



Lion Selection Group



ASX RELEASE : LSX

9 December 2019

## Nusantara: Awak Mas Project Funding

Attached is an announcement from Lion investee Nusantara Resources Limited (**Nusantara**).

Lion warmly welcomes Indika Energy in this transformational deal for Nusantara and the Awak Mas Gold Project. The deal provides a clear pathway for equity funding, alignment with Indika as Indonesian strategic partner, and the introduction of Petrosea as the local EPC provider. As noted in the Nusantara announcement, the transaction is subject to a number of key conditions, including formal documentation and shareholder approvals.

Lion fully supports the Indika transaction and intends to vote in favour of all relevant resolutions at the Nusantara general meeting.



*Left to right: Nusantara NED Robin Widdup, Chairman Greg Foulis and Azis Armand, Managing Director & CEO, Indika Energy*

**Nusantara Resources  
Limited**

ABN 69 150 791 290

**Registered Office:**

20 Kings Park Road  
West Perth  
Western Australia 6005  
Ph: +61 (8) 9460 8600

**Issued Capital**

168,620,046 shares  
47,070,784 options

**Substantial Holders**

Lion Selection Group	23.3%
PT Indika Energy TBK	21.0%
Australian Super	14.0%

Nusantara Resources Limited  
is listed on the Australian  
Stock Exchange – ticker symbol  
NUS

Dollar values in this report are  
United States Dollars unless  
otherwise stated.

Enquiries regarding this report  
may be directed to:

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## Awak Mas Gold Project Funding

### Up to USD40M in Project Equity plus up to USD40M in Deferred Payments

Nusantara Resources Limited (Nusantara) has entered into a non-binding term sheet with strategic partner, PT Indika Energy Tbk (Indika Energy) providing a clear pathway to financing the Awak Mas Gold Project (Project).

1. Indika Energy to invest up to USD 40 million into Nusantara's wholly-owned subsidiary PT Masmino DWI Area (Project Company), in two stages and subject to conditions, to secure up to 40% interest in the Project Company:
  - an initial tranche of USD 15 million for 25% ownership is to be paid into the Project Company;
  - a further USD 25 million can be invested to acquire an additional 15% ownership subject to conditions including a Final Investment Decision;
2. Indika Energy's subsidiary, PT Petrosea Tbk (Petrosea) to be awarded Front End Engineering and Design contract (FEED) on terms to be agreed. Project Company to negotiate an Engineering, Procurement and Construction (EPC) contract. Subject to relevant approvals and conditions (see Appendix), Petrosea to provide deferred payment terms of:
  - up to USD 10 million to be incorporated in the FEED contract;
  - up to USD 30 million to be incorporated in an EPC contract;
3. Nusantara commits to investing USD 10 million in stages into the Project Company to fund cancellation of a third-party royalty, exploration and other activities, and issue 10 million share options each to Indika Energy and Petrosea;
4. Nusantara and Indika Energy will collaborate on seeking third party and mezzanine finance, with a number of international banks engaged.
5. The term sheet is non-binding, and subject to conditions (see Appendix), including Nusantara shareholder approval and formalisation of definitive agreements. There is no certainty that formal terms for the proposed transaction will be agreed or agreed on the same terms, or a transaction completed.

*"The Board of Nusantara in conjunction with our partner Indika Energy are excited to announce this transformational milestone and clearly demonstrate to all stakeholders the value of the Project and a clear pathway for funding." commented Nusantara's Executive Chairman Greg Foulis. "We are confident that, with the support of major shareholders, Nusantara can complete the Indika Energy and Petrosea Agreements in early 2020 and significantly ramp up its pre-build activities."*

### About Nusantara Resources

Nusantara is an ASX Listed gold development company with its flagship project comprising the 1.1 million-ounce Ore Reserve and 2.0 million-ounce Mineral Resource Awak Mas Gold Project located in South Sulawesi, Indonesia.

