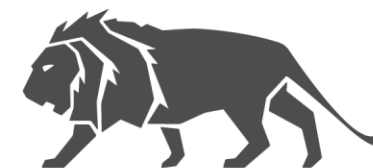


# Lion Selection Group

**Update**

**Quarter Ended 30 April 2022**

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



**Lion Selection Group**

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# Disclaimer

# Transformational Quarter

68.8cps

Net Asset Backing  
(after tax)

VS

48cps

Share Price  
(as at 30 April 2022)

## 1. Pani Sale Closed

- ✓ Received US\$22m cash
- ✓ Received US\$20M of Merdeka shares
- Up to US\$10m of deferred cash to be paid in January 2023 (subject to performance of Merdeka shares)

## 2. Dividends Re-Established

- ✓ 3.5cps unfranked special dividend paid on 29 April 2022
- Further 1.5cps annual dividend to be paid late 2022
- The board intends to consider a further special dividend in the first half of 2023

## 3. On-Market Buy-Back Commenced

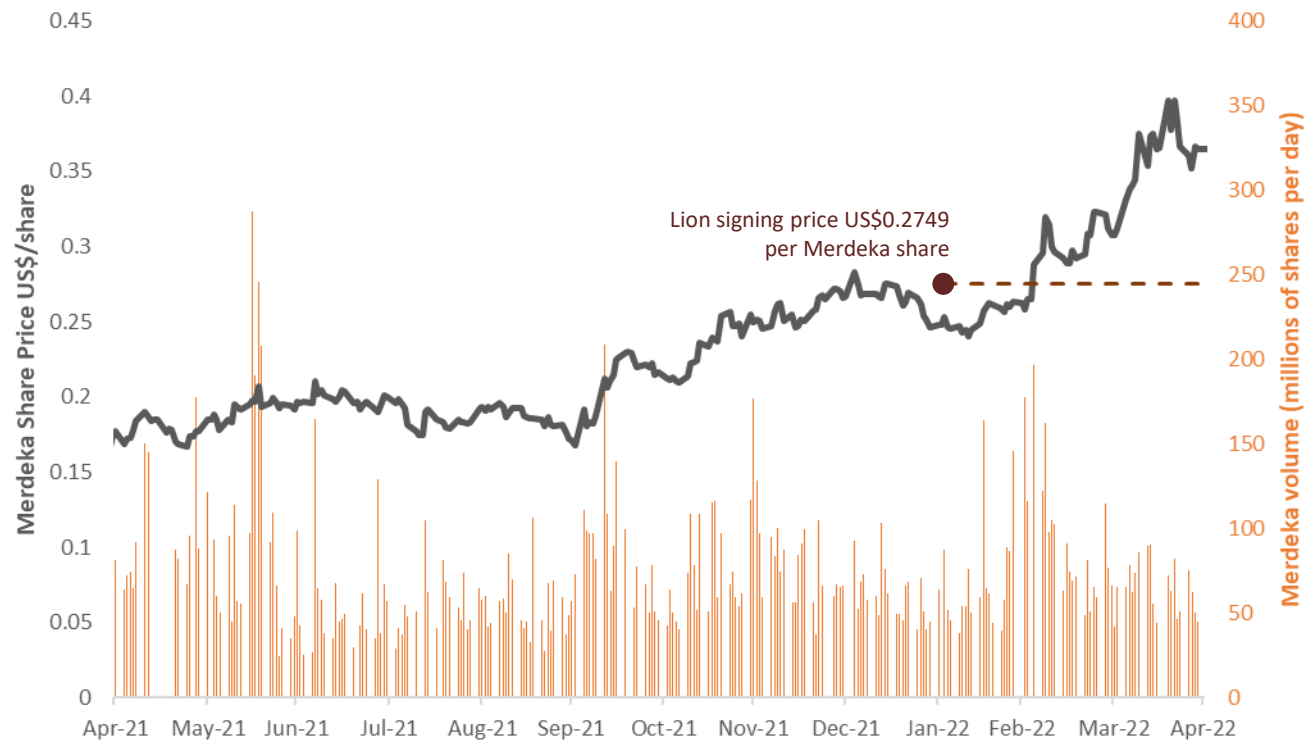
## 4. Lion Re-Commenced New Opportunity Investing

- Investment made into Great Boulder Resources (ASX:GBR)
- Lion exercised / sold entitlement in Merdeka rights issue: A\$860k profit
- Actively seeking and assessing company and project investments – Australia focus / precious and base metals, battery materials

# Merdeka Copper Gold TBK (MDKA:IDX)

Lion holding (shares)	72.8m
Lion entry price / sum invested	36.5cps / A\$26.5m*
Price at 30 April / holding value	51.7cps / A\$37.6m

\*US\$20m of Merdeka received by Lion as part consideration for the sale of Pani on 25 January 2022



- Merdeka Enterprise Value approx. US\$9.36B<sup>1</sup>
- Long life / high quality mining and development assets in Indonesia
- Copper / Nickel / Gold / Acid
- Highly liquid: 12month average 70m shares per day / 1,535m shares per month

## Value to Lion

No less than US\$20m (value protected)

