



US Masters Holdings

26 July 2016

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

**U.S. MASTERS HOLDINGS TRANSFORMING TO BECOME A MINERAL EXPLORATION COMPANY
WITH A FOCUS ON GOLD AND NICKEL**

- **U.S. Masters Holdings Ltd (“USH”) has applied for and (in part to date) been granted exploration tenements in the Lake Lefroy, Lake Johnston and Murchison areas in Western Australia.**
- **USH has also entered into separate agreements to acquire 100% of the issued capital of Hogans Resources Pty Ltd (“Hogans”) and an exploration licence from Montezuma Mining Company Ltd (“MZM”) (the “Proposed Transactions”).**
- **Hogans has accumulated a number of tenements in the Kalgoorlie Goldfields which are contiguous to USH’s and MZM’s Lake Lefroy tenements.**
- **The combined Hogans, MZM and USH package of tenements represents a highly prospective area in excess of 500km² to be called Lefroy Project**
- **Together with the exploration tenements USH has applied for and been granted, the acquisitions provide USH with significant potential for future value creation through exploration and establishing resources on its highly prospective package of tenements.**
- **USH will change its name to “Lefroy Exploration Limited” with a new ASX ticker code of LEX.**
- **Since the Proposed Transactions, together with the Lithium Australia NL (LIT) transactions announced to the market on 20 June 2016, will result in a significant change to the nature and scale of USH’s activities, the Proposed Transactions and the LIT transactions will require USH shareholders’ approval and re-compliance with Chapters 1 and 2 of the ASX Listing Rules.**
- **USH plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise a minimum of \$2.5 million and a maximum of \$4.0 million (“Capital Raising”).**
- **Subject to these Proposed Transactions receiving shareholder approval, USH will also issue 4,375,000 Shares in repayment of its existing Finance Facility provided by Michael Davies (Director).**
- **Upon successful re-listing, USH intends to appoint Wade Johnson as Managing Director.**

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- **A notice of meeting seeking shareholder approval for the resolutions required to give effect to the Proposed Transactions, proposed change to the nature and scale of the Company's operations and other associated initiatives will be sent to USH shareholders in due course.**

USH is pleased to announce it has entered into a share sale deed in relation to the acquisition of all of the shares in unlisted Australian company Hogans (**Share Sale Deed**) and a tenement sale agreement in relation to purchasing 100% of E15/1447, upon grant, from MZM (**Tenement Sale Agreement**) (together the **Proposed Transactions**). The key terms of the Proposed Transactions are set out in Annexure A.

The Board of Directors believe the Proposed Transactions represent an exciting opportunity for the Company to significantly increase the exploration area available for USH at Lake Lefroy (Figure 1).

The Company's objective on successful completion of the Proposed Transactions is to explore and establish resources on a highly prospective package of tenements in the Western Australian Goldfields. USH will become a direct mineral exploration company with a focus on gold and nickel – a significant change from the passive investment focus which the company has pursued to date.

The Directors believe that these transactions provide existing and new shareholders with a highly prospective tenement package within a well-funded company with nil debt.

Overview of Hogans transaction

On 26 July 2016, USH and Hogans entered into the Share Sale Deed under which USH agreed to acquire, subject to the satisfaction of certain conditions precedent, 100% of the issued share capital of Hogans in consideration for USH issuing up to a maximum of 7,600,000 shares to the Hogans Shareholders on a pro-rata basis.

Hogans was established in 2015 as a special purpose vehicle to secure exploration and prospecting licences. On 23 July 2015, Hogans entered into an agreement with Mr. Fred Saunders and Rocky Reef Mining Pty Ltd to acquire a semi-contiguous land package in excess of 200km² comprising of exploration and prospecting licences. This agreement was replaced by an agreement dated 4 April 2016 (as further amended on 12 July 2016).

The tenements held by Hogans are located adjacent to USH's tenements at Lake Lefroy (Figure 2). The Lefroy Project is located in the heart of a highly endowed gold district in the Eastern Goldfields of Western Australia, being some 15km east of the St Ives camp (~12Moz gold produced since 1980)¹ operated by Goldfields and 5km from Daisy Milano underground gold mine (707Koz gold produced over mine life² with a June 30, 2015 total Measured, Indicated and Inferred resource of 861.5Koz gold³) currently owned by Silver Lake Resources.

