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**ASX Announcement**

**26 November 2009**

## **Second THAILAND property secured – Paisali Iron Project**

### **KEY POINTS**

- **Applications for 9 Special Prospecting Licences lodged covering 107 square kilometres**
- **55 kilometres south of Matsa's KT Gold Project in central Thailand**
- **Five magnetite iron prospects defined by drilling and ground geophysics.**
- **Business model developed for early cash-flow from iron ore mining**
- **Magnetite is 'skarn' geological style within a large (> 20km<sup>2</sup>) mineralised system.**
- **Base metal and precious metal potential.**

Matsa Resources Limited (ASX:MAT, the "Company") is pleased to announce that the Company has secured its second Thailand project in the Paisali region located 200 kilometres north of Bangkok. Following introduction to the area through its consulting geologists GeoMin, the area was assessed over the last three months and highlighted the presence of an extensive 'skarn' mineralised system within which at least five magnetite iron prospects have been located. Applications have been accepted by the Thailand Department of Industry and Mines through the Company's Thai subsidiaries for nine (9) Special Prospecting Licences Applications ("SPLA's") covering approximately 107 square kilometres.

The SPLA's include a central 18 square kilometres in 2 SPLA's that have had extensive detailed ground magnetic surveys and a number of shallow diamond drill holes which has defined the initial magnetite iron prospects. Coarse magnetite up to an impressive 65% in grade and oxidation depths of up to 30 metres has been observed suggesting both Direct Shipping Ore and Magnetite concentrate potential is present.

Executive Director Andy Viner said "This second project in Thailand is showing that our patient assessment of opportunities over the last two years is now starting to bear fruit. We like the Paisali Project because there are immediate iron ore targets that have the potential to define reserves for a highly profitable mining operation within a short space of time. The concept of sustaining our future exploration and development in Thailand from mining cash-flows is very attractive to us".

"This is another strategic acquisition for Matsa in Thailand, designed to provide a project pipeline behind our high-grade Norseman gold mining operation in 2010 from which cash-flow can provide the funds for exploration" Mr Viner said.



## The Paisali Project

### LOCATION

The project which the Company identifies as the Paisali Project because it is in the Amphoe Phai Sali area, is located 200 kilometres north of Bangkok in the Nakhon Sawan Province and is approximately 55 kilometres south of the Company's KT Project (Figures 1 & 2).

**Figure 1:** Regional Project Location

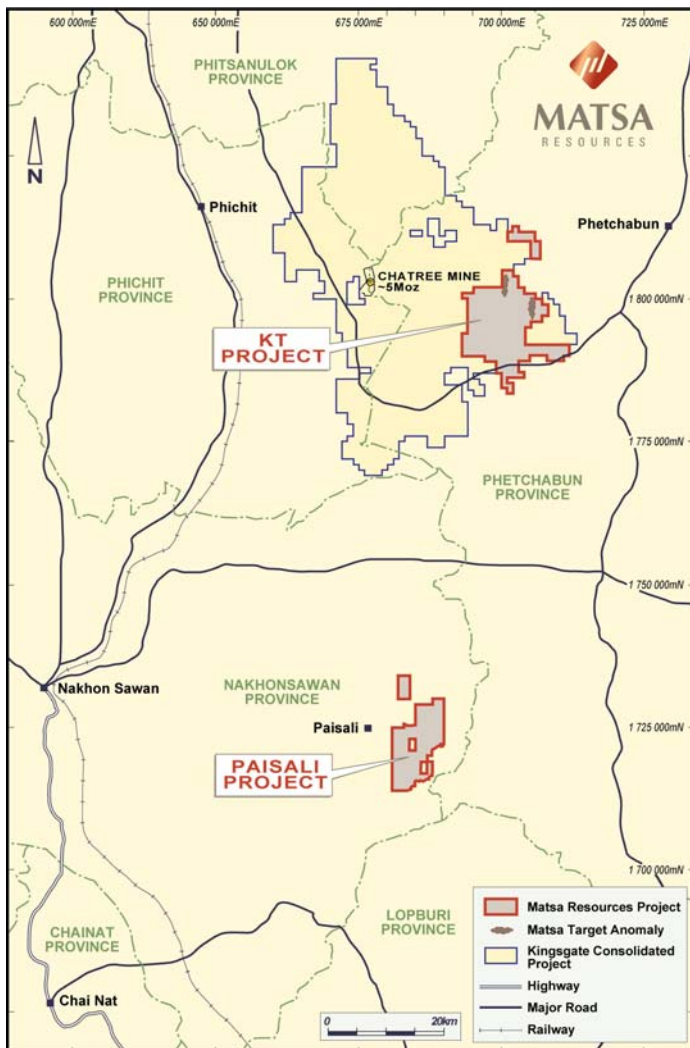
### PURCHASE AGREEMENT

Two of the SPLA's covering 18 km<sup>2</sup> have been purchased from a local prospector/land owner. This central area has been a focus for prospecting groups because of the presence of small surface iron deposits. Two excised areas are held for iron under Exploration Prospecting licences of 2 km<sup>2</sup> and a third area of approximately 1 km<sup>2</sup> is under mining lease application for Iron by Chinese investors.

