



ASX RELEASE

26 June 2023

ASX Code: MGV

Dear Fellow Shareholder

**THE DIRECTORS OF MUSGRAVE UNANIMOUSLY RECOMMEND THAT
YOU REJECT THE WESTGOLD OFFER BY TAKING NO ACTION**

As you are no doubt aware, on 6 June 2023 Westgold Resources Limited (**Westgold**) announced an unsolicited takeover offer for all of your shares in Musgrave Minerals Ltd (**Musgrave** or the **Company**).

After careful consideration of the Bidder's Statement and the offer, the Directors of Musgrave unanimously resolved to recommend that you **REJECT** the Westgold all scrip offer of 1 Westgold share for every 5.37 Musgrave shares (**the Offer**).

To **REJECT** the Offer you should simply **DO NOTHING** and take **NO ACTION** in relation to all documents sent to you by Westgold.

Since announcement, the Westgold implied Offer price has traded below the Musgrave share price.¹ We note that as at 23 June 2023, the last practicable day prior to the release of this letter, the Musgrave share price closed at \$0.295 compared to the current Westgold implied Offer price of \$0.250.

You will shortly be receiving Westgold's formal Offer document, called a Bidder's Statement. This will be followed by the Target's Statement, which will be your Directors' formal response to the Offer.

The recently released Stage 1 Prefeasibility Study for the Cue Gold Project illustrates a technically and financially robust project. The value of Musgrave to Westgold has clearly been articulated in recent announcements, media coverage and analyst commentary post the announced intention to make an Offer. Your Directors believe that Westgold recognises the inherent value of Musgrave's Cue Gold Project and the 310km² of tenure in the Cue area of the Murchison Region held by Musgrave.

Your Directors are currently preparing a detailed response to the Offer (our Target's Statement).

Ahead of sending you our Target's Statement, your Directors consider that it is important to provide you with an overview of the reasons why we believe the Offer should be rejected. We urge you to read the attached reasons carefully.

- 1. The Westgold implied Offer price is below the current Musgrave share price.**
- 2. The Offer is opportunistic given Musgrave's potential.**
- 3. Musgrave delivers immediate growth to Westgold.**
- 4. The Offer is highly conditional and uncertain.**
- 5. Musgrave shareholders may face adverse tax consequences if they accept the offer .**

It is also important to note that the Offer consideration is not cash and its true value is dependent on the value that can be attributed to a Westgold share.

¹ The Westgold implied Offer price will change with fluctuations in the Westgold share price over time.

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You will gain **NO ADVANTAGE** by accepting the Offer immediately on receipt of the Bidder's Statement. Indeed, by doing so, you may also miss out on the benefits of any superior alternative proposal that might emerge from a third party and you may be unable to sell your Musgrave shares on market at a higher price if the opportunity arises.

Each Director intends to reject the current Offer in respect of the Musgrave Shares they own, or control. As at the date of this shareholder letter, the Directors have voting power of approximately 2.43% in Musgrave shares.

Musgrave's objective is to progress the Cue Gold Project towards production and extend mine life through continued growth of the existing resource base and discovery of additional high-grade gold deposits.

Musgrave holds approximately 310km² of highly prospective and sought-after exploration ground at Cue in the Murchison region of Western Australia².

Musgrave has a strong record of delivering exploration success with the sole focus on building a profitable gold mining business for the benefit of our shareholders.

The Company recently released the robust Stage 1 Prefeasibility Study (PFS) which defines a financially attractive standalone project with an initial 5-year life of mine (LOM) demonstrating low cost, high margin gold production. The ongoing focus is on upgrading and expanding gold resources through infill and extensional drilling to extend and sustain mine life.

Cue Gold Project - Stage 1 Prefeasibility Study³

Your Board has a clear strategy for the development of the Cue Gold Project (CGP).

The excellent Stage 1 PFS outcomes demonstrate that Musgrave's Cue Gold Project is one of the highest margin, undeveloped gold projects in Australia. This potential new standalone development has a rapid payback period of 9 months from first processing due to the extraordinary near-surface, high-grade nature of the Break of Day and White Heat deposits.

