

8 March 2022

Net Tangible Asset Backing

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 28 February 2022 is 70.0 cents per share (before tax) and 67.4 cents per share (after tax). This excludes \$2.4M in contingent liabilities relating to Lion's acquisition of investments from African Lion 3 (see Note 2 below). On 2 March 2022 Lion announced the closure of the sale of its interest in the Pani Gold Project. Under the deal, Lion is entitled to total consideration of US\$52M comprising:

- US\$22M cash – **RECEIVED** (less Indonesian withholding tax of US\$2.6M)
- US\$20M of Merdeka shares – **72.8M shares RECEIVED**
- Up to US\$10M¹ deferred cash is due on 28 January 2023

The unaudited Pro Forma February 2022 figures based on this transaction closure are disclosed below.

	Pro Forma NTA A\$M
Net Cash	47.8
Cash by 28 January 2023	
Share Sale Proceeds*	27.0
Pani Deferred Consideration	<u>14.9</u>
Sub Total	89.7
Portfolio	<u>11.4</u>
NTA Post Tax	<u>101.1</u>

Lion directors are considering shareholder feedback since the sale of Pani was announced and expect to propose in the near future:

- Dividend Payment and Dividend Strategy;
- Modified mining investment plan.

Shareholders are invited to a briefing <https://www.trybooking.com/BXQFD> to be held in Melbourne on 15 March 2022 at the Lion Selection Group office. Registration is essential.

* Assuming sale of Merdeka shares based on valuation as at 28 February 2022



	Commodity	January 2022	February 2022		February 2022 Pro Forma	
		A\$M	A\$M	¢cps	A\$M	¢cps
Portfolio						
Pani	Gold	73.6	71.6	47.7		
PT Merdeka Copper Gold	Copper/ Gold	Note 1			27.0	18.0
Pani Deferred Consideration (due 28 Jan 2023)		Note 1			14.9	10.0
Erdene Resources	Gold	5.0	5.3	3.5	5.3	3.5
Kasbah Resources	Tin	2.0	2.0	1.3	2.0	1.3
PhosCo Ltd	Phosphate	3.6	3.3	2.2	3.3	2.2
Other		1.0	0.8	0.5	0.8	0.5
Net Cash		22.4	22.1	14.8	47.8	31.9
Net Tangible Assets – Pre-Tax		A\$107.6M	A\$105.1M	70.0¢ps	A\$101.1M	67.4¢ps
Deferred tax liability on theoretical disposal of Lion’s portfolio		(A\$4.2M)	(\$4.0M)	(2.6cps)	Nil	Nil
Net Tangible Assets – Post-Tax		A\$103.4M	A\$101.1M	67.4¢ps	A\$101.1M	67.4¢ps

Capital Structure

Shares on Issue:	150,141,271	
Share Price:	45¢ps	28 February 2022

Note 1. Deferred Consideration

On 1 March 2022 Lion sold its Pani Joint Venture interest to PT Merdeka Copper Gold TBK (Merdeka, Lion's Pani joint venture partner) and Andalan International Pte Ltd (Andalan, an entity controlled by Provident Capital) for US\$52M.

Lion has received US\$22M cash (less Indonesian withholding tax of US\$2.6M), 72.8M Merdeka shares (IDX:MDKA), with the remaining deferred consideration (US\$10M, subject to adjustment) due on 28 January 2023. Lion's Merdeka shares have downside protection providing Lion with continued upside exposure to Merdeka's expected strong growth at Pani and other Tier 1 mining projects in Indonesia. Notably, since the announcement of the Pani deal closure on 2 March 2022, the MDKA share price has increased approximately 14% on the Indonesian Stock Exchange.

The deferred consideration is subject to adjustment, being reduced if the Merdeka share price outperforms a 15% benchmark as at 28 January 2023, and subject to a cash top up on the Merdeka shares Lion holds at 28 January 2023 if market value is less than US\$20M. Accordingly, the deferred consideration in Lion's NTA is valued based on the current Merdeka share price.

The total deal value, adjusted for a range of performance scenarios of Merdeka shares is shown below:

Cash *	US\$22M	US\$22M	US\$22M	US\$22M	US\$22M	US\$22M
72,753,729 Merdeka shares **	US\$20M	US\$23M	US\$26M	US\$30M	US\$34M	US\$38M
(According to MDKA between Signing Price and 28 Jan 2023)	0%	15%	30%	50%	70%	90%
Deferred cash ***	US\$10.0M	US\$10.0M	US\$7.0M	US\$3.6M	US\$0.2M	US\$0M
Total deal value to Lion	US\$52.0M	US\$55.0M	US\$55.0M	US\$55.6M	US\$56.2M	US\$60.0M

* US\$22M cash received 1 March 2022 less US\$2.6M Indonesian withholding tax.

** 72,753,729 Merdeka shares transferred to Lion on 1 March 2022. Lion is entitled to a top up payment should the value of its Merdeka shares be less than US\$20M at 28 January 2023.

*** Deferred cash is subject to adjustment according to the performance of Merdeka shares between signing and 28 January 2023.

Note 2. Contingent Consideration

Lion's NTA excludes potential contingent consideration that may be payable if Lion sells its investment in either PhosCo or Kasbah. Based on a theoretical sale of both investments at the date of the NTA, contingent consideration of \$2.3M would arise (January 2022, \$2.4M).

This obligation arises following Lion agreeing to purchase the shares it did not own in African Lion 3 Ltd (AFL3) to consolidate ownership (with the exception of Lion Manager Pty Ltd who opted to hold its investment). The transaction involved Lion agreeing to pay contingent consideration in certain circumstances for up to 5 years. The value of the contingent consideration depends on the ultimate exit price for PhosCo and/or Kasbah, how long Lion holds the investments, and how much additional investment is required.