

## Pani Gold Projects Combined Diamond Drilling underway

- Conditional agreement has been reached to combine two adjacent gold resources in Gorontalo, Sulawesi to form a single gold deposit with an approximate current footprint of 1.5km x 0.6km:
  - Pani JV (66.6% Merdeka, 33.3% Lion) 2.37 moz<sup>1</sup>
  - Pani Contract of Work (100% J Resources) 2.30 moz<sup>2</sup>
- A win-win for all parties:
  - The common tenement boundary restricted individual open pit mine development.
  - The larger resource offers scope for large scale open pit mining, improved logistics, and can consider a range of treatment methods.
  - Exploration opportunities and extensional drilling potential including between the two existing resources.
- Completion subject to approval from J Resources' secured lenders and regulatory approval.
- Valuation under positive review once completed.
- Diamond drilling has commenced to test area between the two resources.

Robin Widdup, Director of Lion Selection Group said:

*"Lion is extremely pleased the ground positions and resources at Pani are being combined. This will be the first time for several decades the two licenses have been under common ownership, and this unification provides for the optimal development of the known mineralisation and strategic exploration to target the upside we have seen for a long time in this area. The size, exposure, geometry and metallurgy of the resources already delineated gives us confidence this project is amenable to low cost open pit mining and simple processing. Additionally, the scale demonstrated by two as yet unconnected multi-million ounce resources positions Pani as a project of global significance."*

### Notes

1. 0.2 g/t cut off; 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>)
2. 0.4 g/t cut off; refer to J Resources 31 December 2018 Annual Report, (<http://www.jresources.com/investors/article/final-resources-reserves-compilation-2017-to-2018>)

## Pani Joint Venture Agreement with J Resources

Lion is pleased to report that its Pani Joint Venture has reached agreement with J Resources to combine the two Pani tenements into one ownership group. The combination of resources within the joint project has the potential to be a world class gold deposit. Drilling has commenced to test the area between resources, and there are numerous extension opportunities for consideration. The agreement is subject to regulatory approvals and approval from J Resources' secured lenders.

