

6 August 2018

Lindian enters option agreement to acquire up to a 75% interest in the Kangankunde Rare Earths Project and has received firm commitments to raise \$1.5m

Lindian Resources Limited (LIN) (ASX code LIN) is pleased to announce it has signed an exclusive option agreement with Rift Valley Resource Developments Limited (RVR) to acquire up to a 75% interest in the Kangankunde Rare Earths Project in Malawi. Kangankunde has been reported as one of the world's largest Rare Earth projects outside of China.

Key Points:

- **Lindian Resources Limited, has entered a staged option agreement to acquire up to a 75% interest in the Kangankunde Rare Earths Project located in Malawi,**
- **The Kangankunde deposit is a large rare earth carbonatite system that rises up to 200m above the surrounding plane over an area of 1.4km by 1.7km.**
- **Significant historical exploration has been carried out between the 1960's and 1990's which identified areas of higher grade mineralization**
- **Previously completed test work shows the deposit is amenable to a low-cost gravity separation concentration process producing a 60% REO concentrate.**
- **Previously reported and publicly released high grade Inferred Resource (JORC 2004) of 107,000 tonnes of Rare Earth Oxide (REO) at an average grade of 4.24% REO using a 3.5% REO cut-off grade, and remains open at depth.¹ On a 3% REO cut off grade, the Inferred resource increases to 180,000 tonnes at an average grade of 3.8%.²**
- **Importantly, the deposit has extremely low thorium and uranium for a Rare Earths deposit.**
- **Nacala corridor railway line connects the project directly to the minerals port of Nacala.**
- **Project economics have not been independently updated since 2011. Since then key rare earths Neodymium and Praseodymium have become increasingly valuable given their strategic use in permanent magnets for electric vehicles.**
- **The staged option has been strategically considered by the Board given ongoing delays in Tanzania with granting of licenses.**
- **The mineral title to the Kangankunde Project has been the subject of litigation between RVR and the Malawi government. The Company and RVR have agreed to jointly approach the Malawi Government to settle outstanding matters, as part of the due diligence process.**

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¹ Lynas Corporation Ltd, ASX release, 6 September 2007.

² Lynas Corporation Ltd, ASX release, 22 December 2010.



Cautionary Statement

The Exploration Results and estimates of Mineral Resources in this Announcement are not reported in accordance with the JORC Code 2012;

A Competent Person has not done sufficient work to disclose the Exploration Results or to classify the estimates of Mineral Resources in accordance with the JORC Code 2012;

It is possible that following evaluation and/or further exploration work, the confidence in prior reported Exploration Results may be reduced, and the currently reported estimates may materially change and hence will need to be reported afresh under and in accordance with the JORC Code 2012; and

Nothing has come to the attention of the Lindian that causes it to question the accuracy or reliability of the previously reported Exploration Results or estimates noting that at this point in time, Lindian has not independently validated the previously reported Exploration Results or estimates and therefore is not to be regarded as reporting, adopting or endorsing those results or estimates.

In the opinion of the Company, the reported Mineral Resource estimates can be considered to be reliable, having regard to the standing of Lynas Corporation Ltd (**Lynas**) and the fact that Lynas used a reputable independent geological consultant to sign off on the JORC 2004 inferred resource as published. The Company notes that the original drill core from which the Mineral Resource estimates were based on is no longer available and details of QA/QC relating to original assaying and sampling could not be confirmed.

Resource Overview

The Kangankunde project is located in southern Malawi 100km north of Blantyre and 25km from the Nacala rail corridor. The carbonatite mineralisation was first discovered in 1907 however the importance of rare Earth mineralization within the deposit was not noted until the early 1950's. The project has had several phases of exploration with the most comprehensive geological and process test work completed between 1987 and 1990 by the French geoscience organisation Bureau de Recherches Géologiques et Minières (**BRGM**).

