

# Lion Selection Group

**Lion After Pani**  
**March 2022**

[www.lionselection.com.au](http://www.lionselection.com.au)



**Lion Selection Group**

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# Disclaimer



# Lion After Pani

## 1. Establish shareholder distributions and liquidity

- On-market buy-back
- 3.5cps special dividend April 2022
- 1.5cps annual dividend (following final accounts: circa November 2022)
- Further special dividend will be considered early 2023

## 2. Immediate return to investing

- Appropriate structures and outlook for mature mining cycle
- Well funded for weakened market
- Australia / precious metals, base metals, battery materials

## 3. Strategic approach to portfolio construction

- Complementary assets
- Companies and projects (public and private)
- Considering transition from LIC status
- NTA masks asset upside – not suited to pre-mining focus

# Pani Sale

## Value Crystallisation & Return to Investing

### Pani Sale

17% above NTA<sup>1</sup>

3.5x return on investment<sup>2</sup>

Provides for **dividends**

And Lion *well funded* for  
**new opportunity  
investing**

### Pro Forma NTA<sup>3</sup>

(28 Feb 2022)

A\$M

Net Cash

47.8

### Cash by 28 January 2023

Share Sale Proceeds\*

27.0

Pani Deferred Consideration

14.9

**Sub Total**

**89.7**

Portfolio

11.4

**NTA Post Tax**

**101.1**

**67.4cps**

NTA  
(pre distribution)

VS

**50.5cps**

share price  
(9 Mar 2022)

# Planned Distributions

## On-Market Buy-back

- Commence April 2022

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## Dividends

- 3.5cps special April 2022
- 1.5cps annual Circa November 2022
- A further special dividend will be considered following the receipt of deferred cash payment and determination of Merdeka shareholding (28 Jan 2023)

# Dynamic Lion Investing Approach

## Proven Investment Process

*25 years of Lion*

- **Asset stage**

Pre-Production Mining, Companies and Projects

- **Deal flow**

Over 1,000 opportunities per year

- **Access to people**

Unparalleled networks

- **Experienced investment team**

Mining strategy development, fund raising, mergers and acquisitions

## Pre-Production Mining Investing in 2022

*Demands a disciplined approach*

SEEK

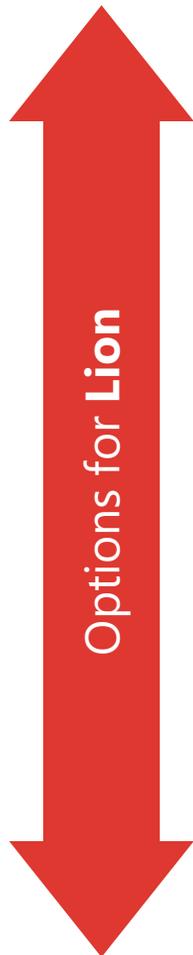
- Lowest possible jurisdiction risks
- Capital protection with attractive returns
- Low entry / holding cost originated investments

AVOID

- Overheated stocks at strong premium to underlying value
- Equities with cyclical price downside risks
- Jurisdiction risk

# Investing Style – Across the Capital Structure

## Balance Capital Protection with Attractive Returns



### Portfolio Construction

- **Project Interest**  
Earn in or purchase
- **Originate**  
Tenure pegging, strategic asset
- **Royalty**  
Acquire / funding mechanism / combined with exit
- **Lend**  
Convertible note

Typical  
equity  
market  
investor

- **Company equity**  
On market / fresh equity raising

### Value Realisation

- **Sale**  
To mining industry
- **Strategic consolidation**  
Leverage complementary assets
- **IPO**  
Into market liquidity
- **Cash flow**  
Project earnings, interest, royalties
- **Sale**  
To equity market



# Lion Investing Focus



Australia focus  
for new investments

- ✓ Mining investment destination of choice

## Precious Metals



## Base Metals & Battery Materials



- ✓ Low to moderate processing risks
- ✓ No ex-site infrastructure capital requirements
- ✓ Future facing / excellent ESG credentials
- ✓ Outright best demand growth projections

# Remaining Portfolio Exposure

Minimal follow on required:



Phosco (ASX:PHO)

Tunisia  
130MT at 20.5% P<sub>2</sub>O<sub>5</sub><sup>4</sup>  
Recovery following project theft, feasibility study



Erdene Resource Development

Erdene (TSX:ERD)

