



ASX Announcement

20th December 2021

\$20M Sale of the Red October and Devon Gold Projects

Highlights

- Matsa has executed a binding agreement to sell the Red October and Devon gold projects to Linden Gold Pty Ltd (LGL) for a consideration of \$20M
- The consideration consists of a mix of cash and shares (\$9M) in LGL totalling \$15M and a deferred payment of \$5M
- Matsa will be a substantial shareholder of the listed company upon completion, which will contain an existing operating mine and exploration ground already held by LGL as well as the sale assets which are contiguous
- The transaction allows Matsa to continue building on its significant gold resource base at Lake Carey Gold Project, including the Fortitude Gold Mine where the recent scoping study identified an operating cash surplus of \$95M¹, and define new resources elsewhere including Fortitude North
- The sale monetises a portion of the Lake Carey Gold Project and demonstrates the potential value of Matsa's retained exploration assets
- Dependent on the final quantum of LGL shares to be issued, Matsa will hold a substantial indirect interest in not only the Red October and Devon gold projects, via its interest in LGL, expected to be a newly listed company, but also the purchaser's existing mining and exploration operations
- Matsa retains the 72 room village currently at Red October and its associated infrastructure

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Directors

Frank Sibbel

Pascal Blampain

Director & Company Secretary

Andrew Chapman

Shares on Issue

358.15 million

Listed Options

49.22 million @ \$0.17

Unlisted Options

59.08 million @ \$0.17 - \$0.35

Top 20 shareholders

Hold 54.69%

Share Price on 16th Dec 2021

5.8 cents

Market Capitalisation

\$20.77 million

¹ ASX Announcement 6 October 2021 – Amended Updated Fortitude Study Increases Surplus to \$95M

Matsa Resources Limited (“Matsa” or “the Company” ASX: MAT) is pleased to announce that it has entered in to a Sale and Purchase Agreement (“SPA”) with Linden Gold Pty Ltd (“LGL”) to sell its Red October and Devon gold projects to LGL for a consideration of \$20M.

LGL is a privately owned gold producer established in 2020 operating the Second Fortune underground gold mine, which is some 14km south of Red October. In August 2020, LGL acquired the Second Fortune gold project and wider ~55km² Linden gold project situated in the north eastern goldfields of Western Australia, which is contiguous to the Red October and Devon gold projects. LGL commenced production from Second Fortune with first gold poured in April 2021 with the ore processed at St Barbara Ltd’s Gwalia processing facility under a toll milling/ore purchase arrangement.

Matsa will hold 385km² (Figure 1) and 553,000oz gold Resource[#] at Fortitude, including the nearby Bindah and Gallant satellite resources following the sale of the Red October and Devon gold projects.

In addition, there is considerable exploration opportunities at Fortitude North², where Matsa is planning a drilling program of sufficient size to enable outlining a maiden resource as well as along the Fortitude, Bindah and Wilga Shear Zones (Figure 2) which represent in excess of 74km of anomalous gold which has seen relatively limited and broad spaced drilling to date.

Matsa Executive Chairman Mr Paul Poli commented:

“This sale of the Red October and Devon gold projects for \$20M unlocks real value for Matsa’s assets and, in turn, its shareholders. It’s a big deal and a game changer for Matsa because it provides \$20M in funding to enable the company to maintain a systematic exploration effort to build a 1Million oz resource at Lake Carey Gold Project.

The transaction is highly value accretive to Matsa shareholders and will provide non-dilutive funding for Matsa to grow the pro-forma 553,000oz gold resource and define new resources at targets such as Fortitude North.

What’s also important here, is that this deal supports my long held belief that there is great value in the Lake Carey Gold Project where Matsa still retains the Fortitude, Fortitude North, Gallant and Bindah projects, as well as a host of other prospects that have yet to be fully drill tested. In addition, Matsa retains ownership of the Red October village which will provide support infrastructure for ongoing exploration and our proposed future developments.

Pleasingly, Matsa retains an indirect interest in the Red October and Devon projects via the 19.6% interest in the new listing. I wish LGL success with their planned IPO and that they can successfully bring the projects into production in the near term.”