The project has an IRR of 95% (pre-tax) and the potential to deliver over 65,000 ounces of gold annually over an initial 5-year period (including 80,000oz/year for the first 3 years) at an AISC of A\$1,315/oz and AIC of A\$1,675/oz (based on full amortisation of start-up capital). The project generates cashflow of \$314M (before tax) and EBITDA of \$528M (at A\$2,600/oz) with a C1 cost of A\$934/oz. With this cost profile (based on Q1 2023 capital and operating cost assumptions), the Project is expected to be in the lowest cost quartile of gold producers in Australia.

The Stage 1 PFS predominantly focuses on the current Indicated Mineral Resources at Cue (435koz gold) which constitute only 47% of the total 927koz gold Resource base. The Stage 1 PFS includes the mining of 6 open pit deposits (Break of Day, White Heat, Lena, Big Sky, Numbers and Leviticus) and an initial 2 years of gold production from the upper levels of an underground mine at Break of Day.

Further development studies aim to add mine life through the extension and conversion of existing Inferred Resources to the higher confidence Indicated category, together with the potential inclusion of newly discovered resources. The Musgrave team has been very successful in defining new targets, making new discoveries and growing the resource base. The project has significant upside growth potential with recent discoveries like Amarillo and Waratah having the potential to add to the resource base in 2023.

Musgrave has established an exploration pipeline to sustain production at CGP, with further exploration at Cue planned, along with recent acquisitions of neighbouring, under explored, tenement packages in Mainland and Mount Magnet South.

As noted above, further details of the Directors' recommendation will be provided in the Target's Statement to be released in early July 2023. A copy will also be available on the ASX website, www.asx.com.au and Musgrave's website, www.musgraveminerals.com.au, as will news of any other developments in relation to the Offer.

² Musgrave ASX Announcement 28 April 2023, "Quarterly Activities and Cashflow Report" for details of Musgrave's tenements.

³ Musgrave ASX Announcement 17 April 2023, "Stage 1 PFS demonstrates potential value of Cue Gold Project"

Your Directors look forward to your continuing support as we respond to the Offer.

If you have any queries in relation to the Westgold Offer, please consult your professional adviser or the Musgrave Shareholder Information Line on 1300 918 438 from within Australia or +61 3 9415 4634 from overseas on Monday to Friday between 8.30am and 5.00pm (AEDT).

Yours sincerely



Graham Ascough
Non-Executive Chairman
Musgrave Minerals Ltd

Please direct enquiries or requests for further information to:

Rob Waugh
Managing Director
Musgrave Minerals Limited
+61 8 9324 1061

Darren Martin
Managing Director
Longreach Capital
+61 412 144 719
darrenm@longreachcapital.com

WHY YOUR DIRECTORS RECOMMEND YOU REJECT WESTGOLD'S OFFER

Your Directors believe Musgrave shareholders are best served by **REJECTING** the Westgold Offer:

1	THE WESTGOLD IMPLIED OFFER PRICE IS BELOW THE CURRENT MUSGRAVE SHARE PRICE <ul style="list-style-type: none">• Since announcement, the Westgold implied Offer price has traded below the Musgrave share price⁴
2	THE OFFER IS OPPORTUNISTIC GIVEN MUSGRAVE'S POTENTIAL <ul style="list-style-type: none">• The Offer does not adequately recognise the exploration and development potential of Musgrave's Cue Gold Project and the 310km² of highly prospective tenure in the Murchison region of Western Australia controlled by Musgrave⁵• The Offer is opportunistic following the release of the results of the Stage 1 Prefeasibility Study and there is further potential for the Musgrave Cue Gold Project. Musgrave controls 310km² of the highly prospective Cue area of the Murchison region⁵ which provides the ability to progress exploration of Musgrave's Cue Gold Project on a standalone basis which continues to deliver excellent exploration results at Amarillo, Leviticus and Waratah together with other new target areas
3	MUSGRAVE DELIVERS IMMEDIATE GROWTH TO WESTGOLD <ul style="list-style-type: none">• Westgold needs long term growth – Control of Musgrave will create an exciting growth story for Westgold's shareholders, however that growth story will come at the expense of Musgrave shareholders• Musgrave's Cue Gold Project delivers immediate value to Westgold – displaces low grade ore, defers capex and accelerates production milestones for the benefit of Westgold shareholders
4	THE OFFER IS HIGHLY CONDITIONAL AND UNCERTAIN <ul style="list-style-type: none">• You cannot assume the Offer will proceed as there are bid conditions which may not be satisfied or waived• Accepting the Offer precludes you from accepting any third party offers during the Offer period
5	MUSGRAVE SHAREHOLDERS MAY FACE ADVERSE TAX CONSEQUENCES IF THEY ACCEPT THE OFFER

