

16 October 2023

Lion investment update

- **Lion invests \$3M in Saturn Metals**
- **Recent \$0.25M investment in Sunshine Metals**

Lion Selection Group Limited (ASX:LSX, **Lion**) is pleased to announce it has committed to invest \$3M in the fund raising announced by Saturn Metals (ASX:STN, **Saturn**). This will be Lion's largest deployment of funds into a new investment since exiting Indonesia and will make Lion a substantial shareholder in Saturn (11.45% after the placement (\$6M total) and 10.64% after a fully subscribed SPP (a further \$2M)).

Lion has also recently made a smaller investment of \$0.25M in Sunshine Metals (ASX:SHN, **Sunshine**), via the placement announced by Sunshine on 21 September 2023.

Junior Resources Market: falling – generating opportunities

Lion continuously monitors liquidity trends, as they shape the mining boom / bust cycle and liquidity is crucial to micro-capitalisation resources companies. Inflation and increasing interest rates introduced a period of uncertainty, resulting in volatility for equity markets and reduced liquidity to micro-capitalisation companies. This has been compounded for mining and exploration companies by weakening of many commodity prices aligned with the changing pattern of Chinese economic growth and commodity consumption.

There are clear themes where investor sentiment is still buoyant for certain commodities, but in general these factors have resulted in a very weak market for micro-capitalisation resources companies. Many companies with defined projects are experiencing funding stress, and whilst liquidity is absent from the sector this is expected to continue. Whilst it is highly uncertain how long these conditions will persist these circumstances have generated opportunities that meet Lion's criteria of risk versus price and contained value. So, while it might not be the bottom for this market, Lion is confident to be making investments at these levels.

Lion is assembling a portfolio of Australian focussed strategic materials, precious and base metals companies and sees the likelihood for adding further cornerstone investments to the portfolio at attractive pricing levels as excellent. With \$76.1M cash as at 30 September 2023, Lion is well funded to invest as opportunities present.

Robin Widdup, Lion Founder and Director said: *"Lion closely watches the mining cycle. We haven't updated the Lion clock time, but are certain that it is now after midnight, and we are seeing widespread examples of funding pressure which is generating attractively priced opportunities. Saturn and Sunshine both have established Resources and strong management teams with conviction in their projects, and they both fit the pattern of investments Lion likes to make".*



Saturn Metals

Saturn Metals has a large established gold Resource in Western Australia near Leonora, which is the product of numerous drilling campaigns that represent a substantial historic investment in the project over time. Recent metallurgical test work has shown that high recoveries of gold can be obtained by heap leach style processing, which led to the announcement of a preliminary economic assessment published by Saturn on 17 August 2023. Lion sees Saturn as an opportunity to be involved with the development of a gold asset that has the potential to be strategic in size.

Gold explorers and developers are experiencing some of the lowest market support and are amongst the most contrarian investment opportunities in the market at present. Nevertheless, there is a well-developed gold industry in Western Australia and Australian gold producers are experiencing strong producing margins, with a robust underlying expectation that new sources of gold production will be of strategic interest as existing projects' reserves dwindle.

Lion has committed to invest \$3M in a placement being conducted by Saturn at 12.5cps. Saturn has announced commitments of \$6M in the placement and will conduct a Shareholder Purchase Plan to raise up to a further \$2M at the same price.

Sunshine Metals

Sunshine holds a base metals dominated (zinc, copper, gold) Resource in North Queensland within a geological belt that contains numerous similar examples of mineralisation. As a result of investment by historic owners of the ground Sunshine benefits from defined Resources that are open in all directions, and established targets that are revealed in the data-rich ground position. There has been mining in the district for over a century and the project is well located with respect to critical infrastructure, which reduces the risk threshold for potential future project development.

Lion invested \$0.25M via the \$3M placement that was announced by Sunshine on 21 September 2023 priced at 1.4cps.