[#] The Company confirms that it is not aware of any new information or data that materially affects the information included in the ASX Announcement of 2 September 2021 “Lake Carey Gold Resource Nears 1 Million Oz Milestone”, and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

The sale of Red October and Devon is not conditional on the admission of LGL to the ASX. Completion of the sale is scheduled to occur in conjunction with the successful listing of LGL on the ASX by 28 February 2022 (which timing may be extended and/or completion adjusted as described below).

² ASX Announcement 16 September 2021 - Fortitude North Shaping as a Significant Mineralised System

The \$20M consideration under the terms of the SPA consists of the following:

1. A deposit of \$1M payable on the execution of the SPA. Matsa has received this amount from LGL. This deposit may be increased by two additional \$1M installments if:
 - (a) LGL has not received conditional approval from the ASX for admission to the ASX by 28 February 2022, extending the completion date to 30 April 2022; and
 - (b) LGL has not received conditional approval from the ASX for admission to the ASX by 30 April 2022, extending the completion date to 30 June 2022.
2. On completion occurring in conjunction with the successful listing of LGL on the ASX, Matsa will receive:
 - (a) A cash payment of \$5M reduced by any amounts paid under 1(a) or (b) above; and
 - (b) \$9M either in cash or LGL shares (the full \$9m in shares is expected to equate to an approximately 19.6% interest in LGL at the time of LGL listing on the ASX) at LGL's election, subject to a maximum of \$4.5m able to be paid by way of cash. Note that the amount that may be paid to Matsa in cash (together with shares in LGL) will be subject to ASX Listing Rule 1.1 condition 11, to the extent applicable.
3. A deferred payment of \$5M consisting of:
 - (a) A deferred cash payment of \$2.5M within 24 months of LGL receiving conditional approval from the ASX for admission to the ASX; and
 - (b) A net profit payment of \$2.5M payable quarterly from mining operations at the Devon gold project.

Should LGL not receive conditional approval from the ASX for admission to the ASX by 30 June 2022 as a result of events beyond the control of LGL, the deadline for conditional approval will be extended for up to a further 90 days. At this point, LGL may elect to complete the sale by paying the balance of the payments described in 2(a) and (b) in cash, ie. \$12M to Matsa.

Matsa has the right to terminate the SPA should LGL not successfully complete the acquisition by the deadlines noted above (through either successful listing on the ASX or cash settlement) and elect not to complete the sale, Matsa can retain any deposit it has received, at which point ownership of the Red October and Devon gold projects is retained by Matsa.

Where Matsa holds at least a 15% shareholding interest in LGL, Matsa has the right to appoint a nominee director to LGL.

Based on early due diligence enquiries and discussions with LGL and its IPO lead manager, Argonaut Securities, Matsa expects LGL (inclusive of its current operations and the sale assets from Matsa) to be suitable for listing. However, LGL is yet to seek in-principle approval for listing on ASX and there is no guarantee that LGL will be listed on ASX. Matsa is aware that LGL intends to make the necessary application and provide information in its planned IPO prospectus in early 2022. In the event the sale assets were to be acquired entirely for cash (without listing of LGL), settlement would be dependent on LGL obtaining finance for the same. Matsa will keep shareholders informed of progress.

The sale of Red October and Devon gold projects is subject to shareholder approval under Listing Rule 11.4. Other conditions typical to a transaction of this nature will apply including ministerial consent to the transfer of the tenements in question.

This ASX announcement is authorised for release by the Board of Matsa Resources Limited.

For further information please contact:

Paul Poli

Executive Chairman

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Competent Person

The information in this report that relates to Exploration results, is based on information compiled by Pascal Blampain, who is a Member of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Pascal Blampain is a full-time employee, and serves on the Board, of Matsa Resources Limited and 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Blampain consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Production Targets and Forecast Financial Information

The information in this announcement that relates to production targets and financial information is extracted from ASX announcements dated 22 January 2021 (Concept Study 600,000tpa Treatment Plant Lake Carey Project) and 6 October 2021 (Amended Updated Fortitude Study Increases Surplus to \$95M). Matsa confirms that all material assumptions underpinning the production targets and forecast financial information derived from production targets set out in those announcements, including the cost and pricing assumptions, continue to apply and have not materially changed.

