

## Sale of Pani JV interest for A\$74M plus upside

- A\$74.4M<sup>1</sup> sale price provides a 17.5% premium to Pani's 31 December 2021 NTA holding value of A\$63.3M.
- Lion's interest is being acquired by its JV partner Merdeka and Andalan International.
- Consideration is cash (US\$22M upfront, US\$10M deferred) and Merdeka shares (US\$20M upfront with 12 months downside protection) providing Lion with immediate crystallisation of value as well as continued upside exposure to Merdeka.
- This deal provides immediate uplift to Lion's NTA, increasing the pro-forma 31 December 2021 NTA to A\$104M/70cps after tax.

1. 0.6990 AUDUSD

### Overview

Lion's Pani interest is being acquired by PT Merdeka Copper Gold TBK (**Merdeka**, Lion's Pani joint venture partner) and Andalan International Pte Ltd (**Andalan**, an entity controlled by Provident Capital) (**the Buyers**). As a result of the transaction, Lion is to become a Merdeka shareholder, with downside protection over the value of this shareholding for 12 months and exposure to Merdeka's expected strong growth at Pani and other Tier 1 mining projects in Indonesia.

#### US\$52M Consideration comprises:

- US\$26M (A\$37M) in cash payable by Merdeka, with US\$21M payable upfront and the balance one year later.
- US\$26M (A\$37M) payable by Andalan with US\$21M being paid up front (to be satisfied by US\$20M in unencumbered and tradable Merdeka shares and US\$1M in cash), with the balance one year later in cash (subject to any adjustment or cash top-up outlined below).

The Andalan consideration is subject to adjustment, being reduced if the Merdeka share price outperforms a 15% benchmark in the 12 months from signing the SPA, and subject to a cash top up should Lion still hold the Merdeka shares at the 12 months anniversary from signing the SPA and the market price is lower than US\$20M. The matrix below summarises the adjustment in different scenarios depending on Merdeka's share price performance.

### Management Commentary

Lion founder and director Robin Widdup said:

*"Lion's sale of its Pani interest marks a culmination of many years of hard work and challenges for what we believe is a first class gold project in Indonesia. Lion has invested A\$21M directly in Pani since 2018, after having been a shareholder in One Asia since 2012. Lion is selling its interest prior to the financing requirements of Pani becoming substantial, and prior to the top of the cycle – this simultaneously reduces Lion's funding obligations and risk profile, whilst significantly bolstering the cash in Lion's NTA."*

## Rationale

Lion believes that consolidating the Pani ownership within Merdeka represents a compelling value proposition, noting:

- Merdeka will be best able to invest heavily in unlocking the immense geological potential in the world class Pani project.
- Merdeka brings significant balance sheet strength and free cashflow generation to accelerate project development.
- The deal represents a highly accretive transaction for both Lion and Merdeka shareholders.
- The acquisition of Lion's JV interest in the Pani IUP forms part of a broader plan to also acquire the Pani Contract of Work, uniting Pani and unlocking significant value for Merdeka shareholders, which Lion will benefit from.

## Adjustment to Andalan Consideration

The Andalan consideration is subject to adjustment according to the performance of Merdeka shares at the 12-month anniversary of signing.

Merdeka share price increase*	0%	+15%	+25%	+30%	+50%	+70%	+100%
Value of Lion's Merdeka shareholding	US\$20M	US\$23M	US\$25M	US\$26M	US\$30M	US\$34M	US\$40M
Reduction in the consideration to be received by Lion	Nil	Nil	US\$2M	US\$3M	US\$6.4M	US\$9.8M	US\$10M

\* as at 12 month anniversary of signing

The maximum adjustment is US\$10M and will be made against the deferred consideration payment of US\$10M payable at the 12 months anniversary.

## Next Steps and Timetable

Execution of sale and purchase agreement by Lion, Merdeka and Andalan	<b>Complete</b>
Deal closure, payment of US\$22M cash and transfer of US\$20M of Merdeka shares (72,753,729) to Lion	<b>28 February 2022</b>
Calculation and payment of deferred settlement or top up payment	<b>28 January 2023</b>

## Tax

- Indonesian share transfer tax of 5% will apply up front on the sale consideration (US\$2.6M/A\$3.7M).
- In addition, it is envisaged that an incremental amount of A\$1.3M tax is payable in Australia after factoring in Lion's current tax position, carried forward losses and foreign tax credits.

## Advisors to the Transaction

Taylor Collison is acting as corporate advisor and Thomson Geer as legal advisor.

