

## Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 OCTOBER 2020

### SUMMARY

#### **Pani Joint Venture (Lion 33.3%, Merdeka 66.7%)**

- Pani Joint Venture is seeking to complete J Resources deal to join two adjacent Resources and the 'link' zone between them, which extends for over 1.2km and features intersections of gold mineralisation hundreds of metres thick.
- Internal concept study on combined project complete.

#### **Nusantara Resources**

- Appointment of Asia-based investment banker, Matthew Doube, as CFO to lead financing of the Awak Mas project.
- Completion of tranche 1 investment of US\$15M by project partner Indika securing a 25% project interest.
- Project development progressing well with FEED and geotechnical studies nearing completion.

#### **Erdene Resource Development**

- High grade gold intersected at Bayan Khundii Project confirms resource expansion potential.
- Maiden drilling at the Dark Horse prospect identified multiple zones of high-grade gold.
- Key permitting and regulatory approvals obtained. Environmental Assessment awaited.
- US\$5M convertible loan held by EBRD converted.
- Detailed design and engineering work for the Bayan Khundii Gold Project well on track.

#### **Sector Themes**

- Gold price flattened in response to mild strengthening in bond rates. ETF gold holdings have nevertheless continued to grow.
- Volatility in gold and equities markets linked to vaccine news, outlook for stimulus and QE.
- Gold price movement was initiated on economic outlook prior to COVID-19, and economic backdrop has arguably deteriorated rather than improved.

#### **Lion Annual General Meeting – Thursday 10 December 2020**

In line with COVID-19 guidelines, Lion will hold a fully virtual AGM on 10 December 2020. Shareholders and guests can register to attend the meeting [here](#).

### ABOUT LION

Lion Selection Group is a mining investment company, focused on a portfolio of carefully selected and closely managed investments in listed and unlisted junior developing mining companies. Lion aims to offer diversity and a portfolio approach to the micro-cap end of mining investment, providing exposure to companies in various stages of development. Lion's investment model involves focusing investment towards the best opportunities in the portfolio, which from time to time results in concentration of Lion's portfolio towards specific investments and commodities. Lion is currently weighted towards several developing gold projects, across a range of jurisdictions but in particular to the Pani gold project in Indonesia.

**Lion is listed on ASX, under the ticker code LSX.**

## INVESTMENT HIGHLIGHTS

### Pani Joint Venture

**Lion holds 33.3% in the Pani Joint Venture alongside Merdeka Copper Gold. The Pani Gold Project is emerging as a potential world class gold project, showing signs of size, exposure, geometry and metallurgy to warrant investigation of a large scale, long-life, open pit operation.**

Pani currently consists of two Resources [2.37Moz (33.3% Lion/ 66.7% Merdeka) and 2.30Moz (100% J Resources)] on two licenses which historically are separately held. Mineralisation on the Pani trend that contains the two Resources extends for over 1.2km, and features intersections of gold mineralisation hundreds of meters thick. Mineralisation is open in all directions, and the 'link' zone between the two Resources has seen recent diamond drilling with preliminary results appearing broadly consistent with mineralisation on either side.

### J Resources Agreement

In December 2019 Lion announced that its Pani Joint Venture had reached conditional agreement with J Resources to combine the two Pani tenements into one ownership group. This agreement remains intact, with completion subject to regulatory approvals and approval from J Resources' secured lenders that are yet to be received. Further material upside is expected for the Pani gold project once the J Resources transaction completes. This upside has not been considered in the fair value for the investment as the deal has not yet been completed. Until completed, there is an ongoing risk that the conditions precedent are not met and the deal is unable to be completed.



The conditional deal combines two adjacent gold resources in Gorontalo, Sulawesi to form a single gold deposit with an approximate current footprint of 1.5km x 0.6km:

- Pani IUP JV (66.6% Merdeka, 33.3% Lion) 2.37 moz<sup>1</sup>
- Pani Contract of Work (100% J Resources) 2.30 moz<sup>2</sup>

This deal is seen as a win-win for all parties:

- The common tenement boundary restricted individual open pit mine development.
- The larger resource offers scope for large scale open pit mining, improved logistics, and can consider a range of treatment methods.
- Exploration opportunities and extensional drilling potential including between the two existing resources.

The resultant structure will see J Resources transfer its interests in PT Gorontalo Sejahtera Mining (**GSM**) into the Pani Joint Venture in exchange for a 40% ownership interest in the combined entity.