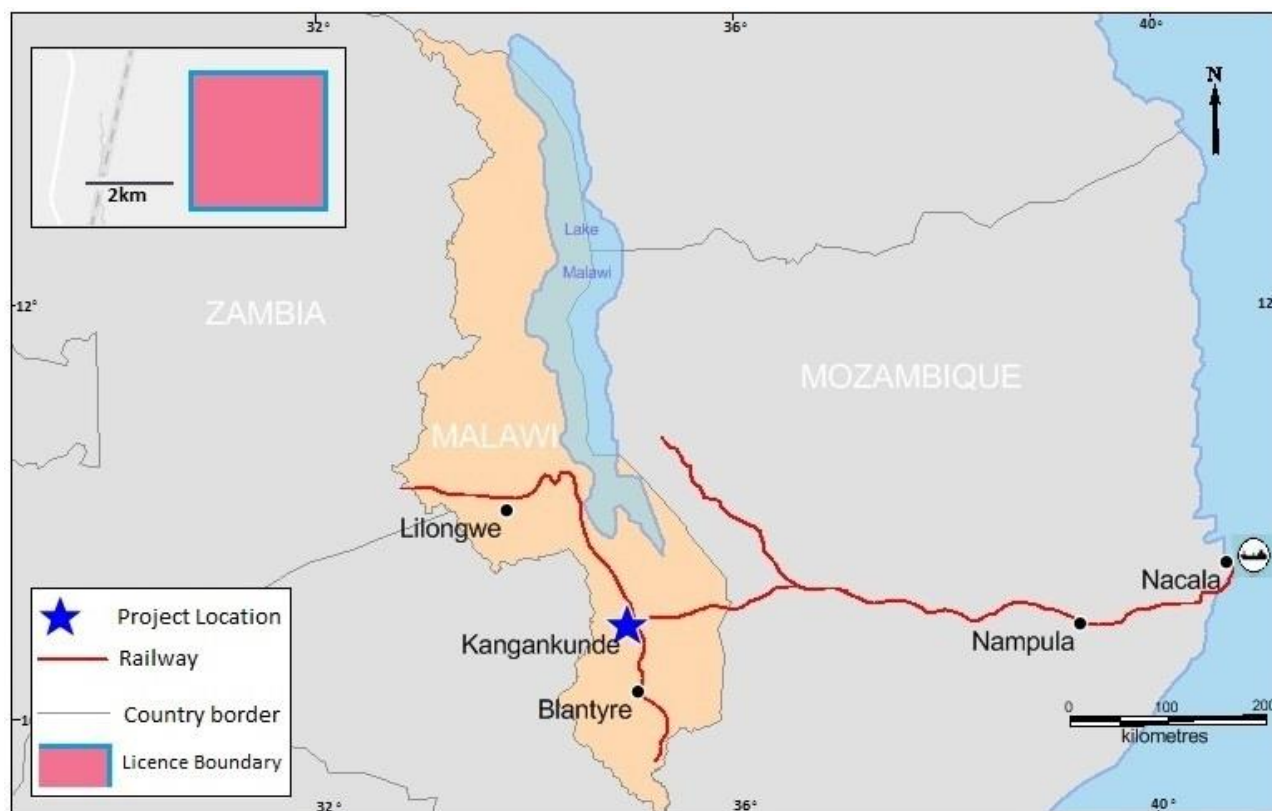


Figure 1 Kangankunde Project location Map

Kangankunde Geology

The deposit is hosted in an intrusive carbonate pipe which rises to a height of up to 200m above the surrounding plain. The carbonatite occurs as discrete tabular bodies and as zones containing thin carbonatite layers intermixed with other rocks. Individual bodies are continuous for up to several hundred metres and can be traced through several cross sections. The deposit contains a central zone of carbonatized rocks passing outwards to a series of broadly concentric zones of agglomerate, breccia, feldspathised rocks and ultimately into unaltered gneisses. Similar to many rare earth deposits the main rare earth containing mineral in the deposit is monazite.

Figure 2 shows the size of the surface expression of the Kangankunde carbonatite complex and the historical access tracks across the deposit.