# Lion Pro Forma NTA

31 December 2021

	Commodity	December 2021	December 2021 Proforma	
			A\$M	¢ps
<b>Pani Joint Venture</b>				
Based on the offer price of US\$52M for Lion's interest in the Pani Joint Venture				
(USD/AUD exchange rate of 0.6990 @ 28/1/22)				
	Gold	63.3	<b>74.4</b>	<b>49.6</b>
Erdene Resources	Gold	5.4	<b>5.4</b>	<b>3.6</b>
Kasbah Resources	Tin	2.0	<b>2.0</b>	<b>1.3</b>
Celamin Holdings	Phosphate	2.7	<b>2.7</b>	<b>1.8</b>
Other		1.1	<b>1.1</b>	<b>0.7</b>
<b>Net Cash</b>		23.1	<b>23.1</b>	<b>15.4</b>
<b>Net Tangible Assets – Pre-Tax*</b>		A\$97.6M	<b>A\$108.7M</b>	<b>72.4¢ps</b>
Deferred tax liability on theoretical disposal of Lion's portfolio			(A\$4.3M)	(2.9¢ps)
<b>Net Tangible Assets – Post-Tax*</b>		A\$94.4M	<b>A\$104.4M</b>	<b>69.5¢ps</b>

## Capital Structure

Shares on Issue:	150,141,271	
Share Price:	53¢ps	31 December 2021

### \* Contingent Consideration

Lion's NTA excludes potential contingent consideration that may be payable if Lion sells its investment in either Celamin or Kasbah. Based on a theoretical sale of both investments at the date of the NTA, contingent consideration of \$2.3m would arise.

This obligation arises following Lion agreeing to purchase the shares it did not own in African Lion 3 Ltd (AFL3) to consolidate ownership (with the exception of Lion Manager Pty Ltd who opted to hold its investment). The transaction involved Lion agreeing to pay contingent consideration to be paid in certain circumstances for up to 5 years. The value of the contingent consideration depends on the ultimate exit price for Celamin and/or Kasbah, how long Lion holds the investments, and how much additional investment is required.

# Lion Investing Strategy

A shareholder presentation is planned in the near future when more detail should be available on tax treatment of the Pani sale, including Lion's position on franking credits. This presentation is intended to be conducted in person, however may need to be conducted online subject to the state of COVID restrictions.

The presentation will cover:

- Lion dividend policy/franking ability;
- Lion investment strategy; and
- Mining equity market review.

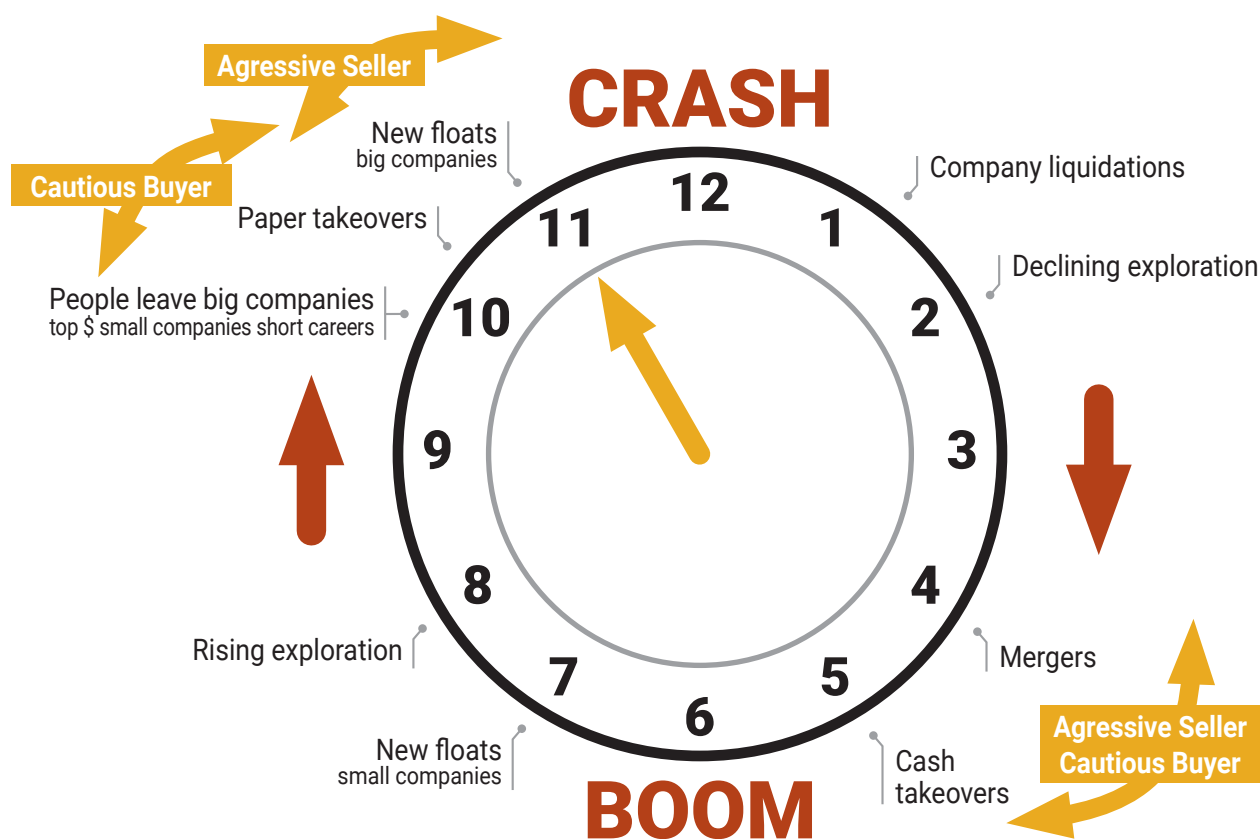
Lion intends to restart investment which has been restricted in recent years from lack of cash due to funding requirements of two gold projects in Indonesia. These restrictions have now been removed and apart from considerations of where the cycle sits on the 'Clock', Lion is open for new business.

