
First Swallow of Summer ?

The mining cycle, time for optimism

Hedley Widdup

Lion Selection Group ASX:LSX

BUILDING EMERGING MINERS

People • Projects • Opportunities

May 2015, Broken Hill

2014 Retrospective

- Worst is behind us
 - Catalysts
 - M&A
 - Exploration
 - Commodities
 - Return of risk money
 - China – still an important mining investor
 - Cycle – was 4 o'clock this time last year
-

Market for Miners



Pre 2008	2008-2011	2011-13	Mid 2013	Mid 2014
----------	-----------	---------	----------	----------

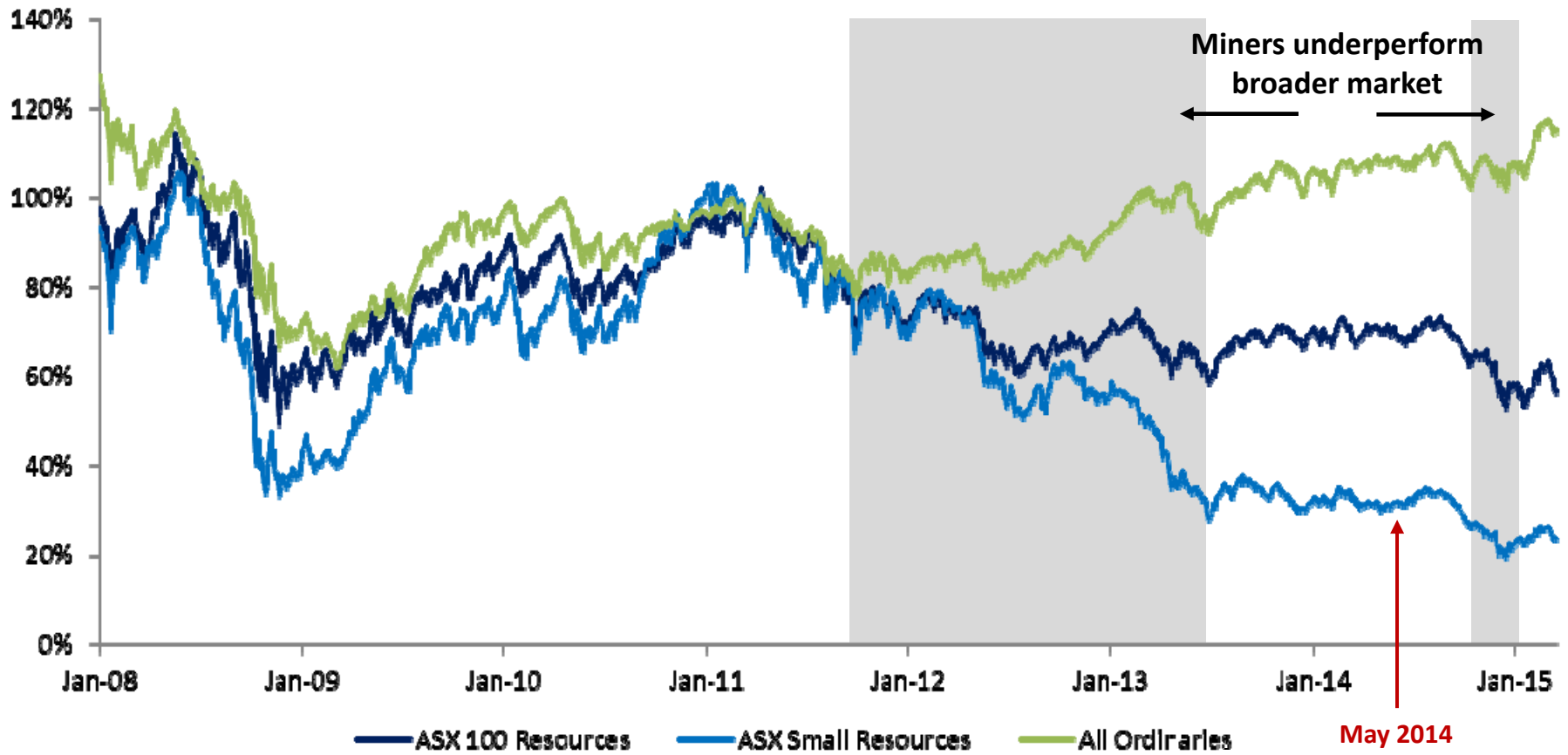
Miners (large and small) outperform market