Figure 2 Kangankunde Aerial view of the deposit showing historical drilling tracks

The Company is not aware of any more recent exploration results, estimates or data relevant to the reported mineralisation that are available.

Lynas Corporation Ltd (**Lynas**) previously announced to ASX (6 September 2007):

“The deposit has an Inferred Resource of 107,000 tonnes of Rare Earths Oxide (REO) at an average grade of 4.24% REO in 2.53 million tonnes of mineralisation, using a cut-off grade of 3.5% REO. The resource mineralisation commences on the surface and the deposit remains open at depth. The relatively low cut-off grade is justified by the demonstrated amenability of the ore to low cost gravity separation to produce a high grade concentrate. As prices increase, a lower cut-off grade may be applied; a 3% cut-off grade would increase the resource by 73,000 tonnes REO.”²

Lynas engaged Hellman & Schofield Pty Ltd to digitise the BRGM geological database, which consisted of more than 2,000 of diamond core drilling and 550 trench samples. A geostatistical estimate of the REO resource was then carried out. Lynas’s announcement also noted that the resource could only be classified as an Inferred Resource under the JORC Code at that time as the original drill core had been lost and details of QA/QC relating to original assaying and sampling, density, etc could not be confirmed. REO (Ce, La, Nd and Pr oxides) were determined by the BRGM in Malawi using XRF. 10-15% of those analysed samples had been checked by the BGRM in France with the original results being regarded by the BRGM as being reliable. A density of 3.0 was used to calculate tonnage on the basis of work reported by BRGM.



Lynas announced that five ore samples had been analysed by it in Australia and showed average relative distribution of the Rare Earths for those five samples as:

La2O3	CeO2	Pr6O11	Nd2O3	Sm2O3	Eu2O3	Gd2O3	Tb4O7	Dy2O3	Others
29.8%	49.7%	4.7%	14.0%	1.05%	0.19%	0.36%	0.07%	0.08%	0.04%

It is also worth noting that the KGK deposit has extremely low thorium oxide levels for a Rare Earths resource, as the KGK samples previously reported have an average of 11ppm thorium oxide per percentage of REO content. Thorium oxide is a useful measure of the natural radiation level of a rare earths resource as it effects the environmental outcomes associated with the processing of the resource. As a comparison, Lynas Corporation's Mt Weld Rare Earths mine in Australia is considered to have low natural radiation levels at an average of 44ppm thorium oxide per percentage of REO content.

Process Test Work ³

The BRGM completed ore concentration test work at pilot plant scale in France during 1989. After collection of a 30 tonne sample of ore from the surface and at depth, the pilot plant consisted of crushing and grinding with gravity separation using spirals and shaking tables.

A concentrate at 60% REO grade was produced with a recovery of 60% REO from the BRGM pilot plant study. Further test work was subsequently undertaken in Johannesburg, South Africa by Mintek and Multotech, and produced similar results to those of BRGM. The proposed due diligence program will review and update the results taking into account current costs and pricing.

The results of this test work show the deposit is amenable to upgrade low cost gravity separation methods into a high grade concentrate that can be transported for downstream processing.

Lindian's proposed Work Program

During Lindian's exclusive option period, the Company plans to:

- a) verify and update all previous reports and studies on the Project which included pre-feasibility economics;
- b) conduct initial on-site sampling and mapping to assist in confirming previously reported grades; and
- c) progress with formal negotiations with the Malawi Government as summarised below.

After the initial stage 1 acquisition has been finalised, Lindian proposes to conduct an initial 6-12 month exploration and development work program which will including RC and diamond drilling. The program will

³ Lynas Corporation Ltd, ASX release, 6 September 2007.



be designed to provide confirmation of grade, confirm and / or raise Resource confidence from previously reported categories and report the estimates as Mineral Resources in accordance with JORC Code 2012.

Lindian has an existing technical team established in neighbouring Tanzania and is well placed to commence due diligence activities immediately with the ongoing delays in licensing approvals for the Lushoto Bauxite Project.