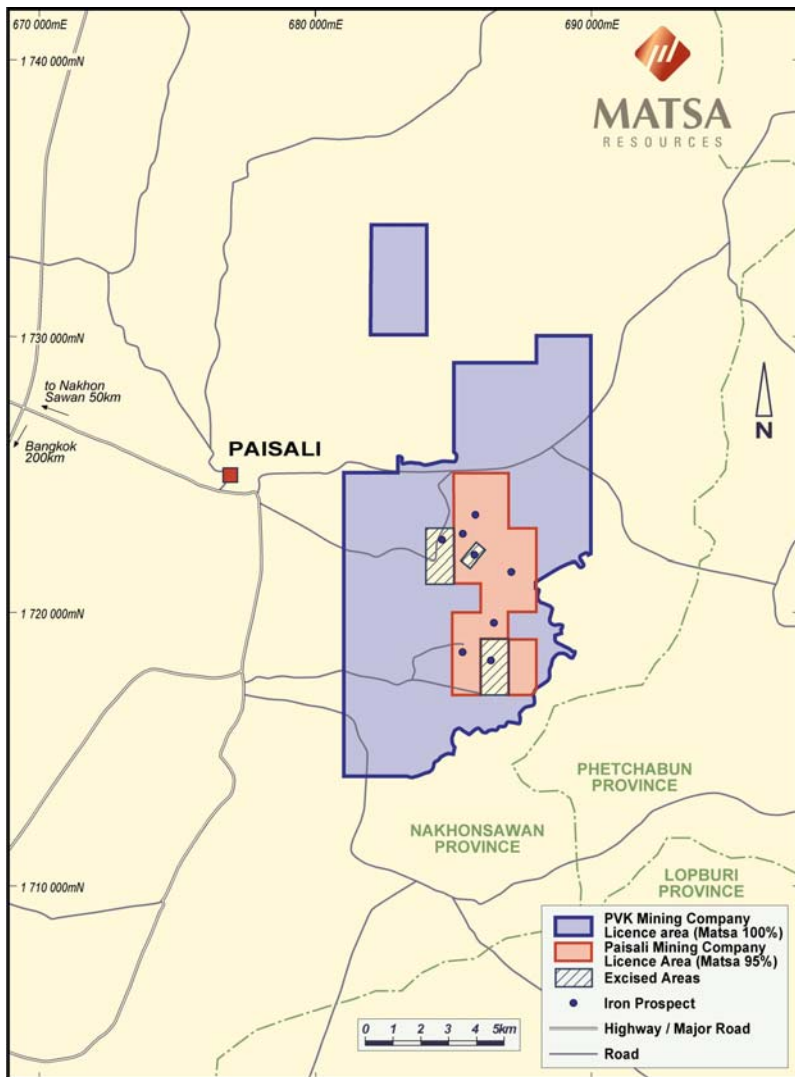
Principal Terms of the Purchase Agreement entered into for the central two SPLA areas include the following consideration payable to the local prospector/landowner;

- A\$13,500 Option fee.
- A\$20,000 payment on successful due diligence.
- A\$50,000 payment on receipt of SPL applications by the Department of Industry and Minerals.
- A 5% interest in Paisali Mining Co., Ltd which has applied for the two SPLA's (Matsa 95%).
- Assignment to Matsa of all Options to Purchase private land in the area.
- A\$50,000 payment upon grant of SPL's.
- A 5% gross royalty on revenue from the mining of Iron from the SPL areas.

The previous owner has met the obligation to provide full assistance with making the SPL applications and delivering all technical data to the Company.



**Figure 2:** KT - Paisali Project locations



Matsa's seven (7) other SPLA's are held in its 100% subsidiary PVK Mining Co., Ltd. Advice given to the Company indicates that no other Party may apply for the same land as the Company and that there is no reason that the Government will not grant the SPL's, which is expected to occur within 3 to 6 months from application.

#### GEOLOGICAL BACKGROUND

Within the central area the previous owners completed an interpretation of aeromagnetic data to locate strongly magnetic areas likely to be related to magnetite skarn bodies. These targets have been followed up with extensive detailed ground magnetic surveys which have defined five discrete targets. Two of these have been diamond drilled and confirmed strong zones of magnetite mineralisation. No analysis of this drill core has been completed to date.

