classification of the Red October and Devon gold projects as assets held for sale, the carrying value of the projects were assessed that they were being carried at the lower of their carrying value and fair value less cost to dispose (FVLCD).

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.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2021

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

As at 31 December 2021, the carrying value of assets held for sale and liabilities associated with assets held for sale in the statement of financial position are detailed below:

Assets held for sale:

Capitalised exploration expenditure	\$8,667,739
Plant and equipment	\$371,038
Total	\$9,038,777

Liabilities associated with assets held for sale:

Rehabilitation provision	\$2,434,704
Total	\$2,434,704

For the period ended 31 December 2021, the results of discontinued operations in the statement of profit or loss are detailed below:

	31 Dec 21 \$	31 Dec 20 \$
Revenue from customers	131,092	5,510,538
Mining operations	(470,486)	(7,249,814)
Amortisation and depreciation	(557,663)	(1,646,317)
Other income	293,958	29,817
Care and maintenance	(1,166,088)	-
Other expenses	(226)	(2,781)
Loss on sale of fixed assets	(204,746)	-
Finance costs	(529)	(104,423)
Loss from discontinued operations	(1,974,688)	(3,462,980)

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

	31 Dec 21 \$	31 Dec 20 \$
Net cash used in operating activities	(2,788,247)	(557,052)
Net cash used in investing activities	(292,134)	(4,790,965)
Net cash flows used in discontinued operations	(3,080,381)	(5,348,017)

6. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 21 \$	30 Jun 21 \$
Balance at beginning of half year	1,917,968	1,901,017
Additions	31,225	777,056
Disposal	(447,917)	-
Depreciation	(366,730)	(760,105)
Transfer to assets held for sale (note 5)	(371,038)	-
Balance at end of half year	763,508	1,917,968

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MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2021

7. MINE PROPERTIES AND DEVELOPMENT

	31 Dec 21 \$	30 Jun 21 \$
Mine properties		
Balance at beginning of half year	7,873	377,568
Amortisation expense for the period	(7,873)	(369,695)
Balance at end of half year	<u>-</u>	<u>7,873</u>
Mine capital development		
Balance at beginning of half year	184,821	1,291,435
Transferred from/(to) exploration and evaluation assets	-	1,114,718
Additions	-	2,333,421
Amortisation expense for the period	(184,821)	(4,554,753)
Balance at end of half year	<u>-</u>	<u>184,821</u>
Total mine properties and development at the end of half year	<u>-</u>	<u>192,694</u>

8. EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 21 \$	30 Jun 21 \$
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase	<u>13,592,689</u>	<u>21,437,966</u>
Movements in carrying amounts		
Balance at beginning of period	21,437,966	18,537,147
Acquisition of tenements	-	-
Disposal of tenements	(259,538)	(15,757)
Exploration and evaluation incurred	1,082,000	4,031,294
Transfer to assets held for sale (note 5)	(8,667,739)	-
Transferred from/(to) mine properties and development	-	(1,114,718)
Balance at end of half year	<u>13,592,689</u>	<u>21,437,966</u>

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.

	31 Dec 2021 \$	30 Jun 21 \$
9. TRADE AND OTHER PAYABLES		
Unsecured liabilities		
Trade payables	1,649,785	3,151,696
Sundry creditors and accrued expenses	826,727	1,656,133
	<u>2,476,512</u>	<u>4,807,829</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2021

10. BORROWINGS

	31 Dec 21 \$	30 Jun 21 \$
Current		
Insurance premium finance - unsecured	94,092	224,732
Loan – secured (i)	3,984,116	-
	<u>4,078,208</u>	<u>224,732</u>
Non Current		
Loan – secured (i)	-	3,984,116
	<u>-</u>	<u>3,984,116</u>

- (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 this basis, the loan has been disclosed as current.

