



MATSA

RESOURCES

ABN 48 106 732 487

ASX Announcement

2 December 2010

LETTER OF INTENT TO ENTER INTO JOINT VENTURE RECEIVED FROM CHINA KINWA TO DEVELOP THE NORSEMAN GOLD PROJECT

HIGHLIGHTS:

- **China Kinwa to acquire a 50% interest in the Norseman Gold Project**
- **Both parties to contribute to a feasibility study to establish a production profile**
- **China Kinwa to secure finance to develop the Norseman Project and an off take agreement**

Matsa Resources Limited (ASX:MAT, "Matsa" or the "Company") is pleased to advise that it has received a Letter of Intent ("LOI") from China Kinwa Technology Co. Limited ("China Kinwa") confirming China Kinwa's intention to enter into a binding Memorandum of Understanding ("MOU") to jointly develop the Company's flagship Norseman Gold Project.

While the detailed MOU will be finalised in due course the LOI contemplates the following with respect to the Norseman Gold Project:

1. China Kinwa will acquire a 50% interest in the Norseman Gold Project which will include the Mt Henry, Selene and North Scotia gold deposits as well as any associated magnetite concentrate by-product associated with those deposits on commercial terms already discussed but yet to be finalised. Matsa will manage and operate the project and enter into a co-operation agreement with China Kinwa.
2. China Kinwa and Matsa will undertake a feasibility study on the project as soon as possible on equal terms to establish a gold mining operation and/or combined gold/magnetite mining operation.
3. China Kinwa is to secure commercial loan financing for the development and construction of a gold or gold/magnetite operation.
4. China Kinwa will assist in the procurement of an off take agreement for any magnetite iron ore concentrate produced from the Norseman Gold Project on normal terms and conditions.
5. China Kinwa to assist Matsa in the development and marketing of other projects to Chinese interests.
6. China Kinwa and Matsa to form a joint venture to assess other resource sector opportunities in both Australia and Thailand.

The Company's Executive Chairman, Paul Poli said "The LOI received from a company of the ilk of China Kinwa, being the first step, shows that there is strong interest and a high value being placed in the development of the Company's Norseman Gold Project and highlights the potential for magnetite by-product production in conjunction with the gold operation.

Our ongoing discussions with China Kinwa have been very constructive to date and we will immediately progress to finalise the MOU. This is a very exciting stage for the Company as it now demonstrates that there lies the potential of a direct pathway to production, subject to the successful completion of definitive feasibility studies, which will commence in earnest after the finalisation of all agreements. This agreement could provide the Company with future financial security through the sale of 50% of the Norseman Gold Project and assist the Company transforming itself into a substantial gold producer."

It should be noted that the LOI is not a binding agreement and both parties intend to progress the LOI into a binding MOU over the next few weeks. The final terms and conditions of the MOU have yet to be finalised and will be subject to due diligence to be conducted by both parties and any shareholder, regulatory and government approvals required.

CHINA KINWA TECHNOLOGY CO. LIMITED

China Kinwa is a non government owned company established on the 11th March 1994 and is currently listed on the Shanghai Stock Exchange with approximately 1.12 billion shares on issue with a market capital of nearly AUD\$1.6 Billion. Originally China Kinwa was known as Changchun Heat Shrinkable Materials Co., Ltd., which is the biggest manufacturer of comprehensive heat-shrinkable materials (CIAC products) in China. It is also engaged in manufacture and distribution of electrical wires and cables, electronic information materials and petrochemical products, as well as a trading business. China Kinwa recently decided to make strategic investments into international resource companies and views the agreement with Matsa as a significant step in that direction in Australia. The Company's major products include electrical wires, cables and accessories, copper foil products, petroleum products, battery materials and trading products, among others. As of December 31, 2009, the Company had nine subsidiaries. The Company distributes its products in domestic and overseas markets.

NORSEMAN PROJECT

The Norseman Gold Project is 200 kilometres south of Kalgoorlie, in Western Australia (Figure 1).