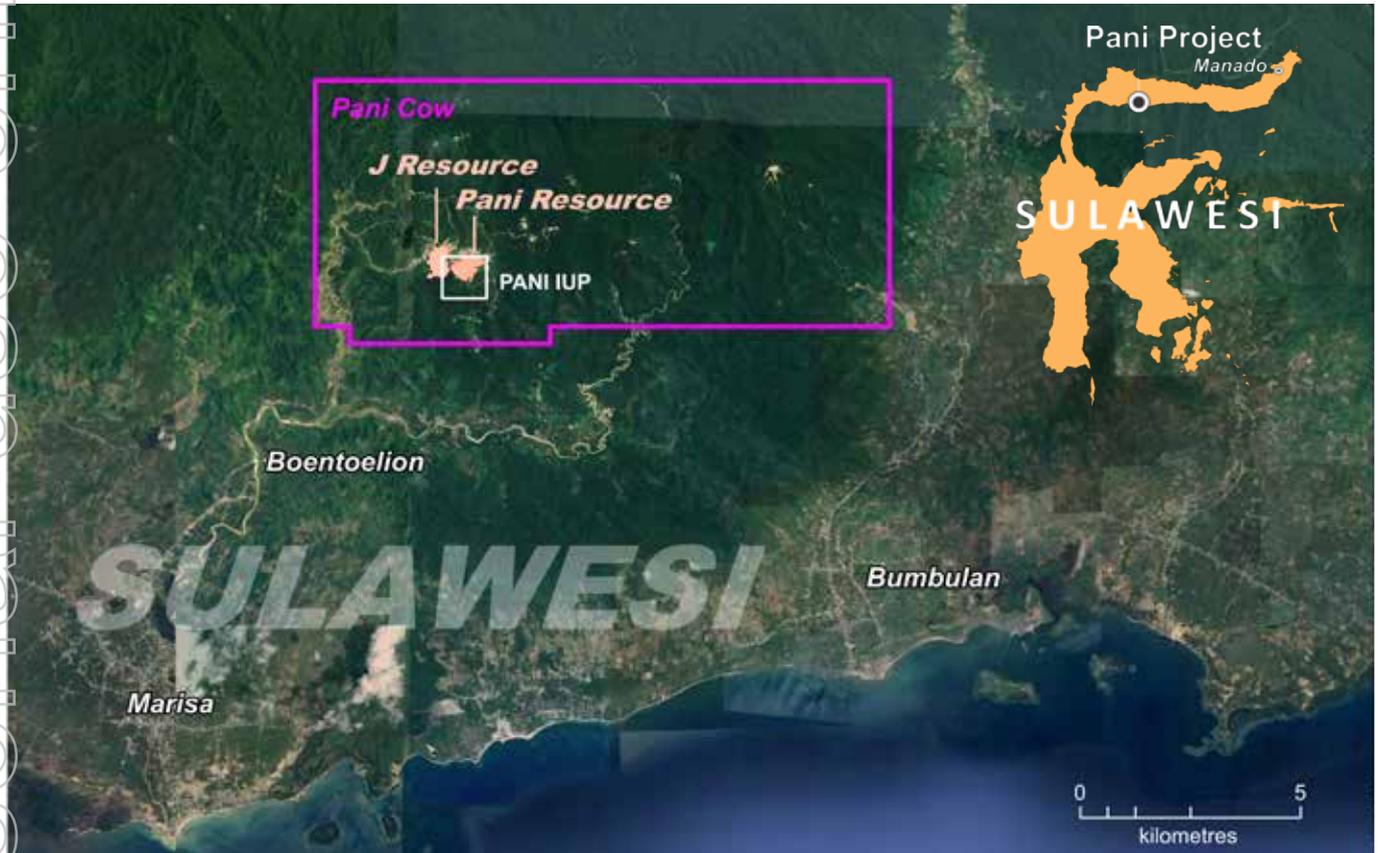


Figure 1 - Location of the united Pani IUP and Contract of Work, with existing Resources.

Pani IUP Resource (above a 0.2g/t cut off) <sup>1</sup>				Pani CoW Resource (above a 0.4g/t cut off) <sup>2</sup>			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)	Category	Tonne (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	10.8	1.13	0.39	Measured	15.5	1.03	0.51
Indicated	62.4	0.81	1.63	Indicated	41.3	0.98	1.31
Inferred	16.2	0.67	0.35	Inferred	15.9	0.93	0.48
<b>Total</b>	<b>89.5</b>	<b>0.82</b>	<b>2.37</b>	<b>Total</b>	<b>72.7</b>	<b>0.98</b>	<b>2.30</b>

Table 1 Existing resources delineated at Pani, consisting of 2.37Moz<sup>1</sup> from the Pani IUP and 2.30Moz<sup>2</sup> from the Contract of Work.

Until recently, both Merdeka / Lion and J Resources had intended to develop separate projects. Reserves for both projects would have been constrained by the need to maintain pit walls within the respective tenements. By combining the projects into one project, the overall reserves are likely to be materially larger than the reserves would have been if the projects were developed separately. Merdeka / Lion and J Resources have concluded that there is a clear logic in combining the Pani IUP and the Pani CoW into one ownership group, in order to develop one, larger gold mine project in Gorontalo, Sulawesi. Combining both projects is expected to optimise the development of the combined resources. One combined project will provide economies of scale with ore processed through one larger process facility.

The combination of the Pani IUP and Pani CoW unlocks optimal development of the Pani deposit in a single, enlarged and streamlined operation, unrestricted by tenement boundaries, including:

- Favourable topography: low strip ratio, open pit operation amenable to bulk mining.
- Low processing costs anticipated, with grid power available.
- Metallurgical work to date suggests high recoveries via heap leach or CIL.

With key permits already being in place the parties will investigate the possibility for fast track development. Subject to appropriate assessment, initial concepts envisage a 250Koz – 300Koz per annum operation.

## **J Resources Transaction**

The resultant structure will see J Resources transfer its interests in PT Gorontalo Sejahtera Mining ('GSM') into the Pani Joint Venture in exchange for a 40% ownership interest in the combined entity. To the extent practicable, the combined entity will be funded from profits and third-party loan finance.

The combined entity will have its own dedicated management team comprising expatriate and local personnel, including employees seconded from Merdeka and/or J Resources.

