

LIONGOLD CORP LTD

COMPANY ANNOUNCEMENT

NON-BINDING HEADS OF AGREEMENT WITH HILL END GOLD LIMITED

1. INTRODUCTION

- 1.1 LionGold Corp Ltd (the “**Company**”) wishes to announce that its wholly-owned Australian subsidiary, LionGold Australia Pty Ltd (the “**Buyer**”) has entered into a non-binding heads of agreement (the “**HOA**”) dated 30 June 2014 with Hill End Gold Limited (the “**Seller**”, and together with the Buyer, the “**Parties**”) in respect of the Buyer’s proposed acquisition of the rights, title and interest in and to the Hargraves Gold Project and the Boiga Gold Project (the “**Assets**”) from the Seller (the “**Proposed Acquisition**”). The HOA is subject to the Parties entering into a definitive sale agreement (the “**Sale Agreement**”) in relation to the Proposed Acquisition.
- 1.2 The Buyer’s decision to enter into the Sale Agreement or proceed with the Proposed Acquisition is, amongst other things, conditional on the Buyer completing and being satisfied with the results of its diligence investigations (including, legal, financial and technical due diligence) on the Seller and the Assets.

2. THE PROPOSED ACQUISITION

2.1 Information on the Assets

(Information relating to the Assets has been extracted from publicly available sources)

The Hargraves Gold Project (EL 6996) is located approximately 30 kilometres south-west of Mudgee in central New South Wales. It covers multiple parallel gold-mineralised structures with historical gold production. Based on pre-development studies, the Seller proposes to develop a staged open pit mine on the deposit to recover 1.2 Mt with an average grade of 2.5 g/t gold.

The current total resource (JORC 2004, announced on 10 October 2011 and 30 April 2013) for the Hargraves Gold Project is set out in the table below.

| Category | Tonnage (Mt) | Gold Grade (g/t) | Contained Gold (K oz) |
|-----------|--------------|------------------|-----------------------|
| Indicated | 1.26 | 3.5 | 143 |
| Inferred | 1.59 | 2.0 | 102 |
| Total | 2.85 | 2.7 | 245 |

EL 8206 (Boiga Gold Project) was granted to the Seller on 26 November 2013. It covers 23 km² along strike to the south-east of the resources at the Hargraves Gold Project. It is the site of surface mining activity focused on a number of quartz veins up to one metre thick in the late 1800’s, but no records of mining were kept and no modern exploration has been undertaken. The Seller has started surface exploration with the aim of identifying a resource that could support the Hargraves Gold Project.

Additional information relating to the Assets may be obtained from the Seller’s website at <http://www.hillendgold.com.au/>.

2.2 Consideration

Under the terms of the HOA, the purchase price for the Proposed Acquisition (the “**Purchase Price**”) will be based on the value ascribed to the Assets as determined in the valuation report (the “**Valuation Report**”) to be prepared in accordance with the “*Code for the Technical*”

*Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports*¹ by a valuer to be appointed by the Buyer and in accordance with the following:

- (a) if the value ascribed to the Assets in the Valuation Report is more than AUD12 million, the Purchase Price will be AUD12 million;
- (b) if the value ascribed to the Assets in the Valuation Report is between AUD10 million to AUD12 million, the Purchase Price will be the value ascribed to the Assets in the Valuation Report; and
- (c) if the value ascribed to the Assets in the Valuation Report is below AUD10 million, Parties will negotiate to agree on the Purchase Price or if they cannot agree on the Purchase Price, the Parties will terminate the Proposed Acquisition.

The Purchase Price was arrived at after arm's length negotiations, on a willing-buyer and willing-seller basis.

The Buyer is in the process of appointing a suitable valuer to prepare the Valuation Report.

2.3 **Payment Terms**

The Purchase Price will be satisfied as follows:

- (a) AUD2 million in cash (the "**Cash Consideration**"); and
- (b) the balance by way of issue of fully paid ordinary shares in the Company (the "**Consideration Shares**") based on the higher of (i) the volume weighted average price of the shares of the Company for trades done on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") during the 10 trading day period preceding the date that is 5 business days before completion of the Proposed Transaction ("**Completion**") (the "**VWAP Share Price**") and (ii) S\$0.04 (the "**Fixed Floor Price**").

If the VWAP Share Price is lower than the Fixed Floor Price, the Buyer will, at Completion, pay to the Seller an additional amount in cash determined as follows:

$$A = (F - V) \times C$$

Where

A = amount in S\$

F = Fixed Floor Price

V = VWAP Share Price

C = number of Consideration Shares determined under paragraph 2.3(b) above

The exchange rate that will be used for purpose of computing the Consideration Shares will be A\$1:S\$1.1763 which is the exchange rate as at 4.00 p.m. (Australian Eastern Standard time) on the date of this HOA (as set out on the website of the Reserve Bank of Australia).

The Cash Consideration will be disbursed as follows:

- (a) AUD500,000 payable at Completion; and
- (b) the remaining AUD1,500,000 in three (3) tranches of AUD500,000 each, to be payable at the 3, 6 and 9 months anniversary of Completion.