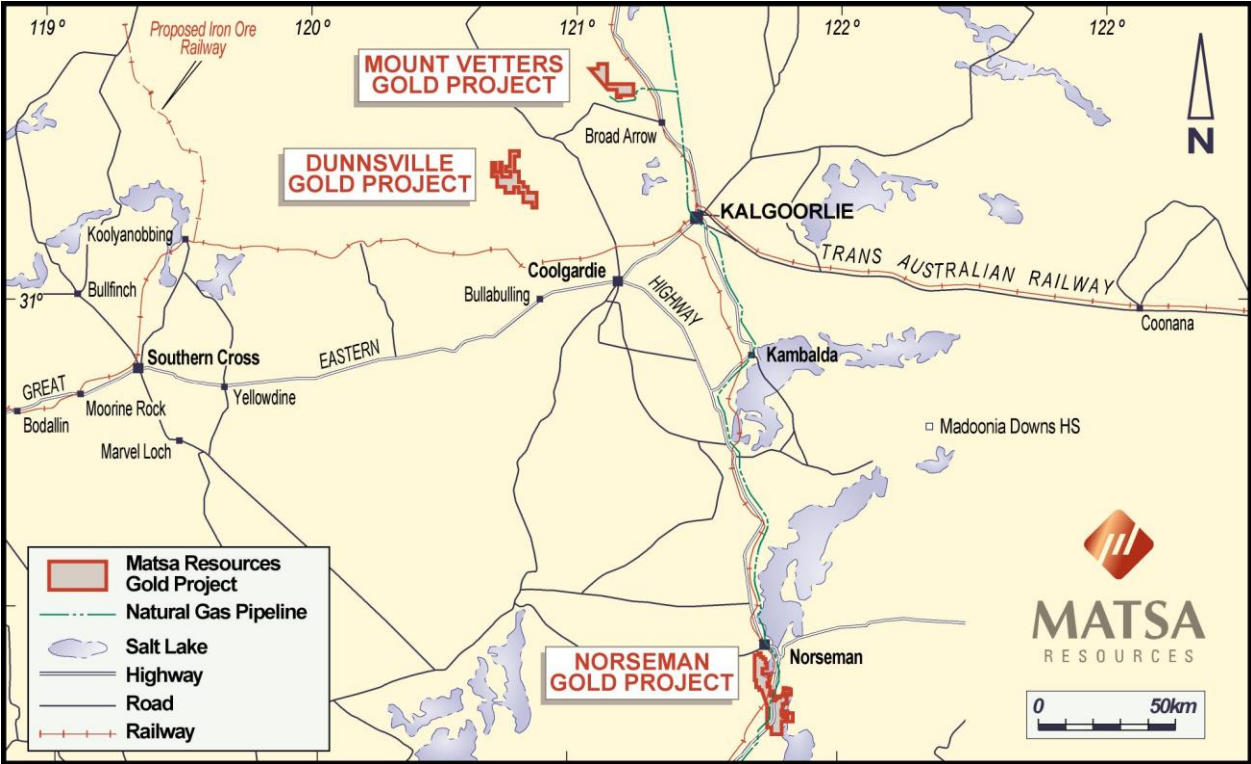


Figure 1. Matsa Western Australian Project locations

The Norseman Gold project is in the South Yilgarn Greenstone belt near Norseman on the Eastern Goldfields in Western Australia. The Gold Project is located just south of the Dundas Iron Ore Project. Previous feasibility study work on this low grade gold mineralisation indicated cash operating costs of around AUD\$900 per ounce could be achieved. The current Mineral Resource for the Norseman Gold Project totals 26.5 million tonnes @ 1.7g/t for 1.47 million ounces and is tabled below:

Norseman Gold Project Resources			
(>1g/t Au)			
	Tonnes	Grade	Ounces
	(Million)	(g/t)	
Indicated			
Mt Henry	5.6	1.9	350,000
Selene	11.8	1.6	600,000
North Scotia	0.2	5.2	36,000
Total	17.6	1.8	990,000
Inferred			
Mt Henry	4.9	1.8	280,000
Selene	3.1	1.4	140,000
North Scotia	0.3	2.2	24,000
Abbotshall	0.5	2.0	30,000
Total	8.9	1.7	480,000
Grand Total			
Grand Total	26.5	1.7	1,470,000

- 1) All resources are reported to a lower cut-off grade of 1.0 g/t
- 2) Rounding, conforming to the JORC code may cause computational errors.

