



MATSA

R E S O U R C E S

ABN 48 106 732 487

ASX Announcement

15 December 2010

KILLALOE PROJECT FARM-IN AGREEMENT

HIGHLIGHTS:

- **Matsa Resources to “farm-in” to Cullen Resources Killaloe Project near Norseman in WA.**
- **Matsa Resources can earn a 70% interest in the Killaloe Project by the issue of Matsa shares to the value of \$100,000 and agreeing to sole-fund exploration expenditure of \$500,000 within 3 years of satisfaction of the conditions precedent.**
- **Matsa can terminate the agreement at any time after incurring a minimum \$100,000 of exploration expenditure.**

Matsa Resources Limited (ASX:MAT, “Matsa” or the “Company”) is pleased to advise that it has entered into a conditional agreement with Cullen Resources Limited (“Cullen”) to farm-in to Cullen’s Killaloe Project near Norseman, WA.

The Killaloe Project, comprising 4 prospecting licences and 2 exploration licences, is Archean greenstone terrain between the Zuleika Shear and the Boulder Lefroy Fault at the southern end of the Norseman-Wiluna Greenstone Belt, an area highly prospective for gold. The joint venture would nearly double Matsa’s land holding in the Norseman area and any significant discovery could contribute positively to the economics of Matsa’s Norseman Gold Project.

The agreement is conditional upon due diligence being completed on the tenements comprising the Killaloe Project to the sole satisfaction of Matsa and the assignment of existing heritage agreements and royalty obligations (relating to a 7.5% net profits interest royalty) insofar as it relates to the interest being acquired by Matsa and effective from the date the farm-in interest is earned. The conditions must be satisfied within 2 months of execution of the agreement.

The key terms of the farm-in agreement are:

1. Matsa to issue shares to the value of \$100,000 at 5 day VWAP to Cullen within 5 business days of satisfaction of the conditions precedent;
2. Matsa to sole-fund \$500,000 of exploration costs within 3 years of satisfaction of the conditions precedent (“Farm-in Period”), and to maintain the tenements in good standing throughout the term;
3. Matsa, after incurring a minimum of \$100,000 of exploration costs, may elect to withdraw from the agreement within the Farm-in Period without further cost;
4. Following Matsa earning its 70% interest an unincorporated joint venture will be formed with Cullen who may, within 30 business days, elect to convert its 30% interest to a 20% interest free carried until the making of a decision to mine; and

5. Cullen may, within 30 business days of a decision to mine, elect to convert its then joint venture interest into a 2% net smelter return royalty payable on all minerals (any payments in relation to the net profits interest royalty will be an allowable deduction from the obligations of this royalty).

Matsa's managing director Mr Paul Poli said "this is an interesting deal for Matsa as it significantly increases the Company's landholding near its flagship Norseman Project. It was considered that expanding Matsa's tenement holding around its Norseman Project was limited however this demonstrates that it can happen." He furthermore added "any significant discovery will add value to the Norseman Project".

KILLALOE PROJECT:

The Killaloe Project is a highly prospective, but only partially explored terrain located near the town of Norseman in WA. The Killaloe Project covers around 20 strike kilometres of prospective terrain and includes the Duke, Killaloe, Cashel, Baseline and Peninsular gold prospects, all of which are highly prospective for structurally controlled gold deposits. At Cashel, a sub-cropping narrow quartz vein with bonanza-grade native gold was discovered by costean. At the Duke Prospect, previous drilling returned 4m @ 5.6g/t Au from 8m depth and several other >1g/t Au intercepts.

The Killaloe Project is a significant area of prospective land which totals 141km² and is located between 17 and 32km north east of Norseman and only 30km from Matsa's Norseman Gold Project. (See Figure 1).

Historic Production

Gold was discovered at Killaloe in 1897 with recorded production of 6.9oz from 20.65t of ore. The historic workings which extend for 2.5km along strike indicate that this could be an under-estimation. At Buldania, 12km along strike from Killaloe and outside the project area 728oz was produced from 804t of ore between 1897 and 1912 with a further 460oz produced in the 1980's. Further mining during the 1980's approximately 3km west of the project area, the Waverly mine produced 4,400oz of gold from 9,500t of ore.

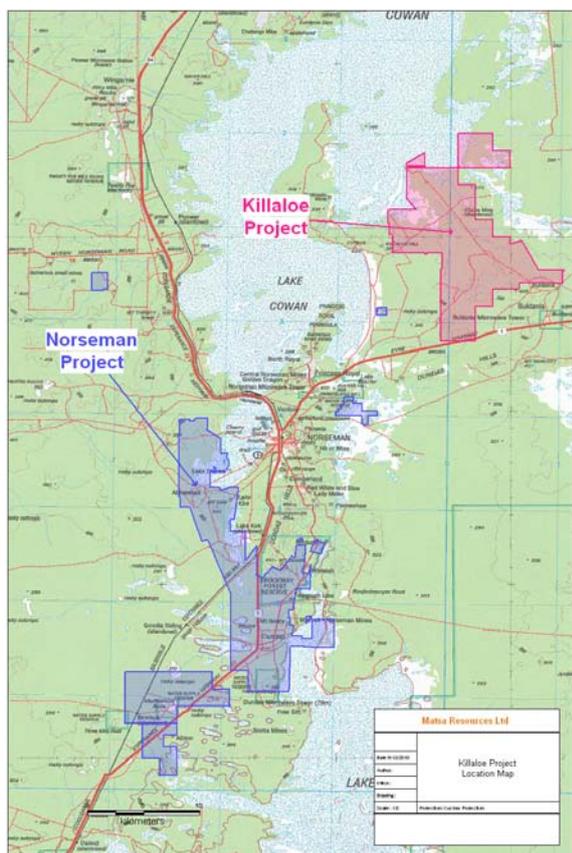


Figure 1 Location Map

Exploration Results

There is a number of exciting exploration targets within the Killaloe Project including:

Duke

The Duke prospect was discovered by sampling nickel exploration drilling spoils for gold. Some historic significant intersections are detailed below.