Likely to be sold early 2023

# Current Investments & Cash <sup>2</sup>

Name	Value		Per Share
Net Cash	\$42.4M	(Lion to crystallise no less than US\$30m) (A\$89.8M cash by Feb 2023*)	28.3c
PT Merdeka Copper & Gold	\$37.6M		25.1c
Lion holds 72.8M Merdeka shares (MDKA:IDX) which are value protected (a top up payment will be provided if the shares are worth less than US\$20M at 28 January 2023)			
Pani Def. Consideration	\$9.8M		6.5c
Up to US\$10M cash, subject to performance of Merdeka. Due 28 January 2023			
Other	\$13.8M		9.2c
<b>Total</b>	<b>\$103.0M</b>		<b>68.8c</b> (post tax)

**\$71.9M**  
 Market Cap at \$0.48/Share  
**19% Owned**  
 by Board & Management  
**149.8M Shares on Issue**

**68.8c**      **48c**  
 Net Tangible Asset      Share Price

## Dividends

3.5cps PAID April 2022

1.5cps approx. Nov 2022

**337cps Historic Distributions to Shareholders <sup>3</sup>**

\* Assuming: 1) No further change in value of Merdeka, 2) AUDUSD as at 30 April 2022 (0.70614), and 3) prior to any investing outflows or dividends

# Lion Investing Focus



Australia focus  
for new investments

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

## Precious Metals



## Base Metals & Battery Materials



# Lion Re-Commenced New Opportunity Investing

- Investment made into Great Boulder Resources (ASX:GBR)
- Actively seeking and assessing direct and portfolio investments
- Lion exercised / sold entitlement in Merdeka rights issue: A\$860k profit

## Current Focus

- Established a pool of funding for targeted, small volume equity investments (Smaller size investments with clear short-term value catalysts)
- Project opportunities

*Lion is well funded: by February 2023 will have a balance sheet of over A\$85m cash.  
Very strongly positioned for market weakness*

# Lion Entity Status

*Lion is examining the alternatives to being classified as a Listed Investment Company (LIC) to identify what classification is considered most suitable for Lion's investment operations, such as being classified as a mining entity*

## History – LIC

- Report Net Tangible Assets (NTA)
- Provides an indication of portfolio liquidation value
- Not matched to Lion's pre-mining focus, where identification of deep value requires time and follow-on investment to unlock
- Historically Lion's asset mix has often been closer to mining entity than LIC

## Future – Mining Entity ?

- Lion intends to invest directly in projects as well as in companies
- Disclosure per ASX and JORC requirements

Irrespective of the outcome, Lion objectives and ambition remain the same: to generate value by investing in early-stage resource opportunities; both projects and companies; with the objective of providing sustainable dividends, from surplus investment proceeds, whilst balancing the investment requirements of the Company with market conditions and capital growth



# Proven Lion Investing Process

25 years of junior mining investing success

*Lion invests across the capital structure, seeking to balance capital protection with attractive returns*

## Access to deal flow

- Large, broad range of investing opportunities
- Over 1,000 opportunities per year
- Projects and companies, variety of structures

## Experienced investment team

- In-house technical assessment
- Unparalleled networks – access to people / critical to investment appraisal
- Mining strategy development, fund raising, mergers and acquisitions

## Lion target investments

### Seek

- Lowest possible jurisdiction risk
- Strong company and project fundamentals
- Deep value investing thesis – multiples upside