Gold – Magnetite (Iron Ore) Production Studies

Recently and still ongoing is a detailed investigation into a combined gold and magnetite production scenario, instead of solely a gold production plan, as a result of the gold mineralisation being mostly hosted within a Banded Iron Formation geological unit. The concept being assessed is that as the gold ore is mined, the waste rock and ore residue tailings potentially contain significant grades of magnetite iron ore. Work has recently been undertaken to determine the profitability and feasibility of a dual mining concept with a number of scenarios being considered as listed below:

- Capture of magnetite from the waste residue of a gold processing circuit.
- In addition to the 'gold tailings' above, mining and processing BIF ore that is low in gold but has the advantage of being 'mined waste rock' to the gold mineralisation. This would require a larger processing plant and a separate circuit for magnetite ore processing. There could potentially be more low-grade gold processed in this route.
- The final scenario would involve a larger operation that would maximise the value of both gold and magnetite products from the area of the gold Resources. This would include larger tonnages

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of non-gold BIF ore from along strike and within the footwall of the gold Resources requiring a larger magnetite circuit.

The result of initial studies has concluded that a real potential exists for a combined gold - magnetite mine and processing plant producing up to 100,000 oz of gold and a magnetite concentrate. Preliminary concepts have been determined with engineering firms demonstrating that a suitable plant design could be constructed at a reasonable cost which would deliver the desired product. To this end discussions are continuing with several interested Chinese Steel houses in Beijing who have expressed an interest in a cooperative investment and off take agreement in regard to the magnetite concentrate. These Chinese interests have examined recent results of tests and have confirmed that the product is saleable and has commercial value despite some concentrate having a higher level of sulphur.

Metallurgical Test-work

The Company has undertaken preliminary metallurgical test-work to evaluate potential for viable magnetite mineralisation. Previous drilling of the BIF associated with the Mt Henry Gold mineralisation has confirmed the presence of at least 3 major BIF units at Mt Henry with an aggregate thickness up to 150 metres. Samples of BIF were selected to test for indicative magnetite percentages and recoveries. The test-work results confirm that the BIF has characteristics suitable for a large magnetite iron ore project.

All test-work to date has made use of sample materials derived from drill-holes targeted on gold mineralisation within the Mt Henry gold mineralisation (Figure 2). It should be noted that magnetite within and close to gold mineralised sections of the BIF has been extensively replaced by sulphides including pyrrhotite. Consequently results from this early 'sighter' test-work, while encouraging, can be regarded only as an indication of likely magnetite recoveries away from the sulphide-gold zones.

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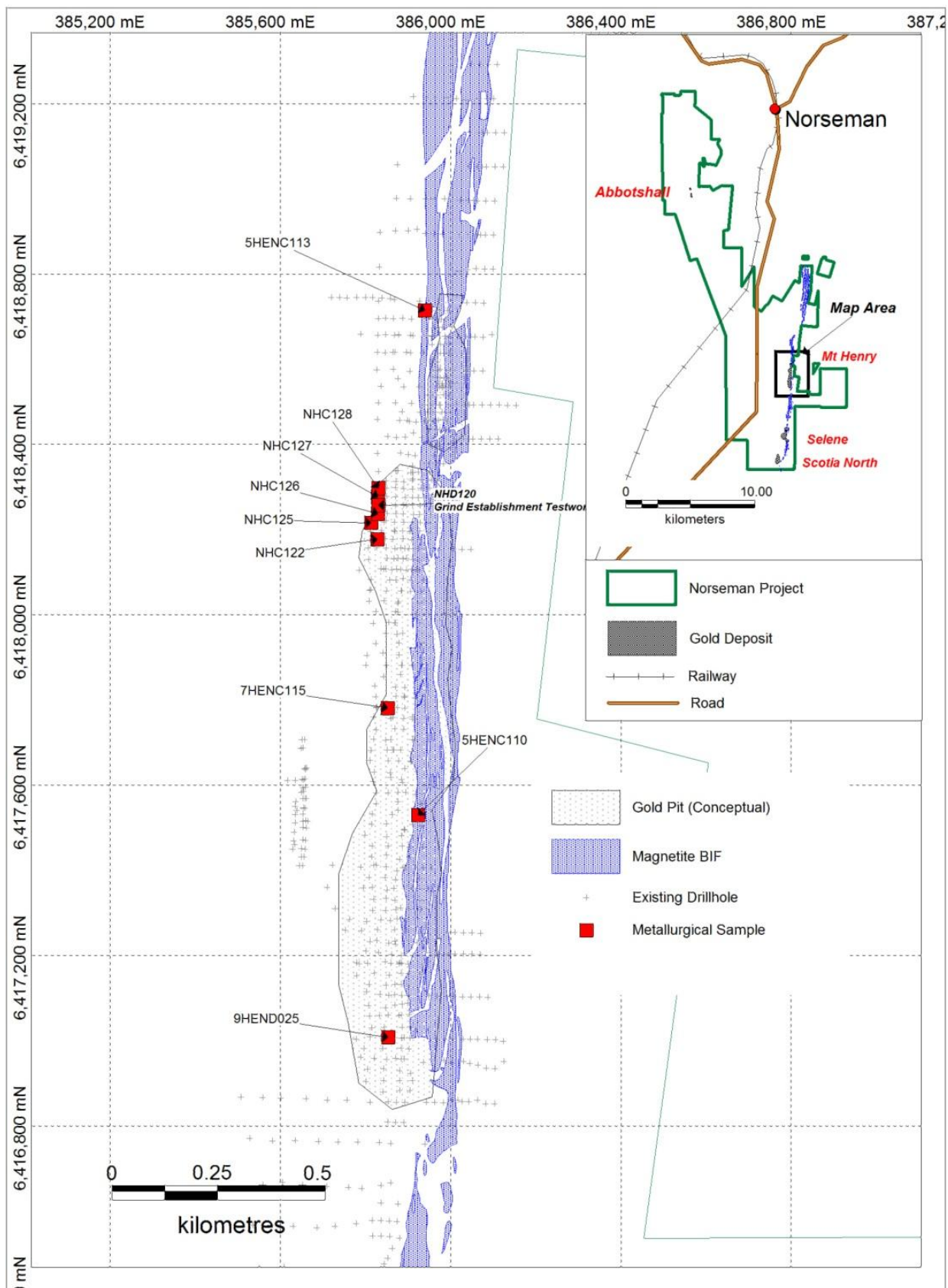


