

# Interim Report for the half year ended 31 January 2021

## KEY POINTS

- Lion's key asset is a 33.3% interest in the Pani Joint Venture alongside Merdeka Copper Gold.
  - Pani currently consists of two Resources (2.37 Moz<sup>1</sup> (33.3% Lion/ 66.7% Merdeka) and 2.30Moz<sup>2</sup> (100% J Resources) on two licenses which historically have been separately held. An agreement to combine the two Pani tenements into one ownership group was signed in late 2019, but remains incomplete, and is now subject to arbitration initiated by the Pani Joint Venture (see announcement 4 February 2021).
  - Drilling in the 'link zone' between the two Resources has successfully intersected, and mostly ended in mineralisation. This drilling suggests the continuous presence of gold mineralisation, with observations and preliminary results from the link zone suggesting that the region is strongly mineralised including higher grade intercepts (see announcement 11 February 2021).
- Lion's Pani Joint Venture valuation remains at \$61.6 million and there is no indication of a substantial change in fair value based on movements in market conditions and project milestones. Further material upside is expected for the Pani gold project if the J Resources transaction announced to the ASX on 9 December 2019 completes. At the date of this report the deal has not yet been completed, and is now the subject of arbitration. There is an ongoing risk that the conditions precedent are not met and the deal is unable to be completed.
- Lion's result for the half year reflects a mark to market loss of \$6.2 million with respect to investments, mainly in relation to decreases in the value of Lion's holdings in Nusantara Resources (\$2.7 million) and Erdene Development Corporation (\$3.0 million) with limited news flow for these investees and weakening spot gold prices.
- Lion is financially secure and maintains its strong balance sheet position with no debt and \$8.8 million cash.

Half-Year ended 31 January	2021 \$000's	2020 \$000's
<b>Investments</b>		
Gain/(Loss) attributable to movement in fair value	(6,247)	6,166
<i>Cash Inflows/Outflows</i>		
Proceeds from sale of investments	199	16,331
Payments for Investments	(903)	(3,212)

## Appendix 4D Interim Report

### 1. Company Details

LION SELECTION GROUP LIMITED		
ABN or equivalent company reference	Half Year ended (‘current period’)	Half Year ended (‘previous period’)
26 077 729 572	31 January 2021	31 January 2020

### 2. Results for announcement to the market

A\$'000

2.1	Revenue	Up 144%	to	22
2.2	Profit (loss) for the half year	Down 239%	to	(7,498)
2.3	Profit (loss) for the half year attributable to members of the parent	Down 239%	to	(7,498)
	Dividends	Current Period	Previous Corresponding Period	
2.4	Franking Rate Applicable	N/A	N/A	
	<b>Interim Dividend</b>			
2.5	Amount per security	Nil	Nil	
	Franked amount per security	Nil	Nil	

#### 2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood:

Refer to attached Interim Financial Report for Half Year ended 31 January 2021.

### 3. Net tangible assets per ordinary security

Based on the attached Balance Sheet, the net tangible assets (NTA) per security based on the Net Assets of the Company at 31 January 2021 was \$0.614. This NTA is based on the valuation of investments at fair value, as disclosed in the attached accounts. The NTA per security for the comparative period (31 July 2020) was \$0.665.

### 4. Controlled Entities

During the period the Company held a 100% ownership interest in Asian Lion Limited and Lion Selection Asia Limited and controls these companies. Lion is an investment entity for the purposes of AASB 127 Separate Financial Statements, and AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities is effective for annual periods beginning on or after 1 August 2014, exempting ‘investment entities’ from consolidating controlled investees. Investment entities are entities that:

- (a) obtain funds from one or more investors for the purpose of providing those investors with investment management services;
- (b) commit to their investor(s) that their business purpose is to invest funds solely for returns from capital appreciation, investment income or both, and
- (c) measure and evaluate the performance of substantially all of their investments on a fair value basis.

Lion meets the qualifying criteria under AASB 10 of an “investment entity”, and neither Asian Lion Limited nor Lion Selection Asia Limited provides investment related services to the Company. Accordingly, the Company has applied the exemption from consolidating Asian Lion Limited and Lion Selection Asia Limited which continue to carry these investments at fair value.

5. **Dividends**

Lion did not declare or pay any dividends during the period.

6. **Dividend/distribution reinvestment plan**

Lion does not currently operate a dividend/distribution reinvestment plan.

7. **Associates**

	Current Period % Held	Previous Corresponding Period % Held
<b>Company</b>		
African Lion 3 Ltd	23.7	23.7
Asian Lion Ltd	100	100
One Asia Resources Ltd	35.0	35.0
Nusantara Resources Limited	21.7	23.6
Lion Selection Asia Ltd	100	100
Pani Joint Venture	33.3	33.3

Lion holds more than 20% of the above entities, hence each is considered as an investment in associates. The equity accounting method is not applicable for the above investments as Lion is a venture capital organisation that accounts for investments at fair value through profit or loss in accordance with AASB128 paragraph 1 and AASB139.

8. **Foreign Accounting Standards**

Not Applicable

9. **Audit**

This report is based on financial statements which have been reviewed by its auditor, PricewaterhouseCoopers, and it continues as an auditor of the Company.

