



MATSA

R E S O U R C E S

ABN 48 106 732 487

ASX Announcement

2 February 2010

Placement to Chinese Group and discussions on future co-operation

Highlights:

- **Investment and strategic partnership discussions well advanced with the Shandong Provincial Bureau of Geology and Mineral Resources and affiliated entities. (SDGM)**
- **Initial investment received from SDGM of \$4.423 million, subject to FIRB approval, via a placement of approximately 11.77 million ordinary fully paid shares as follows:**
 - **5,000,000 shares at \$0.33**
 - **6,000,000 shares at \$0.398**
 - **770,000 shares at \$0.50**
- **SDGM to complete further placements subject to FIRB and any other regulatory approvals and subject to certain minimum performance requirements of:**
 - **5,885,000 shares at \$0.398**
 - **5,885,000 shares at \$0.50**
- **Matsa Resources Limited and SDGM to negotiate several Memorandum of Understandings and future Agreements subject to FIRB and any other regulatory approvals including:**
 - **A 60% Farm-in to the Norseman Iron Ore project**
 - **SDGM completing due diligence into the Norseman Gold Project with the view of acquiring an interest in and providing funding for the development of the gold project**
 - **The creation of a strategic co-operation to identify and develop other mineral opportunities, focussed on precious and base metals**

The Directors of Matsa Resources Limited (ASX:MAT "Matsa" or "the Company") are extremely pleased to announce that Matsa and the Shandong Provincial Bureau of Geology and Mineral Resources through its partly owned vehicle HF Resources Pty Ltd ("SDGM") have agreed to commence negotiations in good faith to form a strategic project exploration and mine development partnership commencing with Matsa's Norseman Project. SDGM which was founded 50 years ago, is an active provincial state owned entity which has extensive technical expertise in mining and exploration and significant capital backing that is being applied to numerous Chinese investments worldwide.

This significant alliance between the two companies is a historical event for Matsa as it will endow the Company with a substantial cash injection whilst also bolstering its technical and financial capabilities in mineral project acquisition, exploration and development. Furthermore, through the strategic alliance it unlocks the doors to new opportunities for Matsa to participate in new projects currently difficult for a junior company in its own right to access. The sheer size and experience of SDGM and their willingness to join forces with Matsa will propel the Company into a strong position through the development of Matsa's current projects and future aspirations. It allows Matsa to benefit from its portfolio of projects whilst mitigating risks and preserving its cash position.

Through this alliance the Company could see its long awaited Norseman Gold project become a reality without the Company committing to onerous borrowings and at the same time achieving a significant exploration and development campaign on its Iron Ore prospect at no cost or risk to the Company. The benefits that can be realised by the Company today through this alliance is now considered immeasurably enhanced.

SDGM have indicated that they are committed to expanding their precious metal interests in Australia and have identified the 1.5 million ounce Norseman Gold Project as being of interest to them. In addition they have also indicated an interest in evaluating the potential for the production of Iron Ore from the Norseman Project, given the extensive Banded Iron Formation present and the significant infrastructure advantages of the project's location.

SHARE PLACEMENTS

An initial placement of 11,770,000 million shares in Matsa in three tranches subject to FIRB and any other regulatory approvals, to SDGM is expected to be the first step towards further investments and project agreements that will be negotiated over the coming months. These placements are made to incentivise and assist SDGM to complete its obligations under this umbrella agreement. The shares will be issued as follows:

- 5,000,000 shares at \$0.33 per share
- 6,000,000 shares at \$0.398 per share
- 770,000 shares at \$0.50 per share

Furthermore, it is contemplated that, subject to entering into separate agreements, Matsa will issue to SDGM, subject to FIRB and other regulatory approvals:

1. 5,885,000 shares at \$0.398 per share if and when the parties have completed a joint venture agreement in connection to the Matsa Iron Ore Project situated at the Norseman Gold Project area
2. 5,885,000 shares at \$0.50 per share if and when the parties have completed a joint venture agreement in connection with the Norseman Gold Project

MEMORANDUM OF UNDERSTANDINGS

The parties have agreed to negotiate in good faith up to three further Memorandums of Understanding as follows:

Iron Ore

A conceptual terms sheet has been signed and discussions are advanced on a joint venture agreement in connection with the Iron Ore potential at the Norseman Gold Project. SDGM have conducted a site visit and reviewed previous work completed by Matsa and determined that there exists enough evidence of Haematite and Magnetite to justify further studies of the Banded Iron Formation occurring at the Norseman Gold Project. To this extent a preliminary term sheet has been agreed encompassing the following terms:

1. SDGM have a 6 month option to access land, samples and all data relevant to Iron Ore by completing further drilling, sampling and other work at no cost to Matsa, in order to determine whether they wish to exercise a farm-in arrangement;
2. SDGM via the payment of \$250,000 can exercise their right to begin a 4 year farm in to acquire a 60% interest in the Iron Ore project at the Norseman Project. The interest is earned as follows:
 - a) Within 2 years SDGM to fund 100% and define a JORC compliant resource and complete a Scoping Level Study
 - b) During the subsequent 2 years SDGM to fund and complete a Bankable or Definitive Feasibility Study to Australian Standards
 - c) Matsa may elect to request SDGM after the completion of a Bankable Feasibility Study to fund 100% of the project development capital costs and dilute to a 20% interest contributing only at the commencement of mining;
3. Matsa will receive a 1% gross royalty for all Haematite ore sold and 0.5% gross revenue royalty for all Magnetite ore sold;
4. A joint venture company will be formed and will manage the exploration and development activities, with all costs of Matsa to be reimbursed by SDGM during the earn-in stage;
5. The joint venture company will have exclusive rights to all iron ore exploration, mining and processing opportunities within a 100km radius of the Norseman Gold Project in respect of tenements owned or acquired by either party, and similar terms will apply;
6. SDGM through their network within China have also agreed to work towards an off-take agreement for all Iron Ore produced at the Norseman Gold Project.

Gold

A detailed review of all samples, data and Company records has been commenced by SDGM under a Confidentiality Agreement, for the purpose of determining a valuation and the most appropriate way forward for a joint venture agreement. SDGM may acquire an option to access land, samples and all data relevant to the gold deposit with the view to negotiating in good faith a joint venture agreement to develop the Norseman Gold Project. As such, discussions are well advanced subsequent to a site visit by SDGM in connection with the Norseman Gold Project which may lead to SDGM acquiring an interest in the Norseman Gold Project and its potential development, including a definitive bankable feasibility study and the possibility of funding all capital requirements for the construction of a gold treatment plant.

Strategic Co-operation and Future Projects

SDGM and Matsa have agreed to develop a strategy for encompassing the further development of Matsa's other projects in Australia and Thailand and to consider the acquisition of other projects of interest to both parties. A joint venture entity will be established.

BACKGROUND of SDGM

The Shandong Provincial Bureau of Geology & Mineral Resources (“SDGM”) is a Chinese Provincial government entity which was founded in 1958 now employing almost 14,000 staff and made up of 21 institutes in the Shandong Province. It employs 3,416 middle or senior technical staff who have professional titles. It has the primary responsibility of undertaking and managing all the exploration of resources throughout the Shandong province which includes in excess of 150 gold mines and at least 11 super large gold deposits containing approximately 45 million ounces of gold reserves, 3.6 billion tonnes of iron ore and an estimated 50 billion tonnes of coal, amongst other minerals. It has 4,000 geological projects completed each year and the Bureau has created a potential value of 10 trillion Yuan for China. The Bureau is now actively engaging a “going out” strategy by aggressively carrying out projects of mineral exploration and development throughout the world including Australia, this is evidenced by SDGM making a strategic investment of \$9.78 million in June 2009 with Bauxite Resources Ltd and more recently up to \$10 million with Venus Resources Ltd in WA.

PROJECT BACKGROUND

The Norseman Project covers 124km² of the southern Norseman-Wiluna Greenstone belt in Western Australia. In February 2009 the Company reported a total Indicated and Inferred Gold Resource of 26.5 Mt for 1.47 million ounces of gold. During 2009 the Company has expended considerable effort in identifying and progressing a small scale high grade mining strategy and is currently finalising mining approval with stakeholders, including relevant government departments.

A limited amount of work within the Norseman Project area has included some preliminary assessment of the Iron Ore potential. Following initial surface sampling and mapping the Company engaged Hematite Consultants Pty Ltd to conduct a preliminary report on the potential of Iron Ore within the area. This study said that the project contains a typical Archaean Banded Iron Formation which is generally very fine-grained and finely laminated except in the southern areas near Selene where metamorphism appears to have increased grain size of magnetite. The study has further concluded that potential does exist for a magnetite resource and a limited hematite resource and several recommendations were made to commence to evaluate the potential of a project with a potential magnetite exploration target of between 350Mt to 700Mt.

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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Andrew Viner, who is a member of the Australasian Institute of Mining and Metallurgy. Andrew Viner is a full time employee of Matsa Resources. Andrew Viner 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. Andrew Viner consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.