Figure 2: Metallurgical Sample Locations

Grind Establishment test-work

A 40kg sample of diamond drill core (Hole NHD120) was submitted for grinding and magnetite recovery test-work. This hole is located at the northern end of the Mt Henry Deposit and includes a 30m section which is less affected by sulphide replacement of magnetite compared to other diamond drill-holes on the project (Figure 3).

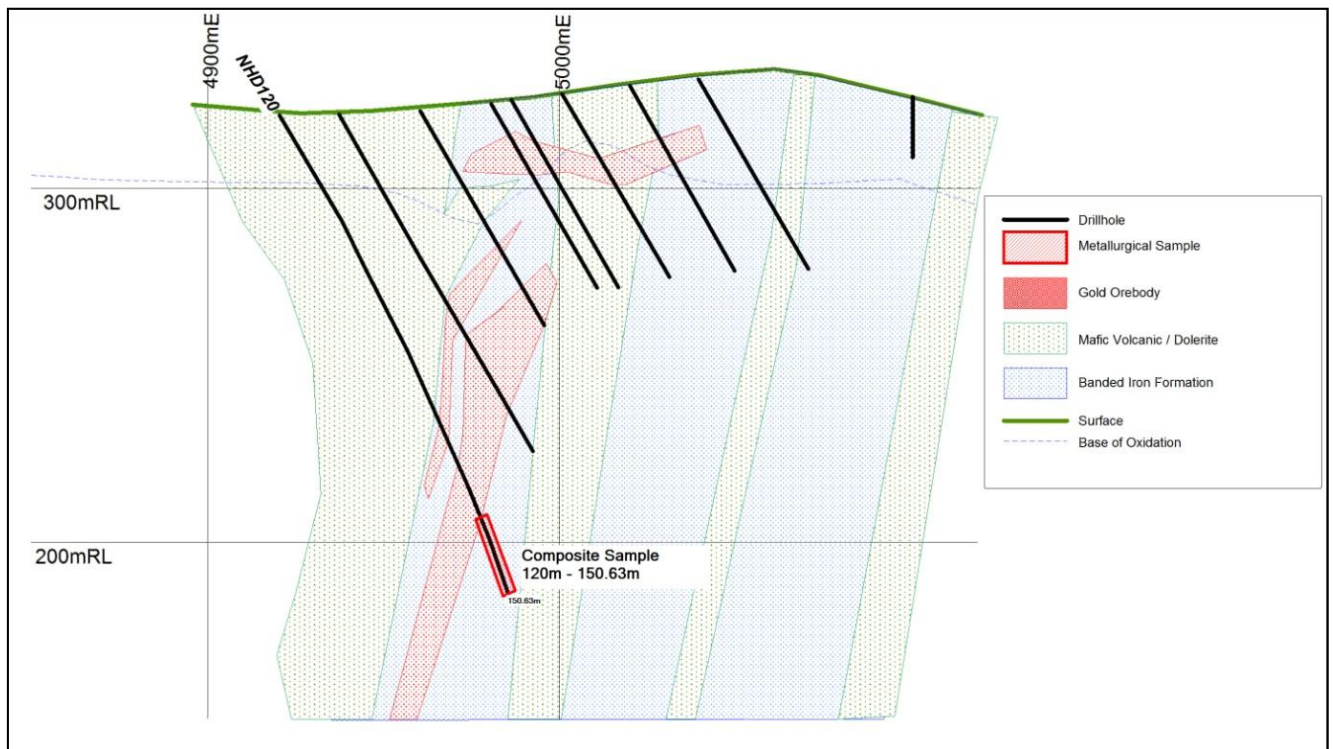


Figure 3: Summary Cross Section Mt Henry 10200N

Results from this test-work are summarised in Table 1.

Table 1: DTR Results P80 32micron fraction Diamond Hole NHD120

P80	Wt%	Fe%	SiO2%	Al2O3%	S%	MgO%	TiO2%	Mn%	CaO%	P%
32	37.23	66.5	4.96	0.4	2.97	0.49	0.064	0.07	0.42	0.02
Head	100	30.29	48.03	1.47	1.58	3.31	0.05	0.15	3.07	0.05

It can be seen that a grind size of 32 microns (80% passing 32 microns) achieves a satisfactory weight recovery of magnetite concentrate with assays close to desired levels for iron and the major contaminants silica and alumina. High sulphur values reflect the proximity of this sample to the sulphide gold mineralisation, and it is seen that as the gold values decrease so does the sulphur values.

Davis Tube Recoveries on existing pulverised Assay Residues

Available pulverised residues from past drill-holes at Mt Henry were selected for additional test-work. Intervals were selected through more or less gold-mineralised BIF. The location of these holes can be seen in Figure 2 with most located at the northern end of the Mt Henry gold project.

Magnetic susceptibility readings were carried out on these to identify samples with appreciable magnetite. A total of 21 composite samples were submitted for Davis Tube Test-work.

Sample results have been compiled and shown in Table 2 below where it can be seen that for the 9 drill-holes referred to, significant magnetite recoveries (DTR%) >25% were achieved in a number of intercepts and, included magnetite recoveries up to 42%.

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Table 2. *Davis Tube Results from Stored Assay Pulps*