The key terms of the finance facility are as follows:

Principal Amount:	\$5,000,000 (\$4,000,000 drawn down)
Interest Rate:	12% per annum paid monthly in arrears (penalty rate of 18% if the Company is in default)
Term:	Repayable by 31 July 2022
Security:	The loan facility is secured by a mortgage over the Fortitude gold project and the mining equipment and motor vehicles of the Red October 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 \$3,984,116. 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 4 June 2021.

11. ISSUED CAPITAL

	31 Dec 21 \$	30 Jun 21 \$
358,154,620 (30 June 2021: 315,962,745) ordinary shares	<u>63,848,228</u>	<u>60,696,604</u>
Movement in ordinary shares on issue during the period	Number of shares on issue	\$
Opening balance at 1 July 2021	315,962,745	60,696,604
Issued capital (at \$0.08 per share)	42,191,875	3,375,350
Share issue costs	-	(223,726)
Closing balance at 31 December 2021	<u>358,154,620</u>	<u>63,848,228</u>

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2021

12. SHARE BASED PAYMENTS

During the half year ended 31 December 2021, 1,000,000 share options with an exercise price of \$0.17 each, were issued to a director. The options vest immediately at the date of grant. The contractual life of each option is two years and there is no cash settlement of the options.

The fair value of the options granted is estimated at the date of grant using a 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 2021 was estimated at the date of grant using the following assumptions:

Grant Date	30 November 2021
Number of Share Options	1,000,000
Dividend Yield (%)	Nil
Expected Volatility (%)	71.71
Risk-free interest rate (%)	0.54
Expected Life (years)	2.0
Exercise Price (cents)	17 cents
Fair Value per Option (cents)	0.5
Total Value of Options (\$)	5,329

For the half year ended 31 December 2021, the Group has recognised \$5,329 (2020: \$141,237) of share based payment expense in the condensed consolidated statement of profit or loss and other comprehensive income.

13. RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2021 consolidated annual financial report.

14. SUBSEQUENT EVENTS

On 4 February 2022, the Company announced that it was conducting an unmarketable parcel share sale facility whereby it would offer shareholders of fully paid ordinary shares in the Company (Shares) valued at less than \$500 to dispose of those shares at no cost to the shareholder. The unmarketable parcel share sale facility remained open at the date of this report.

On 7 February 2022, the Company announced it had secured 65 strategic SPLAs (Special Prospecting Licence Applications) comprising 942km² prospective for lithium in Thailand in addition to its other base metal projects. Planning is underway to sample the new licences with the goal of identifying lithium bearing pegmatites for potential future drill testing.

On 15 February 2022, LGL and Matsa agreed to extend the completion date of the sale of the Red October and Devon projects under the SPA, by paying the Company an additional \$1 million on 28 February 2022. LGL and the Company has entered into a Deed of Variation which allowed LGL to split the \$1 million payment into \$0.4 million (which has been paid) and \$0.6 million to be paid no later than 25 March 2022.

On 28 February 2022, the Company held a shareholder meeting to approve the sale of the Red October and Devon projects to LGL on the terms above with shareholders approving the sale.

MATSA RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2021

14. SUBSEQUENT EVENTS (cont.)

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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.

15. CONTINGENT ASSETS AND LIABILITIES

There have been no material changes to contingent assets or liabilities as disclosed in the 30 June 2021 annual report.

16. COMMITMENTS

There have been no material changes to commitments as disclosed in the 30 June 2021 annual report.

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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 2021 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 2022

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 2021, 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 as at 31 December 2021 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

We draw attention to Note 2(d) in the interim financial report, which indicates that the Group incurred a net loss of \$2,730,453 (2020: \$4,912,060) during the half-year ended 31 December 2021 and cash outflow from operating activities of \$3,893,825 (2020: \$1,138,235). As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

Nexia Perth

Audit Services Pty Ltd

ACN 145 447 105

Level 3, 88 William Street

Perth WA 6000

GPO Box 2570, Perth WA 6001

p +61 8 9463 2463

f +61 8 9463 2499

e audit@nexiaperth.com.au

w nexia.com.au

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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 2021 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 Klopper
Director

Perth
16 March 2022