MATSA RESOURCES

LIMITED

ABN 48 106 732 487

ASX Announcement **31 January 2012**

Quarterly Activities Report – 31 December 2011

HIGHLIGHTS OF DECEMBER QUARTER

Negotiations and final discussions:

- *Discussions with potential investors regarding the development of the Norseman Gold Project have advanced.*
- *Haina Resources Pty Ltd ("Haina") took a placement in the Company as part of an agreement to farm-in into the Dundas Iron Ore Project.*
- *Phillip Capital Ltd was appointed as corporate advisers and raised $300,000 at 19 cents to institutional investors.*

Infill soil sampling commenced over highly prospective soil gold anomalies at Norseman Gold Project.

Partial results from soil sampling at Killaloe were received and provide better definition of drill target at Cashel.

Thailand Exploration applications reach important milestone.

Geological mapping completed over two key copper prospects within the Siam Copper Project Thailand.

Ground magnetic surveys support the magnetite exploration target in the Paisali Project Thailand.

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Director

Frank Sibbel

Director & Company Secretary

Andrew Chapman

Shares on Issue

129.92 million

Unlisted Options

19.1 million @ 27.3c +

Top 20 shareholders

Hold 57%

Share Price on 30 January 2012

20.5 cents

Market Capitalisation

$26.63 million

Head Office: Suite 11, 139 Newcastle Street, Perth Western Australia 6000 **Tel**: +61 8 9230 3555 Fax: +61 8 9227 0370
Kalgoorlie Office: Suite 10, Vosper House, 31-33 Dugan Street, Kalgoorlie 6430 **Tel:** +61 8 9021 7200 **Fax:** +61 8 9021 7277
Bangkok Office: Unit 1808, Pacific Place 2, 142 Sukhumvit Road, Klongtoey, 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 31st December 2011.

COMPANY ACTIVITIES

Norseman Gold Project - Corporate

Discussions with potential investors who have expressed interest to acquire an equity share and to develop the Norseman Gold Project have advanced during the quarter and the Company believes negotiations will lead to a positive outcome and is hopeful that a further announcement with respect to the negotiations will be made in due course.

Dundas Iron Ore Project - Corporate

During the quarter Matsa Resources announced that a Binding Terms Sheet for the farm–in and Development of the Dundas Iron Project was signed with Haina Resources Pty Ltd ("Haina") a member of the Shandong Shanshi International Trading Company Ltd group of companies. The highlights of this agreement were:

- Haina to take up a placement of up to 4 million shares at a minimum of 26 cents per share.
- Immediately proceed to a formal agreement with development strategies, subject to statutory and shareholder approval, if any.
- Payment of $1.95 million to Matsa on completion of due diligence.
- $7 million project exploration program to proceed.
- Definitive Feasibility to be undertaken upon completion of successful exploration.

Matsa has already received $286,000 being the first tranche of 1.1 million shares at 26 cents per share. Matsa expects a further $700,000 at a minimum of 26 cents/share, plus payment in accordance with the agreement, of exploration funds during the first quarter of 2012.

Share Placement

Matsa Resources has appointed Phillip Capital Ltd which is part of the Intersuisse Group as corporate advisers on a continuing basis. Phillip Capital Ltd has been engaged to introduce Matsa to institutional investors.

Matsa through Phillip Capital Ltd raised $300,000 with a placement of 1,578,950 shares at an issue price of $0.19 per share to institutional investors.

Norseman Gold Project - Exploration

Abbotshall South Soil Gold Anomalies:

Infill soil sampling has commenced on the Abbotshall South anomalies with collection of 551 samples spaced at 100 x 50 metre intervals. Sampling was focused in the Abbotshall area as shown in Figure 1. Collection of the remaining samples and gold assays are planned during the March quarter.

