



ASX Announcement

7th October 2022

Joint Venture with Linden Gold Alliance Devon Gold Project

HIGHLIGHTS

- A non-binding indicative term sheet has been executed with Linden Gold Alliance Limited ("Linden") for a development and profit sharing joint venture for the Devon Pit
- Matsa will receive an upfront prepayment of \$4M cash from Linden for its 50% profit share in the Devon Pit and Matsa will be free carried for all costs
- Matsa and Linden will each be entitled to a 50% profit share with the \$4M upfront prepayment only accountable out of profits from mining the Devon Pit
- The existing Sale and Purchase Agreement between Matsa and Linden in respect of Red October and Devon ("SPA") and subsequent amendments to that SPA will be terminated upon execution of a formal joint venture agreement and receipt of the \$4M prepayment
- Linden will continue to cover the costs of care and maintenance at the Red October Gold mine until the formal agreement has been executed
- Matsa will retain 100% ownership of the Devon Gold project and the Red October Gold project
- The Lake Carey Gold project contains a mineral resource estimate of 886koz @ 2.4g/t Au including 65koz @ 4.6g/t Au at the Devon Pit

CORPORATE SUMMARY

Executive Chairman

Paul Poli

Directors

Frank Sibbel

Pascal Blampain

Andrew Chapman

Shares on Issue

410.95 million

Listed Options

49.22 million @ \$0.17

Unlisted Options

59.08 million @ \$0.17 - \$0.35

Top 20 shareholders

Hold 55.38%

Share Price on 6th October 2022

3.8 cents

Market Capitalisation

A\$15.61 million

INTRODUCTION

Matsa Resources Limited (“Matsa” or “the Company” ASX: MAT) is pleased to advise that it has executed a non-binding indicative term sheet (“Term Sheet”) with Linden Gold Alliance Limited (“Linden”) whereby Matsa and Linden form an equal 50/50 development and profit sharing joint venture to advance the Devon Pit (“Devon”) to a feasibility study and subsequently into production.

It is intended to progress this Term Sheet into a formal binding agreement as soon as possible and following execution of the formal joint venture agreement Linden must pay Matsa \$4M as an upfront prepayment of its share of profits from the joint venture.

The key terms of the Term Sheet are as follows:

1. Matsa and Linden are to execute a formal joint venture agreement as soon as possible with Matsa to receive the upfront prepayment of \$4M cash as follows:
 - (i) \$100,000 on the signing of the Term Sheet (funds received); and
 - (ii) \$3,900,000 within 4 weeks of the execution of a formal agreement which must be finalised no later than 11 November 2022.
2. Matsa and Linden will form an unincorporated development and profit sharing joint venture (50/50) (“Joint Venture”) which will be responsible for the progression of the development of the Devon Pit (Figure 1) and, in turn, production.
3. Matsa will be free carried by Linden for all costs of development including all development capital, sustaining capital, attributable debt financing and operating working capital including completion and closure of mining activities.
4. Linden will recover all of Matsa’s attributed share of costs (including the \$4M) from Matsa’s share of proceeds from the sale of its share of production of the Joint Venture. Should Matsa’s share of proceeds be insufficient for Linden to recover its costs and the upfront \$4M, Matsa will have no liability to pay any outstanding balance.
5. Linden will be appointed as the manager of the Joint Venture and must deliver an acceptable Definitive Feasibility Study by 31 August 2023 and be able to commence mining by 30 June 2024, subject to certain conditions. If Linden fails to meet these deadlines the Joint Venture terminates and the \$4M paid to Matsa is non-refundable. Matsa retains 100% ownership in the Devon Gold Mine tenements at all times.
6. Upon execution of the formal agreement and the receipt of the \$4M the existing Sale and Purchase Agreement between Matsa and Linden in respect of Red October and Devon (“SPA”) and subsequent amendments to that SPA will be terminated.

Matsa Executive Chairman Mr Paul Poli commented:

“This is an excellent outcome for Matsa. When the sale could not be completed as contemplated under the SPA, working out a strong outcome for Matsa was imperative. This Joint Venture allows Matsa to retain 100% ownership of its Lake Carey Gold project, provides early cash flow via the \$4M upfront payment and a profit share in the Devon Pit all at no cost to Matsa. There is also the prospect of finalising a separate deal for Red October gold mine.

In June 2021 the results of Matsa’s mining studies for the Devon Pit indicated a positive surplus of \$40M¹ under a Matsa owned and operated processing plant scenario.

¹ ASX Announcement 14 April 2021 - Devon Pit Scoping Study Delivers Excellent Results

Matsa looks forward to working closely with Linden to progress Devon and develop a successful joint venture relationship."

