



MATSA

R E S O U R C E S

ACN 106 732 487

Corporate Governance Statement

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INTRODUCTION

Background

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.

Good corporate governance structures encourage companies to create value and provide accountability and control systems commensurate with the risks involved.

In March 2003 the ASX Corporate Governance Council ('**Council**') established a number of principles and recommendations for best practice corporate governance and published the *Principles of Good Corporate Governance and Best Practice Recommendations*. It is a requirement of ASX listed companies to analyse and report their compliance with such in the Company's Annual Report. Should there be instances of non compliance then reasons for such must be reported.

In brief, the ten 'principles of good corporate governance and best practice recommendations' published by the Council are as follows:

1. Lay solid foundations for management and oversight.
2. Structure the board to add value.
3. Promote ethical and responsible decision making.
4. Safeguard integrity of financial reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of shareholders.
7. Recognise and manage risk.
8. Encourage enhanced performance.
9. Remunerate fairly and responsibly.
10. Recognise the legitimate interests of stakeholders.

Although the Company's Board of Directors ('**Board**') are committed to the above recommendations, the corporate governance policies and principles should be established, implemented and monitored in such a way as to not compromise or distract the Board and management from its key goals and in a way that ensures the organisation carries on its business in an efficient and effective manner.

The Board has developed changes to ensure that an appropriate and optimal level of corporate governance is in place. The Board has taken into consideration the nature of the governance matter, the impact of immediate or accelerated change to comply on the company and the issues (particularly risks) associated with deferred implementation.

The policies, procedures and guidelines adopted by the Board are disclosed in this document. The changing nature of the organisation as it evolves into a producing company, will necessitate ongoing review of corporate governance requirements.

BOARD CHARTER

ROLE OF THE BOARD

The board's role is to govern the organisation, whilst it is the role of executive management to manage the organisation in accordance with the direction of the board.

The board has responsibility for, and has the authority to determine, all matters relating to policies, practices, management and operations of Matsa Resources Limited ('MATSA'). It is required to do all things necessary to determine the objectives and the strategy, and to ensure that the strategy is carried out in order to achieve the objectives of the company.

The principle objective of the company is to acquire, explore, develop and operate (or otherwise exploit) profitable resource projects to create and deliver sustainable value for shareholders.

The board has the final responsibility for the successful implementation of the strategies, and the ongoing operations and performance of the company.

Without limiting the generality of that stated role, the matters reserved specifically for the board includes:

Establish Vision, Mission and Values

- Determining the vision and objectives of the company.
- Approving and fostering an appropriate culture for the company that is directly aligned to its values, strategies and objectives.
- Identifying all areas where written board policy is required, determining the policies, and overseeing the implementation and monitoring of compliance, including policy in relation to occupational health, safety and environment, code of conduct, related party transactions, and trading in the company's securities.

Set Strategy and Structure

- Formulating short term and long terms strategies to enable the company to achieve its objectives, and ensuring adequate resources are available to meet strategic objectives.
- Approving the annual operating and capital budgets, and variations thereto, ensuring they are aligned with the company's strategic objectives.
- Reviewing annually the progress and performance of the company towards meeting its objectives.
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.

- Identifying other material business risks pertaining to the company's operations, and to develop and implement strategies to manage these risks, and internal control systems to monitor compliance with and the effectiveness of these strategies.
- Reviewing periodically the process, outcomes and effectiveness of the company's decisions and strategies, and ensuring that valuable lessons are identified, and absorbed into the process and framework for making future decisions.
- Approving processes, procedures and internal control systems to ensure that the company's financial results are reported on a timely and accurate basis.

Ensure the Company is Properly Managed

- Appointing and approving the terms and conditions of the appointment of the Managing Director and senior executives.
- Ratifying the appointment and approving the terms and conditions of appointment of the Chief Financial Officer and Company Secretary.
- Establishing and determining the powers and functions of the committees of the board, including the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. Consider the reports from these Committees and the recommendations made.
- Reviewing and providing feedback on the performance of the Managing Director and Chief Financial Officer.
- Authorise expenditure approval limits for the Managing Director, and authorise expenditure in excess of these discretionary limits.

Exercise Accountability to Shareholders and be Responsible to Relevant Stakeholders

- Determining, implementing and monitoring procedures to ensure that the ASX is promptly and adequately informed of all matters considered to be material, in accordance with the continuous disclosure obligations.
- Reviewing the performance of the Board, individual directors and board committees.
- Encouraging effective communication between the company and its shareholders, employees and the general public.
- Establishing and encouraging effective communication channels between the company and shareholders and other parties having legitimate interests that may be effected by the company's activities.
- Authorising the issue of securities and instruments of the company.
- Monitoring developments in the company's industry and general operating environment.
- Approving the Half-yearly and Annual Financial Reports, Annual Report, notice of general meeting, and profit and dividend announcement.

POWERS OF THE BOARD OF DIRECTORS

In order to ensure the efficient management of the company, the Board recognises the need to delegate certain of its powers to executive management. These powers may be delegated to a committee of the board, an individual director, or to an officer or employee of the company.

