# **Lion Selection Group Ltd**

**Listed Investment Company** 

**Specialist Mining Investor** 

ASX: LSX

**Building Emerging Miners** 

**July 2014** 

#### **Disclaimer**

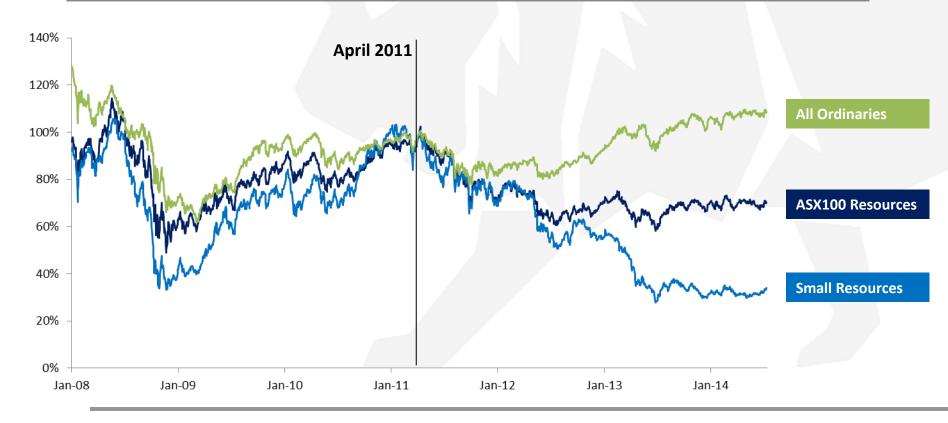


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### **Miners vs Market**



Since April 2011 (to bottom) Recent performance		
BHP / RIO lost ~30%	BHP / RIO up ~20% (since mid-2013)	
Junior Miners lost ~70%	Junior Miners up ~10% (since early 2014)	
Pre-production micro caps lost ~90%	Pre-production micro caps <i>Highly Selective Performance</i>	