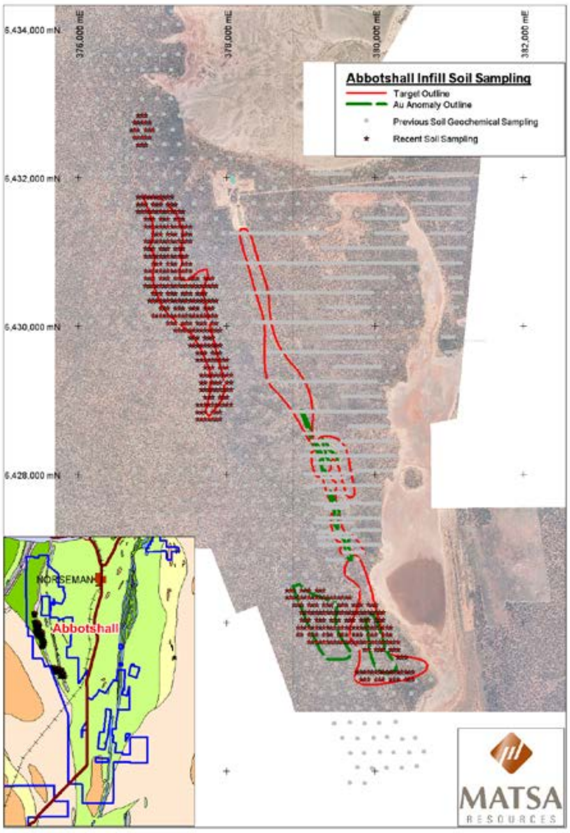

Figure 1: Abbotshall South Soil Gold Anomalies

Killaloe Project Exploration

Work during the quarter focused on high priority geochemical targets identified by a consultant's review of available geochemical data. (Figure 2)

Field activities during the quarter included:

- Collection of 222 soil samples for gold assay by aqua regia digest/ICP.
- Collection of 110 soil samples for gold and multi element assay by Mobile Metal Ion (MMI).

Infill soil sampling for a total of 222 samples, was carried out over three of the priority targets identified by the ioGlobal review. Targets sampled include Duke, Target 28 and the Cashel Fault prospects (Figure 2). Matsa is still awaiting these assay results.

The MMI programme consisted of 110 soil samples from the Cashel, Cashel Fault, Duke and Target 28 prospects in order to trial the MMI partial extraction assay technique. This assay method reportedly has potential to provide better definition of underlying mineralisation, providing for more effective planning of follow up costeaning and drilling. Results have been received for the samples completed at Cashel and are discussed below.

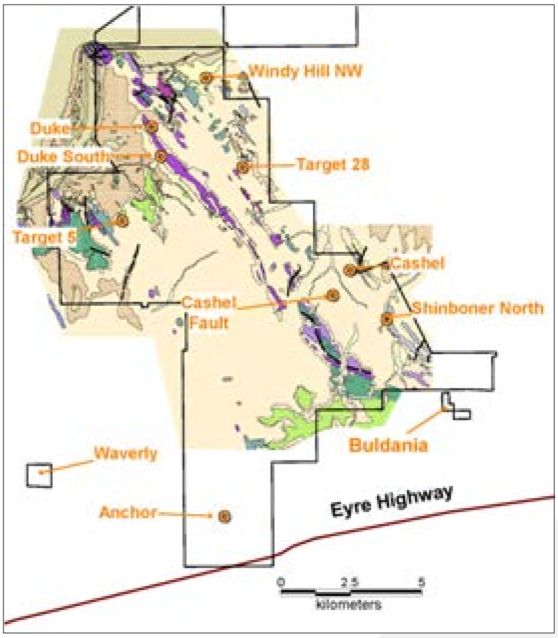

Figure 2: Killaloe Project Priority Targets Location

Cashel Sampling Program

Cashel is a high level soil anomaly with results up to 3,000ppb Au associated with quartz veins, some of which contain coarse visible gold. Unfortunately conventional soil sampling provides a broad diffuse anomaly which does not clearly define a target for costeaning and drilling.

It was decided to trial MMI in order to provide a more robust exploration target for drilling. Results received to date are encouraging and are summarised in Figure 3. It can be seen in the gridded image of the Au MMI data that there are now two clearly defined NW Au anomaly trends. This supports the result of earlier quartz lag sampling and confirms the importance and benefits of the MMI assay technique.

The central Au anomaly is stronger and exhibits response ratios between 5 to 24 times the background value (<2 ppb Au). This anomaly appears to represent the continuity of the quartz vein intersected from previous drilling. A more subdued Au anomaly, with response ratios between 5 to 8 times the background value is located 30m to the east.

