



Lion welcomes Merdeka as Pani Joint Venture Partner

- Merdeka Copper Gold has purchased 66.6% of the Pani JV for US\$55m, implying A\$39m value for Lion's 33.3% interest.
- Lion's pro forma September NTA per share increases from \$0.29 to \$0.43.

Merdeka Transaction

PT Merdeka Copper Gold tbk (Merdeka) will become Lion's joint venture partner in the Pani Joint Venture (Pani JV) after agreeing to pay US\$55m cash to buy a 66.6% joint venture interest from Lion's existing joint venture partner. The purchase price paid by Merdeka imputes a look through value of A\$39m for Lion's 33.3% interest. Lion intends to adopt this revised valuation for its net tangible asset (NTA) disclosures, uplifting Lion's 33.3% Pani Joint Venture interest to A\$39m compared with the previous value of A\$16.9 million in Lion's most recent NTA. The pro forma September 2018 NTA backing based on the above implied valuation is 43 cents per share.

Merdeka is a leading Indonesian gold mining company which developed and now operates the Tujuh Bukit oxide heap leach project, East Java. The technical, financial and Indonesian operations expertise possessed by Merdeka are welcomed by Lion as essential skills for developing the Pani Gold Project. Minimal impact is anticipated in the transition to Merdeka, with Merdeka's Mining Services division currently providing technical, social and government relations support for the Pani Joint Venture.



About Merdeka

PT Merdeka Copper Gold Tbk (IDX: MDKA) (Merdeka) is an Indonesian listed mining company operating and developing the Tujuh Bukit project. Merdeka was founded in 2012 and acquired 100% ownership of the Tujuh Bukit project in 2014 after a settlement was reached between several parties who were in dispute. Merdeka has a market capitalisation of approximately US\$780m.

Merdeka operates the Tujuh Bukit Oxide Heap Leach Project near Banyuwangi, East Java, Indonesia. Gold production for 2018 is forecast by Merdeka at 155Koz to 170Koz at an AISC of US\$550 to US\$650/oz. The heap leach capacity is currently being expanded from 36Mt to 56Mt and the maximum production rate from 4 to 8 Mtpa. In addition, preparatory work for a prefeasibility study into the development of a long life, low cost block cave porphyry copper and gold mine is underway. Merdeka also acquired 96.8% of Finders Resources Limited, which in turn owns a 74% economic interest in and operates the Wetar Copper Project in eastern Indonesia.

Merdeka's major shareholders include PT Provident Capital Indonesia, PT Saratoga Investama Sedaya Tbk and Garibaldi Thohir.

Lion warmly welcomes the direct involvement of Merdeka, noting its recent experience in developing the Tujuh Bukit Oxide Heap Leach Project in East Java, Indonesia. As announced previously the Pani Joint Venture has been able to access technical personnel from Merdeka for its ongoing work program and this transaction is expected to have minimal impact on the project work.

Pani Joint Venture

Lion acquired its 33.3% Pani Joint Venture interest from One Asia in April 2018 having been involved with the Pani project since 2012 when Lion made its first investment into One Asia. One Asia published a Mineral Resource Estimate (MRE) of 90Mt at 0.82g/t for 2.4 million ounces of gold based on a 0.2g/t cut off (3 December 2014)¹. Technical work on the project accelerated in December 2017 following settlement of a four-year ownership dispute.

The Pani Joint Venture is progressing permitting for the Pani Gold Project including the Pani IUP licence containing the Pani gold Resource, a processing and refining area and an access corridor. Key permits including the AMDAL (Indonesian environmental and social approval) for the project, processing and refining area permit, and forestry approval for the mining IUP are anticipated to be received by December 2018.

In the opinion of the Lion team, Pani is shaping up as the best gold discovery that Lion has been involved with since its inception in 1997. The understanding of Pani will unfold as the project is put through the rigours of various studies. At this early stage, three key factors are apparent at Pani which point towards a large and low-cost new gold mine:

- Exceptionally thick and continuous gold mineralisation;
- Minimal overburden;
- Early test work indicating very high heap leach recovery.

1. Refer to One Asia Resources Limited news release 3 December 2014

(<https://www.lionselection.com.au/wp-content/uploads/2018/08/PANI%20JORC%20RESOURCE.pdf>)

Summary of the mineral resources at a cut-off grade of 0.2g/t is tabulated below:

Classification	Tonnes (Mt)	Au Grade (g/t)	Au (Million Oz)
Measured	10.8	1.13	0.39
Indicated	62.4	0.81	1.63
Inferred	16.2	0.67	0.35
Total	89.5	0.82	2.37



Outlook

The Pani Joint Venture is currently undertaking key workstreams towards a feasibility study and permitting for the Pani Gold Project.

KEY STEPS TOWARDS PRODUCTION

Pani Joint Venture Interest acquired	✓	April 2018
Direct Ownership	✓	August 2018
Merdeka Acquires 66.6%	✓	November 2018

NEXT STEPS

Permitting and Licencing: Pani IUP Mining Area Road access corridor Processing and refining area	Targeting December 2018
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Step out drilling

Scoping Study

Definitive Feasibility Study

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