<b>Pani IUP (Lion 33.3%/Merdeka 66.7%) 0.2g/t cut off<sup>1</sup></b>			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	10.8	1.13	0.39
Indicated	62.4	0.81	1.63
Inferred	16.2	0.67	0.35
<b>Total</b>	<b>89.5</b>	<b>0.82</b>	<b>2.37</b>

<b>Contract of Work (J Resources 100%) 0.4g/t cut off<sup>2</sup></b>			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	15.5	1.03	0.51
Indicated	41.3	0.98	1.31
Inferred	15.9	0.93	0.48
<b>Total</b>	<b>72.7</b>	<b>0.98</b>	<b>2.30</b>

Notes

1. Refer to One Asia Resources Limited news release 3 December 2014, (<https://www.lionselection.com.au/wp-content/uploads/2018/08/PANI%20JORC%20RESOURCE.pdf>).
2. Refer to J Resources 31 December 2018 Annual Report, (<http://www.jresources.com/investors/article/final-resources-reserves-compilation-2017-to-2018>)

For more information please refer to the attached Interim Report.



Lion Selection Group

# **Lion Selection Group Limited**

**ABN: 26 077 729 572**

## **Interim Report for the Half Year Ended 31 January 2021**

**LION SELECTION GROUP LIMITED**

**Interim Report for the  
Half Year Ended 31 January 2021**

<b>CONTENTS</b>	<b>Page</b>
Directors' Report .....	1
Auditor's Independence Declaration.....	6
Statement of Comprehensive Income for the Half Year ended 31 January 2021.....	7
Statement of Financial Position as at 31 January 2021 .....	8
Statement of Cash Flows for the Half Year ended 31 January 2021 .....	9
Statement of Changes in Equity for the Half Year ended 31 January 2021 .....	10
Notes to the Financial Statements for the Half Year ended 31 January 2021 .....	11
Directors' Declaration.....	18
Auditor's Review Report.....	19

## LION SELECTION GROUP LIMITED

### Directors' Report

The Directors of Lion Selection Group Limited ("Lion" or "the Company") submit their report on the operations of the Company for the half year ended 31 January 2021.

At the date of this report, Lion had 150,141,271 fully paid ordinary shares on issue.

#### Directors

The names of the Company's directors in office during the half year and until the date of this report are as below.

- Barry Sullivan (Non-Executive Chairman)
- Peter Maloney (Non-Executive Director)
- Robin Widdup (Director)
- Chris Melloy (Non-Executive Director)

#### Principal Activities

During the half year the principal continuing activities of the Company were investment in mining and exploration companies.

#### Results and Review of Operations

The Company's loss before tax for the half year was \$7.5 million (2020: gain \$5.4 million).

The result for the half year reflects a mark to market loss of \$6.2 million with respect to investments.

Key movements in the portfolio value include decreases in the value of Lion's holdings in Nusantara Resources (\$2.7 million) and Erdene Development Corporation (\$3.0 million) with the investees having a period of limited news flow and weakening spot gold prices.

At 31 January 2021 the Company held investments valued at \$83.5 million (31 July 2020: \$89.1 million), and cash of \$8.8 million (31 July 2020: \$10.8 million).

#### Pani Joint Venture

Lion directors advise that the fair value of Lion's interest in the Pani Joint Venture has been retained at A\$61.6M at 31 January 2021. The valuation was previously increased from A\$40.7M to A\$60.7M at 31 July 2020, with further investment of A\$0.9M during the half-year.

Lion's accounting policy for determining the fair value of unlisted investments aims to maximise the use of observable market data where it is available and rely as little as possible on unobservable inputs. The determination of fair value at each measurement date takes into account developments in relation to progress of activities for Pani, commodity price movements, other comparable recent transactions along with further investment in the project.



## Lion Selection Group

As at 31 January 2021 Lion directors have assessed that there is no indication of a substantial change in fair value based on movements in market conditions and project milestones, noting the following:

- Since July 2020, the outlook for long-term gold prices consolidated, with spot gold generally trading between US\$1,800/oz and US\$2,000/oz. In the same period, the US dollar has weakened from \$0.71 to \$0.76 relative to the Australian dollar.
- Multiples for comparable listed companies have generally increased modestly during the half year.
- Drilling on the Pani IUP between the two Resources has suggested continuity and some higher-grade intercepts, improving the potential value for the combined project.
- Further material upside is expected for the Pani gold project if the J Resources transaction announced to the ASX on 9 December 2019 completes. This upside has not been considered in the fair value for the assessment made at 31 January 2021 as the deal has not yet been completed, and is now the subject of arbitration. There is an ongoing risk that the conditions precedent are not met and the deal is unable to be completed.

The current valuation for Pani is based on trading multiples for junior companies with comparable assets at similar stage of advancement. This methodology implicitly contains a discount for the various risks that exist for single asset pre-production companies. De-risking by way of detailed technical and economic assessment and funding is typically accompanied by a change in valuation multiple, as is evident in the difference in trading multiples between development and production stage gold companies.

The key de-risking objectives for Pani would include:

1. Completion of the JV deal;
2. Further drilling;
3. Feasibility studies.

### **Pani Drilling Update**

As reported previously, the Pani Joint Venture has been drilling a 10,500 metre drill program on the Pani IUP in the area between the Pani IUP Resource and Pani Contract of Work Resource held by J Resources.