History

Mr. Michael Saner, a South African geologist who has entered into the option agreement with Lindian (along with his wholly owned Malawian company, RVR), was granted the Exclusive Prospecting License (**EPL**) EPL 086/2000 over the project area in March 2000. The application to renew the EPL was submitted to the Malawi Mines Department in 2003, but not granted. A Mining Licence was purportedly issued in 2003 to a private Malawian company (**Mining Licence**) which was then on-sold to Lynas in 2007, subject to various Malawi Government regulatory approvals.

Mr. Saner obtained a High Court judgment in May 2006, which set aside the 2003 decision not to renew his EPL. Despite this, it was announced in December 2010 that the Malawi Government had granted its approval to transfer of the issued Mining Licence to a wholly owned subsidiary of Lynas.

In December 2010, Mr. Saner obtained an injunction from the Supreme Court of Malawi preventing the Mines Minister or the Government from issuing any Mineral Right Licence over Kangankunde to any party except his wholly-owned Malawian company RVR, and prohibited the transfer of the Mining Licence which had been found to have been illegally issued.

In addition, in 2016 the Supreme Court awarded Mr. Saner a significant damages payment (including sunk costs, legal costs and interest). The Malawi Government lodged an appeal against the assessment of damages but this has not proceeded. The Malawi Government to date has not granted a renewal of EPL 086/2002 or a tenement in lieu thereof and has not paid the damages. The Project has remained undeveloped since 2012.

LIN acknowledges that the judgement against the Malawi Government, and getting a settlement agreed between the parties, will form part of the due diligence process. The Parties agree that they will jointly approach the Malawi Government, during the Exclusivity Period, and seek to negotiate a full settlement and release between both parties. Given Lindian is partnering with Mr Saner in the proposed transaction, it is confident of a positive outcome.

Transaction Terms

The key terms of the option agreement with RVR are as follows:

Consideration

- 1.1. Payment to RVR (or its nominee) of US \$100,000 (**Exclusivity Fee**) for a 120-day exclusive due diligence period, extendable by agreement between the parties;



1.2. LIN will acquire an initial 30% shareholding interest in RVR (**Stage 1 Interest**) by way of the following payments:

1.2.1. US \$500,000 to be used by RVR pursuant to a 6 - 12 month exploration and development work program on the Project in accordance with an agreed work program, budget and management plan, setting out key deliverables and responsibilities, to be agreed by the parties; and

1.2.2. US \$500,000 to Mr. Saner.

1.3. After completion of LIN obtaining the Stage 1 Interest, LIN will have an exclusive 12 month option (from the date it makes the payments for the Stage 1 Interest) to acquire an additional 45% shareholding interest in RVR (i.e. increase its interest from a 30% to a 75% interest) (**Stage 2 Interest**). LIN may acquire the Stage 2 Interest by way of the following payments:

1.3.1. US \$2,500,000 to be used by RVR pursuant to a 12–18 month exploration and development work program on the Project in accordance with an agreed work program, budget and management plan, setting out key deliverables and responsibilities, to be agreed by the parties; and

1.3.2. US \$2,500,000 cash to Mr. Saner **or** the issue of US \$2,500,000 of fully paid ordinary shares in the capital of LIN based on a deemed issue price per Share equal to the 10-day VWAP prior to LIN electing to proceed with the acquisition of the Stage 2 Interest. The issue of any such shares is subject to all necessary shareholder and regulatory approvals required by ASX. In the event shareholder approval is not obtained the cash payment will be due and payable. Any such shares issued will be subject to any escrow imposed by ASX and 50% of the shares will be voluntarily escrowed for a 4 month period. The option to receive cash or shares is at the sole election of Mr. Saner.

1.4. Upon completion of the acquisition of the Stage 2 Interest, LIN will fund 100% of the Project.

1.5. The 25% residual interest in RVR held by Mr. Saner is finance carried (and non-dilutive) at all times. LIN will not acquire the 25% residual interest.

1.6. In the event of any application of Malawi law and the requirement for a government interest in the Project, both parties will dilute pro rata.