Mongolia  
409koz at 3.7g/t gold Reserves<sup>5</sup>  
BFS for development, 2x new discoveries underway  
• 15m at 43g/t gold (Dark Horse)<sup>6</sup> • 258m at 1g/t gold (Ulaan)<sup>7</sup>

No further investment required:



Merdeka (IDX:MDKA)

Indonesia  
Multiple producing projects & world class development pipeline  
Lion interest value protected (*min* US\$20m) until Jan 2023

Other

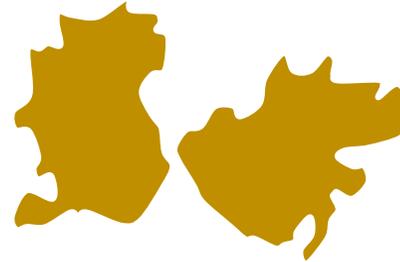
Total value A\$2.8m

# History

Challenging Exits

Profitable Outcomes

Experience: Funding / Strategic Development / M&A



## Pani JV Interest

- Gold / Indonesia
- \$21m invested
- \$74m exit



\$5.9m invested  
\$9.5m exit



C\$16.8m invested  
C\$25.4m exit



\$33.8m invested  
\$88m exit



\$23.4m invested  
\$113.5m exit



\$9.8m invested  
\$99.9m exit



\$31.7m invested  
\$90.3m exit



Foundation assets:  
Evolution Mining



\$9.4m invested  
\$43.2m exit



\$11.8m invested  
\$42.5m exit



\$6.1m invested  
\$48.3m exit

- Well funded
- Targeting pre-production mining investments the equity market can't
- Capital protection with attractive returns
- With a dividend



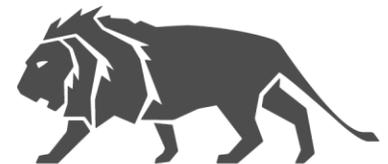
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**Lion Selection Group**

# Lion Selection Group – Established 1997

*Large discount to highly certain underlying value*

## Well Funded

Strong cash position following large asset divestment

## Proven Approach

25 years experience / strong deal flow / exceptional people networks

## Target Investments

Pre-production mining: companies and projects

## Country & Commodity

Australia / Precious Metals / Base Metals / Battery Materials

## Live Distributions

2022 Dividends: 3.5cps (Apr) / 1.5cps (Nov) / On-market buy-back

## Sustainability

Follows World Bank's sustainability policies for exploration and mining

# Current Investment Portfolio<sup>3</sup>

Name	Commodity	Value	Per Share
PT Merdeka Copp & Gold	Gold / Copper	\$27.0M	18.0c
Pani Def. Consideration (due 28 Jan 2023)	Cash	\$14.9M	10.0c
Erdene Resources	Gold	\$5.3M	3.5c
Kasbah Resources	Tin	\$2.0M	1.3c
PhosCo Ltd	Phosphate	\$3.3M	2.2c
Other	Various	\$0.8M	0.5c
Net Cash	-	\$47.8M	31.9c
<b>Total</b>		<b>\$101.1M</b>	<b>67.4c</b> (post tax)