In delegating this power, the board must be satisfied that the delegate will exercise it reliably and competently, and in accordance with the requirements of the board. The board accepts responsibility for the manner in which the delegated powers are exercised, and must monitor the efficiency and effectiveness of the exercise of these powers by the delegate.

DELEGATION OF AUTHORITY TO MANAGING DIRECTOR AND SENIOR MANAGEMENT

The Board delegates responsibility for the day-to-day management of the company and its operations to its Managing Director and senior management. This delegation of authority includes responsibility for:

- Formulating with the board, the vision, strategies, business plans and budgets, and, to the extent approved by the Board, implementing these plans, budgets and strategies.
- Operating the company's businesses within the parameters and having regard to the policies set by the Board from time to time, and keeping the Board informed of material developments in relation to those businesses.
- Where proposed transactions, commitments or undertakings exceed the parameters set by the Board, referring the matter to the Board for its consideration and approval.
- Identifying material business risks, formulating strategies in conjunction with the board or the Audit and Risk Management Committee to manage the risks, and monitoring effectiveness of the management process and reporting to the board and Audit and Risk Management Committee.
- Developing and managing financial reporting and internal control and monitoring systems to ensure that they are efficient and effective, and provide adequate and timely financial information pertaining to the performance, condition, and prospects of the company.
- Implementing and monitoring compliance with the policies, processes and codes of conduct approved by the Board.
- Negotiating the terms and conditions of appointment of senior executives for board approval, appointing the senior management team, and endorsing the terms and conditions of appointment of all other staff members.
- Implementing and monitoring compliance with policies, processes and procedures for the management and development of the Company's human resources, including the corporate culture and ethics.
- Providing strong leadership to, and effective management of, the company in order to:
 - encourage co-operation and teamwork
 - build and maintain staff morale at a high level

- build and maintain a strong sense of staff identity with, and a sense of allegiance to, the company.
- Ensuring that all matters requiring review or approval by the board are raised with sufficient supporting information and advance notice to allow proper consideration by the board.
- Report to the board on a monthly basis, or other agreed time frame considered to be appropriate by the board, the performance of all parts of the business against budget.

CHAIRPERSON'S RESPONSIBILITIES

The chairperson is responsible for leadership of the board, for the efficient organisation and conduct of the Board's function and for the briefing of all directors in relation to issues arising at board meetings.

The chairperson's responsibilities include:

- Chairing the meetings of the board in an impartial manner, ensuring that meetings are properly constituted, a quorum is present, minutes of previous meetings are considered as required, all directors have a fair opportunity to participate, and the meeting is declared closed.
- Developing a regular schedule of board meetings, setting the agenda for the meetings in consultation with the Managing Director, and ensuring there is adequate time and balance allowed between strategic, operational and compliance issues.
- Ensure a board pack containing the necessary information for effective decision making is circulated sufficiently prior to the meeting to allow adequate time for review by directors.
- Ensuring that issues relating to conflicts of interest between the Company and its directors and employees are properly dealt with in accordance with the Constitution and the Corporations Act.
- Understanding of Board and general meeting rules and procedures.
- Chair the Annual General Meeting ('AGM'), and any Extraordinary General Meetings, and ensure that shareholders have adequate opportunity to ask questions and provide their comments in relation to the management of the company.
- Ensure that the external audit partner is present at the AGM and available to answer any questions raised by shareholders.
- Provide leadership and ensure the effective performance of the Board.
- Ongoing relations with management that are conducive to productive co-operation, and ensure the provision by management to Directors of accurate, timely and clear information.
- Arranging regular evaluation of the performance of the Board and its Committees and of individual Directors.
- Ensuring directors continually update their skills and experience and knowledge of the Company necessary to fulfil their role on the Board and Board Committees.

- Establishing a protocol to be applied in the event that the Chairperson is absent from meetings of the Board.

BOARD STRUCTURE

Criteria for Appointment

Directors are appointed under the terms of the company's constitution. Appointments to the board are to be based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise and experience on the board. The categories considered necessary for this purpose is a blend of accounting and finance, business, technical and administration skills.

Formality of Appointment

Directors should be appointed pursuant to formal agreements. The expectations for time to be committed, and involvement in Committees and other activities of the company should be set out in writing.

An induction pack should be provided to new directors including information in relation to the company's businesses, structure, constituent documents, financial position and strategic and business plans.

Independent Directors

MATSA is intending to evolve from an exploration company to a producer. As an exploration company, Directors have taken a large equity position to provide funding support and directors' emoluments have been at the lower end of the scale. This has assisted in providing confidence to investors as to the focus and commitment of the board to achieve its objectives, and to keep costs down. Consultancy arrangements with directors on an as needed basis have also assisted the company to access required skills and to keep the cost structure flexible and competitive.

The need for access to supporting equity and skills as required, and a flexible cost structure have been greater imperatives for MATSA as an exploration company, than the largely mutually exclusive concept of independence, which is much more relevant to larger corporations with substantial workforces.

However, as MATSA moves towards becoming a gold producer, and the concept of independence will become more relevant. The access to director skills on a consulting basis will largely be replaced by full time executives. However, the large equity holdings of certain directors, and periodic consultancy arrangements may remain.