## Awak Mas Development Strategy

Nusantara's Awak Mas Gold Project is development ready. The Definitive Feasibility Study (DFS)<sup>1</sup> completed in late 2018 confirms a robust, long-life and low-cost gold project. The DFS supports an initial 11-year project producing ~100,000 oz gold per year, which will deliver strong margins. Key attributes are:

- The Project is located 45km by road from Belopa on the east coast of South Sulawesi Province, Indonesia
- The Project is held under a 7<sup>th</sup> Generation Contract of Work (CoW) and is held 100% by the Project Company
- Ore Reserve<sup>2</sup> of 1.1 Moz gold within a 2.0 Moz gold Mineral Resource<sup>3</sup>
- The planned operation has a nominal mining and processing rate of 2.5 mtpa
- Net Present Value (post tax) USD 152 million based on a USD 1,250/oz gold price and inclusive of a 2% third party royalty that the Project Company has an option to cancel
- Internal Rate of Return 20.3% based on a USD 1,250/oz gold price
- Initial Capital cost USD 146 million plus pre-production mining USD 16 million
- C1 cash cost USD 643 per ounce
- AISC cost USD 758 per ounce

Project activities for 2020 are planned on a two-stage approach:

- Stage 1, during 2020, aimed at reaching a Final Investment Decision
  - Complete Front-End Engineering and Design (FEED) and consider expansion options
  - Complete detailed design and permit for the Tailings Storage Facility (TSF)
  - Complete Land Access and Compensation
  - Commence early civil works
  - Conclude debt and equity funding arrangements
- Stage 2 in late 2020
  - Award major contracts
  - Commence full scale construction
- Commissioning is anticipated to be two years from Final Investment Decision

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<sup>1</sup> ASX release dated 4 October 2018 - Definitive Feasibility Study Completed

<sup>2</sup> ASX release dated 13 September 2018 – Ore Reserve increased by 11% to 1.1Moz gold

<sup>3</sup> ASX release dated 8 May 2018 – Mineral Resource Estimate Update

## Project Funding Strategy

Following the completion of the 2018 DFS, Nusantara has been focused on a partnering approach to funding and development of the Project.

**Milestones to date** include:

- Indika Energy secured as a strategic partner and currently holding 21% equity in Nusantara with a right to invest at the project level.
- Project Finance banks have provided indicative term sheets. A number of the international banks engaged have both experience and appetite for Indonesian gold projects.
- Independent Technical Expert appointed and a preliminary report shows 'no fatal flaws'.
- Debt and Hedge advisor to Project Company identified.
- Non-binding term sheet executed for up to USD 80 million in project funding, comprising up to USD 40 million Project Equity plus up to USD 40 million Deferred Payments.

**Total funding** - The project is intended to be funded by way of project finance, subscription for shares, mezzanine finance and the Petrosea deferred payment terms. Total requirements will include initial capital costs, financing costs and owners costs and are dependent on FEED outcomes, debt terms and other factors.

**Debt** - Nusantara and partner Indika Energy intend to secure conventional Project Finance in the order of 60% of total funding requirements ie. USD 110 – 120 million. Additionally, the owners may also consider subordinated debt and other structured debt options.

**Hedging** – Preliminary expectations are that, combined with a Project Debt facility, project level gold hedging in the order of 200,000 to 250,000 ounces will be undertaken to mitigate risk and underpin the project payback period.

**Project Equity** – Subject to the parties entering into a binding agreement and the satisfaction of a number of conditions, Indika Energy intends to invest up to USD 40 million to earn up to a 40% interest representing a considerable component of the anticipated funding. To the extent further equity is required, Nusantara and Indika Energy intend to contribute on a pro-rata basis.

The Indika Energy Project Equity transaction and Petrosea deferred payment terms announced today provides Nusantara flexibility with funding options to take this Project into development. Nusantara intends to consider its residual Project equity funding in late 2020 following the delivery of project and funding milestones, prior to Final Investment Decision. Notably, Nusantara has two tranches of share options due to expire in July 2020 (exercise price AUD 0.30 each) and November 2020 (exercise price AUD 0.35 each). If exercised, these options are anticipated to materially assist in Nusantara's funding contribution for late 2020.

## APPENDIX – Further details on proposed terms and conditions

### The Indika Energy and Petrosea Term Sheet

The term sheet contemplates that the development of the Project is intended to be funded by way of project finance, subscription for shares, mezzanine finance and the Petrosea deferred payment terms. The funding arrangements proposed in the term sheet are subject to a number of conditions set out below:

- Stage 1 Project Equity Investment and Stage 1 Petrosea deferred payment terms, which are intended to advance the Project to the Final Investment Decision, including securing sufficient finance, executing critical path activities, and completing front-end engineering design.
- Stage 2 Project Equity Investment and Stage 2 Petrosea deferred payment terms, which are intended to support commencement of development of the Project.