Preliminary assays have now been received for 17 holes for a total of 4,544 metres completed in August 2020. All holes have intersected, and most ended in mineralisation, but hole length was limited by the capacity of the man portable drill rigs used. This drilling has suggested the continuous presence of gold mineralisation between the two separate established resources located on the Pani IUP and surrounding Contract of Work and some higher-grade intercepts. Based on all the combined drilling between the IUP and CoW, Pani mineralisation may now span approximately 1.5km (east-west) x 0.8km (north-south).

Mineralisation in the “link” zone (previously described as the “gap” zone) is likely to have a consequence for strip ratio and geometry of mining shapes for the combined Pani project (although there is no guarantee that the combined project will eventuate, given that the transaction is subject to arbitration and outstanding conditions precedent). In addition, the new information from the link zone is expected to have an important bearing for the geological interpretation of Pani. Observations and preliminary results from the link zone suggest that the region is strongly mineralised including higher grade intercepts. An extensive drill campaign is being planned to in-fill the link zone and test the depth and boundaries of the deposit if the J Resources deal closes.

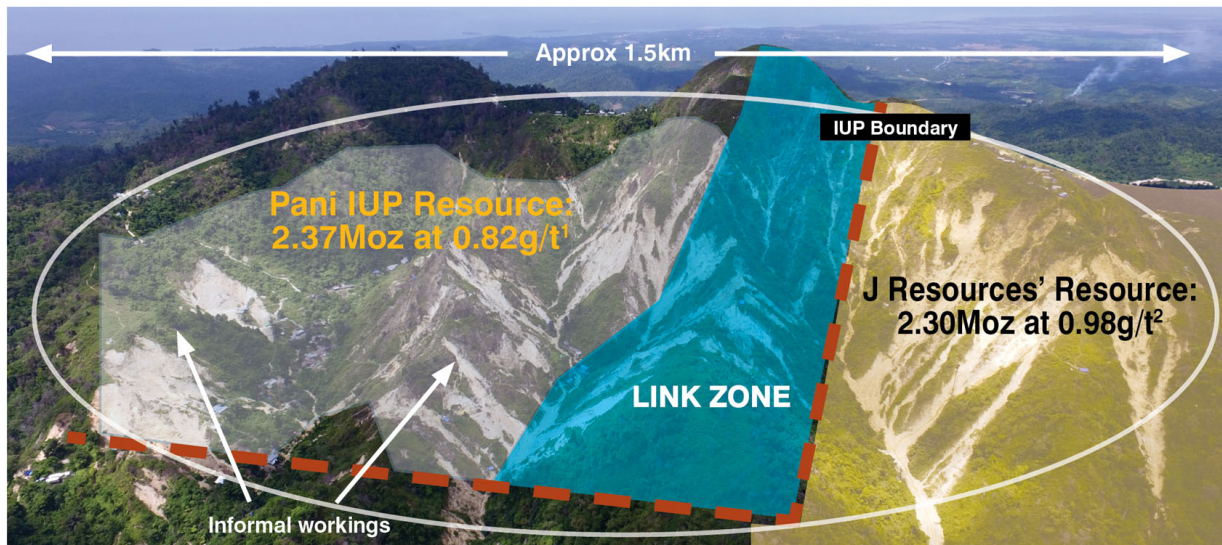


Figure 1. Pani view looking south showing informal workings

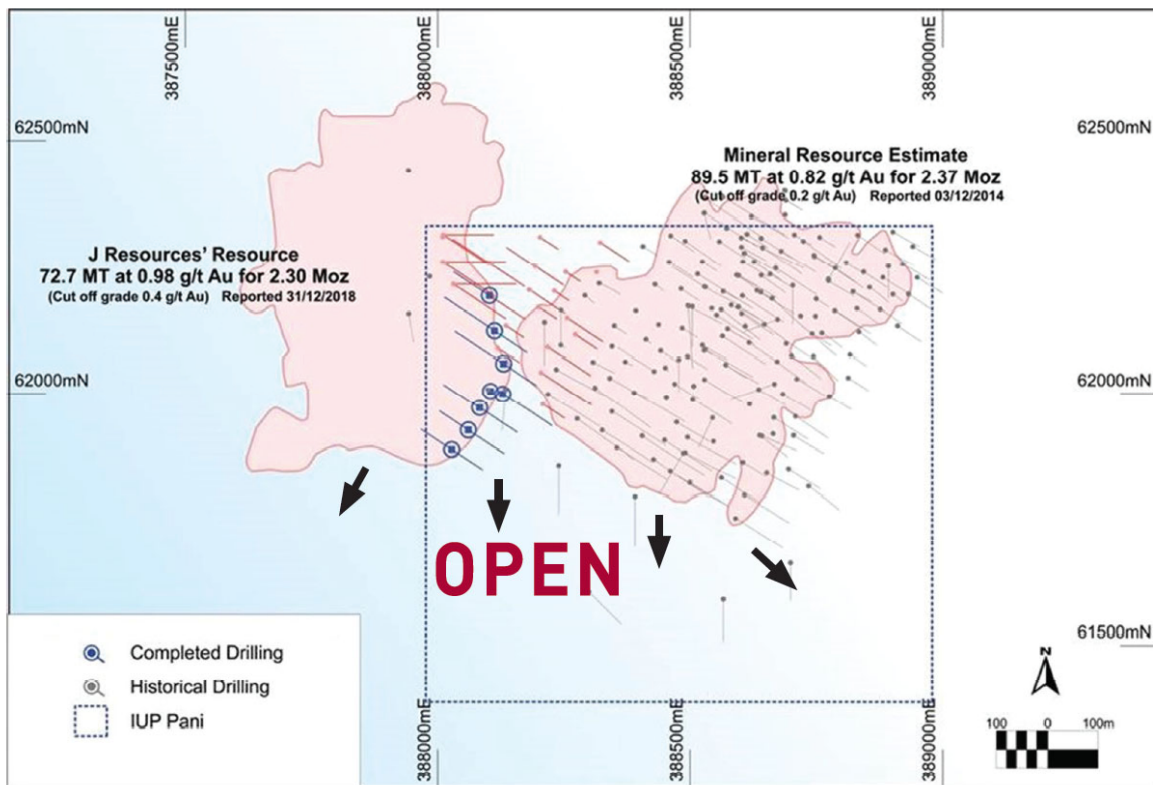


Figure 2. Pani plan view showing collars and drill traces. Note multiple holes from each collar



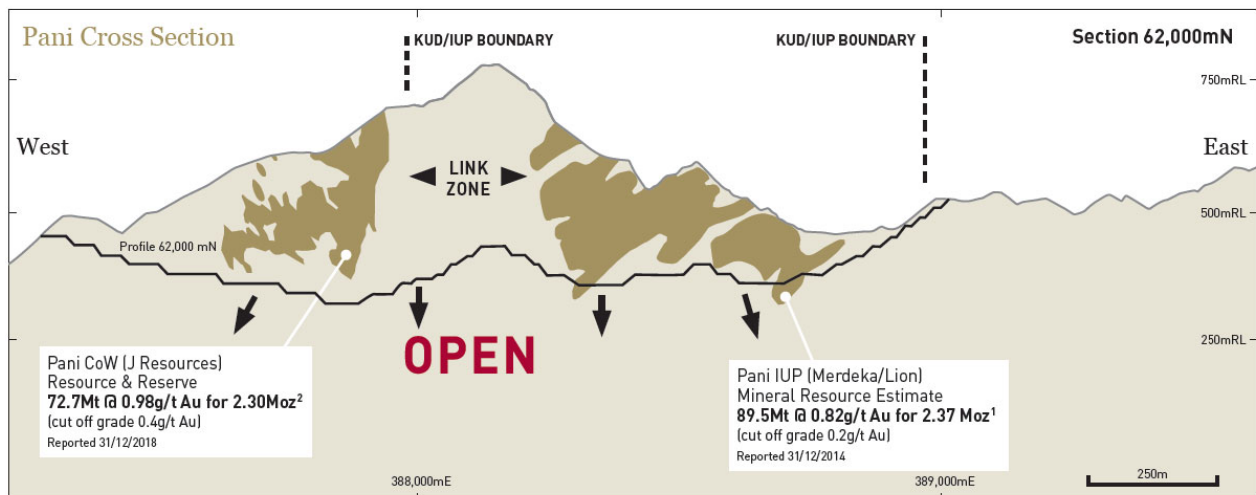


Figure 3. Pani cross section looking north

The Pani Joint Venture has temporarily paused its drilling program given the J Resources agreement to combine the two Pani tenements into one ownership group remains incomplete. This agreement remains subject to the ongoing arbitration and subject to regulatory approvals and approval from J Resources' secured lenders that are yet to be received. It is anticipated that final assay results of holes that have been drilled will become available after the recommencement of drilling.

