



HILL END GOLD LIMITED

ACN 072 692 365

The Manager
ASX Announcements Office
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ASX:HEG

HEG SIGNS NON-BINDING HEADS OF AGREEMENT WITH LIONGOLD

1. INTRODUCTION

- 1.1 Hill End Gold Limited (**HEG:ASX**) wishes to announce that it has entered into a non-binding heads of agreement (**HOA**) dated 30 June 2014 with LionGold Australia Pty Ltd (**Buyer** and together with HEG, the **Parties**), which is the wholly-owned Australian subsidiary of LionGold Corp Ltd (an entity listed on the Singapore Securities Exchange) (**LionGold**), 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 (**Assets**) from HEG (**Proposed Acquisition**). The HOA is subject to the Parties entering into a definitive sale agreement (**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 HEG and the Assets.

2. THE PROPOSED ACQUISITION

2.1 Information on the Assets

The Hargraves Gold Project (Exploration Licence 6995) 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, HEG 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 (Koz)
Indicated	1.26	3.5	143
Inferred	1.59	2.0	102
Total	3.35	2.7	245

Exploration Licence 8206 (Boiga Gold Project) 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

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were kept and no modern exploration has been undertaken. HEG has started surface exploration with the aim of identifying a resource that could support the Hargraves Gold Project.

2.2 Consideration

Under the terms of the HOA, the purchase price for the Proposed Acquisition (**Purchase Price**) will be based on the value ascribed to the Assets as determined in the valuation report (**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 \$12 million, the Purchase Price will be \$12 million;
- (b) if the value ascribed to the Assets in the Valuation Report is between \$10 million to \$12 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 \$10 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) \$2 million in cash (**Cash Consideration**); and
- (b) the balance by way of issue of fully paid ordinary shares in LionGold (**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 (**SGX-ST**) during the 10 trading day period preceding the date that is 5 business days before completion of the Proposed Transaction (**Completion**) (**VWAP Share Price**) and (ii) S\$0.04 (**Fixed Floor Price**).

If the VWAP Share Price is lower than the Fixed Floor Price, the Buyer will, at Completion, pay to HEG 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. 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:

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.

- (a) \$500,000 payable at Completion; and
- (b) the remaining \$1,500,000 in three (3) tranches of \$500,000 each, to be payable at the 3, 6 and 9 months anniversary of Completion.

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 HEG enter into a management agreement (**Management Agreement**) under which the Buyer engages HEG to manage and operate the Assets on terms reasonably acceptable to the Buyer;
- (c) LionGold 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) LionGold receives the approval of the SGX-ST for the listing and quotation of the Consideration Shares;
- (e) LionGold 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) HEG 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 LionGold 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 HEG or the Assets.

3.2 Management Agreement

The Buyer and HEG will, on Completion, enter into the Management Agreement under which the Buyer will engage HEG 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;
- (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 HEG.

3.4 Moratorium

HEG will covenant with the Buyer that, HEG 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, HEG and the Buyer will be released from all further obligations and liabilities under the HOA.

3.6 Exclusivity

HEG 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) (**Competing Proposal**); 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 HEG 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 HEG in relation to a Competing Proposal that would, in the opinion of HEG'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.

HEG will update the market, as appropriate, in respect of the Proposed Transaction.

Yours faithfully



Philip Bruce
Managing Director

About LionGold

LionGold Corp Ltd is an SGX-listed company that has rapidly established itself in the global gold mining industry and now holds 7.5 million ounces of gold resources, with 810,000 ounces classified as reserves.

Since March 2012, LionGold has acquired interests in eight gold mining and exploration companies. Primary concessions are in Australia, Bolivia, Canada and Ghana. The Group's wholly owned Castlemaine Goldfields in Australia has a target annualised production of 40,000 to 50,000 ounces of gold. LionGold intends to raise its gold resources to 10 million ounces, reserves to 2 million ounces and production to 200,000 ounces, through acquisitions and organic growth.

About Hill End Gold

Hill End Gold Limited is an ASX-listed gold exploration and resource investment company with projects and investments that have advanced development potential as drivers for share price growth.

HEG has a substantial investment in ASX-listed Bassari Resources Limited, which has over one million ounces in resources in Senegal. Bassari has announced the results of a Feasibility Study for the profitable development of a low cost open project, which is currently being permitted.

HEG continues to seek out and acquire project and corporate acquisition opportunities in Australia, and in selected countries throughout the world to increase its asset value apart from its projects in the historically gold-rich region of Hill End in central New South Wales, Australia. Existing gold resources estimated under JORC 2004 by the Company total 581,000 ounces.

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