Whilst the company will progressively increase the independence of its directors over time, compliance with the best practice in this area is not considered a current imperative, due to the additional direct cost of employing such directors, the view that there would not be an increase in board skills (only independence), and the risk that inefficiency will occur in the board decision making process whilst the independent directors become familiar with the company's business.

The board considers that an independent director is a non-executive director who also:

- Is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- Within the last 3 years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment.
- Within the last 3 years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provider.
- Is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has no material contractual relationship with the company or another group member other than as a director of the company.
- Has not served on the board for a period that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.
- Is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Role of Non-executive Directors

Non-executive Directors collectively should:

- Challenge executive management and contribute to the development of strategy.
- Scrutinise the performance of executive management against agreed objectives and strategies.
- Monitor the quality, quantity and efficiency of internal and external reporting of company performance.
- Review independently and challenge the proposals presented by executive management, requesting additional information where they consider the information provided is not sufficiently detailed to support informed decision-making.
- Take reasonable and proper steps to satisfy themselves that financial information released to the markets and shareholders is accurate, and that there are adequate and proper financial controls and systems of risk management and that the controls are maintained and the systems robust.

Non-executive Directors individually should:

- Take the time to ensure they are properly informed about the subject matter of all decisions they are called upon to make as Directors of the Company.

- Monitor their own performance, taking into account their other time commitments, state of health, potential conflicts of interest, and personal circumstances, to determine whether they can properly discharge their duties and responsibilities as a Director of the Company, and provide quality assistance to enable the company to achieve its objectives.
- Undertake ongoing education to maintain appropriate skill levels, and attend site visits to the company to assist with the need to remain familiar with the company's business activities.

Annual Review of Non-executive Directors

Board composition should be reviewed annually by the Board or the Nominations Committee to ensure that the non-executive directors between them bring the range of skills, knowledge and experience necessary to direct the company in the future, taking into account its current operations and expectations for changes in the nature and scope of its activities.

Conflicts of Interest and Potential Conflicts of Interest

A Director must inform the Board or the Chairperson, as soon as the Director becomes aware of any conflict or potential conflict of interest, which that Director may have in relation to any transaction or matter relevant to the company or its business. Unless the board decides otherwise, the Director should be absent from any discussion and decision on that transaction or matter.

Compliance with Legislation and Board Policy

Directors must comply with the relevant legislation impacting on their activities as directors, and with all policies established by the board.

BOARD COMMITTEES

The board may establish as required, standing and temporary committees to which it may delegate some of its powers. In order to define the role, responsibility, powers, structure, composition, operation and administration of each committee, the Board and committee should adopt a charter.

The Company does not have any formally constituted committees of the Board. The Board considers that the Company is not of a size nor are its affairs of such complexity to justify formation of separate or special committees. The Board as a whole addresses the governance aspects of the full scope of the company's activities.

The Board will formally review the advisability of establishing standing or temporary committees each year taking into account its current operations and expectations for changes in the nature and scope of its activities.

The Board assumes responsibilities of what could be delegated to the following committees:

- Audit and Risk Management Committee

- Remuneration Committee
- Nominations Committee

Audit and Risk Management

The Board or the Audit and Risk Management Committee is responsible for:

- Overseeing and appraising the quality of the external audit and the internal control procedures, especially in the following areas:
 - financial reporting and practices
 - business ethics policies and practices
 - accounting policies
 - management and internal controls.
- Providing through regular meetings, a forum for communication between the board, senior financial management staff involved in internal control procedures, and the external auditors.
- Enhancing the credibility and objectivity of financial reports with other interested parties.
- Enhancing the environment for identifying, analysing, managing and monitoring the operating risks involved in the business activities of the company.
- Ensure that executive management are extensively involved in, and vouch for, the adequacy and effectiveness of the risk management systems.

Remuneration

The Board or the Remuneration Committee is responsible for:

- Setting policies for senior officers' remuneration.
- Setting policies for directors' remuneration.
- Making specific recommendations to the board on remuneration of directors and senior officers.
- Setting the terms and conditions for the appointment of the Managing Director.
- Undertaking the review of the Managing Director's performance, at least annually, including setting with the Managing Director the goals for the coming year and reviewing progress in achieving these goals.

Nominations

The Board or the Nominations Committee is responsible for:

- Devising criteria for board membership for approval by the full board.
- Identifying specific individuals for nomination.

- Making recommendations to the board for new directors and membership of committees.
- Assisting the chairperson in advising directors about their performance and possible retirement.
- Overseeing management of succession plans, including the Managing Director and senior management.

COMMITTEE REQUIREMENTS

Should the Board establish a committee:

- Each committee should report to the Board, as it considers appropriate having regard to matters and issues of significance that may arise, but in any case at least annually.
- The minutes of all committee meetings should be included in the Board pack of directors for each board meeting, except where the Chairperson considers it inappropriate due to potential conflicts.

BOARD PERFORMANCE

The Board has a process for reviewing its performance and that of its individual directors, committees and senior management. The Board meets annually to review the outcome of this process.