The Project Company may undertake additional work streams outside of the work plans proposed in the term sheet, including additional exploration.

#### Project Equity Investments

##### Stage 1 Project Equity Investment:

Subject to the parties entering into a binding and definitive agreement and satisfaction of a number of conditions:

- Nusantara intends to invest USD 6 million towards the Project in the following manner:
  - a) USD 2.4 million as a termination payment for half the third-party royalty in accordance with the option to cancel announced to the ASX on 4 November 2019; and
  - b) USD 3.6 million in other Project Company purposes which may include, among others, project team formation and exploration programs.
- Subject to the Nusantara Stage 1 investment above and satisfaction of the Stage 1 Project Equity conditions set out below, Indika Energy may subscribe for a 25% equity stake in the Project Company at the aggregate subscription price of USD 15 million (“stage 1 Indika Energy Project Equity Investment”).

##### Stage 2 Project Equity Investment:

Subject to the parties entering into a binding and definitive agreement and satisfaction of a number of conditions:

- Nusantara intends to invest USD 4 million towards the Project in the following manner:
  - a) USD 2.5 million as a termination payment for half the third-party royalty in accordance with the option to cancel announced to the ASX on 4 November 2019; and

- b) USD 1.5 million in other Project Company purposes which may include, among others, project team formation and exploration programs.
- Following the completion of the Stage 1 Project Equity Investment and subject to the Nusantara Stage 2 investment above and the satisfaction of the conditions set out below, Indika Energy will have the right, but not the obligation, to subscribe for an additional 15% equity stake in the Project Company at the aggregate subscription price of USD 25 million (“Stage 2 Indika Energy Project Equity Investment”). Should Indika Energy exercise its right to make the Stage 2 Project Equity Investment (and assuming no equity investments between Stage 1 and Stage 2), Indika Energy will have, in aggregate, a 40% equity stake in the Project Company.
- Should additional equity investment be required, the Project Company will seek the support of shareholders through issuing new shares on a pro rata basis.

### Conditions

Stage 1 Project Equity Investment Conditions	Stage 2 Project Equity Investment Conditions
<p>(a) All Indonesian regulatory approvals for Stage 1 Indika Energy Project Equity Investment, including such approvals required under the CoW and the permits and licenses for the development and operation of the Project.</p> <p>(b) As applicable, corporate approvals of Indika Energy to make the Project Equity Investments.</p> <p>(c) As applicable, corporate approvals of Petrosea for the Stage 1 Deferred Payment Terms (as defined below), the Petrosea Share Options and the FEED Contract.</p> <p>(d) Corporate approvals of Nusantara for the Stage 1 Share Pledge (as defined below).</p> <p>(e) Approval of the Nusantara shareholders, or receipt of the relevant waivers from the Australia Securities Exchange (“ASX”) for the need for such approval, for the implementation of the Proposed Transaction in accordance with the ASX listing rules, including approval for the Project Equity Investments for the purposes of ASX listing rule 10.1 and entry into the security arrangements contemplated under the Feed Contract and the Stage 1 Deferred Payment Terms.</p> <p>(f) Approval of the Nusantara shareholders, or the receipt of the relevant waivers from the ASX for the need for such approval, to grant the Petrosea</p>	<p>(a) All Indonesian regulatory approvals for the Stage 2 Indika Energy Project Equity Investment, including such approvals required under the CoW and the permits and licenses for the development and operation of the Project.</p> <p>(b) Decision to Mine / Final investment decision by the Project Company.</p> <p>(c) Nusantara to contribute USD 4 million equity injection to the Company where such injection amount includes any payments or commitments made by Nusantara on behalf of the Company as agreed by Indika Energy (the “Stage 2 Nusantara Project Equity Investment”).</p> <p>(d) Corporate approvals and entry into an EPC contract for the Project with appropriate financing arrangements.</p> <p>(e) Entry or commitment to enter into the gold hedging arrangements.</p> <p>(f) Acquisition of the land rights in respect of the Project.</p> <p>(g) Obtaining third party financing for the purposes of funding of the EPC contract and the satisfaction of the conditions to the drawdown of such third-party financing, as necessary.</p>