If completed, the combination of the two tenements and Pani drilling results are anticipated to materially improve the valuation of Lion's investment in the Pani Joint Venture.

#### Arbitration

The Pani Joint Venture (Lion 33%, Merdeka Copper Gold 67%) recently initiated arbitration action against J Resources in relation to a claim of non-compliance with the terms of the November 2019 J Resources agreement to combine the two Pani tenements into one ownership group. This agreement remains incomplete due to the lack of regulatory approvals and approval from J Resources' secured lenders. The Pani Joint Venture is seeking compensation in the range of US\$500 – US\$600 million or specific performance to complete the transaction.

Neither party has terminated the J Resources Agreement, and Lion remain hopeful that the parties involved can avoid a drawn out arbitration process and close the deal as originally intended.

Further detail of the Singapore International Arbitration Center action is attached to Lion's announcement of 4 February 2021.

#### Pani Mineral Resource Estimates

Pani IUP (Lion 33.3%/Merdeka 66.7%) 0.2g/t cut off <sup>1</sup>			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	10.8	1.13	0.39
Indicated	62.4	0.81	1.63
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Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	15.5	1.03	0.51
Indicated	41.3	0.98	1.31
Inferred	15.9	0.93	0.48
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#### Notes

1. Refer to One Asia Resources Limited news release 3 December 2014, (<https://www.lionselection.com.au/wp-content/uploads/2018/08/PANI%20JORC%20RESOURCE.pdf>).
2. Refer to J Resources 31 December 2018 Annual Report, (<http://www.jresources.com/investors/article/final-resources-reserves-compilation-2017-to-2018>)



### **Dividends**

No dividend was declared or paid in the half year.