The transaction is anticipated to close in early 2020, subject to regulatory approvals and approval from J Resources' secured lenders. In the interim, the Pani Joint Venture has access to GSM data and staff, and will undertake integration of the two datasets and teams, including a full data review and gap analysis with a view to scoping out the next steps. Drilling has commenced on the Pani IUP (see following).

## **Project Valuation**

Once completed, the combination of the two tenements is anticipated to materially improve the valuation of Lion's investment in the Pani Joint Venture.

Lion's accounting policy is to apply an arms-length transaction in determining the fair value of investments where one is available. The most recent relevant arms-length transaction valuation was in November 2018 when Merdeka acquired its project interest in the Pani Joint Venture. This valuation needs to be reviewed in light of the J Resources transaction, increases in the long-term outlook for gold prices and other project milestones. Accordingly, Lion will update its carrying value for Pani as soon as the J Resources transaction completes for inclusion in its net tangible asset calculation.

# Commencement of drilling at Pani

The Pani Joint Venture has commenced a 10,000 metre diamond drill program on the Pani IUP. Drilling is designed to test the north-western portion of the IUP, in the area between existing resources delineated on the Pani IUP and J Resources CoW. Previous drilling has highlighted a target in the area to be drilled, with two holes drilled by Utah International in 1982 assayed 406m at 0.5g/t gold (GPD-04) and 154m at 0.57g/t gold (GPD-05). The program is being managed by Lion's joint venture partner Merdeka and is expected to run through the first half of 2020, utilising 2-3 man-portable drill rigs.

The drilling program will link the two areas of previous drilling and resources and provide for a contiguous geological understanding. It is expected that unification of technical databases, geological models and integration of new diamond drilling results will ultimately culminate in a unified Resource for the 'Pani Besar' ('Greater Pani') region which can then be used as the basis of project development studies.