# INVESTMENT HIGHLIGHTS

## Pani Joint Venture continued

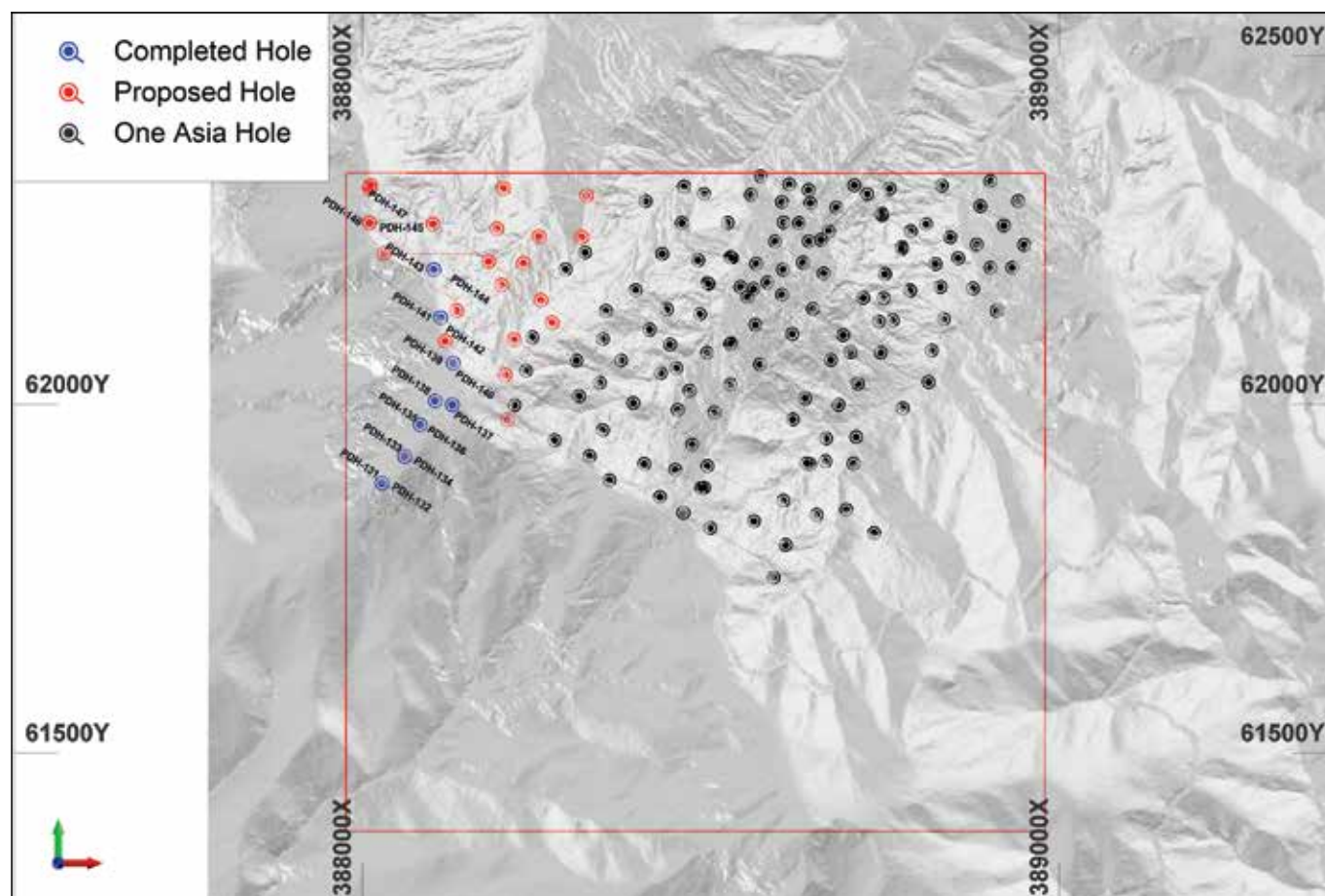
| Pani IUP (Lion 33.3%/Merdeka 66.7%)<br>0.2g/t cut off <sup>1</sup> |              |                |                      |
|--|--------------|----------------|----------------------|
| Category   | Tonnage (Mt) | Grade (g/t Au) | Contained Gold (Moz) |
| Measured   | 10.8         | 1.13          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

| Contract of Work (J Resources 100%)<br>0.4g/t cut off <sup>2</sup> |              |                |                      |
|--|--------------|----------------|----------------------|
| 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>          |

## Pani IUP Drilling

The Pani Joint Venture has temporarily paused its drilling program pending completion of the J Resources agreement. It is anticipated that assay results of holes that have been drilled will be progressed and become available after the recommencement of drilling. Preliminary assays and observations from visual geological logging are broadly consistent with mineralisation that is observed within both the Pani CoW and the Pani IUP.

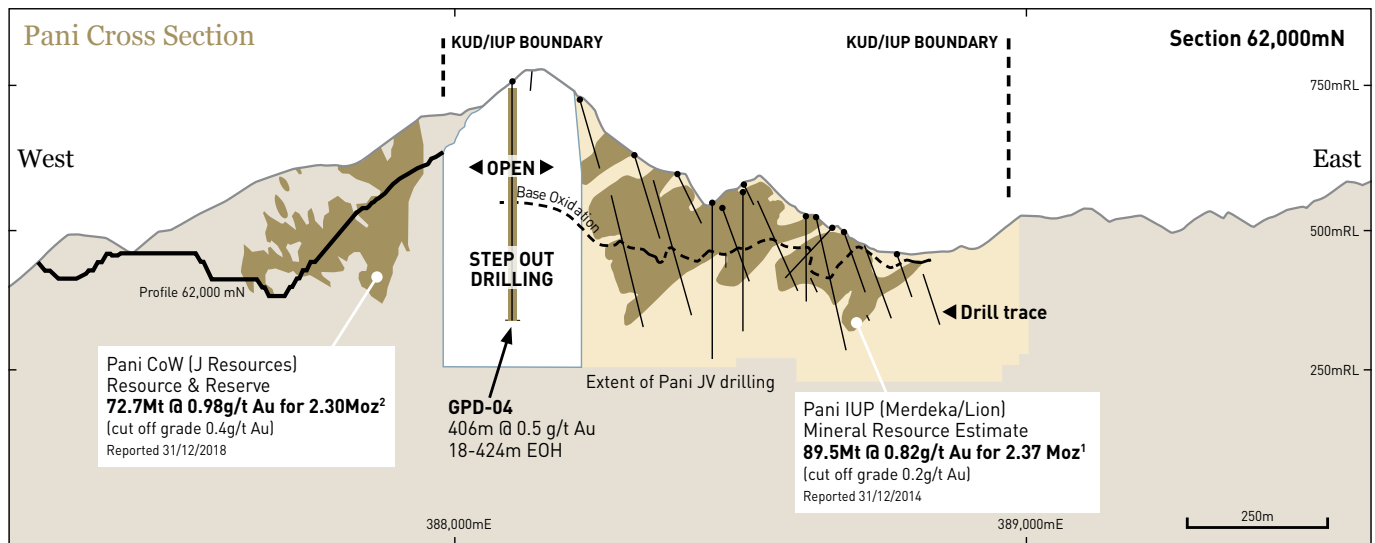
It is expected that unification of technical databases, geological models and integration of new diamond drilling results will ultimately culminate in a unified Resource for the 'Pani Besar' ('Greater Pani') region which can then be used as the basis of project development studies.



Schematic showing Pani proposed and completed drill holes

# INVESTMENT HIGHLIGHTS

## Pani Joint Venture continued



## Pani Besar Internal Concept Study

During the quarter the Pani Joint Venture completed an internal concept study focused on how a combined Pani Besar project might look. The purpose of the concept study is to help scope further work, understand key risks requiring further assessment, and to assess for potential fatal flaws. The study is premised on high level assumptions, including that the Pani deposit is one continuous zone of mineralisation across the two tenements.

The Internal Concept Study was undertaken to determine the potential viability of an open pit mine with conventional milling and CIL processing. The study is a preliminary technical and economic study based on low-level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further evaluation and appropriate studies are required before any ore reserves estimate or any assurance of an economic development of the project.

