



ASX Announcement

21 December 2009

Update on Merger of AusNiCo Limited and Lions Gate Metals Inc.

The Board of Directors is pleased to announce that on Friday evening, 18th December 2009, a binding letter of intent (“LOI”) was executed with Lions Gate Metals Inc (Lions Gate). The LOI contains the principal terms of the business combination transaction disclosed in the Company's ASX release of 3 September 2009.

Pursuant to the transaction and subject to satisfaction of certain conditions, Lions Gate will acquire from the Ausnico shareholders all of the issued and outstanding shares and options of Ausnico in exchange for the issuance of an aggregate of 10,000,000 common shares of the Company to the Ausnico shareholders and 3,000,000 warrants to the Ausnico optionholders. Each warrant will entitle the holder to purchase one common share of Lions Gate for CDN\$1.10 at any time within five years of the date of issuance.

In addition, at the closing Lions Gate will issue the following securities in settlement of certain Ausnico debt: (i) 2,000,000 warrants, having the same terms as the warrants being issued to the Ausnico optionholders, in settlement of AUD\$200,000 of fees owing by Ausnico to two of its directors; and (ii) 261,818 common shares of Lions Gate to settle AUD\$300,000 in loans owing by Ausnico to DGR, on the basis of CDN\$1.10 per share (using an agreed exchange rate of 1 Australian dollar = 0.96 Canadian dollars).

At the closing of the transaction, Ausnico will become a wholly owned subsidiary of Lions Gate and the shareholders of Ausnico will become shareholders of Lions Gate. The Lions Gate shares and warrants to be issued to the Ausnico shareholders under the transaction, and any shares to be issued upon the exercise of the warrants, will be subject to any restrictions on resale, including escrow restrictions, imposed by applicable laws and the TSX Venture Exchange (“TSXV”).

The LOI provides that, as a condition to closing the transaction, Lions Gate will carry out a non-brokered private placement of units to raise gross proceeds of not less than CDN\$3,500,000 at a purchase price of not less than CDN\$1.10 per unit. Each unit will consist of one common share of Lions Gate and a half warrant, with each whole warrant being exercisable for two years from the closing of the private placement at an exercise price of \$1.50 per common share. The private placement will be subject to a financing fee which is comprised of a cash fee equal to seven percent (7%) of the proceeds raised and warrants representing seven percent (7%) of the units sold, such warrants having the same terms as the warrants under the private placement.

At the closing of the transaction, based on Lions Gate's current issued shares and assuming completion of the \$3.5 million private placement and the payment of the finder's fee noted below, Lions Gate is expected to have approximately 24.5 million issued and outstanding shares, approximately 34% of which will be held by DGR and approximately 8% of which will be held by the former Ausnico shareholders.

On the completion of the transaction, the board of directors of Lions Gate will be composed of five directors. Three of the directors will be nominated by Lions Gate and two of the directors will be nominated by Ausnico. Lions Gate will nominate John Icke, Arni Johannson and Mark Hewett, who are current directors of Lions Gate, and Ausnico will nominate Nick Mather and Brian Moller, who are current directors of Ausnico.

Following the closing, DGR will have the right to nominate a third director for election at the 2010 annual general meeting of Lions Gate, which must be held within six months following the closing or earlier if requested by DGR.

The closing of the transaction is expected to occur in February 2010, following submission of the filing statement and final acceptance from the TSXV of the transaction, or such other date as the parties may agree.

About Ausnico

Ausnico is an unlisted Australian company with nickel exploration tenements in South East Queensland, Australia. It is 79% owned by DGR which is listed on the Australian Securities Exchange (symbol: DGR). The merger of the two companies will create a listed base metals specialist with nickel, copper and molybdenum assets in British Columbia, Canada, and Queensland, Australia.

About Lions Gate Metals

Lions Gate is a Canadian based, junior resource company focused on the exploration, development, and acquisition of both advanced and early stage mineral projects. The Company owns 100% of three substantial copper and molybdenum projects located in British Columbia. The Company's flagship project is the Poplar porphyry copper - molybdenum deposit near Houston, BC. The Huckleberry Mine owned by an unrelated third party, and located approximately 35 kilometres southwest of the Poplar Deposit, produces copper and molybdenum from a deposit of similar age and setting. LGM also holds a substantial ground position around the Thompson Creek Mines porphyry molybdenum project.

On behalf of the Board
KM Schlobohm
Company Secretary