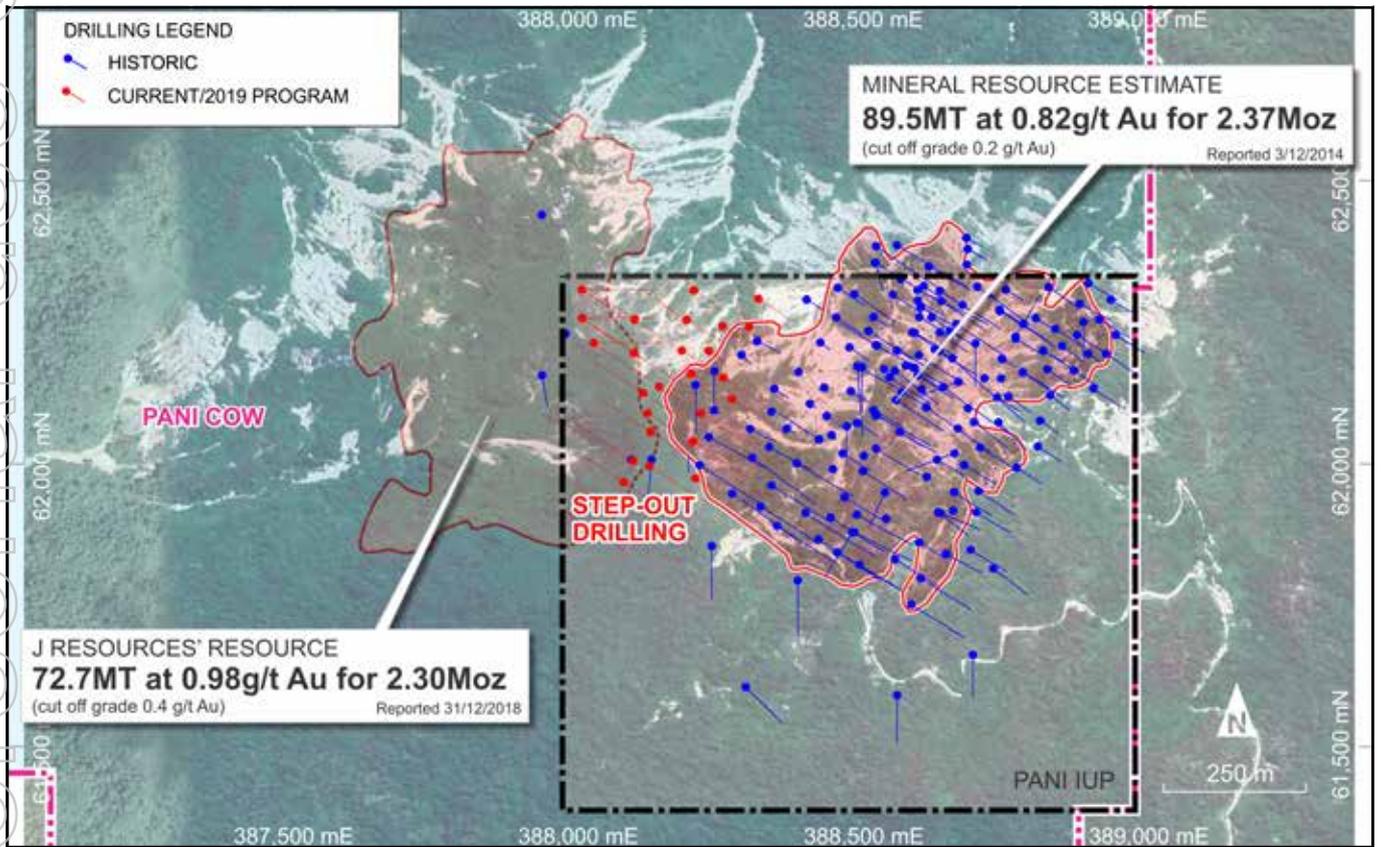


Figure 2 - Location of diamond drilling program with respect to previous drilling and resources <sup>1,2</sup> Areas of cleared vegetation in the background image are areas of recent or current artisanal gold mining.

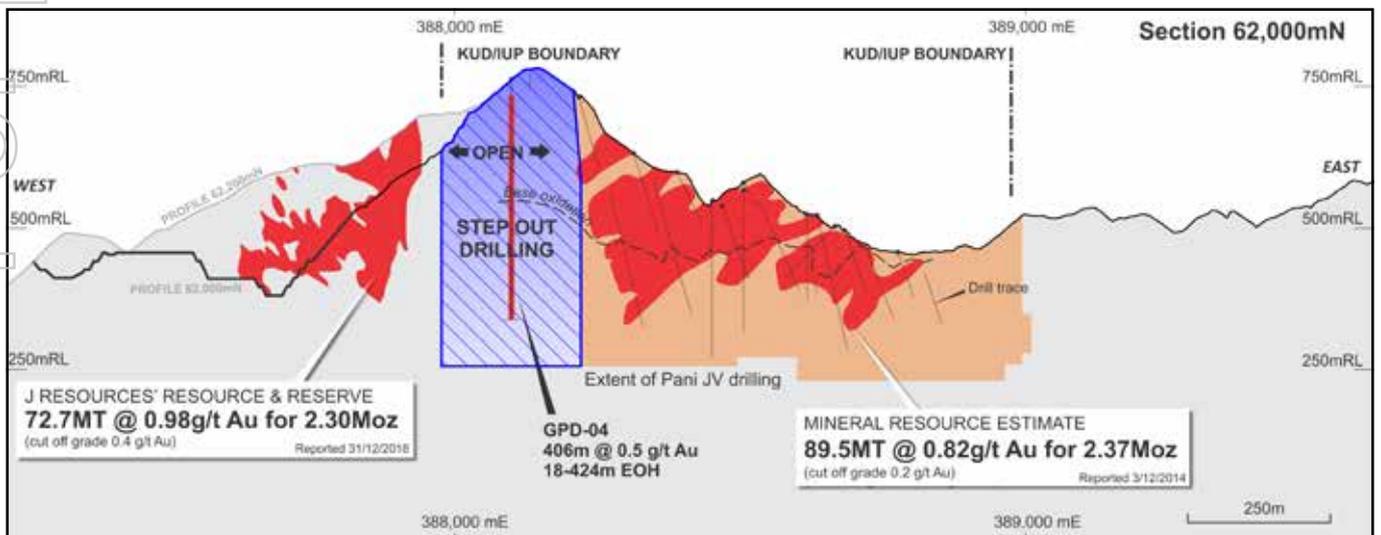


Figure 3 - Cross section 62,000mN showing location of drill hole GPD-04, drilled by Utah International in 1982 which returned an intersection of 406m at 0.5g/t gold from 18m.

