



MATSA

R E S O U R C E S

ABN 48 106 732 487

ASX Announcement

7 December 2010

HEMATITE OFF TAKE AGREEMENT SIGNED WITH ROCK RESOURCE LTD

HIGHLIGHTS:

- **Off take agreement signed for all Hematite produced at Dundas Iron Project**
- **Further assistance and funding available if required**

Matsa Resources Limited (ASX:MAT, "Matsa" or the "Company") is pleased to advise that it has signed a formal and binding Off Take Agreement for all hematite to be produced from the Dundas Iron Ore Project with Rock Resource Ltd ("Rock"). Rock is a Hong Kong based Iron and Steel mill operator and investment company with strong relationships with a number of Chinese Steel Mills.

The off take agreement provides for Rock to purchase all hematite produced from the Dundas Iron Project at market price at the time of production with a 1% discount. Rock has entered into the agreement subsequent to a site visit and receipt of preliminary assay results derived from samples taken by Rock from their visit. The off take agreement is seen as important by Matsa as it confirms that the hematite product that is expected to be produced by the Company from the Dundas Iron Project meets the Chinese market specifications. This agreement follows a previous small placement in Matsa taken by Rock in November 2010.

Further discussions held centred on the offer of financial and technical assistance by Rock to Matsa if required by Matsa at any time during the lead up to production. These discussions are ongoing.

Dundas Iron Project –Potential for Direct Shipping Grade Mineralisation

Introduction

The Dundas Iron Project is located within the Company's Norseman Project area. The project's objective is to find economic iron mineralisation in Banded Iron Formation (BIF). This is the northern extension of BIF package which partially hosts the 1.5Moz Mt Henry Gold Project. (Figure 1)

A magnetite Exploration Target¹ of between 350MT and 750MT is the principal focus, but surface mapping and sampling has also identified surface iron enrichment in the BIF with iron grades up to 62% Fe. A number of individual surface enriched zones up to 300m long have been mapped. Collectively these present an attractive exploration target¹ between 1MT and 5MT with potential for early development and cash flow as a precursor to the magnetite project.

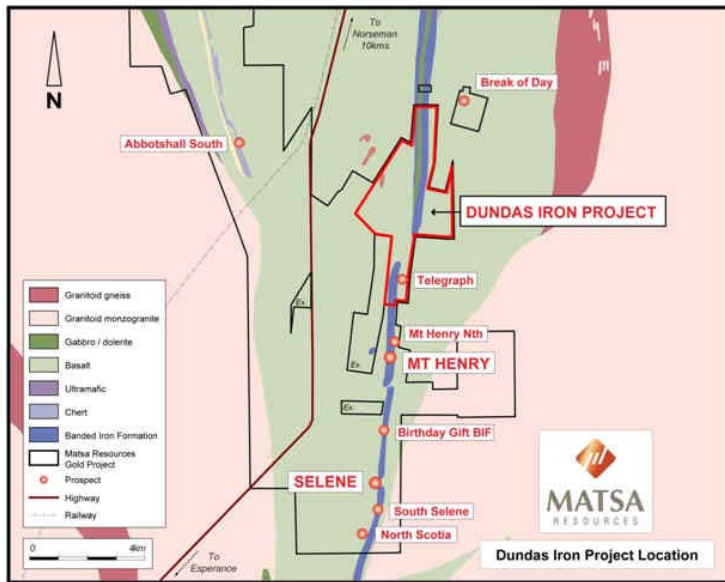


Figure 1: Dundas Iron Project Location

Work Completed to Date

In a brief project appraisal in March 2009 Chris Robinson of Hematite Consultants recognised potential for sufficient direct shipping grade (DSO) mineralisation to support a small DSO operation particularly given the very favourable location of the project within 4km of the Kalgoorlie Esperance Railway which leads directly to the Esperance Port. (Figure 1)



Figure 2. Surface Iron Enrichment in the form of Martite Goethite mineralisation

Geological mapping and sampling by geological consultants CSA Global identified a number of zones of surface iron enrichment as shown in Figure 3. Surface rock chip sample assays greater than 50% Fe are the result of secondary iron enrichment of BIF. (Iron values in primary un-enriched BIF typically in the range of 20-40% Fe).