### **Likely Developments and Future Results**

The Company's future operating results will depend on the results of its investments. The Company's ability to sustain profits is dependent on future sales of investments which in turn are dependent on market opportunities and the performance of the Company's various investments, which are difficult to predict.

There are a wide variety of risks associated with the mining and exploration industry including market conditions, exploration, operational and political risk, tenure of tenements, liquidity and native title issues. Because of the vagaries of the mining and exploration industry and the long term nature of most of Lion's investments, the directors are unable to predict future results.

In relation to the COVID-19 pandemic, the outlook remains unclear as companies face an extremely difficult operating environment. Recent fiscal and monetary support has provided favourable tailwinds for gold and gold equities, however financial markets remain volatile and, in the case of the broader market, potentially over-valued relative to historical norms as earnings come under pressure.

### **Auditor Independence**

We have obtained an independence declaration from our auditors, PricewaterhouseCoopers, as required under section 307 of the *Corporations Act 2001*. A copy can be found on page 6 of this financial report.

### **Rounding of Amounts**

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report and Directors' report. Amounts in the financial report and Directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been made in accordance with a resolution of the directors.

**P Maloney**  
Director

**R Widdup**  
Director

Melbourne  
18 March 2021



## *Auditor's Independence Declaration*

As lead auditor for the review of Lion Selection Group Limited for the half-year ended 31 January 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'A Hodge'.

Anthony Hodge  
Partner  
PricewaterhouseCoopers

Melbourne  
18 March 2021

**LION SELECTION GROUP LIMITED****Statement of Comprehensive Income for the Half Year ended 31 January 2021**

	NOTES	January 2021 \$'000	January 2020 \$'000
Gain/(Loss) attributable to movement in fair value		(6,247)	6,166
Other income	3	22	9
Management fees		(549)	(523)
Employee benefits		(107)	(105)
Foreign Exchange Gain/(Loss)		(347)	103
Other expenses		(270)	(246)
<b><i>Profit/(Loss) before income tax</i></b>		<b><i>(7,498)</i></b>	<b><i>5,404</i></b>
Income tax (expense)/benefit		-	-
<b><i>Net profit/ (Loss) after tax</i></b>		<b><i>(7,498)</i></b>	<b><i>5,404</i></b>
Other Comprehensive Income		-	-
<b><i>Total Comprehensive Income/(loss) for the half year</i></b>		<b><i>(7,498)</i></b>	<b><i>5,404</i></b>
Attributable to:			
<i>Non-controlling interest</i>		-	-
<i>Members</i>		<b><i>(7,498)</i></b>	<b><i>5,404</i></b>
		<b>Cents per share</b>	<b>Cents per share</b>
Basic earnings/(loss) per share		<b>(5.0)</b>	<b>3.6</b>
Diluted earnings/(loss) per share		<b>(5.0)</b>	<b>3.6</b>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**LION SELECTION GROUP LIMITED****Statement of Financial Position as at 31 January 2021**

	NOTES	January 2021 \$'000	July 2020 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		8,847	10,837
Trade and other Receivables		28	11
<i>Total Current Assets</i>		<i>8,875</i>	<i>10,848</i>
<b>Non-Current Assets</b>			
Financial Assets	2	83,531	89,075
Property Plant & Equipment		15	16
<i>Total Non-Current Assets</i>		<i>83,546</i>	<i>89,091</i>
<b>Total Assets</b>		<b>92,421</b>	<b>99,939</b>
<b>Current Liabilities</b>			
Trade and Other Payables		86	106
<i>Total Current Liabilities</i>		<i>86</i>	<i>106</i>
<b>Non-Current Liabilities</b>			
<i>Total Non-Current Liabilities</i>		<i>-</i>	<i>-</i>
<b>Total Liabilities</b>		<b>86</b>	<b>106</b>
<b>Net Assets</b>		<b>92,335</b>	<b>99,833</b>
<b>Equity</b>			
Contributed equity	5	126,214	126,214
Reserves	5	1,341	1,341
Accumulated losses		(35,220)	(27,722)
<b>Total Equity</b>		<b>92,335</b>	<b>99,833</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

**LION SELECTION GROUP LIMITED****Statement of Cash Flows for the Half Year ended 31 January 2021**

	January 2021 \$'000	January 2020 \$'000
<b>Cash flows from operating activities</b>		
Other income received	22	6
Payments to suppliers and employees (including GST)	(961)	(875)
<i>Net operating cash flows</i>	<i>(939)</i>	<i>(869)</i>
<b>Cash flows from investing activities</b>		
Payments for investments	(903)	(3,212)
Proceeds from investment sales	199	16,311
<i>Net investing cash flows</i>	<i>(704)</i>	<i>13,099</i>
<b>Cash flows from financing activities</b>		
<i>Net financing cash flows</i>	<i>-</i>	<i>-</i>
<b>Net increase/(decrease) in cash and cash equivalents held</b>	<b>(1,643)</b>	<b>12,230</b>
Cash and cash equivalents at beginning of financial period	10,837	2,467
Effects of exchange rate changes on foreign currency denominated cash balances	(347)	99
<b>Cash and cash equivalents at end of financial period</b>	<b>8,847</b>	<b>14,796</b>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