The combination of the Pani IUP and Pani COW unlocks optimal development of the Pani deposit unrestricted by tenement boundaries, including:

- Favourable topography and ore geometries: low strip ratio, open pit operation amenable to large scale bulk mining.
- Metallurgical work to date suggests high recoveries are achievable, with conventional CIL assumed for the internal concept study.
- Low processing costs anticipated, with grid power available.
- Subject to appropriate assessment, initial concepts envisage 7.5 Mtpa to 15 Mtpa processing rates.



# INVESTMENT HIGHLIGHTS

## Nusantara Resources Limited

### Awak Mas Gold Project in Sulawesi, Indonesia

#### Corporate

Matthew Doube has joined Nusantara's management team as Chief Financial Officer. Matthew is a highly regarded investment banker in the resources sector with more than 15 years' experience across capital raising, financing, M&A and strategic advisory. Matthew's appointment is pivotal as Nusantara advances its Awak Mas Gold project through the funding process towards production.

Federation Mining has become a 13% shareholder of Nusantara having acquired the shareholding previously held by AustralianSuper by way of a debt funding arrangement with Federation. The board of Federation includes prominent mining businessmen Jim Askew, Mark Le Messurier and Bob Vassie.

#### Funding

During the quarter, the US\$15M tranche 1 investment by Indika in the Awak Mas project was completed securing its 25% interest in the project. Indika has the ability to earn a further 15% project interest by investing a further US\$25M (subject to conditions).

#### Awak Mas Project

Nusantara is progressing strongly with pre-construction development of its Awak Mas Gold Project:

- Front End Engineering and Design is 70% complete.
- Geotechnical studies for infrastructure and TSF are 91% complete.
- Plant and infrastructure layout is locked down.
- Land assessment complete to 86% to progress to next stage of stakeholder engagement.
- Key agreements for power, mining, main access road in process.
- Up to 300 people at site remaining COVID-19 and injury free.



# INVESTMENT HIGHLIGHTS

## Erdene Resource Development Corp

### Khundii Gold District, Mongolia

#### Exploration

Phase 1 results of Erdene's 18,000 metre Khundii Gold District drilling program have intersected multiple zones of high-grade gold around the Bayan Khundii economic pit and at the Dark Horse prospect:

- High-grade gold intersections in a new zone at Striker West, 200 metres west of the Bayan Khundii pit<sup>3</sup>:
  - BKD-334 - 28m of 2.5g/t Au, including 1m of 36.9 g/t Au within 14m of 4.5 g/t Au;
  - BKD-338 - 38m of 1.8g/t Au, including 1m of 23.3g/t Au within 9m of 5.5g/t Au;
  - BKD-339 - 54m of 1.2 g/t Au, including 1m of 13.1g/t Au.
- At Dark Horse, high-grade gold was intersected in two of eleven holes<sup>4</sup>:
  - AAD-48 - returned 30.6 g/t gold over 1m, within a 7m zone of highly anomalous gold (up to 0.2 g/t), beginning 27m from the surface;
  - AAD-41 - intersected 10.8 g/t gold over 1m, below trench KMD-03 at a vertical depth of 29m, 1.25m east of AAD-48.

The second phase of this drilling program is scheduled to run through to the end of 2020. Results to date identify the potential to add meaningful resources to the Khundii Gold District.

#### Bayan Khundii Gold Project

Erdene continues to engage strongly with key stakeholders for its Environmental & Social Impact Assessment and the Mongolian statutory Detailed Environmental Impact Assessment (DEIA). The European Bank for Reconstruction and Development (EBRD) public disclosure period has been satisfactorily completed and additional baseline studies are ongoing. Approval of the DEIA awaits community consultation which is anticipated before the end of 2020.

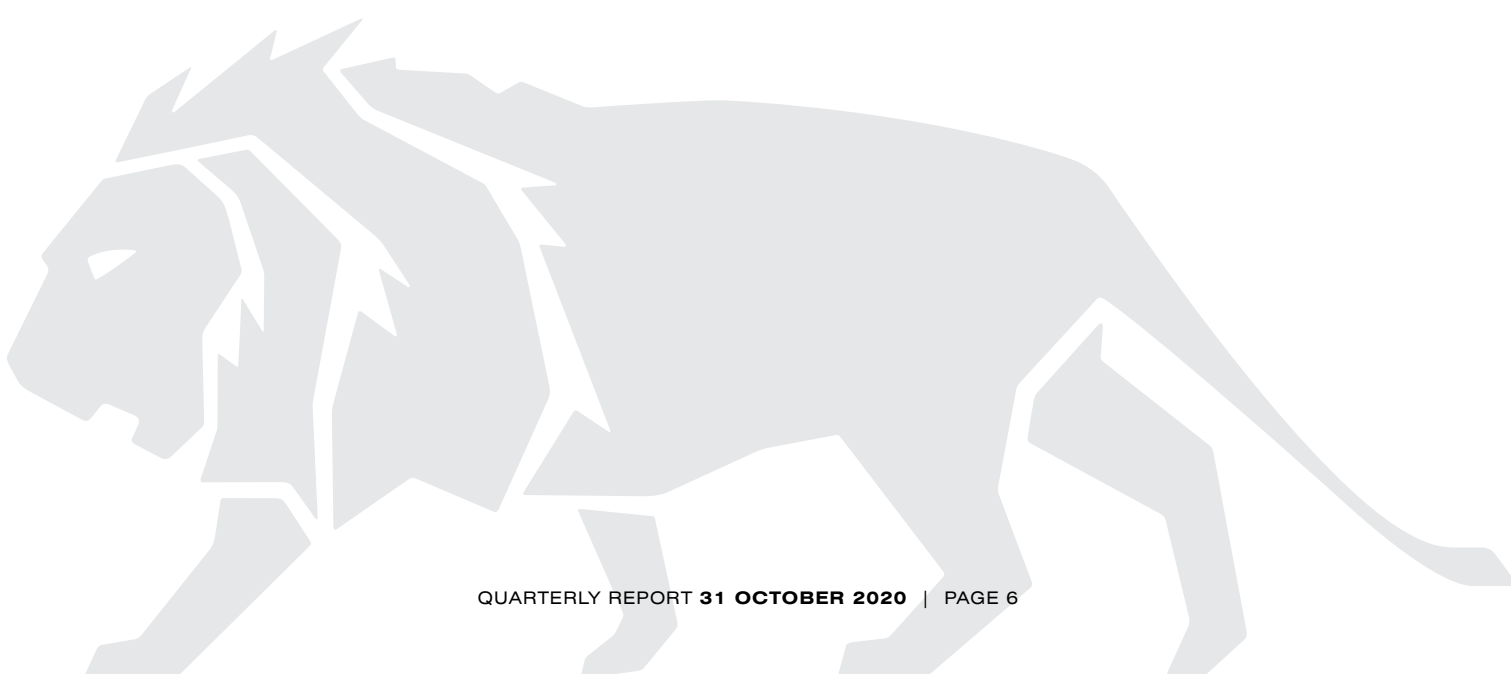
Key permits and advanced regulatory approvals which are required for mine development have been obtained.

