MATSA RESOURCES LIMITED

ABN 48 106 732 487

# Quarterly Activities Report – 30 June 2011

## HIGHLIGHTS OF JUNE QUARTER

Matsa has continued making substantial progress during the quarter to fast track development of its flagship Norseman Gold Project and its other high value projects in Australia and Thailand for the benefit of shareholders, including:

- **Three potential significant Chinese investors to commence site and project due diligence at Norseman Gold Project:**
  - *Non-binding terms sheet signed with Shandong Gold Mineral Resources Group Co. Ltd;*
  - *Letter of intent received to enter into a binding agreement from Shanghai Zendai Investment Development Co. Ltd;*
  - *Letter of intent received to enter into a binding agreement from China Nerin Engineering Co. Ltd;*
- **Discussions with other potential large Chinese and other investors on-going;**
- **Up to A$8.6 million funding facility signed with New York-based SpringTree Special Opportunities Fund LP to provide capital for Norseman Gold Project, if required;**
- **Major developments with Matsa's Thailand projects:**
  - *Thailand Government announces on 11 June 2011, that it has lifted the Moratorium on Special Prospecting Licences for Gold;*
  - *A number of Matsa's tenement applications well advanced and progressing towards final regulatory approval;*
  - *Matsa well positioned to take advantage of its two year presence in Thailand;*
  - *Exploration progressing on Thailand Iron Ore and Copper projects;*
- **Dundas Iron Ore Project shows resource potential with mining licence applications lodged.**

## CORPORATE SUMMARY

Executive Chairman

Paul Poli

Director

Frank Sibbel

Director & Company Secretary

Andrew Chapman

Shares on Issue

122 million

Unlisted Options

25.5 million @ 27.3c +

Top 20 shareholders

Hold 58%

Share Price on 29 July 2011

26.5 cents

Market Capitalisation

$32.75 million

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**Bangkok Office:** Unit 1808, 2 Pacific Place, Sukhumvit Road, Sukhumvit, Bangkok **Tel**: +66 0 2653 0258 **Fax**: +66 0 2653 0258
reception@matsa.com.au www.matsa.com.au

## INTRODUCTION

Matsa Resources Limited, (ASX: MAT, the "Company" or "Matsa") is pleased to report on its exploration and corporate activities for the Quarter ended 30 June 2011.

Matsa is making substantial progress towards becoming an internationally significant supplier of gold, iron ore and copper through the development and discovery of wholly owned quality projects.

Matsa is unique among Australian junior resource companies because it has no less than five high value projects in Western Australia and Thailand.

## FIVE PROJECTS - ONE COMPANY

- NORSEMAN GOLD PROJECT
- DUNDAS IRON ORE PROJECT
- PAISALI IRON ORE PROJECT (Thailand)
- SIAM COPPER PROJECT (Thailand)
- KT GOLD PROJECT (Thailand)

Matsa is laying strong foundations for future growth and is committed to finding an established and prestigious Chinese investor to help it unlock the full potential of its Norseman Gold Project and Dundas Iron Ore Project. It is also advancing discussions in Thailand with large Thai corporations in regard to its Thailand projects.

A combination of further strategic partnerships on favourable terms to shareholders and self funding will enable Matsa to continue to develop other large scale operations in Australia and Thailand with the potential to deliver significant value for shareholders and greater strategic outcomes for the Company.

## STRATEGY

Matsa has pursued a carefully considered strategy of seeking world-class exploration and mining opportunities in Australia and South East Asia. Exceptional opportunities exist in Thailand but have been largely ignored by most companies due to difficulties when dealing in Thailand which Matsa has been able to overcome.

The strategy has been developed to ensure the Company is positioned for long term growth to maximise shareholder value as a substantial mining company of diverse minerals in several sovereign nations.

The primary focus remains on:

1. Maximising value from development of the Norseman Gold Project which contains JORC defined Resources of 1.47 million ounces of gold with potential for a magnetite by-product;
2. Developing the Dundas Iron Ore Project; and
3. Building a substantial mining business in Thailand covering principally Iron Ore, Copper and Gold.

## COMPANY ACTIVITIES

## AUSTRALIA

### NORSEMAN GOLD PROJECT

Matsa continued making significant progress towards developing its flagship 1.47 million ounce (Figure 10 and Table 5) Norseman Gold Project with three potential Chinese investors about to commence project and site due diligence.

This is central to Matsa's strategy to develop the Norseman Gold and Magnetite by-product mine for the benefit of shareholders.

Negotiations are also continuing with other investors, and Matsa is confident of receiving further expressions of interest.

While Matsa is encouraged at the level of interest among potential Chinese investors a binding agreement has yet to be reached. The Company will continue talks with a range of investors until it signs a deal on favourable terms to Matsa shareholders which must include a definitive pathway to production.

Matsa signed a non-binding terms sheet with Shandong Gold Mineral Resources Group Co. Ltd ("Shandong Gold") and also received a separate letter of intent to enter into a binding agreement with China Nerin Engineering Co. Limited ("China Nerin").

The Company also received a further letter of intent to enter into an agreement from Shanghai Zendai Investment Development Co. Ltd ("Shanghai Zendai").

Matsa recently secured up to AUD$8.6 million from a New York-based institutional investment fund SpringTree Special Opportunities Fund LP, to provide capital for the Norseman Gold Project if required.

Matsa is confident the funding agreement has been secured at a highly competitive rate and contains safeguards to minimise dilution in the event of adverse market conditions.

## Abbotshall South and Black Cat Soil Sampling Program (Figure 1)

Matsa has completed a targeted exploration soil sampling program south of the Abbotshall mine and at Black Cat within the Norseman tenement package. Soil sampling completed by Matsa south of Abbotshall has identified gold anomalous zones in areas where historic sampling had proved barren. Results include coincident gold indicator elements such as As, Cu and Sb.

Given the high prospectivity of the area and its proximity to known gold mineralisation at Abbotshall, Matsa has prioritised a targeted infill sampling program using modern sampling and assay techniques. Any anomalies discovered will prove high priority targets for further infill soil sampling, RAB drilling and reverse circulation (RC) drilling towards the end of 2011.

Matsa is presently awaiting the results of the soil program completed to date.