- 24m @ 2.15g/t BUX86 from 4 metres
- 12m @ 1.04g/t NBC4 from 38 metres
- 18m @ 1.41g/t GOC5 from 7 metres
- 6m @ 1.50g/t CUX25 from 14 metres

See table 1.

The Duke prospect is a 300⁰ trending zone of anomalism measuring 350m x 45m. It has been closed off towards the north and south by ineffective shallow drilling which is unlikely to have reached the supergene zone. Figure 3 shows the down hole maximum value Au assays at Duke.

Killaloe

The Killaloe Prospect area is centred on the historic Killaloe workings where only limited RAB drilling has been completed. Other workings are scattered along a trend over 2,500m long to the north west and south east of Killaloe, along which further exploration is warranted. Only 15 RAB holes to an average depth of 20-25 metres have been drilled on the prospect and the prospect is not adequately tested.

Cashel

Soil anomaly with results up to 3,000ppb were followed up with 40 x 20 metres spaced RAB drilling (Figure 4). The best results include:

- 2m @ 5.83g/t KCR023 from 20 metres

See table 1.

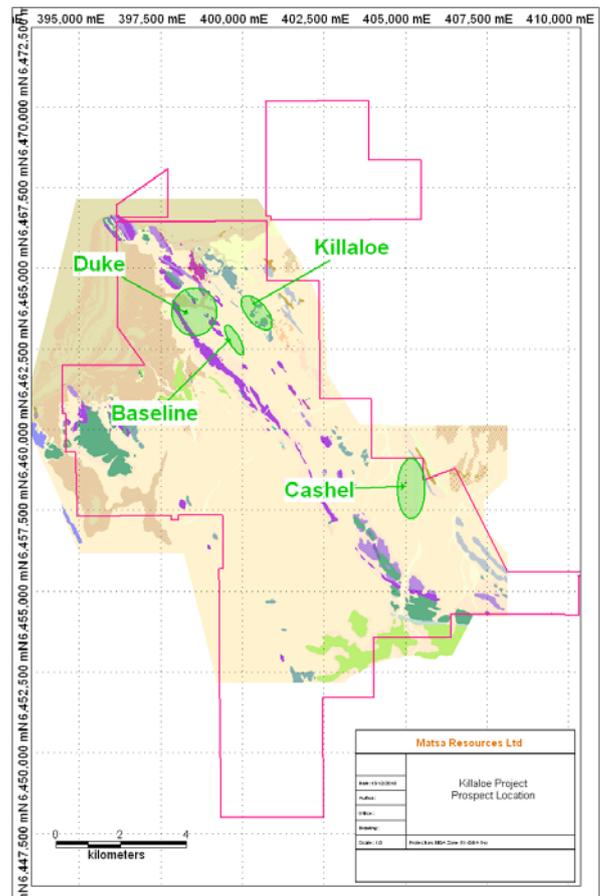


Figure 2 Prospect Location

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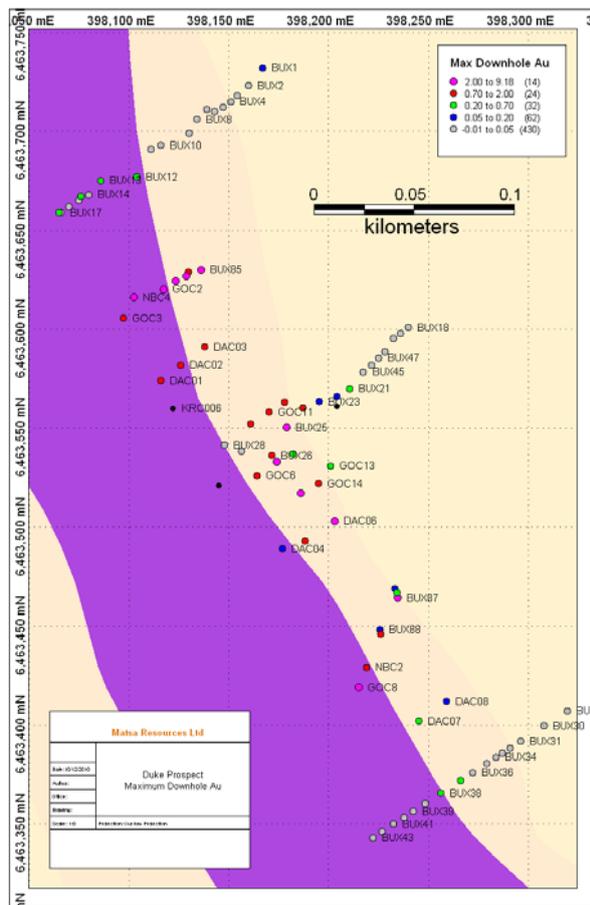


Figure 3 Duke Prospect



Figure 4 Cashel Project

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Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves 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.

Hole Id	North	East	From	To	Au_ppm
BUX86	6463624.43	398123.33	4	24	2.15
NBC4	6463616.14	398102.52	38	50	1.04
GOC5	6463533	398174	7	25	1.41
BUX25	398178.92	6463550.29	13	19	1.50
KCR023	405005	6458423	20	22	5.83
Including 1m @ 9.4					

Table 1 Historic assays