⁴ The Westgold implied Offer price will change with fluctuations in the Westgold share price over time.

⁵ Area includes Evolution Joint Venture and Cyprum Joint Venture, see ASX announcement 7 October 2022, "Annual Report to Shareholders" and 28 April 2023, "Quarterly Activities and Cashflow Report."

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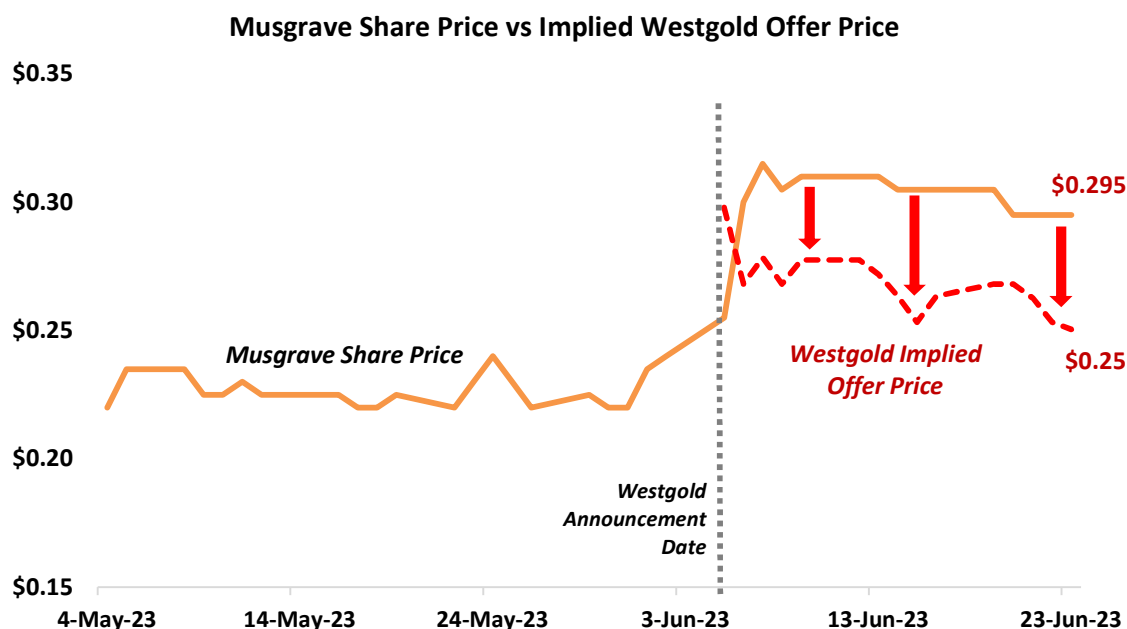
WHY YOUR DIRECTORS RECOMMEND YOU REJECT WESTGOLD'S OFFER

1. THE WESTGOLD IMPLIED OFFER PRICE IS BELOW THE CURRENT MUSGRAVE SHARE PRICE

The Westgold implied Offer price is below the current Musgrave share price.⁶

As at 23 June 2023, the last practicable day prior to the release of this letter, the Musgrave share price closed at \$0.295 compared to the current Westgold implied Offer price of \$0.250.

The following chart shows that since announcement the Musgrave share price is trading above the implied Westgold Offer price⁷.



2. THE OFFER IS OPPORTUNISTIC GIVEN MUSGRAVE'S POTENTIAL

Musgrave controls approximately 310km² of highly prospective tenements in the Cue area of the Murchison region of Western Australia.