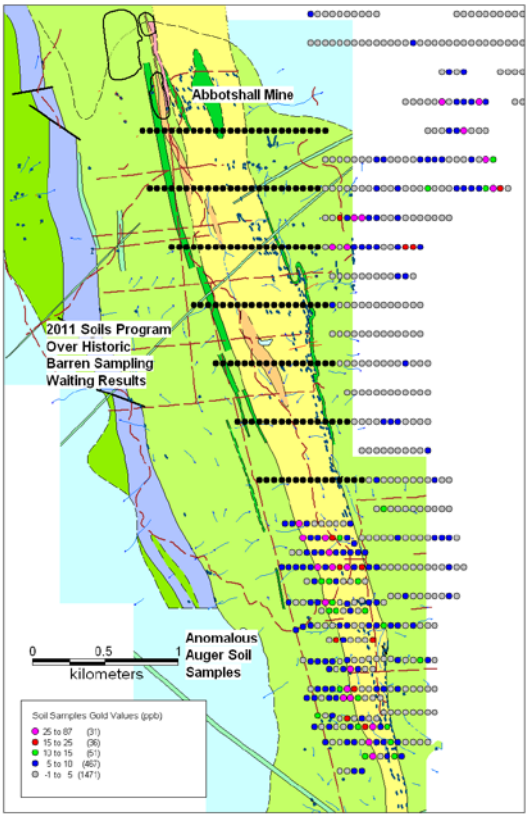


*Figure 1 - Abbotshall South Soil Programme*

## Further Regional Soils Sampling Program (Figure 2)

Matsa has additionally commenced a regional soil sampling program within the Norseman Gold Project. This is a "scout" program, aimed at identifying new exploration targets within the prospective stratigraphy in the west of the project area. This program will provide multi-element surface data to provide additional vectors of gold mineralisation.

Any exploration targets identified can be infill sampled and targeted for RAB drilling towards the end of 2011. This program is ongoing.

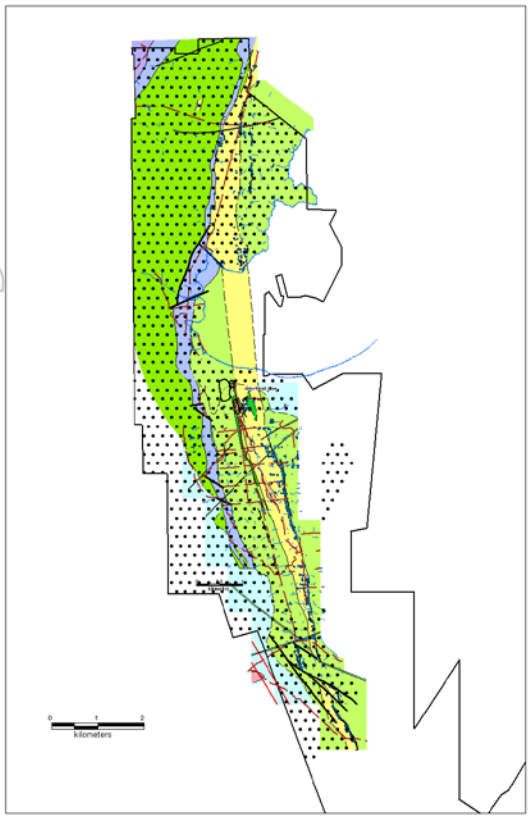

*Figure 2 - Regional Soil Programme*

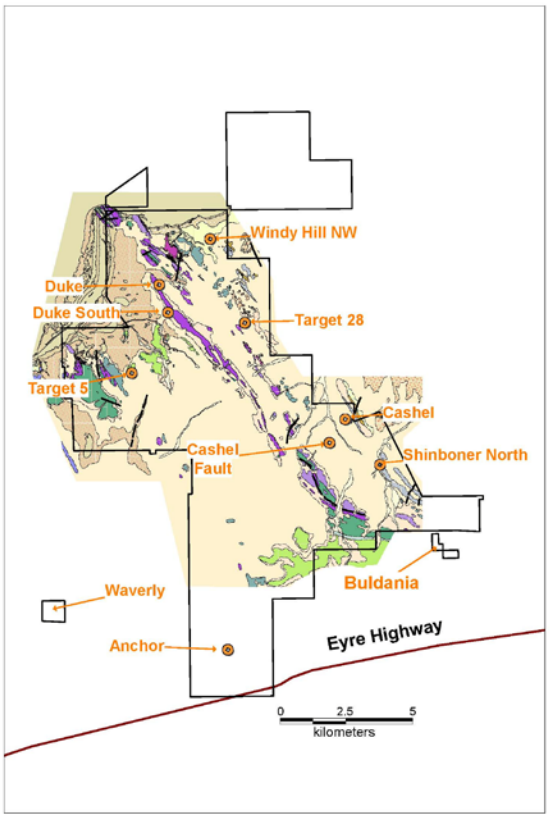


*Figure 3 - Killaloe Project Summary*

## KILLALOE PROJECT (Figure 3)

The Killaloe Project represents prospective stratigraphy located between the Boulder-Lefroy Fault and the Zuluika Shear. Most modern mineral exploration within the Killaloe project has concentrated on nickel. As a result, it appears that many gold prospects are under-explored.

### Historic Data Analyses

Matsa has identified 9 high priority targets out of a total of 54, and has commenced a data review of all available surface geochemical data, including levelling, targeting and target ranking.

High priority targets are generally strong coherent anomalies with supporting gold indicator elements such as W, Te, Zn, Cu, Pb and Sb. Most of these targets have insufficient drilling while some targets having no drilling at all. Matsa plans to investigate and map these targets prior to further exploration programs, which will include soil sampling, geophysics and RAB and RC drilling.

### Cashel Sampling Program

Cashel is a high level soil anomaly with results up to 3000ppb Au. The best drilling result to date is 2m @ 5.83g/t in KCR023 from 23 meters. There is some doubt as to the orientation and continuity to the mineralised lode.

In May 2011, Matsa completed a quartz–lag sampling program to better define the orientation of the mineralised lode. Matsa is waiting on those results.

## DUNDAS IRON PROJECT

During the quarter, Matsa continued geological and metallurgical investigations on the Banded Iron Formation units of the Dundas Iron Ore Project. Matsa furthermore submitted a Mineralisation Report in support of Mining Lease application, M63/653. Matsa expects a successful outcome of the application in the very near future.