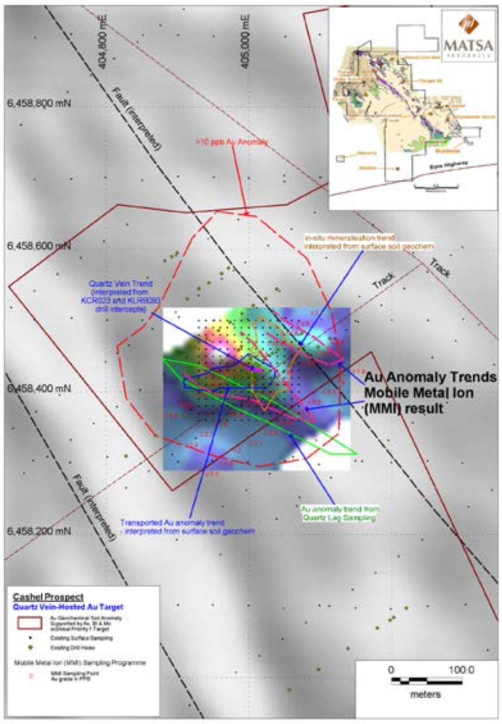

Figure 3: Cashel Fault MMI Soils Geochemistry result

Dundas Iron Ore Project

No significant activities were carried out during the quarter due to ongoing discussions with Haina.

Dunnsville Gold Project

Matsa was pleased to receive Department of Mineral Resources (Exploration Incentive Scheme) EIS funding to cover diamond drilling of a conceptual shear hosted gold target within the Big Red prospect. Funding under the EIS will reimburse 50% of capped direct drilling costs for 4 diamond drill holes planned to test the target (Figure 4).

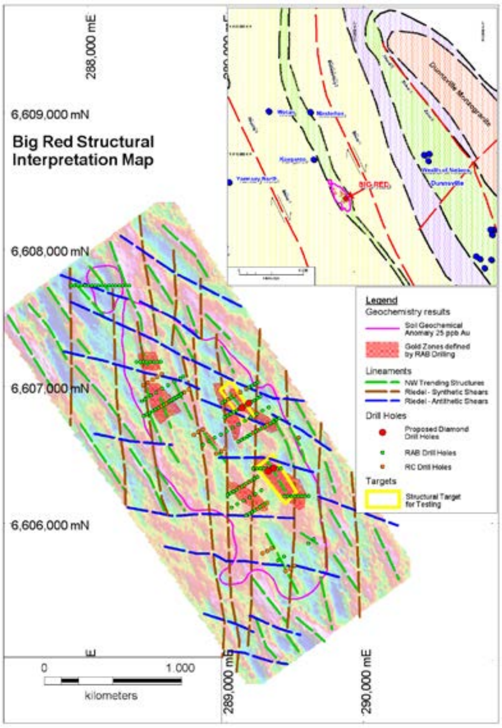

Figure 4: Big Red Prospect Proposed Diamond Hole Location

Thailand Corporate

Matsa is very pleased to confirm that 15 of Matsa's most prospective tenements for a total of 233.41km^2 (Table 1) have now received formal consent and final clearance by the screening committee of the Mineral Act Committee which is under the the Department of Primary Industries and Mining (DPIM).

Project	Number of SPLA's	Area Km^2
Siam Copper Project	8	125.72
KT Gold Project	2	31.31
Paisali Iron Project	5	76.38
TOTAL	15	233.41

Table 1: SPLA's consented to by DPIM Screening Committee

The last requirement prior to formal grant and ministerial signing of the SPLA's (Special Prospecting License Applications) is the approval by the Mineral Act Committee. In most cases this committee accepts the screening committee and DPIM decisions. The rare exceptions to this tend to involve forest boundaries. These SPLA's are not located in any forestry areas and accordingly Matsa does not expect any objections from the Mineral Act Committee or DPIM.

This consent is the final requirement for the DPIM to obtain ministerial approval for the granting of the SPLA's which enables Matsa to undertake exploration for a 5 year term.

Matsa has a total of 121 Special Prospecting Licence Applications (SPLA's) amassing an area of approximately 1,750km^2 prospective for gold, iron ore and copper in Thailand (Figure 5).

During the approval process the Company continues to carry out limited early stage exploration (sampling and prospecting activities) which is permitted under SPLA terms and conditions. This work is intended to provide a clear focus for drilling upon granting of these SPLA's and would fast track the discovery, evaluation and development of new mineral deposits. Matsa will keep the market informed as the approval process proceeds.