The style of investment will remain with early stage projects:

- 50% gold 50% other minerals (not coal or petroleum);
- Dominantly Australia.

Lion will consider opportunities that lead to an influential equity holding within the ideal investment holding period for Lion of 3+ years, including direct project investment. This is intended to enable Lion to provide sustainable financial distributions.

## Lion Clock



# About Merdeka

[www.merdekacoppergold.com/en/](http://www.merdekacoppergold.com/en/)

**Merdeka is an Indonesian focused mid-tier producer of gold and copper, listed on the Indonesian Stock Exchange (IDX:MDKA) and capitalised at US\$6 billion.**

Merdeka produces gold from the Tujuh Bukit gold project and copper from Wetar Island. In addition, Merdeka is developing a treatment plant in Central Sulawesi to process spent ore from Wetar to produce sulphuric acid and by-product steam, iron ore pellets, copper, gold and silver. A major project update is expected in Q1 related to the underground development of the copper-gold porphyry at Tujuh Bukit, and Merdeka expect to conduct drilling and other feasibility related activities at Pani following the completion of transactions to consolidate Pani ownership.

As announced on 30 December 2021, Merdeka has agreed to subscribe for 50.1% of PT Andalan Bersama Investama ('**ABI**') ('**Transaction**') which as of today has acquired 100% of PT Gorontalo Sejahtera Mining ('**GSM**'), the company that holds the Pani Contract of Work which surrounds the Pani IUP, where Lion and Merdeka have been in joint venture. Provided that all

of the terms and conditions in the Transaction have been fulfilled and Merdeka become a shareholder of ABI, enables acceleration of technical studies which include a substantial drilling program to infill the existing Pani Mineral Resources, connect them by further drilling of the Link Zone, and testing of the lateral and depth extents of the deposit. In addition, the fragmented ownership of Pani has long been an obstruction to Pani progression, and consolidation will enable the project to proceed unencumbered by the position of tenement boundaries or access agreements. After completion, Lion remains exposed to this upside via its Merdeka shareholding, but will not have to contribute any further funding.

Merdeka have grown strongly since listing on the Indonesian Stock Exchange in 2015, and successfully demonstrated credentials to permit, fund, develop and operate globally significant mining operations in Indonesia. This track record of unlocking value within Indonesia provides for a strongly positive outlook for Merdeka given the prospects of rapidly progressing Pani, as well as the future potential of the Acid project and Tujuh Bukit underground.

## Lion Selection Group Limited

ABN 26 077 729 572

Level 2, 175 Flinders Lane  
Melbourne Vic 3000  
T: +61 3 9614 8008  
F: +61 3 9614 8009  
[www.lsg.com.au](http://www.lsg.com.au)

### Enquiries

**Hedley Widdup**

[hwiddup@lsg.com.au](mailto:hwiddup@lsg.com.au)

**Jane Rose**

[jrose@lsg.com.au](mailto:jrose@lsg.com.au)

**Authorised for release by**

**Craig Smyth**

[csmyth@lsg.com.au](mailto:csmyth@lsg.com.au)