The Dundas drilling programme comprised 22 drill holes for 1,901m of RC and 197.5m of

HQ3 Diamond core. Matsa conducted re-logging of all RC and diamond drill holes and compared it with all geochemical and Davis Tube Recovery (DTR) results. The re-logging of these holes has led to the recognition of two types of magnetite BIF within the project area, "Type 1" and "Type 2".

"Type 1" BIF contains coarse-grained recrystallised magnetite, which produces low silica (<8% SiO2) DTR concentrate. "Type 2" BIF has ultrafine-grained magnetite and produces a high silica (>8% SiO2) DTR concentrate. Highest DTR magnetite recoveries have been achieved in the "Type 1" BIF. Concentrate assays with the highest iron and lowest silica grades occur mostly from the central and eastern part of the BIF package.

Five selected core samples from the two diamond drill holes (10DNDH001 and 10DNDH002) were submitted for petrographic analysis by Dr. Craig Rugless, of Pathfinder Exploration Pty Ltd. "Type 1" BIFs are characterised by coarser grained recrystallised magnetite (up to 200 µm), as anhedral to subhedral aggregates. "Type 2" BIF on the other hand is very fine grained, (typically 2 to 20 µm).

Selected core and RC pulp samples representing the two BIF types and dolerite were submitted for Specific Gravity (SG) determination, Average SG values from both core and RC pulp samples are shown in Table 1. Additional SG determination is planned in the next phase of drilling as a critical parameter in resource estimation.

| Lithology | SG |
|---|---|
| Type 1 BIF | 3.45 |
| Type 2 BIF | 3.35 |
| Dolerite | 2.94 |

*Table 1 Results of bulk density determinations (g/cc)*

It is now apparent that the bulk sample of core from diamond hole 10DNDH001 which was used in the initial grind optimisation test work was from a "Type 2" BIF. The low Fe yield (<60%) and high SiO2 (>15%) even at P80 of 25 µm reflects the finer grain size of magnetite in Type 2 BIF.

Further metallurgical testwork is proposed namely:

- A bulk sample of the coarser grained "Type 1" BIF will be submitted for grind optimisation in order to design the appropriate DTR procedure for this material which is Matsa's principal iron ore target.
- A bulk sample of the finer grained "Type 2" BIF will be submitted for test work to determine whether the high silica present in the DTR concentrate of this rock - type can be reduced by Reverse Flotation.

Bulk residues of Reverse Circulation drill cuttings will be used for both these test programmes.

Preliminary wireframe interpretation of the "Type 1" BIF has been carried out based on wide spaced drill data, geological mapping and high resolution aeromagnetic data. The current wireframe interpretation shows eight tabular bodies (Figure 4), seven of which occur along the Central and Eastern BIF units.

This model has been used to design a follow up drill programme consisting of 78 drill holes, for a total of 10,000m RC and 1,500m diamond core, to test continuity of the "Type 1" BIF units and definition of a JORC-compliant resource.

Matsa submitted the Mineralisation Report in June 2010 in support of Mining Lease Application M63/653 to the DMP, which converts the existing eight individual Prospecting Licenses around the Dundas Magnetite Project area into one mining lease. Formal approval of the mining lease application is pending.