The core tenements surround and cover the strike extensions of the Coogee Open pit which was operated by Ramelius Resources during 2014 and are considered prospective for the discovery of new gold systems

¹ Refer to Goldfields presentation "BoAML 2016 Global Metals, Mining and Steel Conference" by Nick Holland, dated 11 May, 2016, slide 16, a copy of which is available at <https://www.goldfields.com/>

² Refer to Silver Lake Resources announcement "Melbourne Mining Club Presentation" dated 15 March 2016, slide 9, a copy of which is available at <http://www.silverlakeresources.com.au/>

³ Refer to Silver Lake Resources announcement "Mineral Resources – Ore Reserves – August 2015" dated 28 August, 2015, page 2, a copy of which is available at <http://www.silverlakeresources.com.au/>

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that could yield future gold resources and be rapidly developed given the proximity to services of Kalgoorlie and nearby operating gold mills.

The tenements held by Hogans have been the subject of exploration for gold and nickel by prior explorers since the early 1990's, the main parties being North Limited, WMC, Cyprus, Sovereign Resources and, more recently, Newmont and Octagonal Resources. Exploration for gold by these parties has essentially been semi effective and piecemeal and never, until now, has the entire area come under one umbrella to be explored as one major package placing gold drill anomalies in the context of the major regional structures and a cohesive geological model.

The compilation of historical exploration data (drilling, surface geochemistry, geology and geophysics) has already identified several key prospects and priority exploration targets.

USH's compilation of results generated by previous exploration activity on the USH held tenements led to the recognition of new targets for gold mineralisation that extend across the tenement boundaries onto the adjoining ground, held by Hogans. Amalgamation of the tenements held by USH and Hogans into one project area will allow for the comprehensive drill evaluation of these targets.

Overview of MZM transaction

MZM is an ASX listed company with a number of tenements across Western Australia. Their Lake Lefroy tenement (exploration licence application) is also contiguous with Hogans' tenements, further complementing the land package (Figure 2).

On 26 July 2016, USH and MZM entered into the Tenement Sale Agreement under which USH has agreed to acquire, subject to the satisfaction of certain conditions precedent, 100% of E15/1447, upon grant, in consideration of USH issuing up to a maximum of 4,200,000 shares to MZM.

Asset Location

Figure 1: Lefroy Project location:

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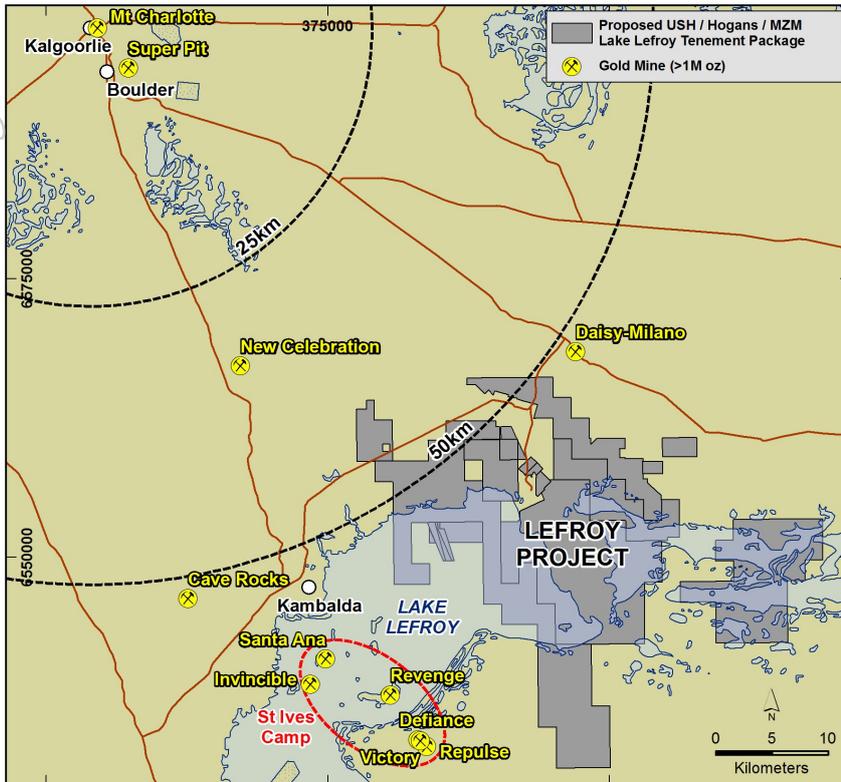
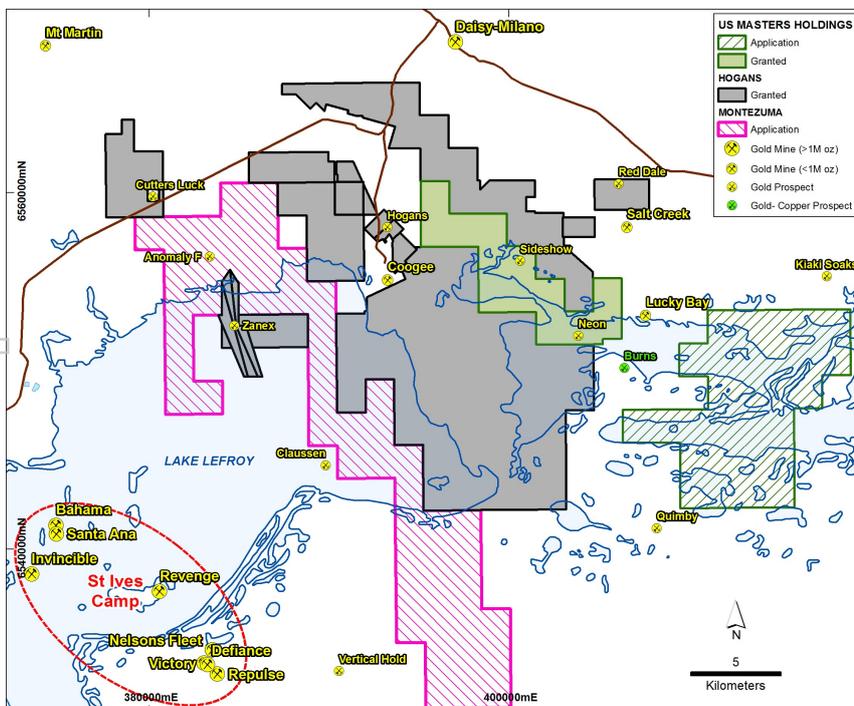