Iron enrichment can occur in a number of ways, but the most likely mechanism at Dundas is supergene enrichment in the near surface environment. This is typically the result of deep oxidation and weathering where gangue components of BIF such as quartz and iron rich silicates are removed or broken down and replaced by deposition of secondary iron minerals (typically goethite). In this environment magnetite oxidises to hematite. This style of enrichment produces a goethite martite (hematite) rock with variable quartz and clays as shown in Figure 2. This type of mineralisation frequently displays a degree of control by structures like folds and faults which can facilitate the enrichment process by allowing access to groundwater.

For personal use only

Summary assays of rock chip samples with >50% Fe are presented in Table 1.

Sample	Fe %	SiO2 %	Al2O3 %	Mn %	CaO %	P %	S %
NH028	62.1	5.0	1.85	0.04	0.12	0.04	0.06
NH032	61.9	5.1	2.15	0.04	0.15	0.06	0.05
A55990	61.6	5.2	2.33	0.03	0.08	0.05	0.05
NH027	61.2	6.0	1.83	0.03	0.10	0.05	0.05
NH029	60.3	8.5	2.91	0.04	0.18	0.04	0.07
A55991	59.8	6.3	2.55	0.04	0.19	0.05	0.10
A55988	58.3	9.5	2.05	0.04	0.13	0.03	0.04
A55986	57.6	8.4	2.47	0.03	0.15	0.08	0.06
A55985	55.3	11.9	3.40	0.03	0.15	0.05	0.05
A55984	55.1	14.2	1.90	0.03	0.30	0.11	0.02
A55976	54.8	14.9	1.18	0.05	0.12	0.04	0.05
A55965	54.8	10.3	2.47	0.05	0.48	0.08	0.12
A55975	54.5	17.2	0.79	0.05	0.12	0.03	0.04
A55978	54.4	17.7	1.00	0.03	0.12	0.07	0.02
A55983	54.0	13.6	1.33	0.04	0.37	0.07	0.05
A55989	53.8	12.8	4.06	0.03	0.10	0.03	0.06
A55982	53.6	12.7	1.46	0.04	0.14	0.10	0.03
NH011	53.2	15.1	1.97	0.04	0.23	0.06	0.09
A55966	53.1	12.7	3.29	0.06	0.26	0.06	0.09
A55968	53.0	13.0	1.38	0.05	0.67	0.04	0.06
NH004	52.8	13.5	1.77	0.10	0.66	0.04	0.08
NH002	52.4	13.0	3.16	0.07	0.43	0.06	0.06
A55969	52.3	13.1	5.37	0.02	0.18	0.01	0.08
A55981	52.1	10.0	5.19	0.03	0.19	0.13	0.04
NH005	51.5	12.9	1.93	0.08	0.27	0.04	0.07
NH001	51.1	16.0	3.61	0.09	0.57	0.05	0.07
NH003	50.5	17.5	1.68	0.06	0.57	0.07	0.06

Table 1: Surface Rock Chip Sample Assays for Samples containing >50% Fe.

A phase 1 Reverse Circulation Drilling programme comprising 22 drill holes for 1,811m was recently completed in November 2010. Eight holes were targeted on zones of surface iron enrichment with assays results due shortly. The location of these holes is shown in Figure 3.