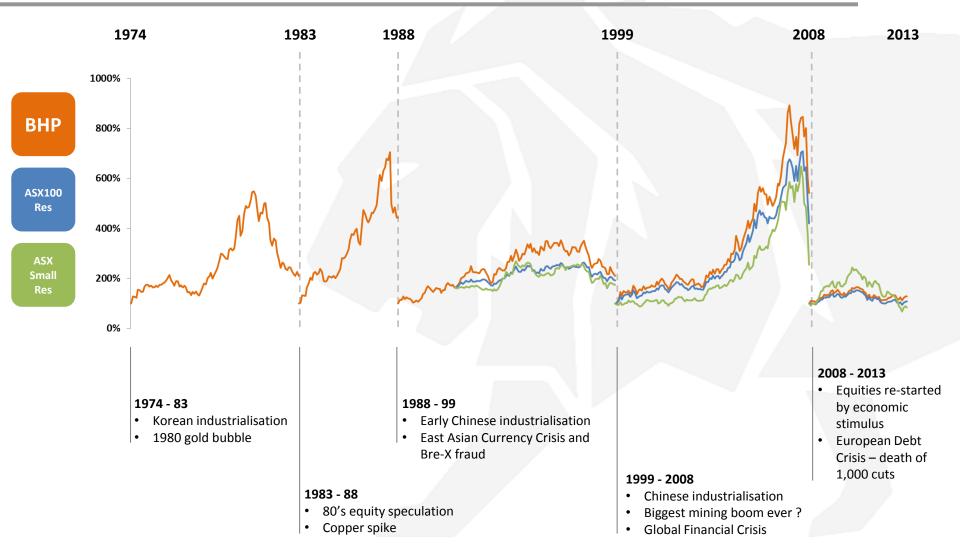
Source: IRESS Data





# Uniformitarianism – It's <u>NEVER</u> different this time



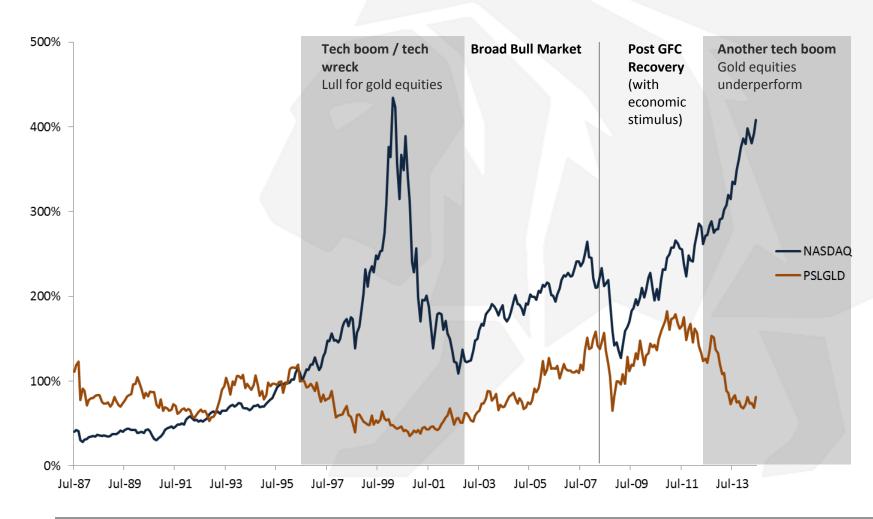


Source: IRESS Data

# Where is the risk money?



### Dot-com. Better than sliced bread. (Again, LMAO...)



# Turning the tap back on...



# **Catalysts**

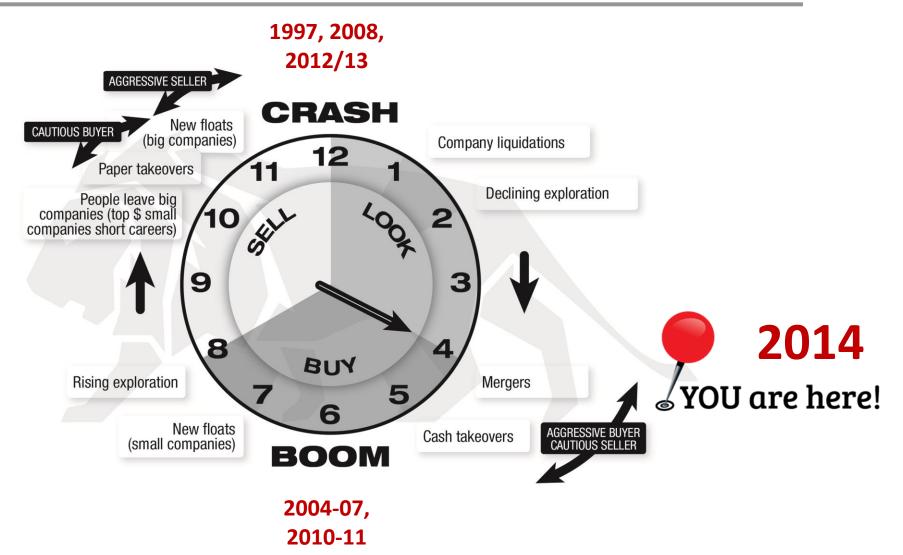
- M&A
- Exploration
- Commodities
- Cyclical return of risk money

# History tells us: Cycle follows cycle

There will be another mining boom

# Early in a new cycle

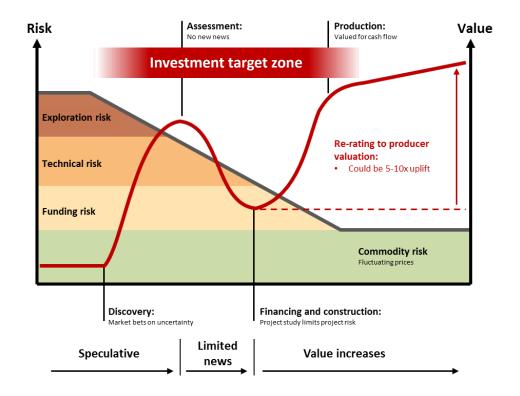




## **Lion – Listed Mining Investment Company**



Focus	<ul> <li>Junior mining companies – project development phase</li> </ul>	Portfolio approach	Weight investment towards best exposures
LIC structure	<ul> <li>Investment decisions not driven by funding structure</li> </ul>	Team	Mining, finance and investment experience
Dividend policy	Target sustainable, regular payments	Deal flow	Focal point for junior companies seeking funding
Track record	16 year track record of success	Long term	Match entry and exit to mining cycle