Upon granting of the licences Matsa will be able to outline its exploration programme in more detail.

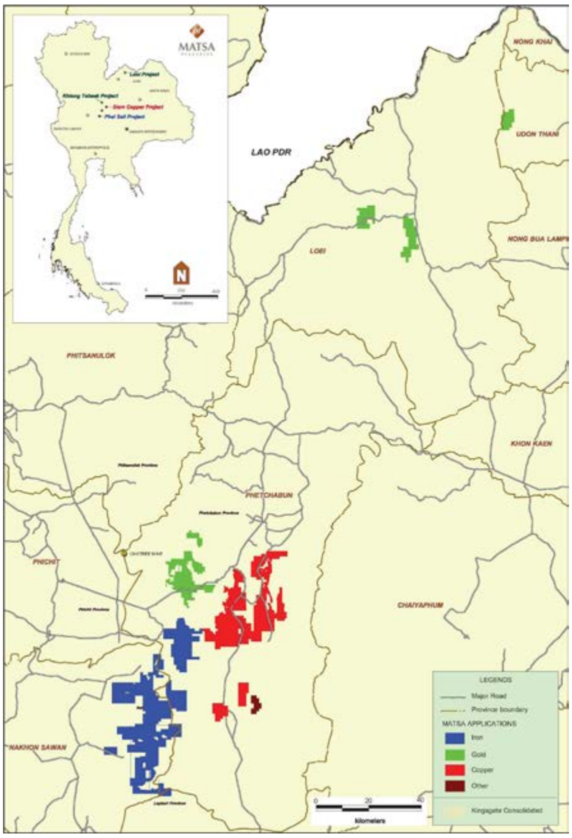

Figure 5: Current SPL Applications Thailand

Paisali Iron Ore Exploration

Ground magnetic surveys continued during the quarter with completion of a further 40 line kilometres of traversing over 24 targets. This brings the total of magnetic surveying to date to approximately 740 line kilometres (Figure 6).

This work comprised single reconnaissance traverses over discrete magnetic targets selected from airborne magnetic data. The intention was to

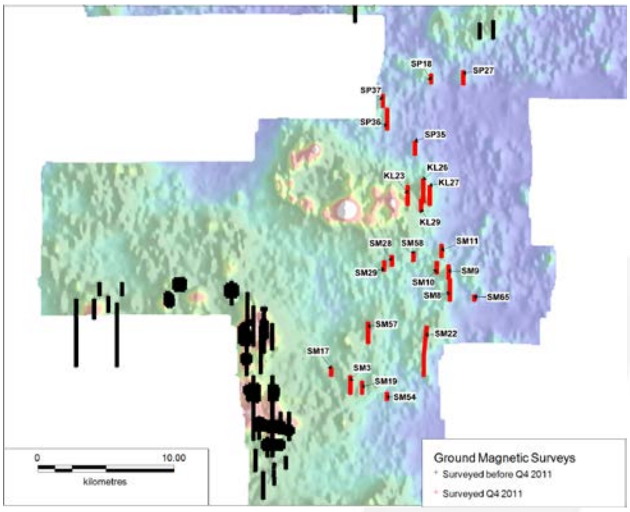

Figure 6: Ground Magnetic Surveys Paisali Project

ground locate targets as a first step in detailed delineation by close spaced follow up lines. Results to date have outlined at least three additional high amplitude magnetic anomalies in low lying agricultural land with minimal outcrop. These are believed to reflect further concealed bodies of magnetite skarn mineralisation at shallow depth. Matsa is encouraged by these results as further support for the Company's exploration target of substantial magnetite mineralisation in a number of discrete separate deposits in the district.

Drill testwork to evaluate the potential of underlying mineralisation as a viable iron ore project is planned immediately upon grant of the SPLA's.

Siam Copper Exploration

This project area was selected on the basis of anomalous copper values in a regional stream sediment survey carried out by the DMR in 2006. These anomalous catchments cover an area of >100km^2. Exploration during the quarter was focused on the Siam 1 and Siam 2 copper stream sediment anomalies (Figure 7).