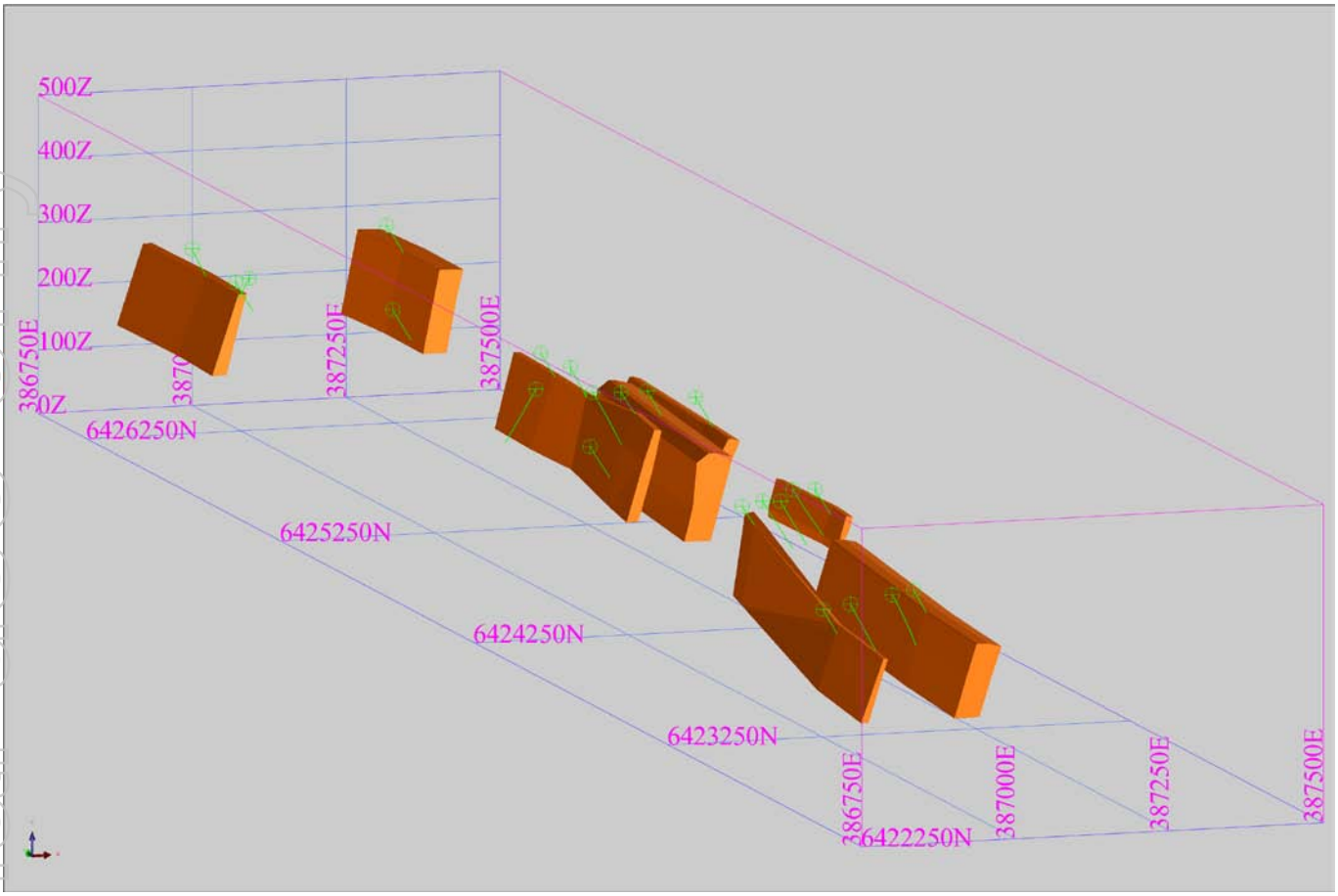


*Figure 4 - Dundas Iron Ore Project Preliminary Wire Frame of "Type 1" BIF*

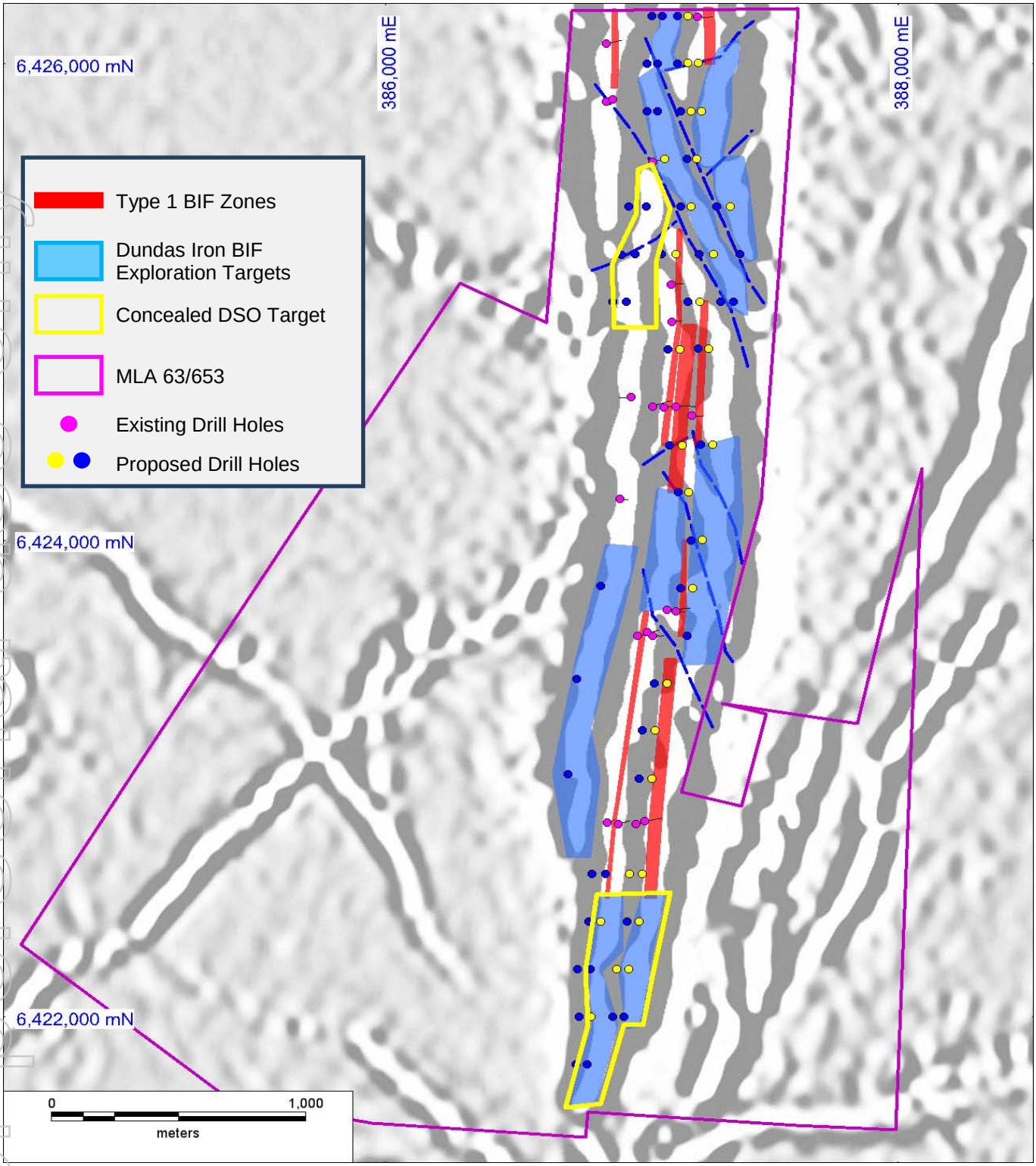


*Figure 5 - Dundas Iron Ore Project Proposed Drilling based on recent geological interpretation.*

## DUNNSVILLE

On-going work at the Dunnsville Project confirms the discovery of potentially significant gold mineralisation.

On 2 March 2011 Matsa announced it had received significant exploration drilling results from the December 2010 RAB drilling campaign at the Dunnsville Project.

A total of 138 holes comprising 6,900 metres of RAB drilling to blade refusal were completed in December 2010. This program was designed to test mineralised structures interpreted from a Sub-Audio magnetic survey (SAM) completed in June 2010.

As previously reported some of the more significant RAB intersections are detailed below:

- **1m @ 6.33 g/t** from 59 metres
- **1m @ 7.85 g/t** from 51 metres
- **1m @ 4.84 g/t** from 47 metres
- **4m @ 1.96 g/t** from 58 metres
- **1m @ 2.99 g/t** from 56 metres
- **3m @ 1.67 g/t** from 47 metres

A total of 14 RAB holes contain intercepts which assayed greater than 1.0 g/t Au (Table 2.)

This drilling identified at least 6 zones of gold mineralisation. Mineralisation appears to be related to quartz veins in deeply weathered dolerite, which may be controlled by NNW trending shear zones parallel with the Bullabulling Shear Zone. Individual zones measure between 200 metres and 300 metres in length but remain open.

These intersections confirm the discovery of potentially significant gold mineralisation at Dunnsville. The project is located near existing infrastructure, including potential toll milling opportunities and has been added as a second Australian gold project to Matsa's portfolio.

Big Red is located in a group of Exploration Licences covering 243km2, comprising Matsa's Dunnsville Project. The prospect is located only 65km WNW of Kalgoorlie and 50km NW of Coolgardie.