Construction readiness activities for the Bayan Khundii Gold Project have commenced and development is on schedule.

#### Corporate

During the quarter, Erdene's US\$5M convertible loan held by EBRD was converted to equity. The conversion, together with the proceeds of Erdene's earlier \$20M private placement, ensures Erdene is well funded to secure the project finance required to move Bayan Khundii rapidly to production.

Erdene has mandated HCF International to act as project finance advisor and to secure project debt financing.



# Gold – Fundamentals versus Emotions

The answer to ‘where is gold going next?’ is a complex amalgam of fundamentals, emotion and even epidemiology, and it would be foolish to hazard a guess even if mildly educated. Gold is trading at a level that is very attractive for gold producers, and fundamentals on the whole look supportive. The market of 2020 has provided a handful of surprises already, and the global economic backdrop is one of totally unprecedented monetary policy.

Gold began a severe correction in 2013, recording three consecutive calendar years of negative performance, and then levelled into a trading range. In 2019, gold broke out of that range entering what many pundits are describing as a new gold bull market – putting on 18% in 2019 and 24% so far in 2020 and hitting a new all-time high closing price of US\$2,063/oz in August. Since this recent peak there has been a mild strengthening in US bond rates and gold has commensurately softened from its highs. Most of the volatility centres around announcement of a vaccine for COVID-19 which has implications for the longevity of deployment of global economic stimulus.

Gold moved strongly upward in mid-2019 as it became evident an emergence from Quantitative Easing (QE) and return to interest rate strengthening was less imminent than the world was hoping. There was no notion of a global pandemic at that point, and the impact of COVID-19 on interest rates and QE has been dramatic. A vaccine may well lead the world away from its social and medical struggles with COVID-19, but the economic damage wrought by the pandemic will be with us for a long while to come. If anything, it is amplifying the fundamentals that gold was responding to in 2019, rather than dissipating it.

## Gold Fundamentals Scorecard

The purpose of this discussion is to demonstrate that there are a number of intersecting fundamentals to play out in the gold market as the global economy, with debt, equity and gold markets in tow, plots a way out of the COVID-19 induced economic weakness.

- ✓ **Interest rates** – trading very close to all-time lows, and prospects of strengthening wilted 6-8 months before the onset of COVID-19.
- ✓ **Stimulus and QE** – the world is experiencing record deployment; the question is for how long fresh stimulus or continuation of QE is required. It is likely that a strong performance for gold relies on continued deployment. However, the pathway for gold under a tempering of stimulus measures is more challenging to fathom.
- **There is no material prospect for unwinding of gold producer hedges** – there being historically low levels of producer hedging in place.
- ⊙ **ETF's** – hold a record amount of gold which currently exceeds a year of production. Holdings continue to grow despite the recent gold price weakness. The overhang that would develop when gold reaches a turning point is a material risk to the speed and severity of a correction.
- ⊙ **COVID-19** – has not disappeared, and the net economic effect has been substantial, amplifying pre-existing economic weaknesses. Fiscal support for unemployment has provided a buffer but has also materially inflated sovereign balance sheets.

## MINING MARKET REVIEW continued

### Contrasting gold bull markets

Most gold commentators, if asked to describe in ten words or less what the long-term key influences on gold have been would sigh and then resign themselves to a simple response that is part answer but mostly caveat: interest rates, but a lot of other emotional drivers. When interest rates are declining or low (even negative when expressed in real terms by blending with inflation), gold is primed to perform. Turning points in interest rates, that are usually accompanied by an economic marker, tend to align with turning points in the gold market. Rates may be the fundamental that provides a platform that attracts buyers to gold and enables a positive trend, but the magnitude of this performance can be strongly influenced by other factors and is also a function of how long circumstances persist.

For this reason, history can be informative but not absolute. Mark Twain bequeathed a range of suitable quotes to economists and historians. Twain is reputed to have quipped that “history does not repeat itself, but it rhymes”<sup>i</sup>. Applied to gold markets, overlaying historic bull markets with the current market sets a scene of gold returning multiples through multi-year episodes. Under this sort of comparison, the current gold market is so far fairly unremarkable against previous episodes:

**1970-1974: gold 5.5x**

**1976-1980: gold 8.2x**

**Most recently, from August 1999 to September 2011 gold went up just over 7.5x**

So, gold bulls often glaze over with a ‘thousand-yard stare’, given in late 2020 we are perhaps two years into a bull market that has seen gold almost double. If the recent past is an accurate template, ‘you ain’t seen nothing yet’<sup>ii</sup>.

There are unique events that define each gold bull market, as well as striking similarities. Any sort of historical comparison should not ignore how financial markets and the gold industry have changed in the last two decades, especially when the purpose of the exercise is setting expectations of future gold prices which is a notoriously murky area for prognosticators.