Over the past 7 years Musgrave has completed over 190,000m of highly successful drilling leading to the delineation of significant gold mineral resources (inferred and indicated) of 927,000 ounces (JORC 2012), including 327,000 high grade ounces at 10.4g/t at Break of Day and White Heat-Mosaic⁸.

This high-grade resource forms the foundations of the Stage 1 Prefeasibility Study⁹ which demonstrates that Musgrave's Cue Gold Project is one of the highest margin, undeveloped gold projects in Australia.

The project has an IRR of 95% (pre-tax) and the potential to deliver over 65,000 ounces of gold annually over an initial 5-year period, including 80,000oz/year for the first 3 years, at an AISC of A\$1,315/oz and AIC of A\$1,675/oz (based on full amortisation of start-up capital).

⁶ The Westgold implied Offer price will change with fluctuations in the Westgold share price over time.

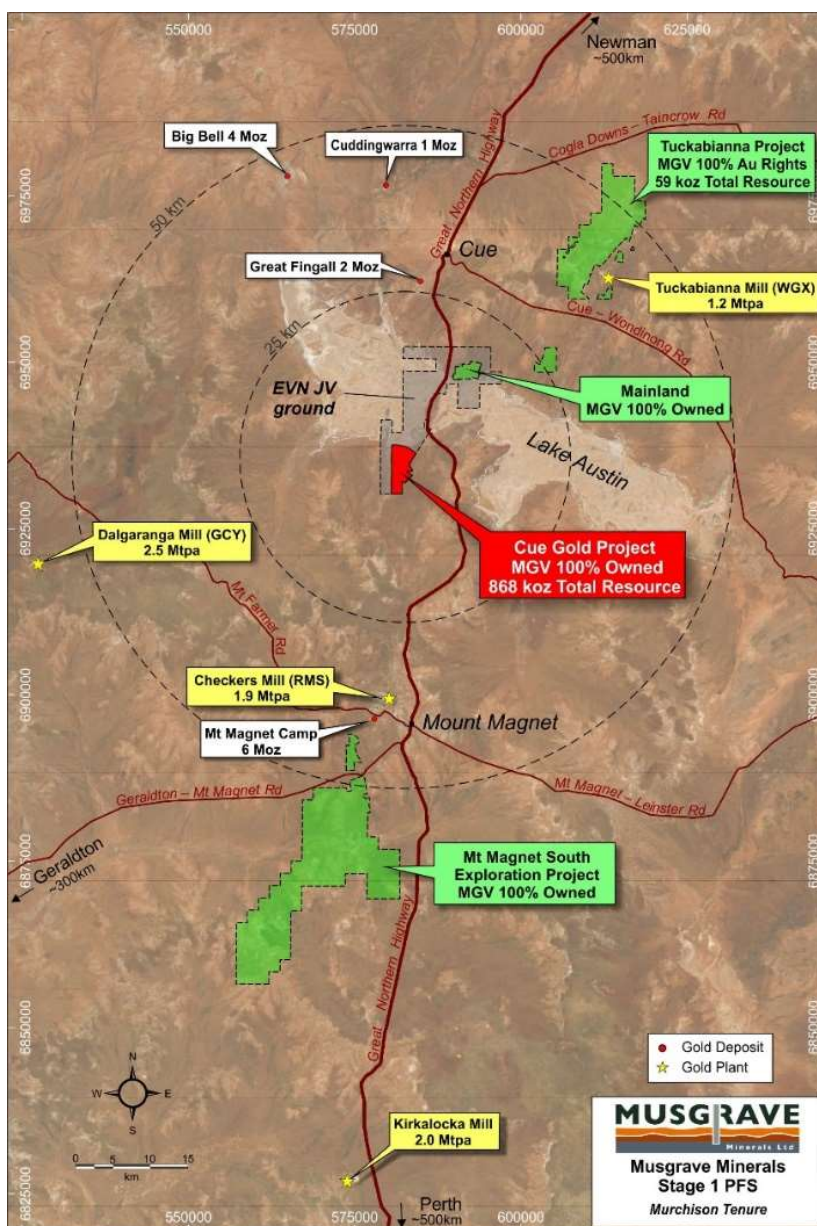
⁷ Based on the closing price of Westgold shares on ASX of \$1.345 on 23 June 2023. The implied value of the Offer will change with fluctuations in the Westgold share price.