Stage 1 Project Equity Investment Conditions	Stage 2 Project Equity Investment Conditions
<p>Share Options and Indika Energy Share options for the purposes of ASX listing rule 10.11 and the approval of the Nusantara shareholders under section 611 item 7 of the Corporations Act 2001 (Cth) in relation to the issue of shares to (i) Petrosea on the exercise of the Petrosea Share Options (First Tranche) and (ii) Indika Energy on the exercise of the 16,693,711 share options granted to Indika Energy pursuant to the subscription agreement dated 12 December 2018 between Indika Energy and Nusantara Resources (less any options already exercised).</p> <p>(g) Nusantara to contribute USD 6 million equity injection to the Project Company where such injection amount includes any payments or commitments made by Nusantara on behalf of the Company as agreed by Indika Energy.</p> <p>(h) The Project Company’s corporate approvals and entry into the FEED contract.</p> <p>(i) The Project Company’s corporate approvals and entry into the Stage 1 Deferred Payment Terms on appropriate terms.</p> <p>(j) Corporate approvals and entry by Nusantara and Indika Energy (the “Shareholders”) into the shareholders agreement, in the form to be agreed) to govern their relationship as shareholders of the Project Company.</p> <p>(k) Approval by the Shareholders of the first business plan and budget of the Project Company.</p> <p>(l) Any other conditions based on due diligence on the Project Company and the Project.</p>	<p>(h) Approval of the Nusantara shareholders, or the relevant waivers from the ASX for the need for such approval, for the implementation of the Proposed Transaction, including approval for the entry into the EPC Contract and the security arrangements contemplated under the EPC Contract and the Stage 2 Deferred Payment Terms (if applicable), in each case as necessary.</p> <p>(i) Approval of the Nusantara shareholders under section 611 item 7 of the Corporations Act 2001 (Cth) in relation to the issue of shares to Petrosea on the exercise of the Petrosea Share Options (Second Tranche) and on the issue of shares to Indika Energy on exercise of the Indika Energy Share Options.</p> <p>(j) The approvals referred to in (b) to (f) of the Stage 1 Project Equity Investment conditions to the extent any such approval is no longer valid for the purposes of Stage 2.</p> <p>(k) Any other conditions based on due diligence on the Project Company and the Project;</p>

### **Petrosea deferred payment terms**

Subject to Petrosea and the Project Company entering into a binding and definitive agreement, it is proposed that:

- Petrosea may provide to the Project Company deferred payment terms equivalent to the amount to be paid by the Project Company to Petrosea for the FEED services under the FEED Contract of up to USD10 million with 9% interest (the “Stage 1 Deferred Payment Terms”) secured against

shares of the Project Company held by Nusantara up to 20% of the Project Company (the “Stage 1 Share Pledge”).

- Subject to approval by the Project Company, Petrosea may have the right, but not the obligation, to provide to the Project Company additional deferred payment terms of up to USD 30 million on such terms to be agreed between Petrosea and the Project Company (the “Stage 2 Deferred Payment Terms”).

### **Repayment and trigger event for prepayment**

Subject to the parties entering into a binding and definitive agreement, it is contemplated that repayment of the Stage 1 Deferred Payment Terms shall be made from the proceeds of the third-party financing. Accordingly, the Stage 1 Deferred Payment Terms shall be repaid, and the security arrangements proposed thereunder discharged, concurrently with the provision of the third-party financing.