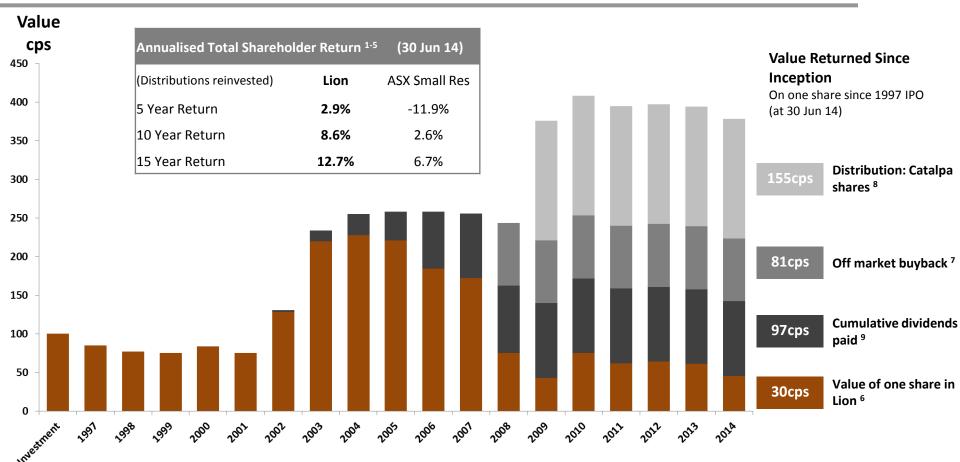


#### **Investment Philosophy**

- Target value uplift from project de-risking
- Carefully select companies with good people and projects
- Take a long term view

#### **Returns to Shareholders**

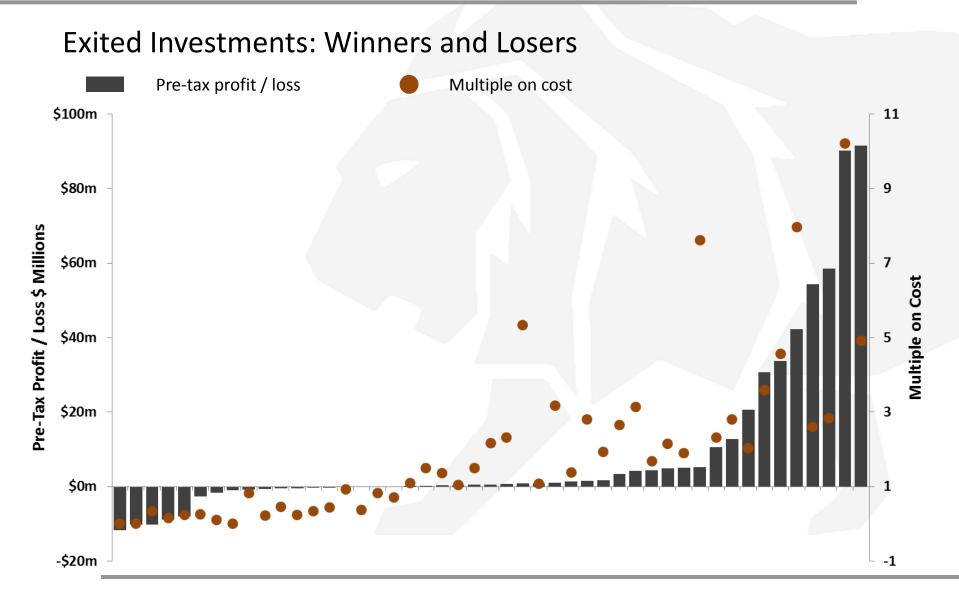




- 1. Investment performance figures reflect the historic performance of Lion Selection Group Limited (ASX:LSG, 1997 2007), Lion Selection Limited (ASX:LST, 2007-2009), Lion Selection Group Limited (NSX:LGP, 2009-2013) and Lion Selection Group Limited (ASX:LSX, 2013-present)
- 2. Methodology for calculating total return is based on MorningStar (2006), which assumes reinvestment of distributions.
- 3. Distributions made include cash dividends, shares distributed in specie as a dividend, proceeds from an off market buyback conducted in Dec 2008, and the distribution of shares in Catalpa Resources via the demerger of Lion Selection Limited in Dec 2009. Lion assume all distributions are reinvested, with all non-cash distributions are sold and the proceeds reinvested on the distribution pay date.
- 4. Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.
- 5. Past performance is not a guide to future performance.
- 6. Value of one Lion share is based on initial investment in the IPO in July 1997 (\$1.00 per share), closing prices of Lion 1997-2013 and the closing price on 30 June 2014. Source IRESS
- 7. Equal to total \$ returned divided by the number of shares on issue prior to the buyback
- 8. Closing price for Catalpa on 11 Dec 2009
- Source: IRESS, ASX, Company announcements.