⁸ Musgrave ASX Announcement 31 May 2022, "Cue Mineral Resource Increases to 927,000 ounces"

⁹ Musgrave ASX Announcement 17 April 2023, "Stage 1 PFS demonstrates potential value of Cue Gold Project"

The project generates cashflow of \$314M (before tax) and an EBITDA of \$528M (at A\$2,600/oz) with a C1 cost of A\$934/oz. With this cost profile (based on Q1 2023 capital and operating cost assumptions), the project is expected to be in the lowest cost quartile of gold producers in Australia¹⁰.

Furthermore, the success of Musgrave's existing exploration program remains on track to deliver resource growth and support an extended mine life.



Murchison region, project location plan

In the opinion of your Directors, the Westgold Offer is opportunistic following the results of the Stage 1 Prefeasibility Study and there is further potential for Musgrave shareholders by remaining invested in Musgrave due to the potential of Musgrave's Cue Gold Project. Musgrave shareholders will enjoy longer term value creation as the development of the Cue Gold Project is progressed.

Your Directors believe the success of Musgrave's existing exploration program and recent development studies represent significant potential and the Offer fails to recognise this.

¹⁰ Industry costs taken from 2022, Q4 Aurum Analytics Quarterly Gold Report.

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3. MUSGRAVE DELIVERS IMMEDIATE GROWTH TO WESTGOLD

Your Directors believe that, through its delivery of the Stage 1 Prefeasibility Study, Westgold now appreciates the potential of Musgrave's Cue Gold Project and tenure controlled by Musgrave at Cue, one of the most prospective gold provinces in Western Australia, with significant upside potential.

That is why your Directors believe that Westgold has made its unsolicited Offer at this time.

Through Westgold's own admission Musgrave is valuable, as outlined in the Bidder's Statement and various media articles:

Musgrave ... "provides the opportunity to build a larger scale, more profitable Western Australian gold producer that is dominant in the Murchison region" ¹¹

"Really straight forward for us, it's just substituting low grade surface stocks that we've been processing for shallow high-grade open pit feed. I mean we've got 2 processing plants within, ... one within 40kms and one within 120kms of the Cue gold project."¹²

Only by taking control of Musgrave can Westgold control the development of Musgrave's Cue Gold Project and capture the exploration upside of Musgrave's extensive 100% owned ground position.

Musgrave's control of the Cue Gold Project delivers immediate value to Westgold. The Cue Gold Project displaces low grade ore, defers capex and accelerates production milestones for the benefit of Westgold shareholders. Musgrave shareholders should not hand over project control by accepting Westgold's Offer.

Musgrave's control of the Cue Gold Project gives it the ability to progress on a standalone basis. Shareholders should not hand over project control by accepting Westgold's Offer.

By accepting the Westgold Offer, Musgrave shareholders need to be satisfied the Offer price adequately reflects and incorporates the respective contributions to the combined group from both companies.

4. THE OFFER IS HIGHLY CONDITIONAL AND UNCERTAIN

The Offer is subject to several conditions, a number of which Musgrave is already in breach of through no fault of its own by conducting its business in the ordinary course, which makes it uncertain whether the Offer will become unconditional.

These conditions include a 50.1% minimum acceptance which is entirely beyond Musgrave's control. There are also conditions which are defined as 'Musgrave Regulated Events' in the Bidder's Statement which place unreasonable restrictions on the conduct of Musgrave's business. These restrictions among other things include the appointment of any new advisers and a requirement that the consolidated cash balance of Musgrave not fall below \$10 million.