The annual procedure for Board performance evaluation will be to:

- Review of its performance against the terms of the company's charter.
- Review the performance of committees against the terms of their charters.
- Review the contribution of each director.
- Review the changes that may be required to the charter of the board or its committees, taking into account the developments in the company and its businesses over the preceding year, and in corporate governance practices.

The Board, through the processes of the Board or the Nominations Committee, will determine the scope and detailed procedures involved in this performance evaluation.

INDEMNITY AND INSURANCE

Each Director has entered into an agreement with the Company in which the Company agrees to:

- indemnify the Director against the liability arising out of the discharge of the Director's duties

- provided cover can be obtained at reasonable rates and on reasonable terms, to maintain an insurance policy for the Director against liability incurred in their capacity as a Director
- provide access to company material as required for proper purposes.

INDEPENDENT PROFESSIONAL ADVICE

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chairperson, the company will pay the reasonable expenses associated with obtaining such advice.

RISK MANAGEMENT AND COMPLIANCE POLICY

INTRODUCTION

The Board has the responsibility for ensuring that risks are identified and monitored. The discharge of this responsibility is assisted by:

- The adoption of a Risk Management Policy that has been disseminated to all staff.
- The implementation of a sound system of internal controls and procedures, as overseen by the Board.

The Risk Management Policy is being formulated with due regard for guidelines published by Standards Australia, such as:

- AS/NZS 4360:1999- Risk Management
- HB 141:1999- Risk Financing
- HB 231:2000- Information Security Risk Management Guidelines
- HB 221:2003- Business Continuity Management

PRINCIPLES

The Risk Management Policy provides the guiding principle for management in the identification of risks across the organisation as a whole, and within individual business units. The analysis and evaluation criteria are used to continually assess the impact of risks upon Matsa Resources Limited's ('MATSA') business objectives.

Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. The annual business planning process includes careful consideration of internal and external risk profile of the company. Senior managers report monthly to the board on the areas they are responsible for, including key business risks.

MATSA's business risk management process provides a comprehensive, integrated approach for carrying out risk management activities. This process will allow senior management to minimise the potential impact of business risks in achieving objectives to create and protect shareholder value.

The categories of risk include the following:

- regulatory risk
- system/IT process risk
- financial management risk
- business and operational risk

A risk management model is being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening MATSA as a whole or specific business activities within the Company.

RESPONSIBILITIES

Managing Director or Chief Executive Officer

The Managing Director ('MD') or Chief Executive Officer ('CEO') is accountable to the Board, for ensuring that the risk management system is implemented and maintained in accord with the Risk Management Policy. Assignment of responsibilities in relation to risk management is the prerogative of the MD or CEO.

Senior Executives

Senior Executives are accountable for strategic risk management within areas under their control including the dissemination of the risk management process to operational managers. Collectively the Senior Executive is responsible for:

- The formal identification of strategic risks that impact upon MATSA's business.
- Allocation of priorities.
- The development of strategic risk management plans.

The Senior Executive review progress against agreed risk management plans.

Chief Financial Officer

In conjunction with the MD and CEO, the Chief Financial Officer ('CFO') is accountable for the implementation of the Risk Policy and for maintaining a programme of risk reassessment. The CFO also provides advice to the relevant Senior Executives on risk management matters relevant to their responsibilities.

The CFO is to assist senior management and the Board in the effective discharge of their responsibilities with regard to the MATSA internal control environment by ensuring the efficiency and effectiveness of Company processes and identifying opportunities to improve operating performances.

At appropriate intervals, the CFO shall determine the adequacy and effectiveness of the Company's system of internal accounting and operating controls and determine if the business unit/function are managing risks, in accordance with management instruction, policies and procedures, in a manner consistent with Company objectives.

REMUNERATION STATEMENT

REMUNERATION

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans.

Independent advice should be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

PERFORMANCE-BASED REMUNERATION

The Board recognises that Matsa Resources Limited ('**MATSA**') operates in a global environment. To prosper in this environment, we must attract, motivate and retain key executive staff.

The principles supporting our remuneration policy are that:

- Reward reflects the competitive global market in which we operate.
- Individual reward is based on performance across a range of indicators that apply to delivering results across the company.
- Rewards to executives are linked to creating value for shareholders.
- Executives are rewarded for both financial and non-financial performance.
- Remuneration arrangements are equitable and facilitate the deployment of senior management across the company.
- Senior managers receive a significant component of their reward in equity and are required to retain that holding over time..

MARKET COMPARISONS

Consistent with attracting and retaining talented executives, the board endorses the use of incentive and bonus payments.

The board continues to seek external advice to ensure reasonableness in remuneration scale and structure, and to compare the company's position with the external market. The impact and high cost of replacing senior employees and the competition for talented executives requires the committee to reward key employees when they deliver consistently high performance.

BOARD REMUNERATION

Shareholders approve the maximum aggregate remuneration for non-executive directors. The board determines actual payments to directors and reviews their remuneration annually, based on independent external advice with regard to market practice, relativities, and the duties and accountabilities of directors.

A review of directors' remuneration is conducted annually to benchmark overall remuneration including retirement benefits.