### **FEED contract and Engineering, Procurement and Construction contract (EPC)**

Subject to Petrosea and the Project Company entering into a binding agreement, it is proposed that:

- At the time of the execution of the Shareholders Agreement proposed under the non-binding term sheet, Petrosea will be appointed by the Project Company as the contractor for the FEED services for the Project under a FEED contract to be entered into between Petrosea and the Project Company (“FEED Contract”). The FEED Contract must contain the terms and conditions typically contained in such contracts for the appointment of an experienced and professional contractor to undertake FEED services on an arms-length basis, for a mining project of a similar nature and scale as the Project. The Project Company will own all designs and other materials developed by Petrosea during the FEED services.
- Subject to conditions including those below, the Project Company shall appoint Petrosea for the EPC work for the Project. Should Petrosea be appointed as the EPC contractor, it will enter into an EPC contract with the Project Company, the terms of which are to be negotiated between the Petrosea and the Project Company prior to the completion of the Stage 2 Project Equity Investment.
  - The Project Company not entering into negotiations with any competing engineering EPC contractor during the period prior to the agreed date for completion of the FEED.
  - The Project Company appointing a steering committee to control, supervise and advise on the appointment of the EPC contractor.
  - The Project Company appointing an independent engineering consulting firm to undertake a benchmarking exercise to advise the Project Company on the terms of the proposed EPC Contract in circumstances where third party finance will be required.
  - Petrosea will be appointed as the EPC Contractor for the mine provided that the following conditions are satisfied (which may need to be satisfied simultaneously):



- Petrosea has satisfactorily completed the FEED (from the perspective of quality, cost and time);
- Petrosea and the Project Company have agreed the terms (including price) of the EPC Contract; and
- Third party financiers have not raised any valid objections to the appointment of Petrosea as the EPC Contractor.
- If any of the above conditions are unable to be satisfied, the Board of Directors of the Project Company will be at liberty to engage an alternative appropriately experienced and professional EPC contractor for the Project.

### **Petrosea Share options**

Subject to Petrosea and the Project Company entering into a binding and definitive agreement, it is proposed that Nusantara will grant to Petrosea the following share options (the “Petrosea Share Options”):

- Petrosea Share Options (First Tranche) - Option exercisable until July 2022 to subscribe for 3 million shares in Nusantara at a price of AUD 0.45 per share. Such options will vest upon the approval for the decision to mine.
- Petrosea Share Options (Second Tranche) - Option exercisable until July 2024 to subscribe for 7 million shares in Nusantara at a price of AUD 0.45 per share. Such options will vest upon the entry into the EPC Contract and commercial production of the mine maintaining within 110% of original contracted price.

The Petrosea Share Options (if permitted by the ASX) shall be quoted on the ASX and shall be freely transferable. Indika Energy has waived any top-up rights under the Subscription Agreement dated 12 December 2018 between Nusantara and Indika Energy in respect of the issue and exercise of the Petrosea Share Options.

### **Indika Energy Share options**

Subject to such terms to be agreed, Nusantara will grant to Indika Energy share options exercisable until 1 December 2022 to subscribe for 10 million shares in Nusantara at a price of AUD 0.61 per share (“Indika Energy Share Options”). Such options will vest upon entry into the Stage 2 Indika Energy Project Equity Investment.

The Indika Energy Share Options (if permitted by the ASX) shall be quoted on the ASX and/or shall be freely transferable.

**Exclusivity**

Nusantara and the Project Company shall, from the date of the non-binding Term Sheet, discuss and negotiate with Indika Energy on an exclusive basis with respect to the proposed equity investments by Indika Energy in the Project Company until completion of the Stage 2 Indika Energy Project Equity Investment. Deadline for the Stage 2 Project Equity Investment is 31/12/2021, after which Indika Energy forgoes any continuing rights to undertake the Stage 2 Indika Energy Project Equity Investment and. Nusantara and Indika Energy may by mutual agreement extend the exclusivity period. The exclusivity period shall be automatically extended due to any unforeseen Project delays outside the control of the parties which adversely impact or hinder consideration of the Stage 2 Indika Energy Project Equity Investment.

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**Competent Persons Statement**

The information in this announcement that relates to the Exploration results and Ore Reserves of Nusantara Resources is summarised from publicly available reports as released to the ASX. The results are duly referenced in the text of this report and the source documents noted above.

**Exploration Results**

The information in this report which relates to Exploration Results is based on, and fairly represents, information compiled by Mr Colin McMillan, (BSc) for Nusantara Resources. Mr McMillan is an employee of Nusantara Resources and is a Member of the Australian Institute of Mining and Metallurgy (AusIMM No: 109791).

Mr McMillan 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”.

**New Information or Data**

Nusantara Resources confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, Ore Reserves, production targets, and the forecast financial information derived from a production target, which all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not materially changed from the original market announcement.