# **Lion Manager Track Record**





# **Lion Selection Group (ASX: LSX)**

A\$8.8m



Capital Structure	
Shares	106.9m
Market Cap (at 30¢ps)	A\$32.1m
NTA (at 61¢ps)	A\$65.7m
Options (ex at 80¢ before 12/12/14)	14.7m

Investors	
1. Select Asset Management	17.7%
2. Robin Widdup	10.8%
3. Mark Creasy	4.1%
Directors & Management	23%

#### Board

Chairman – Peter Maloney

NED - Barry Sullivan

**Uncommitted Cash** 

NED – Chris Melloy

Director – Robin Widdup

CEO – Craig Smyth

#### **Investment Management**

Robin Widdup

Craig Smyth

**Hedley Widdup** 

Tim Markwell

Mike Brook

### **Valuation: NTA**



NTA at 30 June 2014	Commodity	Market Value A\$M	% Portfolio	
Australia				
Doray Minerals	Gold	6.8		
Rum Jungle Resources	Phosphate	1.5		
Auricup Resources	Gold	1.5		
Other Australia		0.1	15%	
Africa				
Roxgold	Gold	5.1		
Toro Gold	Gold	1.9		
Kasbah Resources	Tin	1.1		
Other Africa		1.5		
Cash dedicated to Africa <sup>1</sup>		2.6	19%	
Asia				
One Asia Resources <sup>2</sup>	Gold	29.6		
Asian Mineral Resources	Nickel	1.9		
Sihayo Gold	Gold	0.9		
Manas Resources	Gold	0.9		
Other Asia		1.0	52%	
Americas	Iron Ore/Coal	0.5	1%	
Uncommitted Net Cash		8.8	13%	
Net Tangible Assets		\$65.7m	61¢/ share	

### One Asia Resources

- 27¢ of Lion's 61¢ NTA
- 2 gold projects in Indonesia
- Pani Resource: 1.88 Moz
- Lion and Asian Lion 36% combined equity interest
- Unlisted

Note: The table includes investments held directly by Lion and the value to Lion of investments which are held by African and Asian Lion Funds

<sup>&</sup>lt;sup>1</sup> Committed cash of US\$2.3m to AFL3

<sup>&</sup>lt;sup>2</sup> One Asia at a value of A\$0.75/share

#### **One Asia Resources**



- 127m shares at 75cps = \$95.6m Market Cap
- 2 undeveloped gold projects on Indonesian Island Sulawesi

#### Pani (90%)

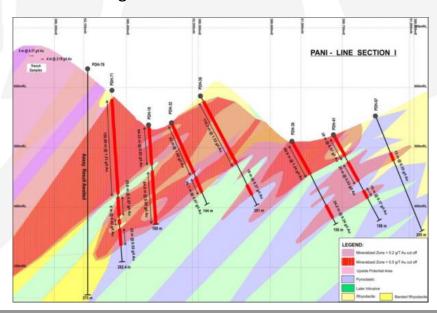
- 1.88 Moz Resource (57.5MT at 1.02g/t)
- Drilling outside Resource has discovered extensions
- PFS in preparation: heap leach, low strip open pit – expectations of low CAPEX and OPEX
- Macquarie Bank mandate for \$150m debt funding
- IUP, economic interest via contractual arrangements with regional co-operative

### **Pani Cross Section:**

Thick zones of oxide mineralisation

#### Awak Mas (100%)

- 2.55 Moz Resource
- PFS / Scoping estimates: US\$243m CAPEX, US\$580/oz OPEX, 890koz produced over 8 years
- 7<sup>th</sup> gen Contract of Work





- Mining investment market is at cyclical low
- Opportunities abound Funding risk is key
- Lion is an LIC Investment decisions not driven by funding structure
- 45% of Lion's NTA is One Asia Resources –
   Challenges to resolve



# LION SELECTION GROUP



## **BUILDING EMERGING MINERS**

People • Projects • Opportunities

### SPECIALIST LISTED INVESTMENT COMPANY

www.lionselection.com.au