CORPORATE CODE OF CONDUCT

PURPOSE

The Corporate Code of Conduct sets out the standards which all employees, officers, directors, consultants, agents, and other representatives retained by the Company are encouraged to comply with when dealing with each other, shareholders, other stakeholders, and the broader community.

In every business decision MATSA makes, we must follow the ethics and compliance principles set forth in this policy. MATSA, its directors, and its employees are required to not only meet these expectations, but also demonstrate them as necessary to ensure their clients, business associates, shareholders and fellow employees are adhering to this Code. It is also our responsibility to report anything we observe or know about that might violate these principles.

Breach of this code is a serious matter. It is important that you read this code carefully and ask questions about anything you do not understand. Each of us must understand and accept our responsibility in preserving and enhancing MATSA's reputation for integrity.

GUIDING PRINCIPLES

The guiding principles to which employees should strive to comply are:

Performance

- Have passion and belief.
- Work as a team.
- Take accountability.
- Celebrate success.

Simplicity

- Focus on priorities.
- Be non-bureaucratic.
- Communicate clearly.
- Make it easy.

Leadership

- Provide direction.
- Think strategically.
- Be innovative.

- Inspire and enrich.

Commercial Focus

- Be financially responsible.
- Make astute decisions.
- Understand the market.
- Create long term value.

Integrity

- Be open and honest.
- Show respect for the individual.
- Value differences.
- Be a good corporate citizen.

FAIR DEALINGS WITH STAKEHOLDERS

All MATSA directors and employees should strive to be honest and fair in all dealings with customers, business partners, investors, suppliers and communities (**'business associates'**).

Business Associates

Our relationship with our business associates is central to our success. All employees must ensure they treat the business associates of the company fairly. Employees must not discriminate against nor harass work colleagues or business on the basis of attributes such as gender, colour, nationality, disability, age, pregnancy, or marital status. Anti-discrimination laws protect MATSA business associates as well as our employees.

Business Guidelines

MATSA directors and employees are expected to conduct daily activities for the company in compliance with all company policies, legal obligations and contractual obligations. This includes complying with:

- company policies, procedures, rules, regulations and its contracts with its business associates
- applicable legislation
- contracts of employment
- all reasonable and legal instructions of managers
- occupational health and safety requirements
- the company's prohibition on sexual or other unlawful harassment or discrimination in the workplace.

Acceptance of Gifts

MATSA is a company with integrity. Accordingly employees must not solicit business associates for personal gifts of any kind, even if these gifts are sometimes offered as advertising novelties of a nominal value. Gifts could include offers of free travel, merchandise or entertainment. Although not encouraged, gifts such as advertising novelties of a nominal value may be accepted, if it is clear that nothing is expected in return.

Other gifts and gratuities of more than a nominal value, or excessive entertainment, may not be accepted unless you are completely without responsibility for making any related decisions. The departmental manager must first approve acceptance of such gifts, gratuities or entertainment or their appointed authorised representative. All gifts, gratuities and entertainment received or offered, of any value, should be reported to your immediate manager.

OFFERING PAYMENTS

Do not make an illegal or improper payment on behalf of MATSA to any government agency, person or entity.

Do not at any time offer, promise, authorise, approve or condone the use of corporate funds or property for any of the following activities:

- The payment of money or the giving of any thing of value to any:
 - government official(s) in order to influence them to act or fail to act in any official capacity
 - political party, any official of a political party, or any candidate for political office in order to influence them to act or fail to act in any official capacity
 - person who will apply the payment or gift (in whole or in part) directly or indirectly to these activities.
- The payment of a kickback to obtain business for MATSA.

These activities set out in this section are prohibited by MATSA even if permitted by the laws, standards, or customs of any country in MATSA is doing business, and regardless of any requests or pressures received from any government or the competitive consequences of refusing to comply with such requests or pressures.

CONFLICT OF INTEREST

A conflict of interest arises when you are in a position or situation, which could:

- benefit you, or someone with whom you are associated, and that benefit is at the expense of MATSA, or results in lost opportunity for MATSA.

or

- interfere with your objectivity in performing your company duties and responsibilities.

When conducting any business on behalf of MATSA, you must always act in the best interest of MATSA and must avoid situations which could reasonably give the appearance of being under obligation to, or being properly influenced by any, business associate (actual or potential) or any advisers, such as banks, contractors, law firms, consultants and governmental agencies.

Directors and members of the executive must not take advantage of company property or information, their position or opportunities arising from their position for personal gain.

MATSA requires that all employees disclose to their manager any financial interest that might influence an employee's decisions or actions on the job, including interests in any of our business associates and competitors.

To reduce the possibility of conflicts of interest arising, directors and employees are not permitted, while working for MATSA, to accept additional outside employment with another organisation that is a business associate or competitor of MATSA, or any other employment that is in conflict with the employee's position at MATSA.

MATSA employees must not use information or authority derived from employment with the company for personal gain. For example you:

- are not permitted to buy or sell goods or services in your own name or associate (where associate is defined as any person or organisation with which the employee has a business relationship), when the service or equipment concerned would normally be supplied by MATSA.
- are not permitted to hold money or goods entrusted to you by a customer except for the purpose of conveying the money and goods to us without delay
- may not engage in any transaction with a customer other than at 'arms length'.