Figure 2: Lefroy Project tenement overview:





Overview of Finance Facility Repayment

USH entered into a finance facility arrangement with Michael Davies, a Director, on 21 August 2014, which was amended on 15 February 2016 (**Finance Facility**). The Company wishes to repay the drawn down amount by issuing Shares under the terms of the Finance Facility. At the time of conversion, USH will have drawn down on this facility to \$700,000 (**Finance Facility Amount**).

Under the terms of the Finance Facility, if the Finance Facility Amount is repaid by the issue of Shares, the Finance Facility Amount for the purposes of determining the number of Shares to be issued converts at a 25% premium to the outstanding balance. That is, the balance of the Finance Facility Amount for the purposes of the conversion rises from \$700,000 to \$875,000.

To satisfy this, subject to receiving shareholder approval, the Company will issue 4,375,000 shares to Michael Davies in full and final satisfaction of this facility.

Change of Name

Following execution of each of the Share Sale Deed and the Tenement Sale Agreement, the Company will change its name to "Lefroy Exploration Limited" with a new ASX ticker code of LEX.

Escrow

The shares issued as part of the Proposed Transactions will be subject to any applicable escrow restrictions in accordance with the ASX Listing Rules.

Re-compliance with ASX Listing Rules Chapters 1 and 2

Since the Proposed Transactions, together with the LIT transactions under the Letter Agreement announced to the market on 20 June 2016, will result in a significant change to the nature and scale of USH's activities, the Proposed Transactions will require USH shareholders' approval under ASX Listing Rule 11.1.2 and will also require USH to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Capital Raising

To enable USH to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to support its growth strategy post-completion of the Proposed Transactions, USH plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise a minimum of \$2.5 million and a maximum of \$4.0 million based on a minimum issue price of \$0.20 per share.

New Managing Director

Subject to re-compliance with Chapters 1 and 2 of the ASX Listing Rules, USH intends to appoint Wade Johnson as the new Managing Director of the company. Details of Wade's experience and qualifications will be set out in a notice of meeting.

Shareholder approvals

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The notice of meeting seeking shareholder approval for the resolutions required to give effect to the Proposed Transactions and the LIT transactions, provide USH shareholders' approval under ASX Listing Rule 11.1.2 and give approval for the Capital Raising and the other associated initiatives outlined above, will be sent to USH shareholders in due course.

The prior announcement on 20 June 2016 of the Letter Agreement with LIT caused USH securities to be suspended. This suspension remains in place and, subject to USH shareholder approval being obtained, USH securities will remain suspended until USH has re-complied with Chapters 1 and 2 of the ASX Listing Rules.

The Company will also seek shareholder approval to readopt the Company's Directors and Executives Share Plan (**ESP**) and to increase the number of Shares under the ESP by 900,000 Shares, issue unallocated Shares under the amended ESP to Mr Johnson and amend the vesting conditions of Shares issued under the ESP. Further details will be set out in the notice of meeting.