**LION SELECTION GROUP LIMITED****Statement of Changes in Equity for the Half Year ended 31 January 2021**

	CONTRIBUTED EQUITY \$'000	RETAINED PROFITS / (ACCUMULATED LOSSES) \$'000	OPTION RESERVE \$'000	TOTAL \$'000
<b>At 1 August 2020</b>	<b>126,214</b>	<b>(27,722)</b>	<b>1,341</b>	<b>99,833</b>
Total comprehensive income/ (loss)	-	(7,498)	-	(7,498)
Total transactions with owners in their capacity as owners	-	-	-	-
<b>At 31 January 2021</b>	<b>126,214</b>	<b>(35,220)</b>	<b>1,341</b>	<b>92,335</b>

	CONTRIBUTED EQUITY \$'000	RETAINED PROFITS / (ACCUMULATED LOSSES) \$'000	OPTION RESERVE \$'000	TOTAL \$'000
<b>At 1 August 2019</b>	<b>126,211</b>	<b>(57,586)</b>	<b>1,341</b>	<b>69,966</b>
Total comprehensive income/ (loss)	-	5,404	-	5,404
Total transactions with owners in their capacity as owners	-	-	-	-
<b>At 31 January 2020</b>	<b>126,211</b>	<b>(52,182)</b>	<b>1,341</b>	<b>75,370</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

## LION SELECTION GROUP LIMITED

### Notes to the Financial Statements for the Half Year ended 31 January 2021

#### NOTE 1. BASIS OF PREPARATION

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half year financial report should be read in conjunction with the annual Financial Report of Lion Selection Group Limited as at 31 July 2020, which was prepared based on Australian equivalents to International Financial Reporting Standards. The half year financial report has been prepared with the same accounting policies and methods of computation as used in the most recent annual Financial Report, except for the impact of the Standards and Interpretations as described below.

It is also recommended that the half year financial report be considered together with any public announcements made by the Company during the half year ended 31 January 2021 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

#### (a) Basis of accounting

The half year financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The half year financial report has been prepared on a historical cost basis, except for financial assets measured at fair value through profit and loss.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

Lion meets the qualifying criteria under AASB 10 of an "investment entity", and neither Asian Lion Limited nor Lion Selection Asia Limited provides investment related services to the Company. Accordingly, the Company has applied the exemption from consolidating Asian Lion Limited and Lion Selection Asia Limited which continue to carry these investments at fair value.

#### (b) New or Revised Australian Accounting Standards and Interpretations that are first effective in the current reporting period

##### New Standards

There are no new standards that apply from 1 August 2020 that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

##### Accounting Standards Issued But Not Yet Effective

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



## NOTE 1. BASIS OF PREPARATION - CONTINUED

### (c) Summary of significant revised accounting policies

Other than the matters discussed above, the Company's accounting policies are consistent with those of the comparative periods. The full disclosure of accounting policies is available in the annual Financial Report of Lion Selection Group Limited as at 31 July 2020.

## NOTE 2. FAIR VALUE MEASUREMENTS

The Company carries its investments at fair value with changes in value recognised in profit or loss.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted priced (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

### *Recognised fair value measurements*

The following tables present the Company's assets measured and recognised at fair value for the periods ended 31 January 2021 and 31 July 2020.

At 31 January 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss</i>				
Investments	21,002	797	61,732	83,531
<b>Total Assets</b>	21,002	797	61,732	83,531
<b>At 31 July 2020</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss</i>				
Investments	27,461	757	60,857	89,075
<b>Total Assets</b>	27,461	757	60,857	89,075



## NOTE 2. FAIR VALUE MEASUREMENTS - CONTINUED

The Level 3 balance almost exclusively relates to Lion's investment in the Pani Joint Venture, an unlisted incorporated joint venture focused on the exploration for gold resources and development of the Pani gold mine in Sulawesi.

*Fair value measurements using significant unobservable inputs (level 3).*

The following table presents the changes in level 3 items for the periods ended 31 January 2021 and 31 July 2020.

	Unlisted Investments \$'000	Total \$'000
<b>At 31 January 2021</b>		
Opening Balance 1 August 2020	60,857	60,857
Transfers to Level 2	-	-
Additions/(disposals)	898	898
Gain/(Loss) recognised through comprehensive income	(23)	(23)
<b>Closing Balance 31 January 2021</b>	<b>61,732</b>	<b>61,732</b>
	Unlisted Investments \$'000	Total \$'000
<b>At 31 July 2020</b>		
Opening Balance 1 August 2019	38,921	38,921
Transfers to Level 2	-	-
Additions/(disposals)	1,966	1,966
Gain /(Loss) recognised through comprehensive income	19,970	19,970
<b>Closing Balance 31 July 2020</b>	<b>60,857</b>	<b>60,857</b>

*Valuation techniques used to derive level 2 and level 3 fair values.*

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments are applied in accordance with the 2018 Edition of the International Private Equity and Venture Capital Valuation Guidelines (PE Guidelines) and the VALMIN Code (2015 Edition). Relevant techniques include:

- Net assets, looking through to the underlying assets held through interposed investment vehicles.
- The fair value of unlisted option contracts is determined using a Black Scholes valuation at the reporting date.
- The use of quoted market prices or dealer quotes for similar instruments where available.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.