**\$68.3M**

Market Cap at \$0.455/Share

**19% Owned**

by Board & Management

**150M Shares on Issue**

**67.4c**

Net Tangible Asset

**45.5c**

Share Price

**333cps**

Historic Distributions to Shareholders<sup>8</sup>

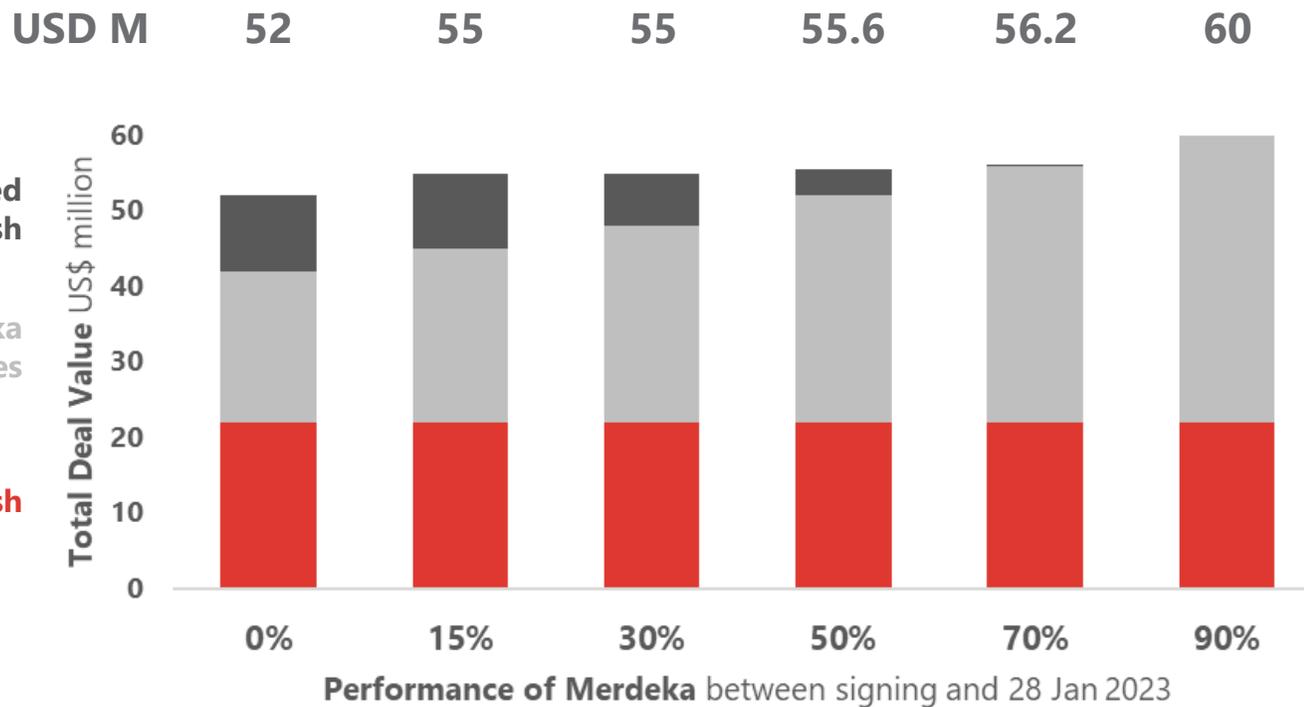
**5cps**

Dividends to pay in 2022

# Pani Sale: [at least] US\$52m total value<sup>1</sup>

## Downside Protection

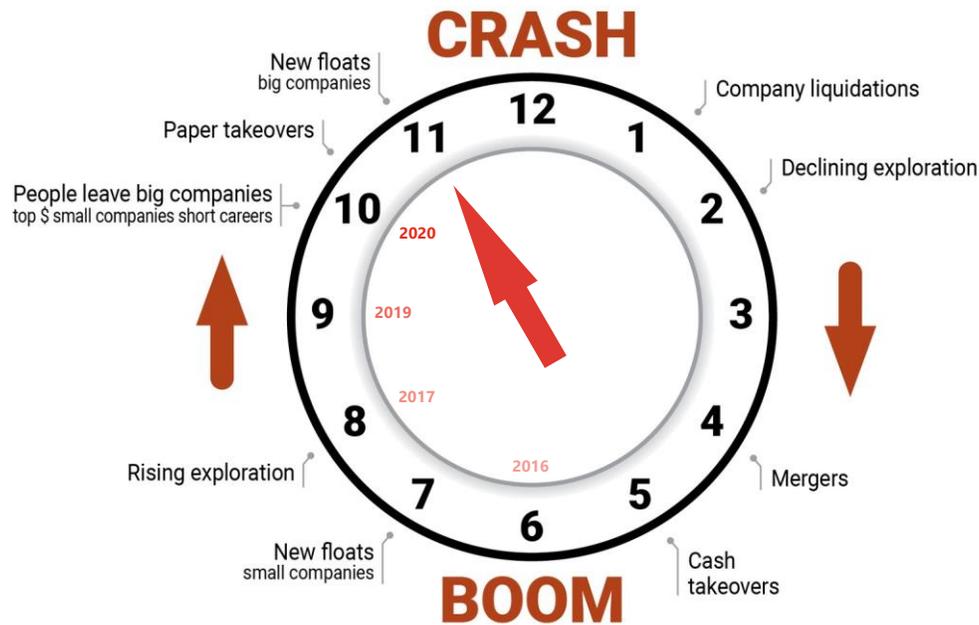
### Exposure to Merdeka



- **US\$22M** cash (received)
- **US\$20M** Merdeka Stock (received)  
("top up" payable Jan 2023 if market value is below US\$20M)
- **US\$10M** deferred cash (due Jan 23)  
(subject to adjustment for performance of Merdeka above +15% benchmark)