COMPLIANCE WITH LAWS AND ETHICS

MATSA is a law-abiding and ethical company. We must respect the laws, customs and business practices of the countries in which we operate, without compromising our Code principles. We must also comply with the ethical and technical requirements of relevant regulatory and professional bodies, promote ethical behaviour and will not engage in conduct likely to bring discredit upon the Company.

HEALTH, SAFETY AND ENVIRONMENT POLICY

Matsa Resources Limited ('MATSA') is committed to the continuous improvement of health, safety and environmental management programmes. The Company's goal is to continue to provide a safe working environment and to consider the welfare of employees, consultants, contractors, the broader community and the environment.

MATSA encourages a culture of openness and employee involvement to identify and assist in resolving potential hazards and to identify environmental issues that may arise as a result of exploration and mining operations.

To achieve this goal, the Company's health, safety and environmental policy includes the following key principles:

1. This policy applies to all managers, supervisors, contractors, consultants and Company employees ('Personnel') who are accountable for health, safety and environmental performance in their respective areas.
2. MATSA's decision making process at Board and management levels must take into account health, safety and environmental issues as a high priority.
3. The Board and management will establish and maintain sufficient resources and management systems to identify and monitor any risks associated with the Company's operations.
4. Personnel are required to follow rules for safe operations and to report potential hazards to their supervisors. Everyone is required to use their knowledge and skills to improve safety and to protect the environment.

MATSA will ensure ongoing training and regular reviews so that all Personnel are aware of their responsibility regarding health, safety and the environment.

5. The Company will comply with legal statutory requirements aimed at promoting health, safety and environmental management. Where these provisions do not exist, the Company will apply internal standards that minimise any adverse impacts arising from the Company operations.
6. MATSA will only employ those contractors and consultants who embrace similar health, safety and environmental standards as the Company.

The responsibility for health, safety and environmental performance, including training for each employee, rests with MATSA's Board and management. The identification of potential health and safety risks as well as potential environmental problems will require ongoing review by employees, management and the Board.

CODE OF CONDUCT FOR COMPANY DIRECTORS AND SENIOR EXECUTIVES

INTRODUCTION

This code is established by the company to ensure that directors and senior executives are provided with clear principals setting out the expectations of their conduct.

POLICY

As a general proposition, it is expected that directors and senior executives will actively promote the highest standards of ethics, honesty and integrity in carrying out their roles and responsibilities for the Company.

In addition, in dealing with the company's suppliers, competitors, customers, and other organisations with which they have contact, they will exercise fairness and integrity, and will observe the form and substance of the regulatory environment in which the company operates.

At all times, directors and senior executives must act in the interests of the company. They are therefore required to disclose any actual or perceived conflicts of interest, and to conduct themselves professionally and honestly in the resolution of such conflicts.

Directors will comply with the provisions of the Corporations Act in relation to the disclosure of directors' benefits.

Directors and senior executives acquire information in the course of conducting their duties which is confidential to the company. This information is the property of the company, and it is improper and potentially damaging to the company to disclose it to any other person without proper authorisation by the company.

Information relating to the activities of the company, which is not publicly known, and which may have a material impact on the price of the company's securities, must not be used for personal gain.

Directors and senior executives should ensure that the company is properly managed so as to enhance the interests of shareholders, protect the company's assets, ensure the assets are applied for legitimate business purposes, and ensure all corporate opportunities ensure to the benefit of the company and are not compromised by considerations such as personal gain.

Directors and senior executives have a role in ensuring compliance with this code of conduct, and therefore should be vigilant and report any breach of this code of conduct.

BOARD PERFORMANCE EVALUATION POLICY

BOARD OF DIRECTORS

This policy is to ensure individual directors and the Board as a whole work efficiently and effectively in achieving their functions.

Each year the Board will undertake the following activities:

- The Chairperson will meet with each non-executive director separately to discuss individual performance and ideas for improvement.
- The board as a whole will discuss and analyse its own performance during the year including suggestions for change or improvement.

BOARD COMMITTEES

This policy is to ensure committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in their charter.

Each year the Board will undertake the following activities:

- The Board will review the necessity of establishing any committees and delegating certain of its responsibilities to the committee.
- The Board will review the committees achievements during the year based on their duties.
- The Board will reviews the charters of the committees once per year to ensure that they are up to date.

MANAGING DIRECTOR AND KEY EXECUTIVES

This policy is to ensure the Managing Director and key executives execute the company's strategy through the efficient and effective implementation of the business objectives.

In order to accomplish this:

- Each year the Board reviews the company's strategy.
- Following such a review the Board sets the organisation performance objectives based on qualitative and quantitative measures.
- These objectives are reviewed periodically to ensure they remain consistent with the company's priorities and the changing nature of the company's business.
- These objectives are the performance targets for the Managing Director.
- Performance against these objectives is reviewed annually by the Board and is reflected in the Managing Directors remuneration review.