¹ Prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

3. SALIENT TERMS OF THE HOA

3.1 Conditions

Completion shall not occur until (amongst others):

- (a) the Buyer obtains a Valuation Report in a form and substance that is compliant with the requirements of the SGX-ST;
- (b) the Buyer and the Seller enter into a management agreement (the “**Management Agreement**”) under which the Buyer engages the Seller to manage and operate the Assets on terms reasonably acceptable to the Buyer;
- (c) the Company receives the approval of its shareholders, in general meeting, for, *inter alia*, the acquisition of the Assets, the issue of the Consideration Shares and the Buyer entering into the Management Agreement;
- (d) the Company receives the approval of the SGX-ST for the listing and quotation of the Consideration Shares;
- (e) the Buyer receives all approvals which are required by the laws of Singapore or Australia or by any governmental authority in Singapore or Australia which are necessary to complete the transactions contemplated by the Sale Agreement, including the approval of the NSW Trade & Investment, Resources & Energy for the change in control of the tenements comprising the Hargraves Gold Project and the Boiga Gold Project;
- (f) if required, the Buyer receives approval under the Foreign Acquisitions and Takeovers Act for the acquisition of the Assets, or the Treasurer ceases (by the passing of time) to be able to make an order under the Foreign Acquisitions and Takeovers Act in respect of the Buyer’s acquisition of the Assets;
- (g) the Seller obtains approval of its shareholders, in general meeting, for the sale of the Assets to the Buyer (which must occur no later than the day that the Company seeks the approval of its shareholders as specified in paragraph 3.1(c) above);
- (h) no mining or exploration agreement, right or licence to explore or mine or both a particular area or to construct, use or maintain infrastructure in connection with the Hargraves Gold Project and the Boiga Gold Project, including Exploration Licence 6996 and 8206, is revoked or terminated;
- (i) there is no material breach, and there are no facts, matters, events or circumstances that may reasonably be expected to lead to a material breach, of any of the warranties set out in the Sale Agreement; and
- (j) there is no material adverse change in the Seller or the Assets.

3.2 Management Agreement

The Buyer and the Seller will, on Completion, enter into the Management Agreement under which the Buyer will engage the Seller to manage and operate the Assets on, *inter alia*, the following terms and conditions:

- (a) Term: minimum 36 months;
- (b) Fee: AUD15,000 per month; and
- (c) Direct costs plus 10% administrative charge.

3.3 **Royalty**

Post Completion and upon commencement of production from the Assets, a royalty of 1% of production from the Assets will be payable by the Buyer to the Seller.

3.4 **Moratorium**

The Seller will covenant with the Buyer that, the Seller will not:

- (a) sell, transfer or otherwise dispose of, or agree or offer to sell, transfer or otherwise dispose of;
- (b) create, or agree to create any encumbrance or security interest in; or
- (c) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of,

the Consideration Shares, for a period of 3 months following Completion without the prior written consent of the Buyer.

3.5 **Further Action**

The Parties have agreed to negotiate and execute the Sale Agreement and other necessary agreements, including the Management Agreement (together, the "**Contracts**") by 31 July 2014 or such other date as may be mutually agreed between the Parties.

If the Sale Agreement is not executed by 5.00 p.m. on 31 July 2014 or such other date as may be mutually agreed between the Parties, the Seller and the Buyer will be released from all further obligations and liabilities under the HOA.

3.6 **Exclusivity**

The Seller has agreed that it will not, before the end of the period from the date of the HOA until Completion or such other date as may be mutually agreed between the Parties:

- (a) directly or indirectly solicit or initiate any enquiries, negotiations, discussions or arrangements regarding a Competing Proposal (or communicate an intention to do any of those things); and
- (b) directly or indirectly encourage or participate in any enquiries, negotiations, discussions or arrangements regarding a Competing Proposal (or communicate an intention to do any of those things) and the Seller will terminate all enquiries, negotiations, discussions or arrangements currently taking place with any person, other than the Buyer, concerning a Competing Proposal. The obligations in this paragraph will not apply to the extent that it prohibits any action or inaction by the Seller in relation to a Competing Proposal that would, in the opinion of the Seller's board, formed in good faith after receiving written advice from its external legal advisers, constitute a breach of any of the fiduciary or statutory duties of the directors or a contravention of any law.