As previously announced in Musgrave's Quarterly Activities and Cashflow Report¹³, the Company had a cash balance of \$11.8M as at 31 March 2023 and outlined expenditure commitments for the coming quarter of \$2.7M. Accordingly, at the date of the Bidder's Statement the Company already had a consolidated cash balance of less than \$10 million. In

¹¹ Westgold ASX Announcement – 6 June 2023

¹² Money of Mine Podcast, "Westgold Bids for Musgrave, Wayne Reveals the Plan | Daily Show" – 6 June 2023

¹³ Musgrave ASX Announcement – 28 April 2023, "Quarterly Activities and Cashflow Report"

addition, as part of these activities Musgrave is also incurring liabilities over \$100,000 per month and capital expenditures of over \$100,000.

If you accept the Offer while it is still conditional, there will be no certainty that the Offer will proceed, but you will be unable to sell your Musgrave shares on market and may be unable to participate in any alternative proposal, if one arises.

5. MUSGRAVE SHAREHOLDERS MAY FACE ADVERSE TAX CONSEQUENCES IF THEY ACCEPT THE OFFER

The Australian tax outcomes for you if you accept the Offer, will depend on your personal facts and circumstances, and we encourage you to consult with your professional taxation advisors in relation to the Offer.

The Offer contemplates consideration in the form of scrip. Where scrip consideration is received, eligibility for scrip-for-scrip roll-over relief is important to ensure that you do not have a tax liability.

One of the key conditions for the availability of scrip-for-scrip roll-over relief is that the purchaser becomes the owner of 80% or more of the shares in the target. If this condition is not met, no shareholder is eligible to roll-over the capital gain they make on the exchange of their Musgrave shares for Westgold shares, with the consequence that there may be a tax liability.

In the present circumstance, your Directors have concerns that Westgold may not become the owner of 80% or more of the voting share in Musgrave as a consequence of the Offer. If that is the case, the prospect of income tax on any capital gains realised by Musgrave shareholders on the disposal of their Musgrave shares for Westgold shares arises.

Further information in relation to the conditions and their status will be reflected in the Target's Statement.

If you accept the Offer while it is still conditional, there will be no certainty that the Offer will proceed, but you will also be unable to sell your Musgrave shares on market and may be unable to participate in any alternative proposal, if one arises.

Your Directors urge you not to sell to Westgold in circumstances where, in the opinion of your Directors, the Offer does not reflect the medium and long-term potential upside that Musgrave offers you.

A TARGET'S STATEMENT WILL BE ISSUED BY YOUR DIRECTORS IN THE COMING WEEKS AND WILL CONTAIN ALL OF THE INFORMATION YOU NEED TO CONSIDER THE OFFER.

PENDING RECEIPT OF THE TARGET'S STATEMENT, YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU TAKE NO ACTION IN RELATION TO YOUR MUSGRAVE SHARES.

Competent Person's Statement Mineral Resources

The information in this report that relates to Mineral Resources for the Break of Day, Lena, White Heat-Mosaic, Big Sky, Numbers, Leviticus, Jasper Queen, Gilt Edge, Rapier South and the Hollandaire Gold Cap deposits is based on information compiled by Mr Paul Payne, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Payne is a full-time employee of Payne Geological Services. Mr Payne has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Hollandaire Copper-Gold deposit is an accurate representation of the available data and is based on information compiled by external consultants and Mr Peter van Luyt a competent person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" who is a member of the Australian Institute of Geoscientists (2582). Mr van Luyt is the Chief Geologist of Cyprium Metals Limited. Mr van Luyt has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and the activity which he is undertaking to qualify as a Competent Person (CP). Mr van Luyt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimates for the Break of Day, Lena, White Heat-Mosaic, Big Sky, Numbers, Leviticus, Jasper Queen, Gilt Edge, Rapier South, the Hollandaire Gold Cap and Hollandaire Copper-Gold deposits were first disclosed in the Company's announcement of 31 May 2022, titled "Cue Mineral Resource Increases to 927,000 ounces". The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcement of these Mineral Resources estimates and that all material assumptions and technical parameters underpinning the Mineral Resources estimates in the previous announcement continue to apply and have not materially changed.