CONTINUOUS DISCLOSURE POLICY

INTRODUCTION

MATSA has applied to be listed on the Australian Securities Exchange ('ASX') and will be required to comply with the ASX Listing Rules. The ASX Listing Rules contain general and continuous disclosure requirements based on principles that include the interests of listed entities, maintenance of investor protection and the need to protect the reputation of the market. MATSA is committed to meeting its disclosure obligations in accordance with these principles and to the promotion of investor confidence in its securities.

MATSA has a comprehensive disclosure policy to comply with the ASX Listing Rules regarding the public disclosure of material information. The aim of this policy is to ensure that MATSA release price-sensitive information in a timely manner.

DISCLOSURE PRINCIPLE

MATSA will immediately notify the market by announcement to the ASX of any information concerning the business of MATSA that a reasonable person would expect to have a material effect on the price or value of MATSA's securities.

Information about MATSA is regarded as material if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to buy or sell the Company's securities.

Officers and employees are encouraged not to rely on their judgement and to consult the Company Secretary on whether particular information is considered to be material.

The only exceptions to this disclosure principle are those permitted under Listing Rule 3.1A where a Company may withhold disclosure if all three of the following criteria are satisfied:

- a reasonable person would not expect the information to be disclosed
- the information is confidential and the ASX has not formed the view that the information has ceased to be confidential
- one or more of the following applies:
 - it would be a breach of the law to disclose the information
 - the information concerns an incomplete proposal or negotiation
 - the information comprises matters of supposition or is insufficiently definite to warrant disclosure
 - the information is generated for the internal management purposes of MATSA
 - the information is a trade secret.

MANAGING MARKET DISCLOSURE

The Board of MATSA is responsible for overseeing MATSA's disclosure practices and procedures.

Specific responsibilities of the Board in this area are:

- The Company's continuous disclosure obligations.
- Communications with the ASX.
- Making decisions on what should be disclosed publicly under this policy.
- Promoting awareness of this policy within MATSA.
- Overseeing, reviewing and updating this policy, as required, to ensure continuing compliance with changing legal and regulatory compliance.
- Implementing reporting processes and controls.

The Board has the power to delegate aspects of the administration of this policy to senior management.

It is the responsibility of all MATSA senior executives to keep the Board, or the nominated delegate, fully apprised of all potential material developments. The Board shall then evaluate and discuss those developments and determine the materiality of those developments and the appropriateness and timing of any public release of information relating to those developments.

MARKET DISCLOSURE PRINCIPLES

Once the Board has determined that a development constitutes Material Information, MATSA will comply with the following principles of disclosure:

- Material Information will be publicly disclosed promptly to the ASX in accordance with the ASX Listing Rules to prevent selective, unauthorised disclosures.
- Disclosure must be complete, without any omissions that might make the rest of the disclosure misleading, and unfavourable Material Information will be disclosed as promptly and completely as favourable Material Information.
- MATSA will not make selective disclosures of Material Information. Previously undisclosed Material Information will not be disclosed to selected individuals (for example, as a result of telephone calls or inquiries from an analyst or a shareholder).
- Disclosure should be corrected as soon as reasonably practicable if MATSA subsequently learns that an earlier disclosure by MATSA contained a material error at the time it was given.
- The Managing Director and Company Secretary will monitor the media following the release of Material Information and, in the event of perceived inaccuracies in reporting, will consult with the Board to determine if and what corrective steps need to be taken.

SIGNIFICANT ANNOUNCEMENTS

The Board will approve the content of any announcement that contains or relates to financial forecasts or material that is significant as regards MATSA policy or strategy.

Where issues arise which may fall within this category the matter is referred urgently to the Chairperson by the Managing Director/CEO or Company Secretary.

Where the urgency of the subject matter precludes reference to the full Board the Directors who are available may approve an announcement within this category.

Significant announcements of a recurring nature, such as the Company's half-year and end-of-year results, are as a matter of course presented for consideration by the full Board prior to their release to the market.

MANAGING EXPECTATIONS

MATSA will try to ensure, through its regular public dissemination of quantitative and qualitative information that analysts' estimates are in line with MATSA's expectations.

However, MATSA will not confirm, or attempt to influence, an analyst's opinions or conclusions and will not express comfort with analysts' models and earning estimates.

RUMOURS

MATSA will not normally comment, affirmatively or negatively, on rumours. This policy also applies to rumours on the Internet. MATSA's spokespersons will respond consistently to rumours, by stating, 'It is our policy not to comment on market rumours or speculation.'

Should the ASX request that MATSA make a definitive statement in response to a market rumour relating to MATSA, the Company will respond to the ASX as required by the ASX Listing Rules.

TRADING HALTS

MATSA may, in exceptional circumstances, request a trading halt to prevent the emergence of a false or uninformed market for MATSA's securities and to manage disclosure issues. Any decision to request a trading halt will be made under the procedure set out for the release of significant announcements.

BREACHES OF POLICY

Breaches by employees of MATSA's Continuous Disclosure Policy may lead to disciplinary action including dismissal in serious instances.