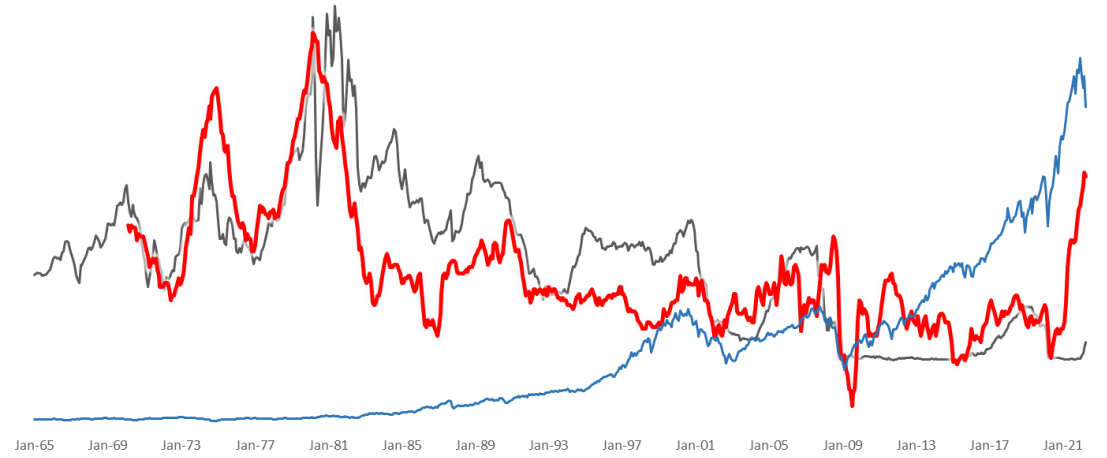
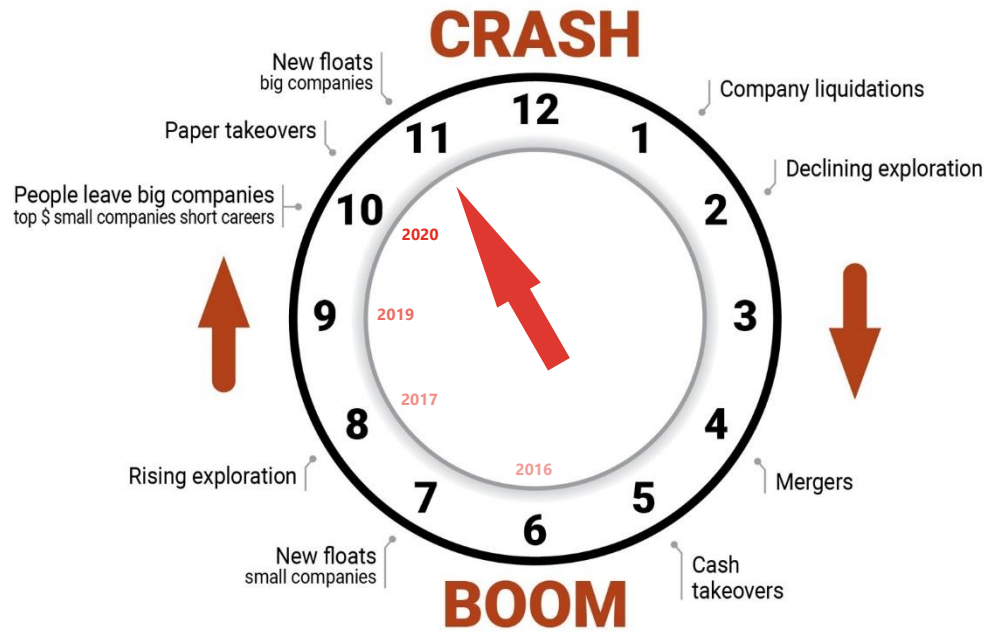
### Avoid

- Overheated stocks at strong premium to underlying value
- Cyclical price downside risks

*Targeting pre-production mining investments the equity market can't*



# Mining Market Outlook



**S&P 500**  
US Equities

VS

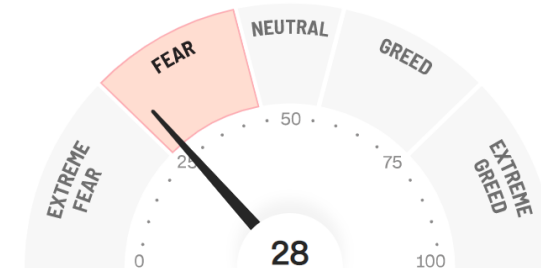
**US 3m Rate**  
Treasury Bonds

VS

**US CPI**  
12 Mo % change

## Bear case

- Inflation – embedded
- Shortage of everything
- Ukraine
- Transport costs
- COVID disruption
- Deglobalisation



Source: CNN

## Bull case

- Inflation – transitory
- Record commodity prices
- Electrification
- Decade of under-investment in new supply
- China reopening/ stimulus

*The principal risk to the mining cycle right now is inflation, and its effect on the broader equity market*

# Mining Market Outlook

## Energy vs Metal Commodities: 2000-2022



- Well funded
- High quality NTA – high proportion as cash / value protected shares
- Targeting pre-production mining investments the equity market can't
- With dividends



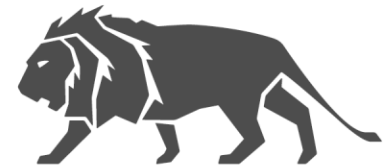
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**Lion Selection Group**

# 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 - PAID) / 1.5cps (Nov) / On-market buy-back

## Sustainability

Follows World Bank's sustainability policies for exploration and mining

# 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

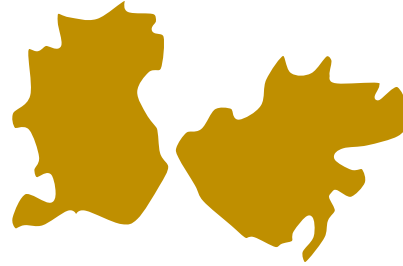
13 years mining investment experience. Hedley has extensive experience as a mine geologist covering the Mt Keith nickel mine, Olympic Dam, Mt Isa and the St Ives gold mine.

### MANAGEMENT TEAM

# History

Long-term investments  
Active Exit Management  
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

\*Based on the value of cash, Merdeka shares, and deferred cash at the time of sale announcement (31 January 2022)

# Footnotes



1. Merdeka Investor Presentation: May 2022.  
<https://merdekacoppergold.com/en/download/investor-presentation-q1-2022-may-2022-2/>
2. Lion Selection Group ASX announcement on 4 May 2022, *Net Tangible Asset Backing*
3. Distributions by Lion Selection (ASX:LSG, ASX:LST, NSX:LGP, ASX:LSX) 1997-2022, includes dividends, cash returns, off-market buy-back and distribution of listed equities