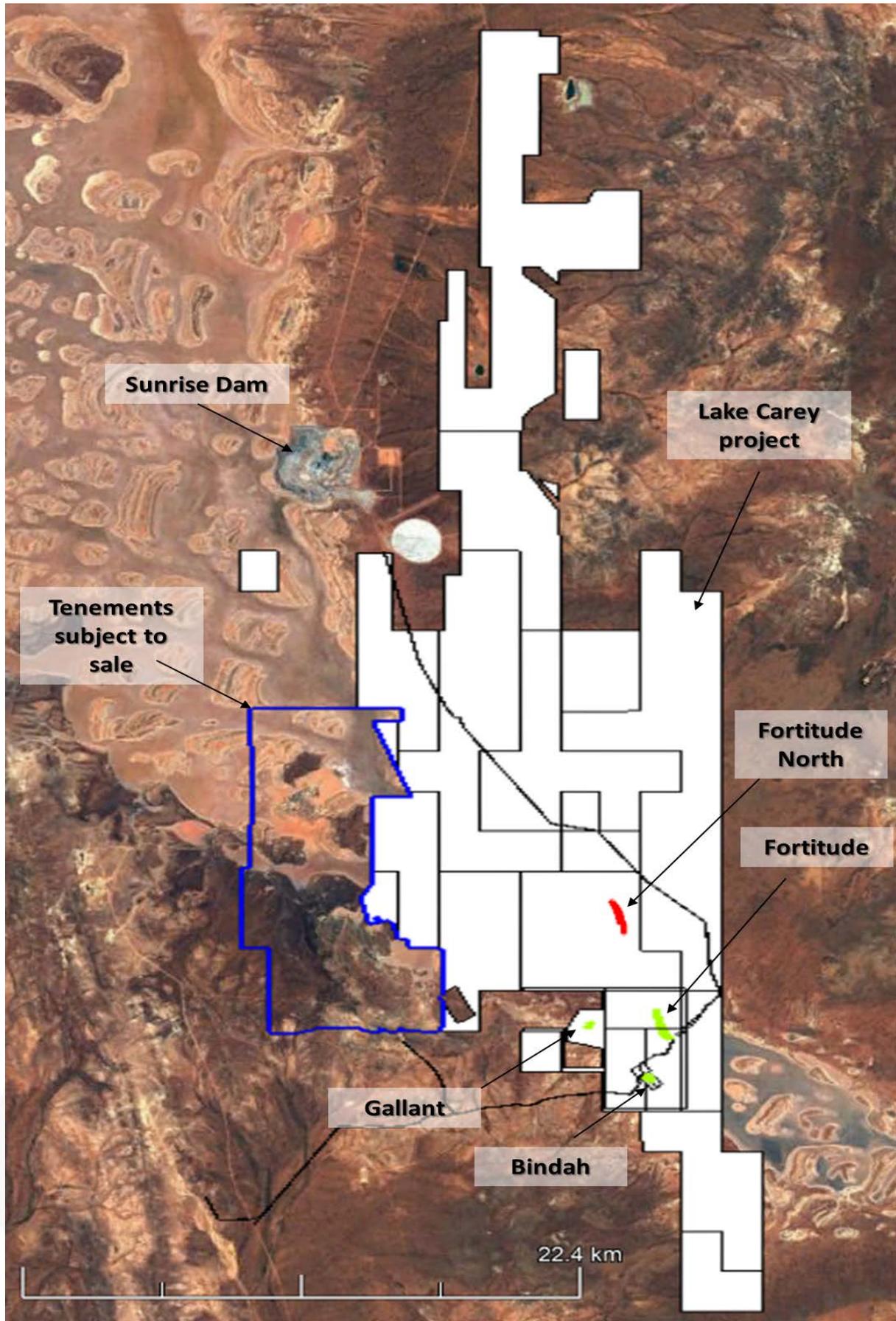


Figure 1: Matsa's retained Lake Carey gold project tenement package

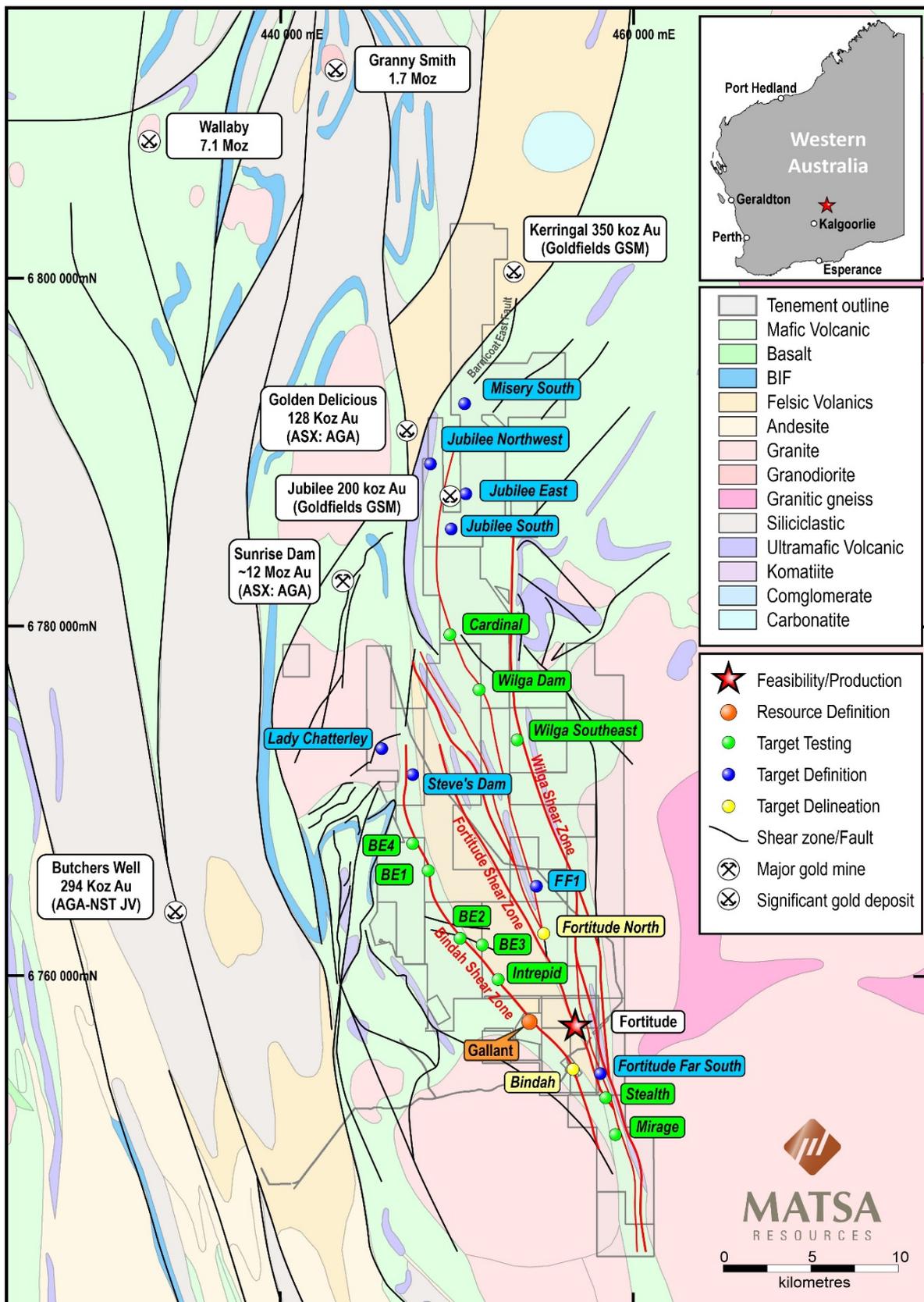


Figure 2: Regionally significant anomalous Bindah, Fortitude and Wilga Shear Zone trends of the Lake Carey Gold Project