For personal use only

For personal use only

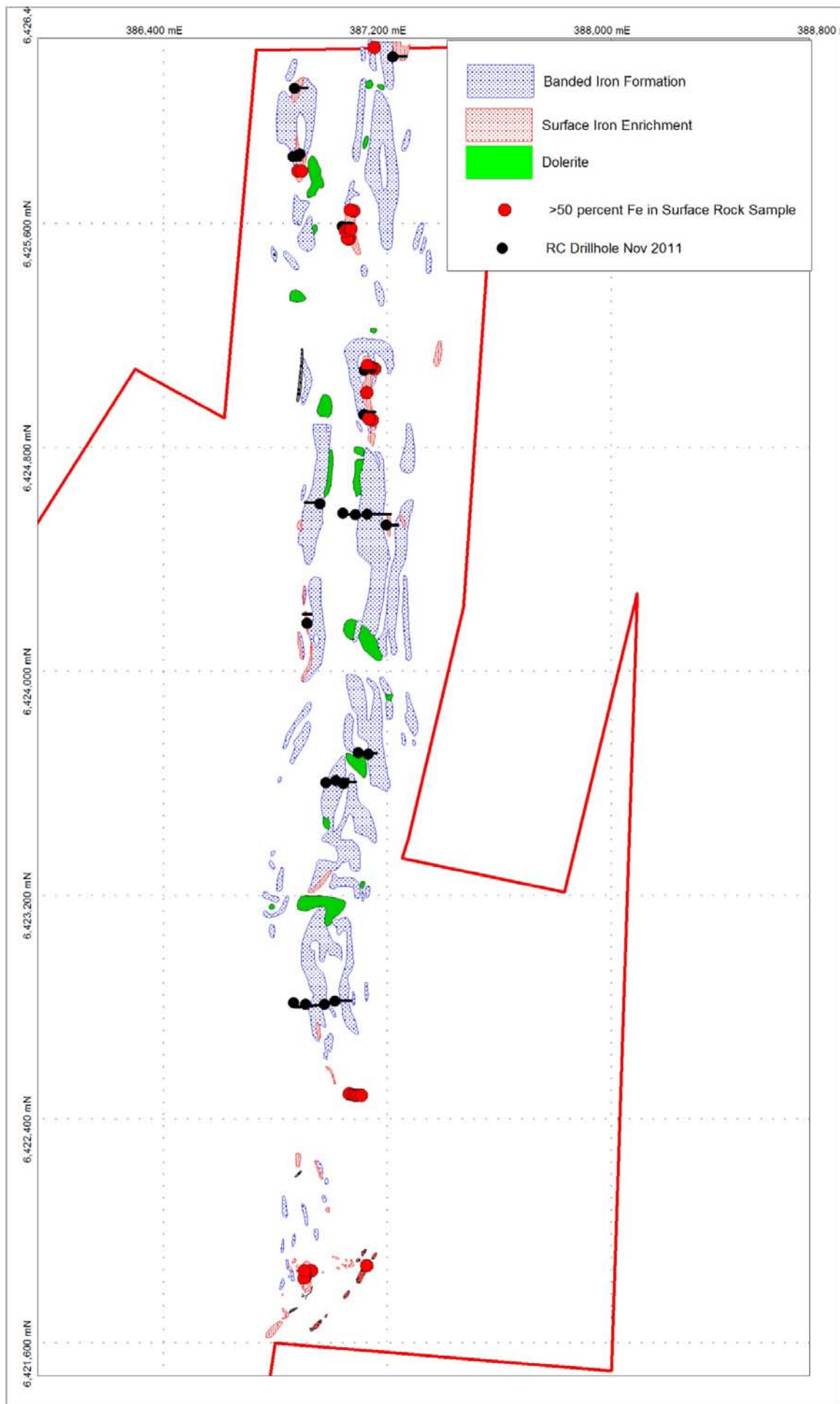


Figure 3: Dundas Outcrop Geology, Surface Sampling and Drill hole Locations

Paul Poli
Executive Chairman

Phone +61 8 9230 3555
Fax +61 8 9227 0370

Email reception@matsa.com.au
Web www.matsa.com.au

Competent Persons Statement

Exploration Target *¹

Under Clause 18 of the JORC Code the exploration targets outlined in this report are conceptual in nature as there has been insufficient exploration by the Company at this stage to define a Mineral Resource and that there is no certainty that further exploration will result in the determination of a Mineral Resource or a Mineral Reserve. Estimates of tonnages and grade have been made by geologists who are familiar with the style and type of magnetite and hematite mineralisation and who have conducted field mapping and limited sampling of the mineralisation and completed aeromagnetic interpretation of the units hosting the mineralisation.

Exploration results, mineral resources and reserves

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by David Fielding, 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.