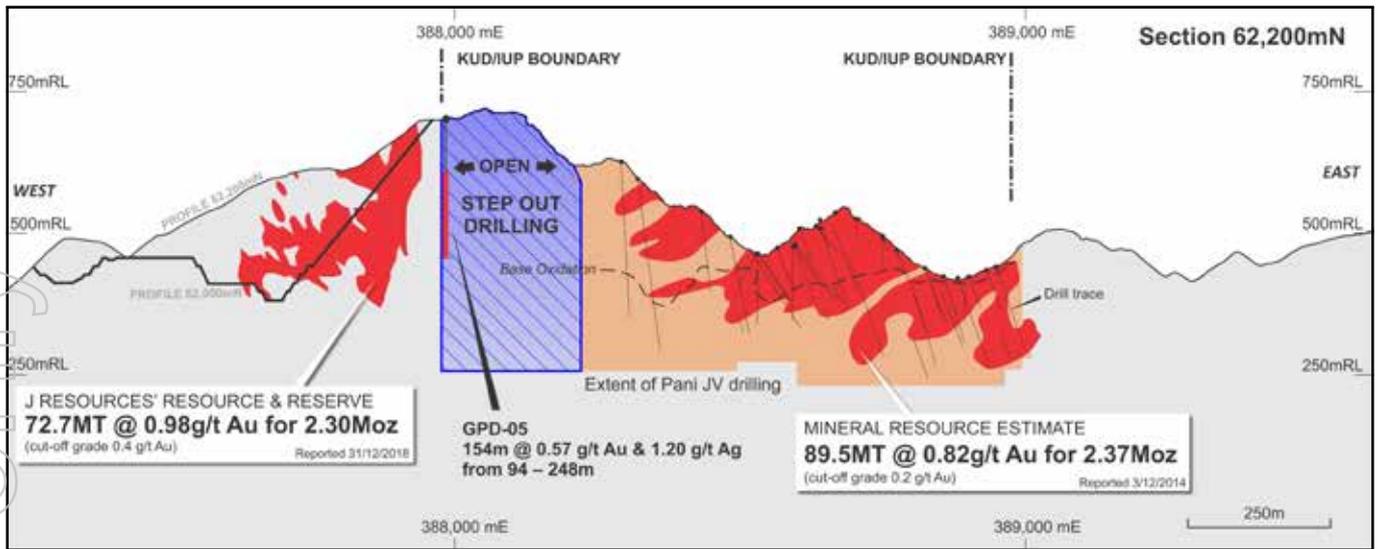


Figure 4 - Cross section 62,200mN showing location of drill hole GPD-05, drilled by Utah International in 1982 which returned an intersection of 154m at 0.57g/t gold and 1.20g/t silver from 94m.

## PROGRESS AND OUTLOOK

Pani Joint Venture Interest acquired	✓	April 2018
Direct Ownership	✓	August 2018
Merdeka Acquires 66.6%	✓	November 2018
Permitting and Licencing: Pani IUP Mining Area Processing and refining area	✓	April 2019
Step out drilling	✓	October 2019
Conditional agreement to combine with J Resources	✓	December 2019

## NEXT STEPS

- Deal Completion
- Data Integration, Gap Analysis
- Drill out deposit, metallurgical and project assessment,  
Definitive Feasibility Study

## Competent Person's Statement – Exploration Results

The information in this report which relates to Exploration Activities and Exploration Results is based on, and fairly represents, information compiled by Mr Julian Bartlett, B.App.Sci.Geol. (Hons), M.Sc.Econ.Geol. Mr Bartlett is full-time employee and Director of Merdeka Mining Services, he does not hold any shares in Lion Selection Group either directly or indirectly.

Mr Bartlett is a member of the Australian Institute of Geoscientists (AIG ID: 6492) and has sufficient experience 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 Bartlett consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

## Pani Gold Project – Location

Pani is a gold project located in Gorontalo, Northern Sulawesi, an Island of Indonesia.



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