## NOTE 2. FAIR VALUE MEASUREMENTS - CONTINUED

The PE Guidelines set out that the price of a recent investment conducted in an orderly transaction between market participants generally represents fair value as of the transaction date. This Price of a Recent Investment should be used to calibrate observable inputs to the valuation model.

These observable inputs are then monitored, along with the individual facts and circumstances of an investment to estimate Fair Value at each Measurement Date. The valuation should consider changes in market conditions or changes in the performance of the investee company that would impact a market participant's perspective of fair value.

### Valuation Processes

The Lion Manager includes a team that performs monthly valuations of the financial instruments required for financial reporting purposes, including level 3 fair values. This team reports directly to the Lion Board. Discussions of valuation processes and results are held between the Lion Manager and the Lion Board at least once every six months in line with Lion's half yearly reporting dates, including changes in level 2 and 3 fair values.

### Pani Joint Venture

As noted above, Lion valued its 33.3% interest in the Pani Joint Venture at \$61.6 million as at 31 January 2021. The valuation was previously increased to A\$60.7M at 31 July 2020, with further investment of A\$0.9M during the half-year.

Lion's accounting policy for determining the fair value of unlisted investments aims to maximise the use of observable market data where it is available and rely as little as possible on unobservable inputs. Generally an arms-length transaction represents fair value as of the transaction date, with the last such transaction being Merdeka's acquisition of its stake in the Pani Joint Venture in November 2018. In accordance with valuation guidelines, this valuation was used to calibrate valuation models based on observable inputs. These valuation models are assessed for changes in market conditions and project milestones at each measurement date. The two market-based valuation models used in assessing in line with industry practice are:

- Comparable Value method (Implied value per Resource Oz) as the primary valuation method.
- Yardstick (Rule of Thumb) method as an alternative method in order to provide a cross-check.

The valuation methods used for the Pani joint venture are sensitive to both observable and unobservable inputs. The valuation methods are sensitive to the unobservable interrelationship between the spot gold price, outlook for long term gold prices and the movement in gold equities. In addition, consideration is required of the relative progress of activities for the Pani Joint Venture and peer group companies, particularly taking into account the recent level of movement in those comparables.

The valuation models used rely on a number of related data points from selected comparable companies that are subject to reasonably possible changes. For example, the comparable value method is dependent on gold prices, sentiment to gold equities and declared resources to ultimately determine an implied value per resource ounce.

The Pani Joint Venture fair value at 31 July 2020 was increased to A\$60.7M taking into account movements in market comparables, recent developments in relation to progress of activities for Pani, perspectives on long-term commodity price movements and other relevant corporate transactions. Most notably this increase reflected the sustained escalation in gold prices between November 2018 and July 2020 with the share prices of many market peer companies increasing by more than 100% in this period.

As at 31 January 2021 Lion directors have assessed that there is no indication of a substantial change in fair value based on movements in market conditions and project milestones, noting the following:

- Since July 2020, the outlook for long-term gold prices consolidated, with spot gold generally trading between US\$1,800/oz and US\$2,000/oz. In the same period, the US dollar has weakened from \$0.71 to \$0.76 relative to the Australian dollar.
- Multiples for comparable listed companies have generally increased modestly during the half year.
- Drilling on the Pani IUP between the two Resources has suggested the continuous presence of gold mineralisation between the two separate established resources located on the Pani IUP and surrounding Contract of Work and some higher-grade intercepts, improving the potential value for the combined project.
- Further material upside is expected for the Pani gold project if the J Resources transaction announced to the ASX on 9 December 2019 completes. This upside has not been considered in the fair value for the assessment made at 31 January 2021 as the deal has not yet been completed, and is now the subject of arbitration.

If completed, the combination of the two tenements and Pani drilling results are anticipated to materially improve the valuation of Lion's investment in the Pani Joint Venture (although there is no guarantee that the combined project will eventuate, given that the transaction is subject to arbitration and outstanding conditions precedent).

A reasonably possible change in the implied value per resource ounce of 10% would increase/decrease the fair value of the Pani investment by \$6.2m, with a corresponding gain or loss attributable to movement in fair value.



## Lion Selection Group

The Pani Joint Venture represents Lion's largest investment. Lion's investment model involves weighting investment towards the best opportunities in the portfolio, which from time-to-time results in concentration of Lion's portfolio towards specific investments. The Lion board is conscious of the issues of portfolio balance but is of the view that the potential reward from a concentration of the portfolio in the Pani Joint Venture outweighs the risks if the challenges of developing a mine in Indonesia can be overcome.

### NOTE 3. PROFIT AND LOSS ITEMS

	January 2021 \$'000	January 2020 \$'000
<b>Other Income</b>		
Interest Received	13	6
Other Income	9	3
<b>Other Income</b>	<b>22</b>	<b>9</b>

### NOTE 4. DIVIDENDS PAID OR PROVIDED ON ORDINARY SHARES

	January 2021 \$'000	January 2020 \$'000
Dividends declared and paid during the half year	-	-
<i>Total dividends paid or provided</i>	<i>-</i>	<i>-</i>

