

STATEMENT OF SELECTION AND APPOINTMENT OF NEW DIRECTORS

INTRODUCTION AND PURPOSE

This document outlines the procedure which the board of Matsa Limited ("Matsa" or "the Company") follow in appointing a new director.

The current size of the Matsa Board is 4 directors comprising the following:

Mr P Poli (Executive Chairman)
Mr F Sibbel (Director)
Mr A Chapman (Director/Company Secretary)
Mr P Blampain (Executive Director)

PROCEDURE

Directors should ensure the Company is properly managed to protect and enhance shareholder value and to meet the Company's obligations to shareholders, to the industry and to the law. In carrying out this duty, the board should always be mindful of the need for establishing a board that enhances the efficient and effective running of the Company.

The following procedure is followed in selecting and appointing a new director to the board of Matsa:

- The Chairman identifies the need for a new director. This should be based on determining whether there are an appropriate number of directors to allow for effective decision-making.
- The Chairman identifies any potential candidates who will:
 - Complement the current board composition – ie. is there an appropriate mix of directors with financial expertise and relevant industry experience?
 - Have the required skills, knowledge and expertise to add value to the board.
 - Provide the board with further competencies and be able to provide independent and objective advice.
 - Ensure that the board maintains at least 3 directors, with an appropriate number of non-executive and independent directors.
 - Have no material conflicts of interest with the Company.
 - Have a reputable standing in the industry.
 - Be able to commit the necessary time to their position – in general, the maximum number of directorships or equivalent positions for an individual should not exceed five, unless the director can clearly demonstrate that they have the time to commit to additional appointments. Each non-executive director should specifically acknowledge to the Company prior to appointment or being submitted for election that they will have sufficient time to meet what is expected of them.
- The Chairman can use his networks or external consultants to identify potential candidates. The procedure for the appointment of directors is to include the determination of the terms, conditions, responsibilities and expectations of the new position such that any potential candidate can fit the criteria which satisfies the objective of the additional appointment.

- Non-executive directors should be appointed for specific terms subject to re-election and to the Australian Securities Exchange Listing Rules and Corporations Act provisions concerning removal of a director.
- Once the candidate/s have been agreed upon, they are to be approached in the upmost professional manner. Upon a candidate/s accepting nomination or appointment, the Chairman is responsible for ensuring that all proposed candidate/s nomination and appointment procedures comply with the corporate constitution and the Corporations Act.
- The Chairman is to forward any recommendation for appointment or removal of a director to the board for consideration and further action.
- Where there is a choice to be made between well qualified candidates, the board has a responsibility to shareholders to enable a fair and professional comparative assessment of the candidates' skills and experience in light of identified board needs and to advise shareholders about the outcome of that assessment, with the objective that the election will result in the board having the best mix of available skills to deal with the circumstances facing the Company. As such, the board will in a notice of meeting recommend to shareholders eligible to vote, which candidate/s it considers will best fit the current identified needs of the board. If there are "open" proxy votes, the chairperson of the meeting will exercise those votes in favour of the board's recommended candidate/s.
- The ultimate decisions about who is elected to the board are to be made by the shareholders. In the event that the board has one candidate, the approval of their election at a general meeting must occur.
- The CEO is responsible for ensuring that the new board member is inducted and that they have every opportunity to increase their knowledge about the Company to ensure that they can participate in an effective manner to the board deliberations. This process is monitored by the Chairman.
- The Chairman is responsible for ensuring that all appropriate documentation in relation to the appointment is finalised. This includes such items as minutes, voting and contract. In the event that a director is not performing to accepted levels, the director will be required to resign.

If the Company has a designated Nomination Committee the above process would be conducted by the Nomination Committee who would then recommend to the Board the proposed candidate.

BOARD RENEWAL

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Re-appointment of directors is not automatic.

SIZE AND COMPOSITION OF THE BOARD

The Board should be structured in such a way that it has a proper understanding of, and competence to deal with, the current and emerging issues of the business and encourages enhanced performance of the Company.

Reference is made to the Company's size and operations as they evolve from time to time.

COMMITMENT TO THE BOARD

Non-executive Directors shall provide to the Nomination Committee (or equivalent), prior to their appointment or re-election, details of other commitments and an indication of the time involved in carrying out those other commitments.

All directors should consider the number and nature of their directorships and calls on their time from other commitments.

INFORMING SHAREHOLDERS

Shareholders shall be informed of the names of candidates submitted for election as directors. In order to enable shareholders to make an informed decision regarding the election, the following information shall be supplied to shareholders:

1. biographical details (including competencies and qualifications and information sufficient to enable an assessment of the independence of the candidate);
2. details of relationships between the candidate and the Company; and the candidate and directors of the Company;
3. directorships held;
4. particulars of other positions which involve significant time commitments;
5. the term of office currently served by any directors subject to re-election; and
6. any other particulars required by law.