Figure 3 shows the detailed location of the SPLA's.

An additional target, which was the first defined, had 12 diamond drill holes which confirmed a 700 metre long magnetite body averaging about 10-15 metres wide from the surface to at least 30 metres depth. This prospect was sold to Chinese interests prior to Matsa evaluating the property; however the remaining magnetic target areas appear to be of very similar strength and dimension.

Geological interpretation and field inspection has defined a larger prospective area that is contiguous with the initial 2 SPLA areas covering potential host rocks and interpreted mineralising structures. This area has now been comprehensively secured by the additional PVK Mining SPLA's.

Skarn style Iron deposits are being actively mined on a small scale in Thailand. There are numerous deposits generally associated with Permo-Triassic granite intrusions, particularly where they intrude the extensive Permian limestone stratigraphy. Skarn mineralisation in Thailand and other parts of the world are also commonly associated with economic deposits of copper, gold, lead, zinc, molybdenum, tungsten and tin.

In Thailand the largest defined occurrence is PanAust's Phutep copper-gold-iron skarn deposit with current resources of 183 million tonnes at 0.5% copper and 0.13 g/t gold (copper cut-off grade 0.30%), for 913,000 tonnes copper and 771,000 ounces of gold. The Company will investigate whether the Paisali skarn system has any other economic minerals in addition to magnetite.

## IRON ORE DEVELOPMENT MODEL

The Company believes there is strong business justification for pursuing production of Iron Ore within Thailand. The presence of Steel Mills in Thailand and Malaysia, as well as China which predominantly utilise Magnetite ore as a preferred feed stock and consequently commanding a premium price to hematite, is seen as a significant impetus to seriously consider developing projects such as Paisali within the region. These regional steel mills provide for significant savings in freight due to the relative short distances and availability of very low transportation costs via direct road and rail.

The model is based on the Company defining sufficient deposits, with the capacity of producing 1 million tonnes per annum of Direct Shipping and/or Magnetite Concentrate material of a high grade, sufficient enough to command a price which delivers a satisfactory profit result to the Company. Current preliminary budgeting seems to demonstrate that the cost of mining and transportation in Thailand allows the development of this model to produce early significant cash-flow for the Company. It is a unique business model that has been developed and is applicable to this region.

Whilst geological investigations at the Paisali Project are at an early stage, the Company considers that there is sufficient evidence to suggest that this area may contain adequate mineralisation to meet the requirements of the model and develop a profitable and successful mining venture.

### **Thailand Mining Industry Background**

The country of Thailand is a Constitutional Monarchy that has a well established western-style legal framework for the Mining Industry. The Mining Industry is dominated by Industrial Minerals, particularly limestone for the cement industry, but also barite, dolomite and fluorite. Historically tin and tungsten have been major minerals produced although now are only produced on a very minor scale. In the last 20 years zinc and recently gold and iron ore have been an important part of this small industry.

It is the opinion of the Company that Thailand has the potential to host many significant deposits of minerals including gold, copper and iron - and the geology is highly prospective for these minerals. This fact is highlighted by the Australian mining company Kingsgate Consolidated Limited which has had a major impact in the country through the discovery and successful development of the 5 million ounce Chatree Gold project in central Thailand. PanAust Limited's large Puthap gold-copper deposit near Leoi in north-east Thailand is currently in Definitive Feasibility stage, further underlining the potential of Thailand.

The Chatree Gold Mine is a world class gold and silver mine owned by Akara Mining Limited, a controlled subsidiary of Kingsgate Consolidated Limited. It is located 280 kms north of Bangkok in the Pichit and Petchabun provinces and was commissioned in November 2001. The plant currently has capacity of 2.4Mtpa and Kingsgate have commenced an expansion to 5 Mtpa.

Thailand has extensive transport infrastructure suited to bulk material movement as a result of its huge agricultural production and domestic and export markets. As a consequence road, rail and shipping logistics are favourable for any future iron ore operations at Paisali.

### **SE Asia Strategy**

The Company regards the securing of the KT Project and now the Paisali Project as an excellent basis to enter into the minerals industry in SE Asia. The two projects are located very close to each other in central Thailand. Thailand has excellent potential for Gold, Iron and Copper.

With some time before granting of SPL's it is planned to fund an aggressive exploration and development program in SE Asia after cash flow from mining at the Company's Norseman Gold Project becomes available in the second half of 2010. In the mean time existing data will be compiled and additional surface geochemistry and geophysics will be completed to allow targeted exploration to commence upon grant.

The Company continues to assess other opportunities for gold, copper and iron ore deposits within Thailand, Cambodia and Laos, with a preference for advanced projects with world-class deposit potential.

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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.*