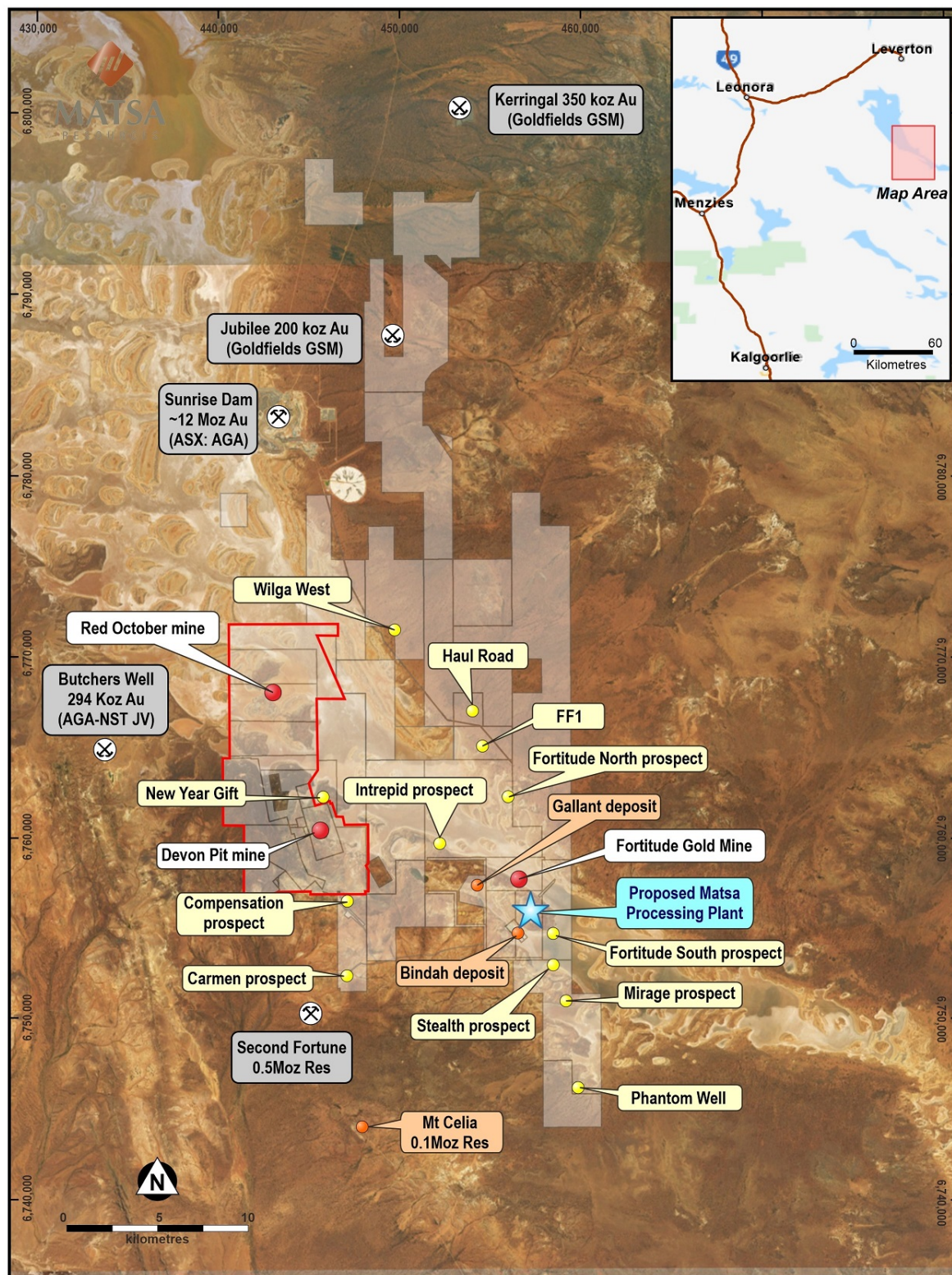


Figure 1: Lake Carey Gold Project, area in red subject to SPA, Devon Pit mine (only) subject to this Joint Venture arrangement

Background

Matsa entered into a \$20M Sale and Purchase Agreement (“SPA”) with Linden Gold Alliance Limited (“LGA”) for the sale of Red October and Devon Pits and associated tenements in December 2021, which has delivered Matsa \$3M in non-refundable deposits.

On 28 September 2022 Matsa advised that Linden had not received conditional approval for admission to the ASX as required by the SPA and that Linden had 5 business days to advise Matsa whether or not it will complete the sale via a cash payment of \$12M. Linden were not able to do so and therefore could not complete the transaction as per the SPA.

Following ongoing discussions with Linden a proposal for a joint venture for the Devon Pit was agreed on the above terms. This allows Matsa to retain 100% of all the tenements listed in the SPA including the Red October Gold project and Devon Gold project and continue to conduct exploration activities on these projects (excluding the Devon Pit area) unhindered.

Matsa retains a gold resource at the Lake Carey Gold project of 886koz (Table 1) at 2.4g/t and be in a position to continue to expand on its resource base with focussed exploration activities.

	Cutoff g/t Au	Measured (‘000t) g/t Au	Indicated (‘000t) g/t Au	Inferred (‘000t) g/t Au	Total Resource (‘000t) g/t Au (‘000 oz)
Red October					
Red October UG	2.0	105 8	483 5.7	411 6.3	999 6.2 199
Red October Subtotal		105 8.4	483 5.7	411 6.3	999 6.2 199
Devon					
Devon Pit (OP)	1.0	- -	341 4.8	102 3.6	443 4.6 65
Olympic (OP)	1.0	- -	- -	171 2.8	171 2.8 15
Hill East (OP)	1.0	- -	- -	748 2.0	748 2.0 48
Devon Subtotal		- -	341 4.8	1021 2.3	1362 2.9 128
Fortitude					
Fortitude	1.0	127 2.2	2,979 1.9	4,943 1.9	8,048 1.9 489
Gallant (OP)	1.0	- -	- -	341 2.1	341 2.1 23
Bindah (OP)	1.0	- -	43 3.3	483 2.3	526 2.4 40
Fortitude Subtotal		127 2.2	3021 2.0	5,767 1.9	8,915 1.9 553
Stockpiles		- -	- -	191 1.0	191 1.0 6
Total		232 5.0	3,845 2.7	7,199 2.2	11,467 2.4 886

Table 1: Lake Carey Gold Resource Table (resources include reserves). Note rounding adjustments may not total.

As part of the Term Sheet Linden will continue to manage the care and maintenance of the Red October Gold mine until the completion of the formal joint venture agreement. Matsa and Linden will also work towards constructing a separate transaction on Red October on a similar basis to the Joint Venture for Devon.

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

For further information please contact:

Paul Poli

Executive Chairman

T 08 9230 3555

E reception@matsa.com.au