The Big Red project area is a greenfields discovery by Matsa. The prospect was discovered by a regional soil sampling program carried out by the Company in 2006. This programme identified a NW/SE trending gold-in-soil anomaly extending over a distance of 3 kilometres.

| Hole_ID | From | To | Interval | Au g/t |
|---|---|---|---|---|
| 10BRRAB134 | 32 | 33 | 1 | 1.43 |
| **10BRRAB147** | **59** | **60** | **1** | **6.33** |
| 10BRRAB148 | 46 | 47 | 1 | 1.09 |
| **10BRRAB155** | **51** | **52** | **1** | **7.85** |
| 10BRRAB169 | 43 | 44 | 1 | 1.63 |
| **10BRRAB187** | **47** | **48** | **1** | **4.84** |
| 10BRRAB189 | 53 | 54 | 1 | 1.4 |
| **10BRRAB190** | **58** | **62** | **4** | **1.06** |
| 10BRRAB190 | 61 | 62 | 1 | 1.36 |
| **10BRRAB191** | **56** | **57** | **1** | **2.99** |
| **10BRRAB197** | **52** | **55** | **3** | **1.67** |
| 10BRRAB205 | 14 | 15 | 1 | 1.34 |
| 10BRRAB206 | 58 | 59 | 1 | 2.15 |
| 10BRRAB217 | 50 | 51 | 1 | 1.22 |
| 10BRRAB220 | 49 | 50 | 1 | 1.83 |

*Table 2- Significant Intersections >1g/t*

Initial drilling in 2006 included a number of shallow RC drill holes, which did not successfully define gold mineralisation. It is now apparent that deep weathering has resulted in gold depletion at shallow depth.

A ground geophysical survey using the sub-audio magnetic (SAM) technique was carried out in 2010 to define potentially mineralised structures in deeply weathered basement.

As noted above, the RAB drilling programme identified high grade gold mineralisation associated with areas of quartz veining in weathered dolerite. In most cases, intercepts were made below a down-hole depth of 40m which supports the presence of a partially gold depleted zone to around 35 or 40 metres vertical depth.

Individual gold mineralised zones extend in a NW direction over distances between 200 and 300 metres, but remain open and have only been partly defined by drilling.

The Company is currently reviewing the numerous exploration targets within the Dunnsville Project area and will prioritise targets for exploration while maintaining focus on the Norseman Gold Project.

## THAILAND

A number of major developments in Thailand over the past quarter have been highly favourable to Matsa and its strategy of positioning itself ahead of competitors for long term growth has now been validated.

The strategy of accumulating a large strategic land holding whilst facing some challenging and stringent regulatory conditions is beginning to produce substantial benefit to the Company. A handful of Australian mining companies have been extremely successful over the past decade in Thailand and Matsa will emulate their success through innovation and patience.

Matsa's portfolio of Thailand Special Prospecting Licence Applications "SPLAs" includes our highly prospective and exciting KT Gold Project, where Matsa has applications for 11 SPLs covering 180km$^2$.

One of the most significant events was the announcement on June 11 2011, by the Thai Department of Primary Industries and Mining, "DPIM" that it was lifting the three year moratorium on Special Prospecting Licences (SPLs) for gold.

This moratorium effectively shut down virtually all mineral exploration in Thailand for most commodities even though the moratorium only applied to gold. The lifting of the Moratorium also means that there should be the immediate granting of already lodged and fully completed applications, including Matsa's.

Matsa has a number of tenement applications that are already well advanced and the Company is pleased to report these are now moving towards final regulatory approval with the lifting of the Moratorium.

Matsa opened its Thai office in Bangkok in 2009 with a team of highly specialised local staff and has established credible working relationships with all relevant Thai authorities, including central, provincial and local authorities as well as local communities.

This provides Matsa with a unique competitive advantage that the Company can now fully develop with the lifting of the Moratorium on SPLAs.

Matsa has a total of 89 Special Prospecting Licence Applications amassing 1,224km$^2$ prospective for gold, iron ore and copper in Thailand (Figure 6).

Surface exploration under Special Prospecting License Application conditions was permitted during the Moratorium, and some of the significant work Matsa conducted during the quarter included:

- Ground Magnetic Traversing at Paisali Iron Ore Project
- Stream sediment geochemistry in the Siam Copper Project
- Regional geological reconnaissance in the Loei-Ko Chang volcanic belt

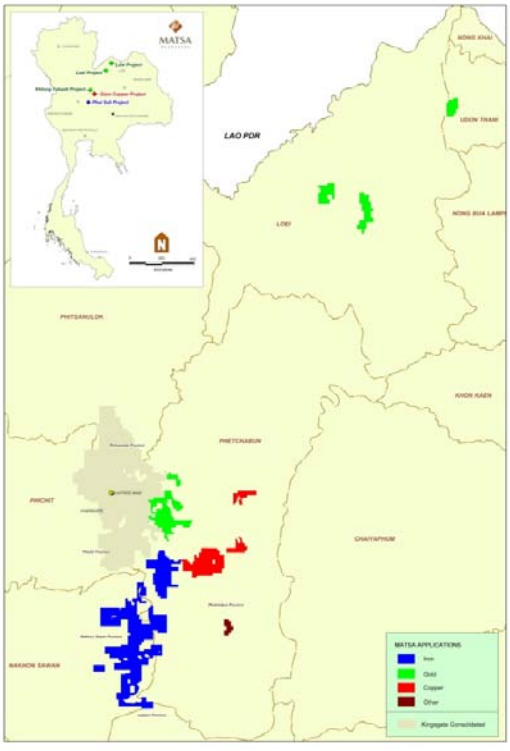


*Figure 6 - Matsa's Current SPL Applications in Thailand*

## KT GOLD PROJECT

Matsa's KT Gold Project is located only 18km East of Kingsgate Resource's 5 million ounce Chatree Gold Mine.

The project area is recognised as highly prospective for gold in 'Chatree' geology, and Matsa has already identified two Gold anomalies of 2.5km x 1.5km from extensive first pass exploration.

Once granted, this will be a significant landholding for a foreign company in Thailand, representing a unique competitive advantage for Matsa.

## PAISALI IRON ORE PROJECT

The Paisali Iron Ore Project comprises 56 Special Prospecting License Applications covering an area of 789km$^2$, close to the town of Paisali in Central Thailand.