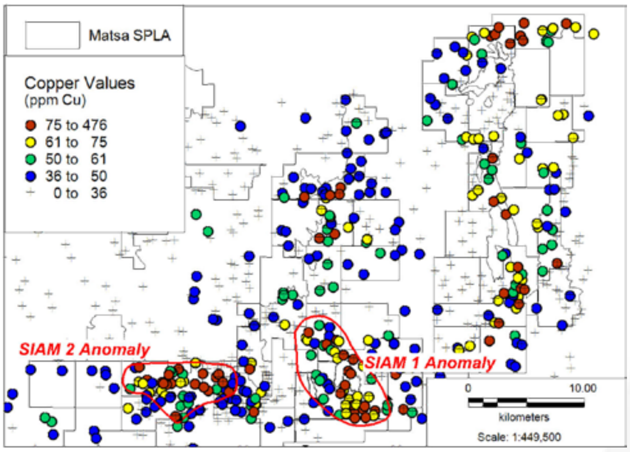

Figure 7: Siam Copper Project - Stream Sediment Copper

Siam 1 Anomaly

Geological mapping was completed over the Siam 1 prospect and shows that extensive anomalous soil and rock chip values are located in a background of Permo Triassic andesites and Permian Limestone (Figure 8). While there is no evidence of intrusives it is believed that native copper mineralisation in the andesitic volcanics is related to hydrothermal alteration of submarine lavas by an intrusive body at shallow depth.

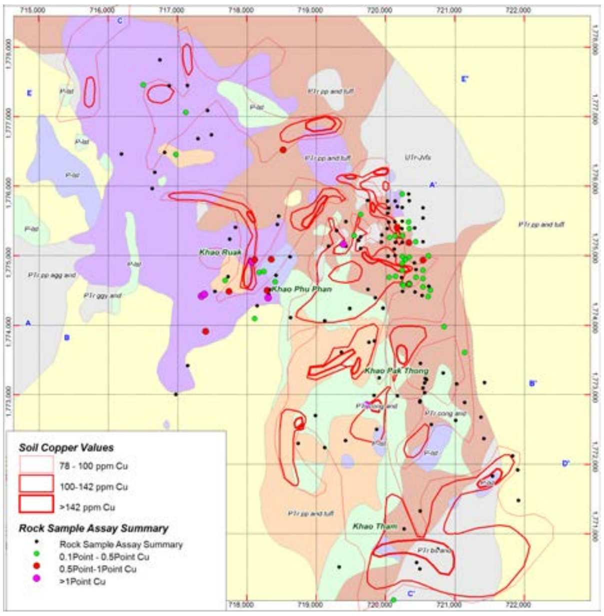

Figure 8: Siam 1 Summary Geochemistry on Mapped Geology

An association between soil copper anomalism and weak magnetic anomalies from the regional data can be observed. One of the soil anomalies also coincides with the location of a pronounced resistivity feature in regional electromagnetic data.

Consequently proposed further work at the Siam 1 prospect will include:

- Infill geochemical sampling and geological mapping
- Detailed ground magnetics
- Orientation Induced Polarisation (IP) ground electrical survey.

Siam 2 Anomaly

Geological mapping was completed over the Siam 2 prospect (Figure 9). Anomalous copper values in soil and rock chips can be seen to be located in a background of andesitic volcanics intruded by a number of small diorite bodies. It was observed that the linear E-W soil copper anomaly which extends over 8km is closely associated with a linear resistivity feature. It is likely that this reflects the presence of a major fault which has focused hydrothermal alteration and mineralisation above an intrusive body at shallow depth within the volcanic pile.

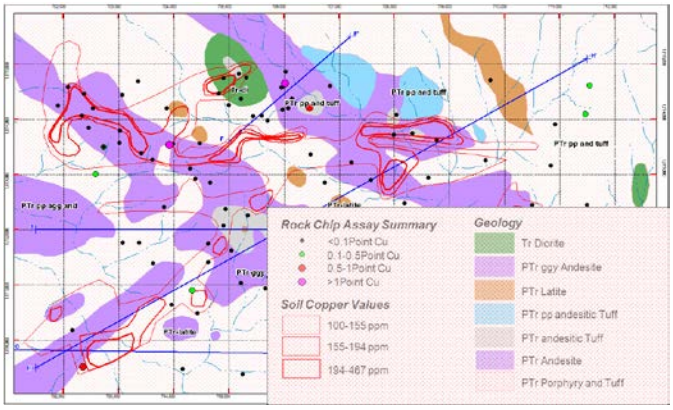

Figure 9: Siam 2 Summary Geochemistry on Mapped Geology

Ground Magnetic Surveys

Reconnaissance ground magnetic traversing has commenced over 9 discrete magnetic anomalies which were selected from airborne data. Targets may represent mineralised intrusives associated with widespread copper mineralisation.