Forward looking statements

This document may contain certain forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Musgrave Minerals Limited's (Musgrave's) current expectations, estimates and projections about the industry in which Musgrave operates, and beliefs and assumptions regarding Musgrave's future performance. When used in this document, words such as "anticipate", "could", "plan", "estimate", "expects", "seeks", "intends", "may", "potential", "should", and similar expressions are forward-looking statements. Although Musgrave believes that its expectations reflected in these forward- looking statements are reasonable, such statements are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Musgrave and no assurance can be given that actual results will be consistent with these forward- looking statements.

Production Targets and Forecast Financial Information

The production targets and forecast financial information referred to in this announcement were first disclosed in the Company's announcement of 17 April 2023, titled "Potential value of the Cue Gold Project demonstrated by Stage 1 Prefeasibility Study". The Company confirms that all the material assumptions underpinning the production targets and the forecast financial information derived from the production targets in the announcement continue to apply and have not materially changed.

Previously Reported Information

Further details relating to the information provided in this release can be found in the following Musgrave Minerals' ASX announcements:

- 13 June 2023, "Further high-grade drilling results, Cue Gold Project"
- 9 June 2023, "TAKE NO ACTION in response to Westgold Bidder Statement"
- 6 June 2023, "Receipt of unsolicited intention to make a takeover offer"
- 23 May 2023, "High-grade drilling results at Leviticus, Cue Gold Project"
- 9 May 2023, "Sydney Resources Round-up – Company Presentation"
- 5 May 2023, "Cue Project – Stage 1 PFS 3D interactive model"
- 28 April 2023, "Quarterly Activities and Cashflow Report"
- 17 April 2023, "Stage 1 PFS Presentation – Cue Gold Project"
- 17 April 2023, "Stage 1 PFS demonstrates potential value of Cue Gold Project"
- 24 March 2023, "Cue Project – 3D Interactive Model and PFS Update"
- 10 March 2023, "Half Year Accounts"
- 23 February 2023, "New high-grade lode identified along Break of Day corridor"
- 14 February 2023, "Amarillo and Big Sky drilling results, Cue Gold Project"
- 24 January 2023, "Further gold intersections, West Island, Cue JV"
- 12 January 2023, "Evolution satisfies earn-in milestone Cue JV"
- 25 November 2022, "\$10 Million Capital Raising to Progress Cue Project"
- 7 November 2022, "High-grade drilling results continue at White Heat-Mosaic"
- 20 October 2022, "Gold intersections continue at West Island, Cue JV"
- 7 October 2022, "Annual Report to Shareholders"
- 23 September 2022, "Full Year Statutory Accounts"
- 19 September 2022, "High-grade gold at Waratah and new regional targets at Cue"
- 30 August 2022, "Further High Grade Gold Intersected at Big Sky"
- 2 August 2022, "Bonanza Grades from Further Drilling at White Heat-Mosaic"
- 21 July 2022, "Further high-grade gold at West Island, Cue JV"
- 29 June 2022, "High grade gold at Amarillo and new regional targets"
- 31 March 2022, "Musgrave consolidates its position in the Murchison"
- 31 May 2022, "Cue Mineral Resource increases to 927,000 ounces"

- 21 April 2022, "Thick basement gold intersections at West Island, Cue JV"
- 5 April 2022, "High grades confirm Big Sky's upside potential"
- 31 March 2022, "Musgrave consolidates its position in the Murchison"
- 25 March 2022, "Strong drill results at Amarillo"
- 27 January 2022, "High-grade gold intersected at West Island, Cue JV"
- 6 January 2022, "New high-grade gold trend identified in regional RC program"
- 15 December 2021, "High grades continue at Big Sky"
- 27 January 2021, "New basement gold targets defined on Evolution JV"
- 11 November 2020, "Break of Day High-Grade Mineral Resource Estimate"
- 2 November 2020, "Exceptional metallurgical gold recoveries at Starlight"
- 17 February 2020, "Lena Resource Update"
- 27 November 2019, "High-grade gold intersected in drilling at Mainland, Cue Project"
- 17 September 2019, "Musgrave and Evolution sign an \$18 million Earn-In JV and \$1.5M placement to accelerate exploration at Cue"
- 6 March 2019, "Musgrave Secures More Key Gold Tenure at Cue"
- 16 August 2017, "Further Strong Gold Recoveries at Lena"