High amplitude magnetic anomalies in the project are being explored as a source of magnetite iron ore, with significant potential to establish a profitable iron ore business supplying steel mills in Thailand and elsewhere in Asia. (Figure 7)

Exploration targets are located on flat lying agricultural land and are concealed by regolith, including transported alluvium in low lying areas.

Targets are based on an exploration model which links hydrothermal "skarn" mineralisation with high level igneous intrusions into sediments and volcanics.

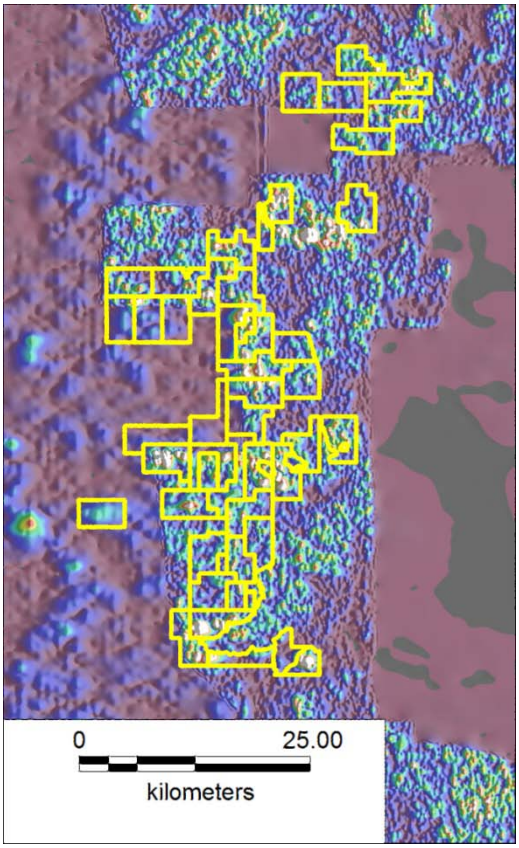


*Figure 7 - Paisali Project Matsa SPLA on Aeromagnetic Image*

Historic small scale mining has been carried out on at least two magnetite skarn deposits in the district which supports the exploration model.

Matsa has carried out a total of 700 line kilometres of ground magnetic surveys focused primarily on 10 prospects. (Table 3)

| Target | | Interpreted Magnetic Source Dimensions | |
|---|---|---|---|
| Target | Amplitude (nT) | Combined Length | Width |
| PS1 | 4000 | 1900 | 75 |
| NS9 | 2000 | 600 | 40 |
| NS7891011 | 1700 | 1200 | 50 |
| NS23 | 3000 | 400 | 50 |
| NS1413 | 1000 | 500 | 30 |
| NB3 | 1000 | 200 | 10 |
| NB17/18 | 800 | 400 | 10 |
| NS1 | 2000 | 400 | 40 |
| NS7 | 1500 | 650 | 50 |
| PS47 | 2500 | 1600 | 50 |

*Table 3 - Summary of Paisali Ground Magnetic Targets*

The ground magnetic survey work is ongoing.

Targets have been interpreted as subvertical to steeply dipping tabular bodies of magnetite skarn ranging in length up to 1.3 kilometres and up to 100 metres wide.

Ground magnetic data and a sectional interpretation of Target PS1 is shown in Figure 8. Exploration drilling will start as soon as SPLA's are granted.

Previous drilling at the Kao Lek deposit, reportedly by the Department of Mining "DMR", produced a 62% Fe product.

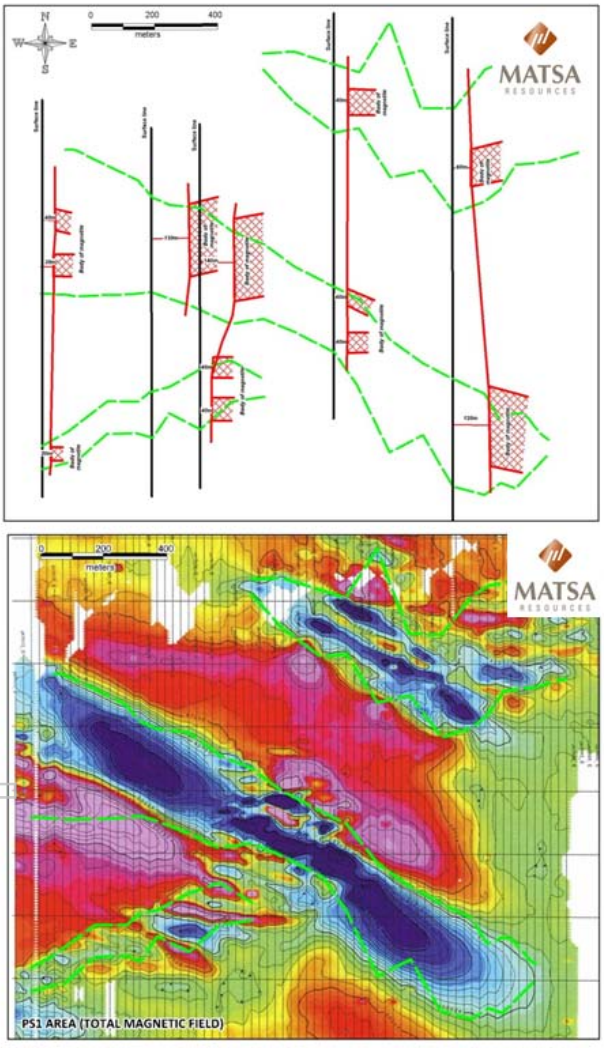


*Figure 8 – Paisali PS 1 Target Ground Magnetic Image and Interpretation.*

## SIAM COPPER PROJECT

This project comprises 15 SPLAs for a total of 212km$^2$. The area was selected on the basis of anomalous copper values in a regional stream sediment survey carried out by the DMR. Matsa has collected a total of 270 samples with a summary of results shown in summarised in Table 4

| Project | No Samples | Min (ppm) | Max (ppm) |
|---|---|---|---|
| Cu | 270 | 3 | 326 |
| Co | 270 | 2 | 66 |
| Mo | 270 | -0.5 | 3.9 |
| Pb | 270 | -3 | 19 |
| Zn | 270 | 9 | 463 |

*Table 4: Siam Copper Summary of Base Metal Values in Stream Sediment Samples*

Based on this data, four preliminary stream sediment anomalies (Siam 1 – Siam 4) were selected for prospecting. Work has commenced within the Siam 1 anomaly, which covers an area of approximately 25km2.