Drillhole	From m	To m	Length(m)	DTR%	Fe%	SiO2%	Al2O3%	P XRF%	S XRF%	LOI1000%
5HENC113	26	43	17	22.25	68.7	3.23	0.19	0.012	0.10	-2.56
NHC128	98	122	24	21.50	66.4	4.08	0.23	0.013	3.49	-0.87
NHC127	108	141	33	30.38	67.3	3.06	0.24	0.008	4.14	-0.64
NHC126	109	140	31	29.33	67.9	2.40	0.27	0.008	2.21	-0.73
NHC125	127	142	10	17.60	66.7	2.37	0.29	0.010	2.78	0.63
NHC125	162	171	9	37.05	69.4	1.73	0.14	0.005	3.57	-1.61
NHC122	102	122	15	9.90	65.7	2.61	0.19	0.010	1.94	2.02
NHC122	136	140	4	42.00	70.9	1.00	0.07	0.005	1.69	-2.56
7HENC115	62	97	35	26.28	66.1	5.78	0.35	0.010	2.11	-2.19
5HENC110	26	40	14	37.4	70.41	1.81	0.12	0.005	0.047	-3.13
9HEND025	46.2	53.5	7.3	19.2	69.35	3.12	0.12	0.007	0.195	-2.86

Concentrate assays indicate significantly higher iron and lower silica than were achieved in the grind establishment test described above from NHD120 although similar in sulphur values.

Sizing analysis indicates that these pulverised samples contain a higher proportion of very fine material and so concentrate assay results are not directly comparable with the results from NHD120.

Test-work is currently underway to evaluate removal of sulphur from magnetite concentrates and potential for gold credits from this material.

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Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves pertaining to iron ore is based on information compiled by David Fielding, and who is a Fellow of the Australasian Institute of Mining and Metallurgy. David Fielding is a full time employee of Matsa Resources. David Fielding has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves. David Fielding consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves pertaining to gold is based on information compiled by Richard Breyley, who is a member of the Australasian Institute of Mining and Metallurgy. Richard Breyley is a full time employee of Matsa Resources. Richard Breyley has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves. Richard Breyley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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