*Exit at logical point of asset cycle:  
**prior to substantial  
capex***

# Mining Market Outlook



- Shortage of everything scenario
  - Rebounding global growth
  - Going green / battery material demand
  - S&P vs Commodities – commodities cheap
- VS**
- Superheated equity market
  - Armed conflict
  - Inflation
  - When the music stops, its always a surprise

# Commodity

## Precious metals and battery materials focus

Development Focus	Preferred	<b>Gold</b> <ul style="list-style-type: none"><li>• Simple extraction</li><li>• No marketing</li><li>• Excellent inflation thematic</li></ul>	<b>Copper</b> <ul style="list-style-type: none"><li>• Large / liquid market</li><li>• Low value loss to smelters</li></ul>	<b>Nickel</b> <ul style="list-style-type: none"><li>• High value concentrates</li><li>• Scalable</li></ul>	<b>Lithium</b> <ul style="list-style-type: none"><li>• Immense projected demand growth</li><li>• Geologically common / immature development thematic</li></ul>
	By Exception	<b>Mixed base metals / Silver / Manganese</b> <ul style="list-style-type: none"><li>• Low abundance of robust projects</li><li>• Risk: value leakage to downstream</li></ul>			
Investment Only	<b>Bulk commodities</b> <ul style="list-style-type: none"><li>• Infrastructure / marketing / ESG concerns</li></ul>		<b>PGM, REE, Laterites, Uranium</b> <ul style="list-style-type: none"><li>• Complex metallurgy / marketing</li></ul>		
	<i>Excellent contrarian cyclical long term land-banking opportunities</i>				



# Board & Management

## Strong Foundation

### BOARD



**Barry Sullivan**  
Chairman

Barry is a mining engineer with over 40 years experience. Barry has held numerous Non-Executive Directorships and was previously Chairman of EganStreet Resources.



**Peter Maloney**  
Non-Executive Director

Peter has commercial background developed through various roles at WMC Resources, Santos and FH Faulding. Peter was Chairman at Catalpa Resources when it merged into Evolution Mining Limited.



**Chris Melloy**  
Non-Executive Director

Chris is a mining engineer with 40+ years experience in mining operations, securities analysis and investment. He has worked with Lion since inception, and held directorships of several Lion investee companies.



**Robin Widdup**  
Managing Director

Robin's mining experience spans Africa, UK and Australia. Robin led the mining analyst team at JB Were and was the founder of Lion Selection Group.



**Craig Smyth**  
Executive Director

15 years mining investment experience. Craig is a member of the Institute of Chartered Accountants of Australia with experience working for Coopers & Lybrand, Credit Suisse First Boston (London) and ANZ Investment Bank.



**Hedley Widdup**  
Executive Director

13 years mining investment experience. Hedley has extensive experience as a mine geologist covering the Mt Keith nickel mine, Olympic Dam, Mt Isa and the St Ives gold mine.

### MANAGEMENT TEAM

# Footnotes

1. Lion Selection Group ASX announcement on 31 January 2022, *Sale of Pani JV interest for \$74M plus upside*
2. Lion has invested A\$21m, including the acquisition of Pani from One Asia, since 2018. Sale value A\$74m per Lion Selection Group announcement to ASX on 31 January 2022, *Sale of Pani JV interest for \$74M plus upside*
3. Lion Selection Group ASX announcement on 8 March 2022, *Net Tangible Asset Backing*
4. PhosCo Ltd (formerly Celamin Ltd) ASX announcement on 18 June 2013, *Initial Gassaa Kebira Resource triples Chaketma Inventory*
5. Erdene Resource Development Corp Technical Report dated 1 September 2020, *Bayan Khundii Gold Project Feasibility Study NI 43-101 Technical Report*
6. Erdene Resource Development Corp TSX announcement on 8 February 2022, *Erdene Intercepts 123.5 g/t Gold Over 5 Metres Within 15 Metres of 42.8 g/t Gold At Dark Horse Gold Prospect*
7. Erdene Resource Development Corp TSX announcement on 11 August 2021, *Erdene Reports New Discovery at Ulaan - Intersects 3.77 g/t Gold over 40 Metres within 258 Metres of 0.98 g/t Gold*
8. Distributions by Lion Selection (ASX:LSG, ASX:LST, NSX:LGP, ASX:LSX) 1997-2021, includes dividends, cash returns, offmarket buyback and distribution of listed equities