Field inspection has identified visible copper mineralisation in sparse float in a largely soil covered area of ploughed fields. At the time of writing, mineralised float has been observed within the boundaries shown schematically in Figure 9.

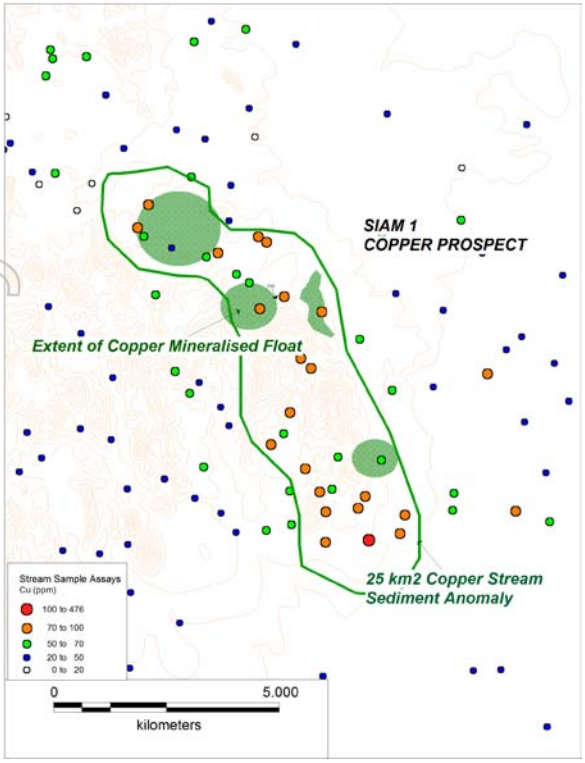


*Figure 9: Siam 1 Copper Anomaly Summary of Results to date*

One assay from rock grab samples of visibly mineralised float returned copper values to a value of 0.38% Cu.

**For further Information please contact:**

**Paul Poli**
**Executive Chairman**

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**Executive Director**

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**Email** reception@matsa.com.au
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The Exploration Target described in this announcement is conceptual in nature as defined under Section 18 of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' as stated below. The potential quantity and grade is 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.

**'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'**

***Exploration Target*** *[*1]*

*Under Clause 18 of the JORC Code the exploration targets (excluding the portion already classified into JORC resource) outlined in this report are conceptual in nature as there has been insufficient exploration to define additional mineral resources; it is uncertain if further exploration will result in the determination of any additional mineral resources.*

***Exploration results***

*The information in this report that relates to Exploration Results, 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 Limited. 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 Exploration Results, 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.*

***Mineral resources and reserves***

*The information in this report that relates to mineral resources and 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 Limited. 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 Exploration Results, 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.*

## BACKGROUND

*Matsa is a mineral exploration and development Company based in Western Australia. The Company's primary assets are extensive mineral leases that contain defined gold resources and various mineral prospects. The principal project is located in the Norseman region within the southern part of Western Australia's Eastern Goldfields.*

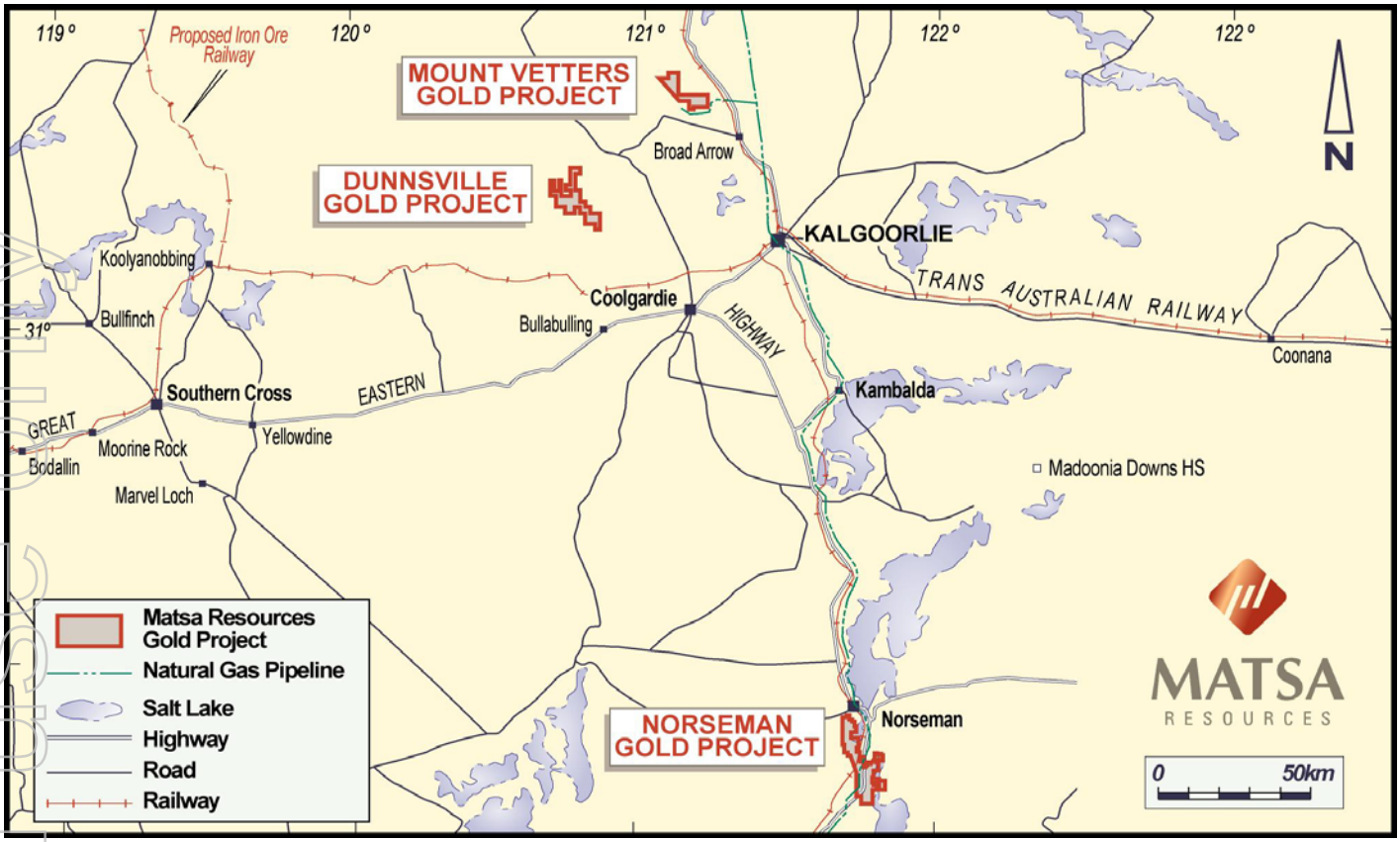



*Figure 10 - Australian project locations*

| Norseman Gold Project Resources (>1g/t Au) | | | |
|---|---|---|---|
| | Tonnes (Million) | Grade (g/t) | Ounces |
| **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** | **26.5** | **1.7** | **1,470,000** |