### **1999-2011: Not just a bull market – gold became easier to own and trade, and the industry was a net buyer**

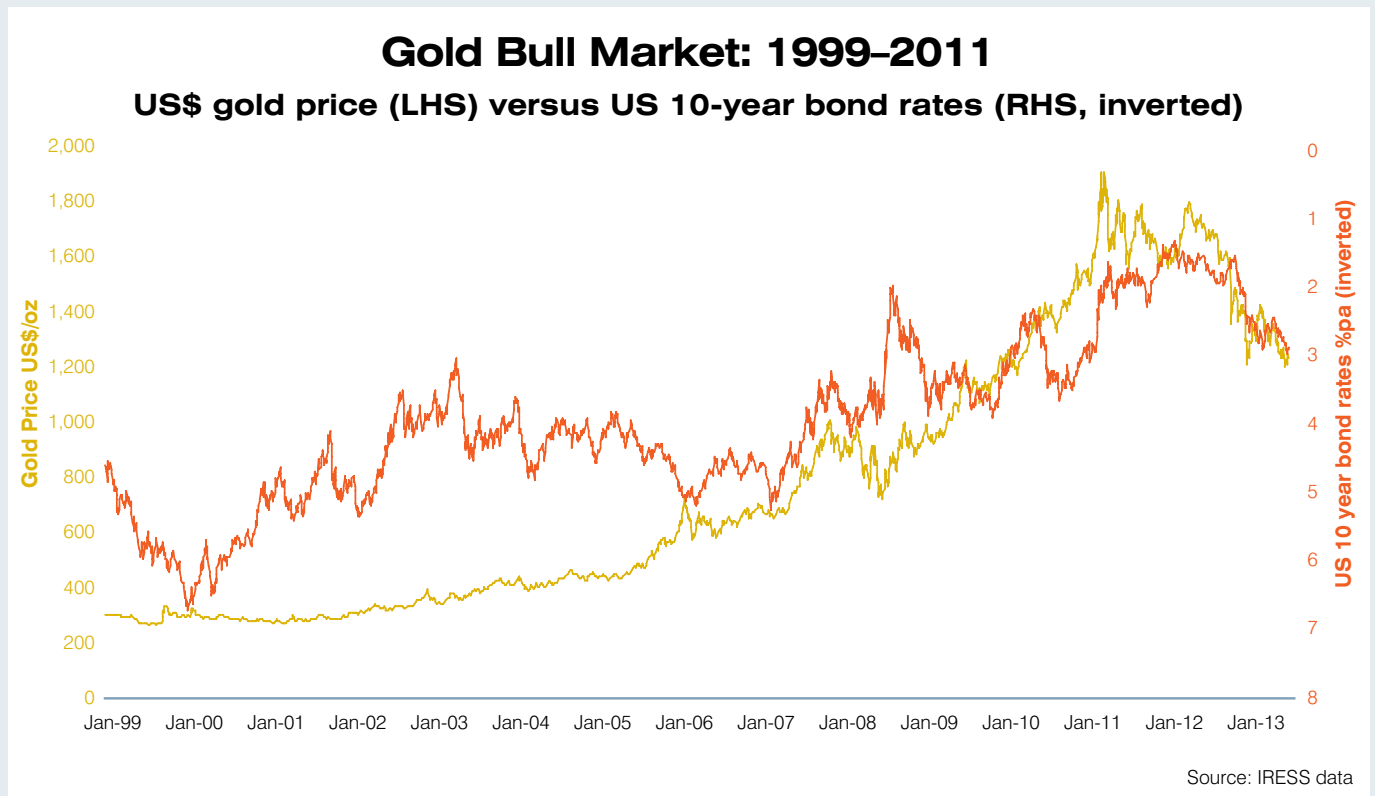
The performance of gold between 1999 and 2011 was tied up in a significant 12 years for mining generally – spanning a recovery from a deep bust following Bre-X and the East Asian Currency Crisis, disruption by the Global Financial Crisis, and then terminated by the deepest mining bust in living memory. Gold’s performance through this time correlates reasonably well with most other mineral commodities, which reflects the emergence of China as the world’s largest buyer of commodities. The primer for gold was a turning point in global interest rates: the US 10-year bond rate had jumped from 4.15% in October 1998 to touch 6.65% in January 2000. This would decline to 1.7% over the following 11 years, with a close inverse correlation between interest rates and gold. The later years also featured the deployment of QE as a new form of monetary easing as a consequence of the monumental economic support and stimulus that was required in the aftermath of the Global Financial Crisis (GFC), after official interest rates hit rock bottom. The top of the gold market, which corresponded with a turnaround in many other commodities, took place against a strengthening in bond yields but most importantly a shift in the outlook for interest rates and QE.

i. This certainly sounds a lot like the witty sort of thing Twain would say. The earliest use in print appears to date from at least 60 years after his death, and whilst it references Twain, any ultimately original source remains obscure. Whoever said it, it works really well just now.

ii. Not Mark Twain: Bachman Turner Overdrive, 1974. Almost certainly had nothing to do with gold at the time.



## MINING MARKET REVIEW continued



### Emergence of Exchange Traded Funds

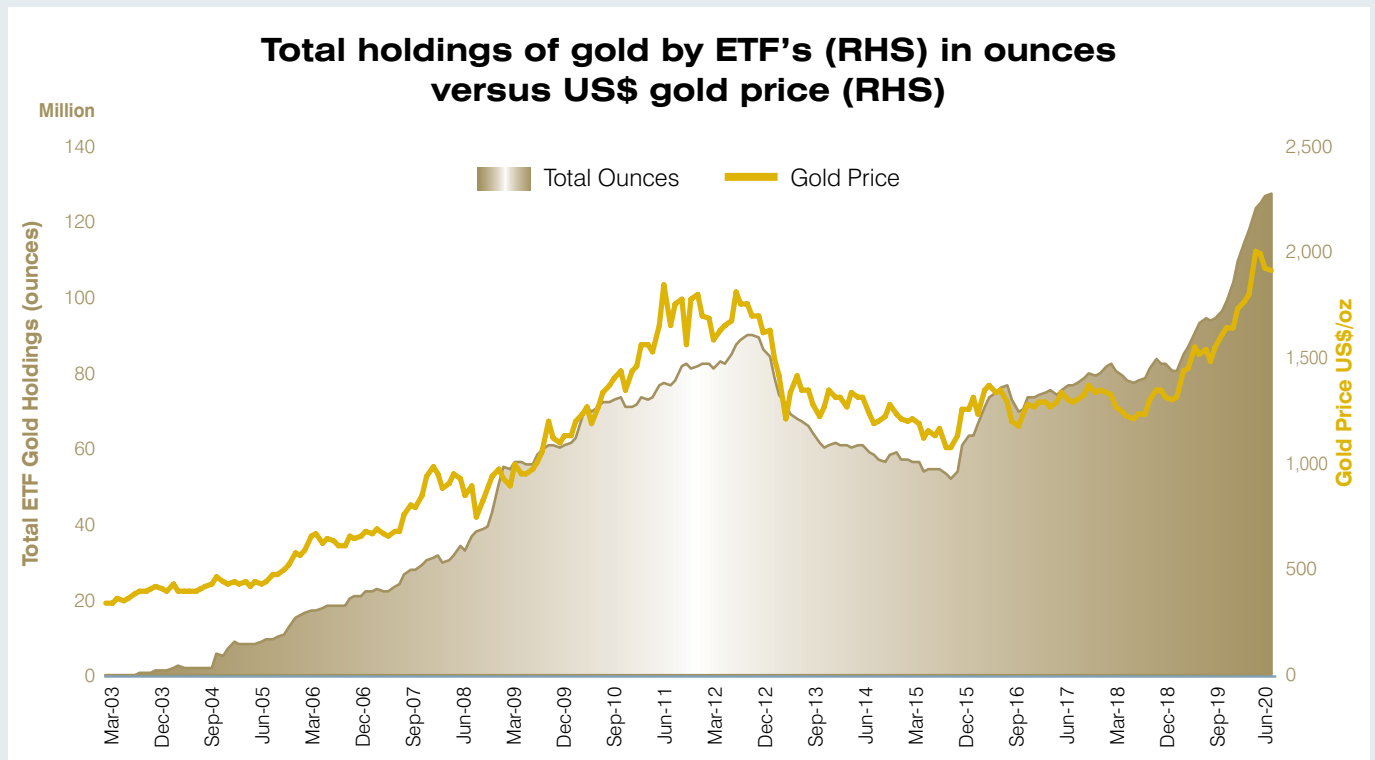
Ownership of gold via Exchange Traded Funds (ETF's) emerged during the gold bull market of 1999-2011, and presented a new class of buyer that was absent from previous bull markets and also a new class of seller in the bear market that followed. The emergence and proliferation of ETF's (and other derivative products) since the early 2000's have made gold ownership, in an investment sense, far easier and more accessible. Previously, investors could benefit from a changing gold price by owning physical gold, but that carries either a storage requirement or theft risk and is cumbersome in a trading sense. ETF's have made gold as easy to invest in or trade as common equity and hence broadened the range of both retail and institutional investors who could own gold. This has revolutionised the gold market.