For the purpose of this paragraph, "**Competing Proposal**" means any arrangement, agreement, proposal or understanding (whether or not it is legally enforceable), under which a person would directly or indirectly acquire an interest in all or a substantial part of the Assets.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

4.1 Directors' Interests

As at the date of this announcement, the interests of the directors of the Company (the "Directors") in the Company, based on the Register of Directors' Shareholdings, are set out below:

| Directors | Number of Shares | | Total Percentage Interest (%) |
|---|------------------|---------------------------|-------------------------------|
| | Direct | Deemed | |
| Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Nik Ahmad Kamil | 1,500,000 | 40,000,000 ⁽²⁾ | 3.992 |
| Dato' Md Wira Dani bin Abdul Daim | 2,600,000 | 40,000,000 ⁽³⁾ | 4.098 |
| Tan Soo Khoo Raymond | 1,800,000 | - | 0.173 |
| Dr Denis Edmund Clarke | 1,300,000 | - | 0.125 |
| Roland Kenneth Selvanayagam | 950,000 | - | 0.091 |
| Ng Su Ling | 950,000 | 1,819,637 ⁽⁴⁾ | 0.266 |
| Bernard Soo Puong Yii | 950,000 | - | 0.091 |

Notes:

1. Based on 1,039,636,540 ordinary shares in the capital of the Company (the "Shares") as at the date of this announcement.
2. By virtue of interests in Forte Services Limited.
3. By virtue of interests in Venaton Holdings Limited.
4. By virtue of interests in Goldman Sachs (Singapore) Pte, Maybank Nominees (Singapore) Private Limited and Singapura Finance Ltd.

Additionally, Dato' Md Wira Dani bin Abdul Daim, Executive Deputy Chairman of the Company, is the non-executive non-independent Chairman of ISR Capital Limited, the fund manager of Infiniti Premium Resources, which is in turn a 27% shareholder of the Seller.

Dr Denis Edmund Clarke, Independent Non-Executive Director of the Company, is the Non-Executive Chairman of the Seller.

4.2 Substantial Shareholders' Interests

As at the date of this announcement, the interests of the substantial shareholders in the Company, based on the Register of Substantial Shareholders, are set out below:

| Substantial Shareholders | Number of Shares | | Total Percentage Interest (%) |
|--------------------------|------------------|------------|-------------------------------|
| | Direct | Deemed | |
| Datuk Jared Lim Chih Li | - | 82,097,077 | 7.90 ⁽²⁾ |
| Ng Teck Wah | - | 82,097,077 | 7.90 ⁽³⁾ |

| | | | |
|---------------------------------------|------------|------------|---------------------|
| Asiasons Investment Ltd | 37,500,000 | 40,000,000 | 7.45 ⁽⁴⁾ |
| Asiasons Capital Limited | - | 82,097,077 | 7.90 ⁽⁵⁾ |
| Asiasons Investment Managers Inc | - | 82,097,077 | 7.90 ⁽⁶⁾ |
| Market Vectors Junior Gold Miners ETF | 93,000,000 | - | 8.95 |
| Credit Suisse AG | | 36,358,732 | 3.50 ⁽⁷⁾ |
| Credit Suisse Group AG | | 36,358,732 | 3.50 ⁽⁸⁾ |

Notes:

1. Based on 1,039,636,540 Shares as at the date of this announcement.
2. The deemed interest arises by virtue of his indirect interest in Asiasons Capital Limited.
3. The deemed interest arises by virtue of his indirect interest in Asiasons Capital Limited.
4. Asiasons Investment Ltd is a wholly owned subsidiary of Asiasons Capital Limited.
5. The deemed interest arises by virtue of the interest in its wholly owned subsidiary, Vibrant Coast Management Ltd.
6. The deemed interest arises by virtue of the interest in Asiasons Capital Limited. Asiasons Investment Managers Inc is a substantial shareholder of Asiasons Capital Limited. Datuk Jared Lim, Dato' Azlan and Ng Teck Wah have equal shares in Asiasons Investment Managers Inc.
7. In the provision of prime brokerage services to the beneficial owners, Credit Suisse AG's subsidiaries have the right of use of the shares held and is deemed to have an interest in such shares.
8. Credit Suisse AG is a wholly owned subsidiary of Credit Suisse Group AG ("CSGAG"). Accordingly, by virtue of Section 7 of the Companies Act, CSGAG has a deemed interest in LionGold shares which CSAG has an interest in.

Save as disclosed herein, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

5. ABSTENTION FROM RECOMMENDING AND VOTING

As mentioned in paragraph 4.1 above, Dato' Md Wira Dani bin Abdul Daim, Executive Deputy Chairman of the Company, is the non-executive non-independent Chairman of ISR Capital Limited, the fund manager of Infiniti Premium Resources, which is in turn a 27% shareholder of the Seller. Dr Denis Edmund Clarke, Independent Non-Executive Director of the Company, is the Non-Executive Chairman of the Seller.

In view of the above, Dato' Md Wira Dani bin Abdul Daim and Dr Denis Edmund Clarke will abstain, and ensure that their associates will abstain, from voting in respect of the Proposed Acquisition and the Management Agreement. They will also abstain from making any recommendation in relation to the Proposed Acquisition and the Management Agreement.

6. GENERAL

The Company wishes to advise the shareholders of the Company that as the Contracts have yet to be entered into by the Company, there is no certainty that the Proposed Acquisition will be completed. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition. In the meantime, the Directors wish to make this announcement to avoid the establishment of a false market in the Company's shares. Shareholders or potential shareholders are advised to read any further announcements by the Company carefully and to consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true

disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board

Tan Soo Khoo Raymond
Executive Director
30 June 2014