*Table 5 - Norseman Gold Project Resources*

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

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

MATSA RESOURCES LIMITED

| ABN | Quarter ended ("current quarter") |
|---|---|
| 48 106 732 487 | 30 June 2011 |

## Consolidated statement of cash flows

| | **Cash flows related to operating activities** | Current quarter $A'000 | Year to date (12 months) $A'000 |
|---|---|---|---|
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a) exploration & evaluation | (305) | (2,217) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (423) | (1,783) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 52 | 173 |
| 1.5 | Interest and other costs of finance paid | - | (7) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (provide details if material) – R&D Refund | 609 | 924 |
| | - Other | - | 4 |
| | **Net Operating Cash Flows** | (67) | (2,906) |
| | **Cash flows related to investing activities** | | |
| 1.8 | Payment for purchases of: (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | (22) | (192) |
| 1.9 | Proceeds from sale of: (a) prospects | - | 8 |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other - Security deposits received/(paid) | 345 | 233 |
| | - Deposits received/(paid) for Thai licences | 41 | (340) |
| | **Net investing cash flows** | 364 | (291) |
| 1.13 | Total operating and investing cash flows (carried forward) | 297 | (3,197) |

+ See chapter 19 for defined terms.

| | | | |
|---|---|---|---|
| 1.13 | Total operating and investing cash flows (brought forward) | 297 | (3,197) |
| | **Cash flows related to financing activities** | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 1,200 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | (15) | (100) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other - costs of capital raising | (1) | (32) |
| | **Net financing cash flows** | (16) | 1,068 |
| | **Net increase (decrease) in cash held** | 281 | (2,129) |
| 1.20 | Cash at beginning of quarter/year to date | 1,262 | 3,672 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | **Cash at end of quarter** | 1,543 | 1,543 |

## Payments to directors of the entity and associates of the directors
## Payments to related entities of the entity and associates of the related entities

| | | Current quarter $A'000 |
|---|---|---|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 171 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

## Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Issue of 340,252 fully paid ordinary shares at an issue price of 29.39 cents each to Cullen Resources Limited as an initial payment to farm-in to the Killaloe Project.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A



+ See chapter 19 for defined terms.

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

| | | Amount available $A'000 | Amount used $A'000 |
|---|---|---|---|
| 3.1 | Loan facilities | - | - |
| 3.2 | Credit standby arrangements | - | - |

## Estimated cash outflows for next quarter

| | | $A'000 |
|---|---|---|
| 4.1 | Exploration and evaluation | 440 |
| 4.2 | Development | - |
| 4.3 | Production | - |
| 4.4 | Administration | 504 |
| | **Total** | 944 |

## Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Cash on hand and at bank | 633 | 248 |
| 5.2 | Deposits at call | 910 | 1,014 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other (provide details) | - | - |
| | **Total: cash at end of quarter** (item 1.22) | 1,543 | 1,262 |

## Changes in interests in mining tenements

| | | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|---|---|---|---|---|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | M15/455 | Direct | 100% | 0% |
| | | M15/1341 | Direct | 100% | 0% |
| | | M15/1357 | Direct | 100% | 0% |
| | | M15/1358 | Direct | 100% | 0% |
| | | M15/1359 | Direct | 100% | 0% |

+ See chapter 19 for defined terms.

| | | | | |
|---|---|---|---|---|
| 6.2 | Interests in mining tenements acquired or increased | E16/405 | Direct | 0% | 100% |
| | | E16/407 | Direct | 0% | 100% |
| | | E63/1018 | Direct | 0% | 100% |
| | | E63/1199 | Direct | 0% | 100% |
| | | P63/1331 | Direct | 0% | 100% |
| | | P63/1332 | Direct | 0% | 100% |
| | | P63/1333 | Direct | 0% | 100% |
| | | P63/1672 | Direct | 0% | 100% |

## Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

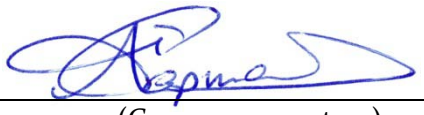
| | | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|---|---|---|---|---|---|
| 7.1 | **Preference +securities** *(description)* | Nil | | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | **+Ordinary securities** | 122,351,215 | 122,351,215 | | |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 340,252 | 340,252 | 29.39 | 29.39 |
| 7.5 | **+Convertible debt securities** (*description)* | Nil | | | |
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 | **Options** *(description and conversion factor)* | 7,800,000<br>9,000,000<br>1,000,000<br><br>1,200,000<br><br>2,300,000<br>4,250,000 | Unlisted<br>Unlisted<br>Unlisted<br><br>Unlisted<br><br>Unlisted<br>Unlisted | *Exercise price*<br>$0.35<br>$0.50<br>$0.273<br><br>$0.273<br><br>$0.40<br>$0.45 | *Expiry date*<br>1 July 2011<br>1 July 2012<br>26 November 2012<br>31 December 2012<br>31 August 2013<br>30 November 2013 |
| 7.8 | Issued during quarter | | | | |
| 7.9 | Exercised during quarter | | | | |
| 7.10 | Expired during quarter | 250,000<br>250,000<br>250,000 | Unlisted<br>Unlisted<br>Unlisted | $0.625<br>$0.75<br>$1.00 | 16 April 2011<br>16 April 2011<br>16 April 2011 |
| 7.11 | **Debentures** *(totals only)* | Nil | | | |
| 7.12 | **Unsecured notes** *(totals only)* | Nil | | | |

+ See chapter 19 for defined terms.

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 29 July 2011

(Company secretary)

Print name: Andrew Chapman

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.