Prior to ETF's, institutions that wanted to own gold were prevented from doing so and focussed their investment in gold equities as a liquid proxy. ETF's changed all of that and the amount of gold held by ETF's on behalf of investors grew from zero in the early 2000's to almost 90 million ounces in 2012 (in the same year, the global gold mining industry produced 95Moz). Gold price peaked in 2011 but teetered until late 2012 when it plunged, and when the emotion toward gold switched owners of ETF's beat the owners of physical to the market by miles – as gold was dumped at the click of a button by ETF investors. It is worth noting that ETF holdings grew between 2011 and 2012 whilst the gold price moved sideways, but between December 2012 and November 2015, over 37Moz was sold by ETF's – quite literally a first because no gold bear market had ever occurred during the existence of ETF's. So, whilst this liquidation was enormous it was also quite obviously unprecedented.

Since late 2015, gold ETF holdings have grown to over 125Moz (in 2019, the global gold mining industry produced just over 113Moz). Whilst there are ample buyers of gold, the relative level of gold held in ETF's should not signify an imminent change. However, the outright size of gold in ETF's does present a risk because all of that gold is available to sell at the push of a button. All gold held in vaults or even as jewellery is theoretically available for immediate sale, but for ETF holdings there are no practical barriers to selling such as finding a bullion dealer, or even the emotional struggle of haggling for a suitable price to part with your lovely shiny bar or coin.

The most recent peak in gold price occurred in August and there has been volatility in the price since, yet ETF holdings have continued to grow. ETF investors have not decided the gold bull run is over.

## MINING MARKET REVIEW continued



Source: World Gold Council

### Gold industry hedging

Gold producers tend to generate revenue from gold in two main ways: either selling for cash at the prevailing market rate, or delivery into a hedge ('hedging' includes use of a variety of potential derivative products) which is a form of contract used to guarantee the price they could receive for a defined volume of gold prior to contract expiry. Gold hedging has legitimacy when used as a financial insurance policy as it can lock in a price over a sufficient proportion of future revenue to satisfy debt providers to lend, but all the same has a dark past.

The history of gold hedging would be a fascinating but lengthy discourse all of its own. The potted summary is when interest rates are high it produces a strong contango for gold forward prices – a forward sale price would be larger than spot, sometimes by an attractive margin. Through the 1990's, contangos were strong enough to encourage gold producers to hedge well beyond the levels justified by financing arrangements. Gold producers should be renowned for their skill in extracting precious metal from rock – there is a broad range of producing skill within the industry, although it arguably still well exceeds aptitude for complex financial instruments. By the late 1990's and early 2000's, the gold mining industry was producing around 80Mozpa, but had a delivery obligation into hedges of over 95Moz. When the gold price began to move upward, hedging contracts moved out of the money leaving the industry to decide if they would deliver gold into the hedges at a large and growing loss, or buy enough gold to close them out. The industry switched from being a net seller to net buyer of gold and the cumulative hedge position was reduced to a small fraction of annual production (where it has remained) by 2010.

It is undeniable that the industry behaviour of selling gold in excess of production and then becoming collectively a huge buyer of gold to close out hedges would have had a strong influence on gold price. There is an inescapable irony of gold industry financial behaviours depressing the price of its revenue for over a decade, only to be a key instrument in the magnitude of the bull market that followed.

Whilst the industry still sells a portion of its production into a variety of hedging structures, the outstanding ounces make up a tiny amount of annual production and the behaviour is quite clearly aligned with financial risk management. In this gold bull market, gold industry buying will not be a factor in how the price behaves.

# MINING MARKET REVIEW continued

## Interest rates

When interest rates decline, returns on cash diminish. Introducing inflation into the equation multiplies the consideration: a dollar in the bank earns less and its purchasing power is eroded. Under such conditions, investors move money into assets that are likely to generate a capital gain rather than rely on income. Gold, 'come in spinner'. There is a correlation between gold and US 10-year bond rates from the 1990's to present, although it is not perfect. Periods when the correlation breaks down can mostly be explained by a separate economic overlay – often the interplay of inflation with rates into an outlook for rates, or a market meltdown such as the Global Financial Crisis.

Since a peak in the early 1980's (US Federal Funds Rate peaked at 19.36% in June 1981), interest rates have declined to virtually zero. This creates a conundrum for the purveyors of monetary policy – having run out of runway to stimulate economic activity by simply lowering borrowing rates, the GFC gave us QE that enables a sub-zero adjustment of monetary policy, and it appears likely we will live with this for years to come.