SHAREHOLDER COMMUNICATIONS POLICY

INTRODUCTION

The Board of Directors are responsible for ensuring shareholder communications are adequate and appropriate and based on transparency and sound corporate governance principles.

These principles form the basis of the Company's Shareholder Communications Policy with the objective of providing shareholders with important information in a timely manner through written and electronic communication.

The Company promotes direct communications with shareholders and has provided contact details on the Company's website in order that shareholders may direct questions or requests for information to its directors and management.

WRITTEN INFORMATION

The Company's Annual Report is the main communication document provided to shareholders following the end of each financial year. In addition to meeting all statutory requirements set by the Corporations Act and the Australian Securities Exchange ('ASX') Listing Rules, the Annual Report contains information that assists shareholders to understand how the Company's operational and financial results were achieved, changes in the state of affairs of the Company and details of future developments and expected results.

The Annual Report is distributed to all shareholders and will be made easily available to shareholders and other stakeholders in a timely manner in both print and on-line versions.

An interim report will be prepared following the end of the financial half-year. The Half-yearly Report contains summarised financial information and a review of the operations of the Company during the period. In accordance with the ASX Listing Rules and the Company's Continuous Disclosure Policy, the Half-yearly Report will be lodged with the ASX. A copy of the Half-yearly Report will be sent to any shareholder who requests them free of charge, or alternatively will be available on the Company's website.

ANNUAL GENERAL MEETING

The Company will convene an Annual General Meeting ('AGM') each year for which notice will be sent to all shareholders. In preparing for the AGM, the Company will draft the notice of meeting and related explanatory information so that they provide all the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting.

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and identification with the Company's strategy and goals. The Company will use the AGM as a tool to effectively communicate with shareholders and allow shareholders a reasonable opportunity to ask questions of the Board and to otherwise participate in the meeting.

The external auditor of the Company will be encouraged to attend each AGM and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

ELECTRONIC COMMUNICATIONS

The Company is aware of the efficiencies and effectiveness of communicating to shareholders electronically. With this in mind, the Company is committed to maintaining its website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders and stakeholders informed about the Company.

In particular, where appropriate, after receiving confirmation of receipt by the ASX, the following information will be posted to the Company's website:

- relevant announcements made to the market via the ASX
- media releases
- broker and analyst reports
- company presentations and media briefings
- the full text of notices of meeting and explanatory material
- information related to general meetings, including the Chairperson's address, speeches and voting results
- copies of press releases and announcements for the preceding three years
- copies of the current Annual Report and Half-yearly Reports and those of the preceding three years.

The Company's website address is www.matsa.com.au

ACCESS TO DIRECTORS, MANAGEMENT AND AUDITORS

Shareholders may at any time direct questions or requests for information to directors or management through the Company's website or by contacting the Company on the phone number provided on the website. At each Annual General Meeting, shareholders will be given the opportunity to ask the Company's directors and external auditors questions relating to the business and the conduct of the audit respectively.

SHARE TRADING POLICY

INTRODUCTION

This Share Trading Policy has been written in an effort to prevent the incidence of insider trading in the Company's securities by directors, senior managers and other employees and person associated with any of them. It is the responsibility of each individual to comply with this policy.

This policy sets out:

- When trading in the Company's securities by directors, senior managers and other employees is permitted.
- Procedures to reduce the risk of insider trading.

TRADING IN COMPANY SHARES

Directors, senior managers, employees and related parties (being persons connected with them who are likely to be influenced by the directors/employees in their decision making) shall not trade in the Company's securities nor place themselves under suspicion of trading in the Company's securities while in possession of unpublished price sensitive information.

All directors and employees should ensure that all transactions in the Company's securities comply with:

- Australian Corporations Law and Regulations (particularly the insider trading provisions in Section 1002G)
- the Australian Securities Exchange Ltd Listing Rules (particularly the continuous disclosure requirements in rule 3.1)
- any similar legislation in other countries in which the Company conducts transactions.

The Company's securities include ordinary shares, options and any other instrument issued or granted by the Company from time to time.

GENERAL RESTRICTIONS ON TRADING

Directors and any employee:

- must not engage in short term trading of the Company's securities
- must not trade in any of the Company's securities while that person is in possession of unpublished price sensitive information (i.e. insider information).

RESTRICTIONS ON TRADING BY DIRECTORS AND SENIOR MANAGEMENT

In addition to the above restrictions, Directors and senior management must not trade in the Company's securities without first obtaining clearance before commencing the transaction from:

- in the case of a senior manager, or their associates, the Managing Director or the Company Secretary
or
- in the case of a Director, or their associates, the Chairperson or, in his/her absence, the Managing Director
or
- in the case of the Managing Director, the Chairperson or, in his/her absence, the Company Secretary
or
- in the case of the Chairperson, the Managing Director or in his/her absence, the Company Secretary.

EXEMPTION

In exceptional circumstances clearance may be given for the Director or relevant employee to sell, but not to purchase, securities when he would otherwise be prohibited from doing so but not while there exists any matter, which constitutes unpublished price sensitive information in relation to the Company's securities.

RESPONSIBILITIES

Each Director and employee is responsible for adhering to the Company's ethical standards for trading in the Company's securities.