8 SPLA's underlying these targets are included in the group of tenements which have already received screening committee consent (Table 1). Early grant of these will enable the Company to carry out planned follow up activities including detailed soil sampling, ground geophysical surveys, trenching and drilling to identify and delineate the mineralisation underlying the anomalies.

BACKGROUND

About Matsa:

Matsa is an ASX listed exploration and development company based in Western Australia. The Corporate office is located in Perth with offices in Kalgoorlie and Bangkok, Thailand.

The Company aims to increase shareholder wealth through the discovery and development of mineral properties within Australia and South East Asia.

It is committed to developing its Norseman Gold Project and associated magnetite by-product to generate cash flow for shareholder benefit.

For further Information please contact:

Paul Poli
Executive Chairman

Frank Sibbel
Non-Executive Director

Phone	**+61 8 9230 3555**
Fax	**+61 8 9227 0370**
Email	**reception@matsa.com.au**
Web	**www.matsa.com.au**

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.

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	31 December 2011

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(306)	(782)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(529)	(1,093)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	22
1.5	Interest and other costs of finance paid	(7)	(7)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) – R&D Refund	726	726
	- Other		
	Net Operating Cash Flows	(105)	(1,134)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	(9)	(9)
	(c) other fixed assets	(3)	(7)
1.9	Proceeds from sale of: (a) prospects	-	110
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other - Deposits received/(paid) for Thai licences	-	(202)
	Net investing cash flows	(12)	(108)
1.13	Total operating and investing cash flows (carried forward)	(117)	(1,242)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(117)	(1,242)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	586	1,410
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(29)	(62)
1.18	Dividends paid	-	-
1.19	Other - costs of capital raising	(13)	(13)
	Net financing cash flows	544	1,335
	Net increase (decrease) in cash held	427	93
1.20	Cash at beginning of quarter/year to date	1,188	1,522
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	1,615	1,615

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	151
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

On 12 July 2011 the Company advised it had entered into a Share Purchase Agreement (SPA) with SpringTree Special Opportunities Fund LP. On execution of the SPA SpringTree were issued 500,000 fully paid ordinary shares for nil consideration as Collateral Shares and 748,877 fully paid ordinary shares were issued in lieu of a Commencement Fee of $150,000.

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

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	462
4.2	Development	-
4.3	Production	-
4.4	Administration	314
	Total	776

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	537	367
5.2	Deposits at call	1,078	821
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	1,615	1,188

+ See chapter 19 for defined terms.

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	M24/282	Direct	100%	0%
		M24/485	Direct	100%	0%
		M24/503	Direct	100%	0%
		M24/641	Direct	100%	0%
		P24/4514	Direct	100%	0%
		P24/4515	Direct	100%	0%
		P24/4516	Direct	100%	0%
		P24/4517	Direct	100%	0%
		P24/4518	Direct	100%	0%
6.2	Interests in mining tenements acquired or increased	E16/427	Direct	0%	100%
		E16/428	Direct	0%	100%
		E16/429	Direct	0%	100%
		E16/430	Direct	0%	100%
		E16/431	Direct	0%	100%
		P63/1852	Direct	0%	100%
		P63/1853	Direct	0%	100%

+ See chapter 19 for defined terms.

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**	129,921,781	129,921,781		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,100,000 1,578,950	1,100,000 1,578,950	26.0 19.0	26.0 19.0
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)*			*Exercise price*	*Expiry date*
		9,000,000	Unlisted	$0.50	1 July 2012
		1,000,000	Unlisted	$0.273	26 November 2012
		1,200,000	Unlisted	$0.273	31 December 2012
		2,050,000	Unlisted	$0.40	31 August 2013
		4,250,000	Unlisted	$0.45	30 November 2013
		1,250,000	Unlisted	$0.266	13 July 2014
		350,000	Unlisted	$0.31	12 August 2014
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
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: 31 January 2012
(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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