Conditions Precedent

Completion of the acquisition of the Stage 1 Interest is subject to the following key conditions precedent:

- a) Payment of the Exclusivity Fee;
- b) completion by Lindian to its satisfaction (in its sole discretion) of all necessary due diligence investigations in respect of RVR and the Project;
- c) execution of Formal Agreements as may be necessary;
- d) receipt of all necessary shareholder and regulatory approvals required by Lindian under the Corporations Act or ASX Listing Rules in respect of the acquisition of the Stage 1 Interest;
- e) receipt of all necessary ministerial consent, government and other regulatory approvals other than as contemplated in paragraph d) in respect of the transaction; and



- f) the waiver of any applicable pre-emption or similar rights or the receipt of all necessary third party consents required for the transactions contemplated by this Agreement.

The Parties agree that exercise of the option to acquire the Stage 2 Interest is subject to all necessary shareholder and regulatory approvals required by Lindian under the Corporations Act or ASX Listing Rules.

Facilitation Fees

Lindian has agreed to pay the following fees in consideration for the introduction and facilitation of the transaction with RVR:

- 6,666,667 shares and 6,666,667 options (exercisable at \$0.02 on or before 31 December 2020 – the same terms as an existing class of options). The shares are to be issued at the time of payment of the Exclusivity Fee and the options are to be issued subject to shareholder approval to be sought at the shareholder meeting to ratify and approve the shares and options the subject of the Placement;
- 8,333,333 shares and 8,333,333 options (exercisable at \$0.02 on or before 31 December 2020) to be issued within 5 business days of Lindian proceeding with acquisition of the Stage 1 Interest. This issue is subject to shareholder approval to be sought at the shareholder meeting to ratify and approve the shares and options the subject of the Placement;
- 16,666,667 shares and 16,666,667 options (exercisable at \$0.02 on or before 31 December 2020) to be issued within 5 business days of Lindian proceeding with acquisition of the Stage 2 Interest. This issue is subject to shareholder approval to be sought at the shareholder meeting to ratify and approve the shares and options the subject of the Placement.

In addition, all of the above fees that have not been paid become immediately due and payable in the event that Lindian directly or indirectly sells or farms out more than a 20% interest in the Project to a third party.

Placement

Lindian has received firm commitments from clients (sophisticated investors) of Australasian Capital Pty Ltd to complete a placement to raise \$1,500,000 (**Placement**).

The key terms of the Placement are:

- Price: \$0.015 per share with 1 option (exercisable at \$0.02 on or before 31 December 2020 – the same terms as an existing class of options) for every 1 share subscribed
- Quantity: 100,000,000 shares and 100,000,000 options
- Fees: 6% of funds raised (\$90,000 on the maximum amount) and 10,000,000 options on the same terms as issued under the Placement



- Use of funds are estimated to be for repayment of existing creditors (\$500,000), Lindian's Tanzanian bauxite project (\$460,000), Exclusivity Fee (\$135,000) capital raising costs (\$90,000), due diligence costs on the Malawi acquisition (\$65,000) and working capital (\$250,000).
- Shareholder approval: 60,000,000 shares will be issued out of Lindian's placement capacity under Listing Rule 7.1 (33,218,788) and 7.1A (26,781,212) within 5 business days of this announcement with the balance of securities (40,000,000 shares and 100,000,000 options) to be issued subject to shareholder approval at a general meeting expected to be held by mid September.

In the event the conditions precedent to the option agreement for the Project are satisfied and Lindian proceeds with the acquisition Lindian will need to conduct a further capital raising to fund the acquisition costs and exploration and development work programs on the Project. The terms of any further capital raising will be announced by Lindian when determined.

Competent Persons Statement

Mr Matt Bull, a director of Lindian Resources Limited and a member of the Australian Institute of Geoscientists, is a "Competent Person" as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bull considers the information in this announcement that relates to the Kanangakunde Project is an accurate representation of the available data and studies for the Kanangakunde Project.