Current monetary policy settings globally are unprecedented. Having more or less hit zero, there is a clear question of 'what next?' for interest rates that gold is inextricably tied up in. If interest rates becoming suddenly positive are a turning point for gold, in the era of QE and stimulus will that turning point align with the cessation of fresh stimulus? How do interest rates perform in an era of massively inflated sovereign balance sheets? There are enough US dollars in existence to potentially become an alternative to fossil fuels<sup>iii</sup>, and this is a brand new fundamental for the global economy and gold.

## Gold in 2019 & 2020

Positive movements in gold price since 2018 have been episodic rather than constant. In mid-2019 the outlook for rates switched from 'likely to increase' to 'not increasing for a while yet' as a fresh bout of QE commenced in many economies. The corresponding upward motion in gold lasted less than three months, after which the price went sideways until the onset of a global pandemic. The substantial economic impact of COVID-19 was countered by turning the monetary policy stimulus dial to its highest level, ensuring a period of extremely low interest rates. The movement in gold was commensurately strong and sustained and peaked in August commensurately as US bond rates began a mild strengthening. Since August, gold has again traded more sideways than up and it has not been alone. Equities staged a strong recovery since the lows of the COVID crash, as the prospects of poor returns on cash gave investors few choices aside of equities in which to seek a return. The S&P500 index found a peak in early September but has wavered since. Contrary to gold, the S&P500 index has found consecutive incremental highs after short periods of weakness, but this is hardly a positive trend.

Global pharmaceutical company Pfizer announced on 9 November that it had developed a COVID-19 vaccine that in testing had exhibited 90% success rate in protecting people from the virus. In simplest terms a vaccine means no more COVID-19, which in turn might imply an end to COVID-19 induced stimulus. Gold fell by US\$90/oz in response. There probably is not a single person in the world that is not extremely relieved at the advent of a vaccine and possibly the end of COVID-19. Even so, it might be a little early to conclude that the economic effects are in the past, especially with regard to ongoing or even recovery from the various stimulus applied. Pfizer chief executive, Dr Albert Bourla, described the results as 'a great day for science and humanity', then sold US\$5.6m worth of Pfizer stock.

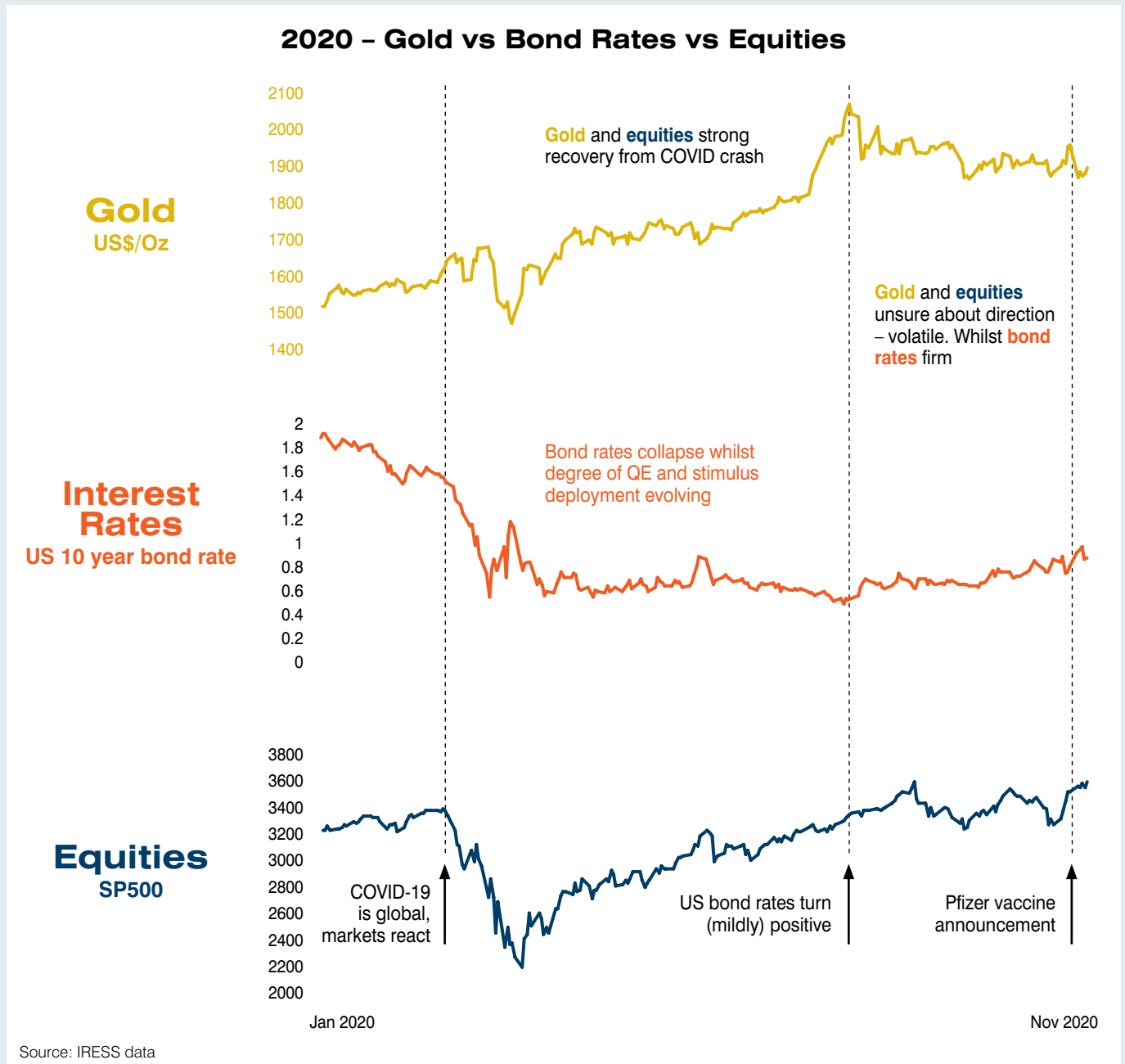
## Gold Equities

Gold equities tend to mirror the performance of gold and have been providing some of the strongest returns in the equity market since the COVID crash that took place in March 2020. However, returns from equities are more complex than the metal – especially at the small capitalisation end of the gold market where the positive movement in gold has invigorated the exploration sector to find new gold deposits. Exploration requires funding, so the performance of gold explorers (of which there are many) is a combination of their project prospects, ability to raise funds, and ability to deploy those funds consistent with the expectation that they might be 'on to something'.