Pro Forma Share Capital Structure

The indicative share capital structure of USH at re-admission will be as follows:

	Minimum of \$2.5 million raised ¹	% interest (minimum of \$2.5 million raised)	\$4.0 million raised ²	% interest (\$4.0 million raised)
Shares				
Shares currently on issue	24,388,920 ³	45.19%	24,388,920 ³	39.68%
Shares to be issued to Hogans Shareholders	7,600,000 ⁴	14.08%	7,600,000	12.36%
Shares to be issued to MZM	4,200,000 ⁵	7.78%	4,200,000	6.83%
Shares to be issued to Michael Davies	4,375,000	8.11%	4,375,000	7.12%
Additional Share Plan Shares	900,000	1.67%	900,000	1.46%
Shares to be issued under the Capital Raising	12,500,000	23.16%	20,000,000	32.54%
Total	53,963,920⁶	100.0%	61,463,920⁶	100.00%

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Options				
Options currently on issue	Nil	0.00%	Nil	0.00%
Options to be issued to New Holland Capital	1,000,000	100.00%	1,000,000	100.00%
Total	1,000,000	100.00%	1,000,000	100.00%

Notes:

1. The above figures assume that a minimum of \$2.5 million will be raised under the Capital Raising at an issue price of \$0.20 per share.
2. The above figures assume that \$4.0 million will be raised under the Capital Raising at an issue price of \$0.20 per Offer Share.
3. Includes 4,600,000 shares issued (but not vested) under the Share Plan.
4. The 7,600,000 shares is the maximum number that will be issued. The final number will depend on the valuation of Hogans on the date of completion of the Share Sale Deed.
5. The 4,200,000 shares is the maximum number that will be issued. The final number will depend on the valuation of MZM on the date of completion of the Tenement Sale Agreement.
6. As per the prior announcement on 20 June 2016 of the Letter Agreement with LIT, USH will receive 9.0 million Lithium Australia (ASX:LIT) shares in consideration for lithium rights on its Lake Johnson tenements. Half of these shares are subject to a voluntary three month escrow. USH will also issue 3.0 million shares to LIT in consideration for the gold and nickel rights on LIT's tenement. The issuance of USH shares will not occur until LIT's ELA is granted which is expected to occur post capital raising.

For further information, please contact:

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Annexure A
Key terms of the Proposed Transactions

The key terms of the Proposed Transactions are as follows:

1.1 Key terms of Share Sale Deed

The key terms of the Share Sale Deed are as follows:

- (a) **(Conditions Precedent):** completion of the acquisition is subject to and conditional upon a number of conditions precedent, including:
 - (i) USH holding a meeting of USH shareholders to obtain all approvals under the Corporations Act and the Listing Rules that are required to give effect to the Proposed Transactions contemplated by the Share Sale Deed;

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- (ii) USH receiving conditional approval by ASX to reinstate its securities on the official list of the ASX and those conditions being satisfied to the reasonable satisfaction of USH and Hogans; and
- (iii) USH undertaking the Capital Raising;
- (b) **(Consideration)**: subject to satisfaction of the Conditions Precedent, at completion, USH will issue to the Hogans Shareholders up to 7,600,000 shares on a pro-rata basis; and
- (c) **(Exclusivity)**: until the earlier of termination of the Share Sale Deed or completion of the Proposed Transactions occurring, none of Hogans, USH or any of their officers or directors will solicit, offer, encourage or respond to any proposals from any third party regarding any acquisition of their issued share capital or a competing transaction or alternative investment.

The Share Sale Deed otherwise contains clauses typical for agreements of this nature.

1.2 Key terms of the Tenement Sale Agreement

The key terms of the Tenement Sale Agreement are as follows:

- (a) **(Conditions Precedent)**: completion of the acquisition is subject to and conditional upon a number of conditions precedent, including:
 - (i) USH receiving conditional approval by ASX to reinstate its securities and those conditions being satisfied to the reasonable satisfaction of USH and MZM;
 - (ii) USH undertaking the Capital Raising;
 - (iii) USH holding a meeting of USH shareholders to obtain all approvals under the Corporations Act and the Listing Rules that are required to give effect to the tenement sale agreement;
 - (iv) completion of the acquisition of Hogans;
 - (v) signing of a native title agreement in respect of the tenement;
 - (vi) granting of E15/1447; and
 - (vii) receipt of the consent of the Minister for Mines to the transfer of the tenement;
- (b) **(Consideration)**: subject to satisfaction of the Conditions Precedent, at completion, USH will issue up to 4,200,000 shares to MZM; and
- (c) **(Exclusivity)**: until the earlier of termination of the Tenement Sale Agreement or completion of the Proposed Transactions occurring, none of MZM, USH or any of their officers or directors will solicit, offer, encourage or respond to any proposals from any third party regarding any acquisition of their issued share capital or a competing transaction or alternative investment.

The Tenement Sale Agreement otherwise contains clauses typical for agreements of this nature.