### NOTE 5. CONTRIBUTED EQUITY

	January 2021 \$'000	July 2020 \$'000
Issued and paid up capital (fully paid)		
Opening Balance	126,214	126,214
<b>Issued and paid up capital (fully paid)</b>	<b>126,214</b>	<b>126,214</b>
<b>Share Capital</b>	<b>January 2021 Shares</b>	<b>July 2020 Shares</b>
Issued and paid up capital (fully paid)		
Opening Balance	150,141,271	150,141,271
<b>Issued and paid up capital (fully paid)</b>	<b>150,141,271</b>	<b>150,141,271</b>

### Capital Risk Management

Lion's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders. In order to maintain or adjust the capital structure, Lion may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

	2021 \$'000	2020 \$'000
<b>Options</b>	<b>1,341</b>	<b>1,341</b>
Opening Balance	-	-
Options Issued	-	-
Options Expired	-	-
<b>Option Reserve</b>	<b>1,341</b>	<b>1,341</b>



## Lion Selection Group

	2021 OPTIONS	2020 OPTIONS
Options		
Opening Balance	-	15,720,958
Options Issued	-	(6,392)
Options Expired	-	(15,714,566)
Options on Issue	-	-

### NOTE 6. SEGMENT INFORMATION

Management has determined the Company's segments based on the internal reporting reviewed by the Board to make strategic decisions. The Company provides patient equity capital to carefully selected small and medium mining enterprises. Investments have similar characteristics and so segments are determined on a geographical basis. Lion invests only in mining and exploration companies and projects with gold and base metal activities in Australia, Africa, Asia and the Americas. Information with respect to Geographical Segments is set out below.

Six Months Ended 31 January 2021	AUSTRALIA \$'000	AFRICA \$'000	ASIA \$'000	AMERICAS \$'000	CORPORATE \$'000	TOTAL \$'000
Segment Income	-	-	-	-	22	22
Mark to Market adjustment	199	122	(6,610)	42	-	(6,247)
<b>Segment Income</b>	<b>199</b>	<b>122</b>	<b>(6,610)</b>	<b>42</b>	<b>22</b>	<b>(6,225)</b>
Segment Expense	-	-	-	-	(1,273)	(1,273)
<b>Segment Result Before Tax</b>	<b>199</b>	<b>122</b>	<b>(6,610)</b>	<b>42</b>	<b>(1,251)</b>	<b>(7,498)</b>
Segment Assets	-	1,372	81,912	221	8,916	92,421
Segment Liabilities	-	-	-	-	86	86
<b>Other Segment Information</b>						
Assets Acquired during the period	-	-	900	-	-	900
<b>Cash Flow Information</b>						
Net Cash flow from operating activities	-	-	-	-	(939)	(939)
Net Cash flow from investing activities	199	-	(903)	-	-	(704)
Net Cash flow from financing activities	-	-	-	-	-	-

Six Months Ended 31 January 2020	AUSTRALIA \$'000	AFRICA \$'000	ASIA \$'000	AMERICAS \$'000	CORPORATE \$'000	TOTAL \$'000
Segment Income	-	-	-	-	9	9
Mark to Market adjustment	2,247	922	2,824	173	-	6,166
<b>Segment Income</b>	<b>2,247</b>	<b>922</b>	<b>2,824</b>	<b>173</b>	<b>9</b>	<b>6,175</b>
Segment Expense	-	-	-	-	(771)	(771)
<b>Segment Result Before Tax</b>	<b>2,247</b>	<b>922</b>	<b>2,824</b>	<b>173</b>	<b>(762)</b>	<b>5,404</b>
Segment Assets	-	1,967	57,856	699	14,917	75,439
Segment Liabilities	-	-	-	-	69	69
<b>Other Segment Information</b>						
Assets Acquired during the period	-	-	3,212	-	-	3,212
<b>Cash Flow Information</b>						
Net Cash flow from operating activities	-	-	-	-	(869)	(869)
Net Cash flow from investing activities	9,538	6,773	(3,212)	-	-	13,099
Net Cash flow from financing activities	-	-	-	-	-	-

**NOTE 7. CONTINGENT LIABILITIES/ASSETS**

The Company has no contingent liabilities or assets as at 31 January 2021.

**NOTE 8. COMMITMENTS**

Lion does not have any material commitments.

**NOTE 9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

There has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods.

## LION SELECTION GROUP LIMITED


### Directors' Declaration

In accordance with a resolution of the directors of Lion Selection Group Limited, we declare that:

In the opinion of the directors:

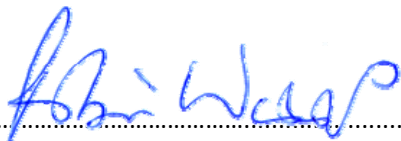
- (a) the financial statements and notes set out on pages 7 to 17 of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company at 31 January 2021 and the performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2010 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



.....

**P Maloney**  
Director



.....

**R Widdup**  
Director

Melbourne  
Date: 18 March 2021



## **Independent auditor's review report to the members of Lion Selection Group Limited**

### ***Report on the half-year financial report***

#### ***Conclusion***

We have reviewed the half-year financial report of Lion Selection Group Limited (the Company) which comprises the statement of financial position as at 31 January 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Lion Selection Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Company's financial position as at 31 January 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### ***Basis for conclusion***

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### ***Responsibilities of the directors for the half-year financial report***

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

#### ***Auditor's responsibilities for the review of the half-year financial report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that

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the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 January 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'A Hodge'.

Anthony Hodge  
Partner

Melbourne  
18 March 2021