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iii. Clearly the inaccuracy in this attempt at a humorous analogy is the virtual nature of many of these dollars. Like all fossil fuels, physical US dollars are a finite resource.

## MINING MARKET REVIEW continued



The run up in gold price through much of 2020 has provoked material increases in equity funding of junior resources companies led by gold explorers. C\$3,478 million has been raised in fresh equity to the end of October for miners listed on the Canadian TSXV – many of which are gold explorers. This figure is almost double the amount raised to the same time in 2019, and 61% above the 2019 total. A similar pattern is evident on the ASX, according to independent Resources analytics and commentary agency Austex ([www.austexresources.com](http://www.austexresources.com)) there was a 43% increase in fund raisings by ASX listed companies that lodge Appendix 5B reports (quarterly cash flow statements for mineral resources companies), between the June and September quarters of 2020.

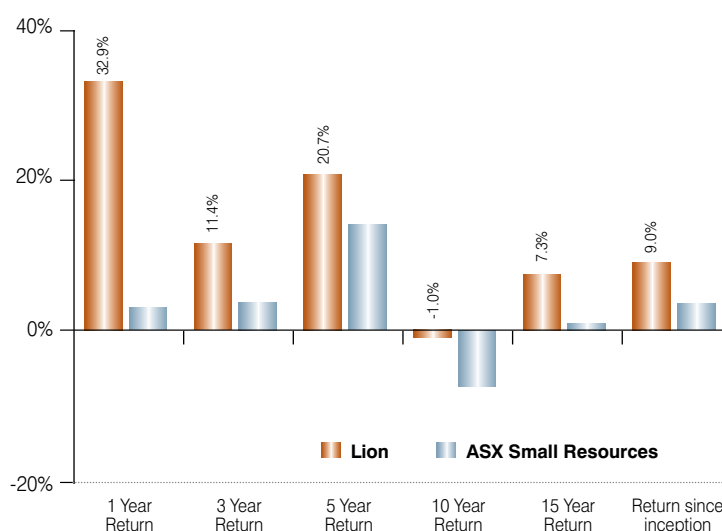
Availability of funding throws wide open the window to list new exploration companies, and there has been a substantial lift in the number of IPO opportunities in circulation. Many look to have been years in the making, so there is an element of 'preparation meets opportunity', although there is a growing representation of exploration stage companies seeking an IPO that have so far had a short life ('hastily pulled together' might be too strong an expression). There are reports of both investor fatigue at the volume of deal flow, and a virtual queue that has formed for hopeful listed companies to have their documents scrutinised prior to opening their offer. A period of consolidation in the gold market will provide an opportunity for the equity market to catch up.



# LION PERFORMANCE

## Annualised Total Shareholder Return <sup>5-10</sup>

| Annualised TSR to 31 Oct 2020 | Lion  | ASX Small Resources |
|-------------------------------|-------|---------------------|
| 1 Year                        | 32.9% | 2.9%                |
| 3 Years                       | 11.4% | 3.6%                |
| 5 Years                       | 20.7% | 13.9%               |
| 10 Years                      | -1.0% | -7.5%               |
| 15 Years                      | 7.3%  | 0.9%                |
| Inception (23 yrs)            | 9.0%  | 3.5%                |



## 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>)
3. Refer to Erdene Resource Development Corporation news release made 17 November 2020
4. Refer to Erdene Resource Development Corporation news release made 9 November 2020
5. 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)
6. Methodology for calculating total shareholder return is based on MorningStar (2006), which assumes reinvestment of distributions
7. Distributions made include cash dividends, shares distributed in specie as a dividend, proceeds from an off market buyback conducted in December 2008, and the distribution of shares in Catalpa Resources via the demerger of Lion Selection Limited in December 2009. Lion assume all distributions are reinvested, with all non-cash distributions sold and the proceeds reinvested on the distribution pay date.
8. Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.
9. Past performance is not a guide to future performance.
10. Source: IRESS, Lion Manager.

# SUMMARY OF INVESTMENTS AS AT 31 OCTOBER 2020

## Net Tangible Asset Backing

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 October 2020 is 62.8 cents per share (after tax).

| SUMMARY OF INVESTMENTS AS AT 31 OCTOBER 2020  |           |                        |                      |                     |
|---|-----------|------------------------|----------------------|---------------------|
|   | Commodity | September 2020<br>A\$M | October 2020<br>A\$M | October 2020<br>cps |
| <b>Pani Joint Venture</b>   | Gold      | 60.7                   | <b>61.2</b>          | <b>40.7</b>         |
| <ul style="list-style-type: none"> <li>The fair value of Lion's interest in the Pani Joint Venture increased to A\$60.7M at 31 July 2020. This increase reflects the sustained escalation in gold prices from the time of the most recent arm's length transaction in November 2018*. An additional \$0.5M has been invested subsequently.</li> </ul> |           |                        |                      |                     |
| <b>Portfolio</b>  |           |                        |                      |                     |
| Nusantara Resources   | Gold      | 15.5                   | <b>14.2</b>          | <b>9.5</b>          |
| Erdene Resources  | Gold      | 5.3                    | <b>5.2</b>           | <b>3.4</b>          |
| Sihayo Gold   | Gold      | 1.8                    | <b>1.6</b>           | <b>1.1</b>          |
| Celamin Holdings  | Phosphate | 1.2                    | <b>1.4</b>           | <b>0.9</b>          |
| Other   |           | 0.6                    | <b>0.7</b>           | <b>0.5</b>          |
| <ul style="list-style-type: none"> <li>Portfolio holdings measured at fair value</li> <li>Includes investments held directly by Lion and the value to Lion of investments held by African Lion.</li> </ul>  |           |                        |                      |                     |
| <b>Net Cash</b>   |           | 10.5                   | <b>10.0</b>          | <b>6.7</b>          |
| <b>Net Tangible Assets</b>  |           | <b>A\$95.6m</b>        | <b>A\$94.3m</b>      | <b>62.8cps</b>      |

## Capital Structure

|                         |             |                 |
|-------------------------|-------------|-----------------|
| <b>Shares on Issue:</b> | 150,141,271 |                 |
| <b>Share Price:</b>     | 52.5¢ps     | 31 October 2020 |

\* Lion Selection Group ASX Announcement 4 August 2020, Pani Update and Valuation Revision