First GFC collapse
Then market recovery
Miners move in line with market

Miners collapse, first alongside market, but then ~2 years of underperformance
Steady deterioration in liquidity

Turning point for sentiment - Miners begin to keep pace with market

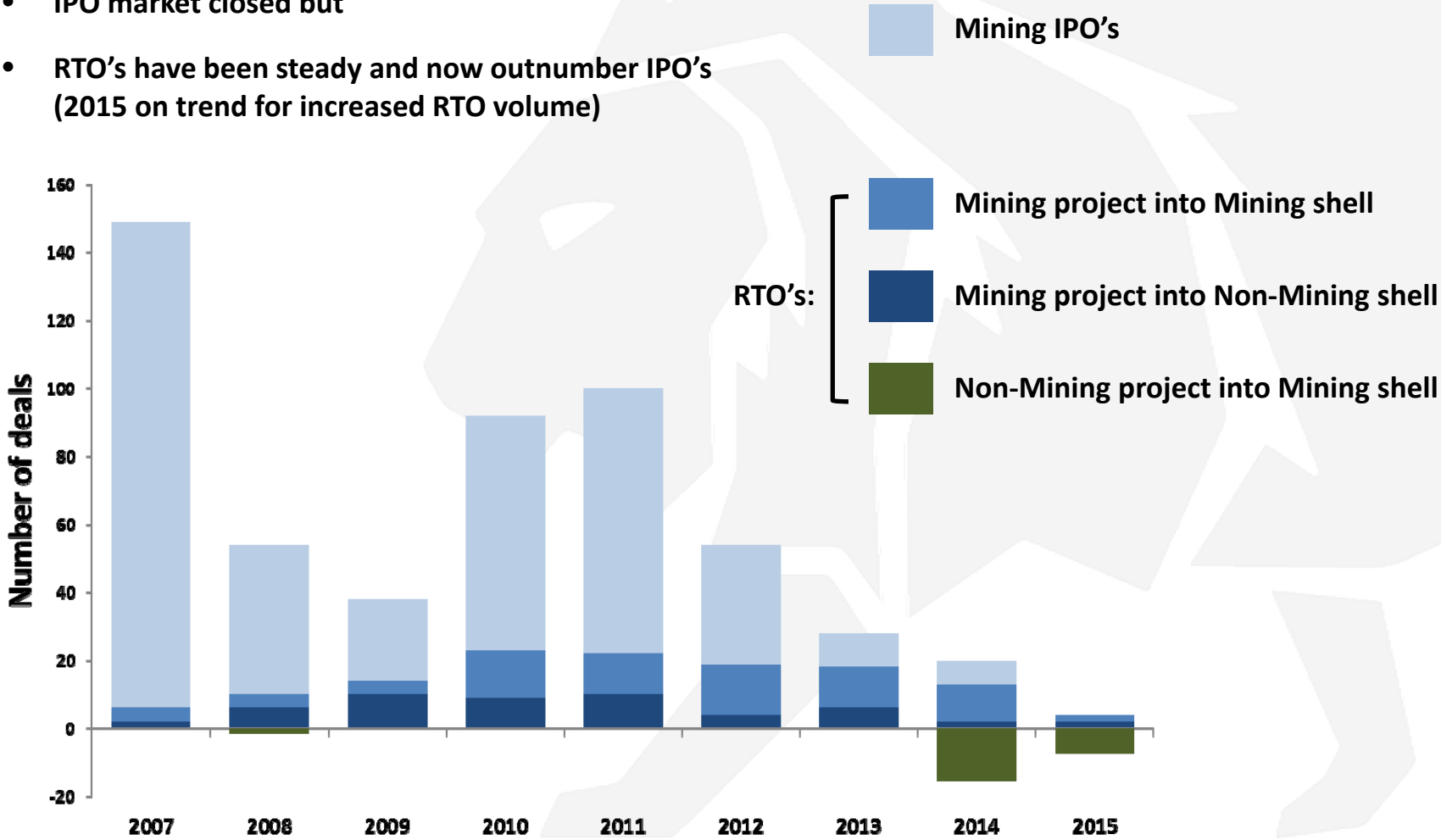
Iron ore collapse – another (brief) phase of miners underperformance



Liquidity: IPO's and RTO's



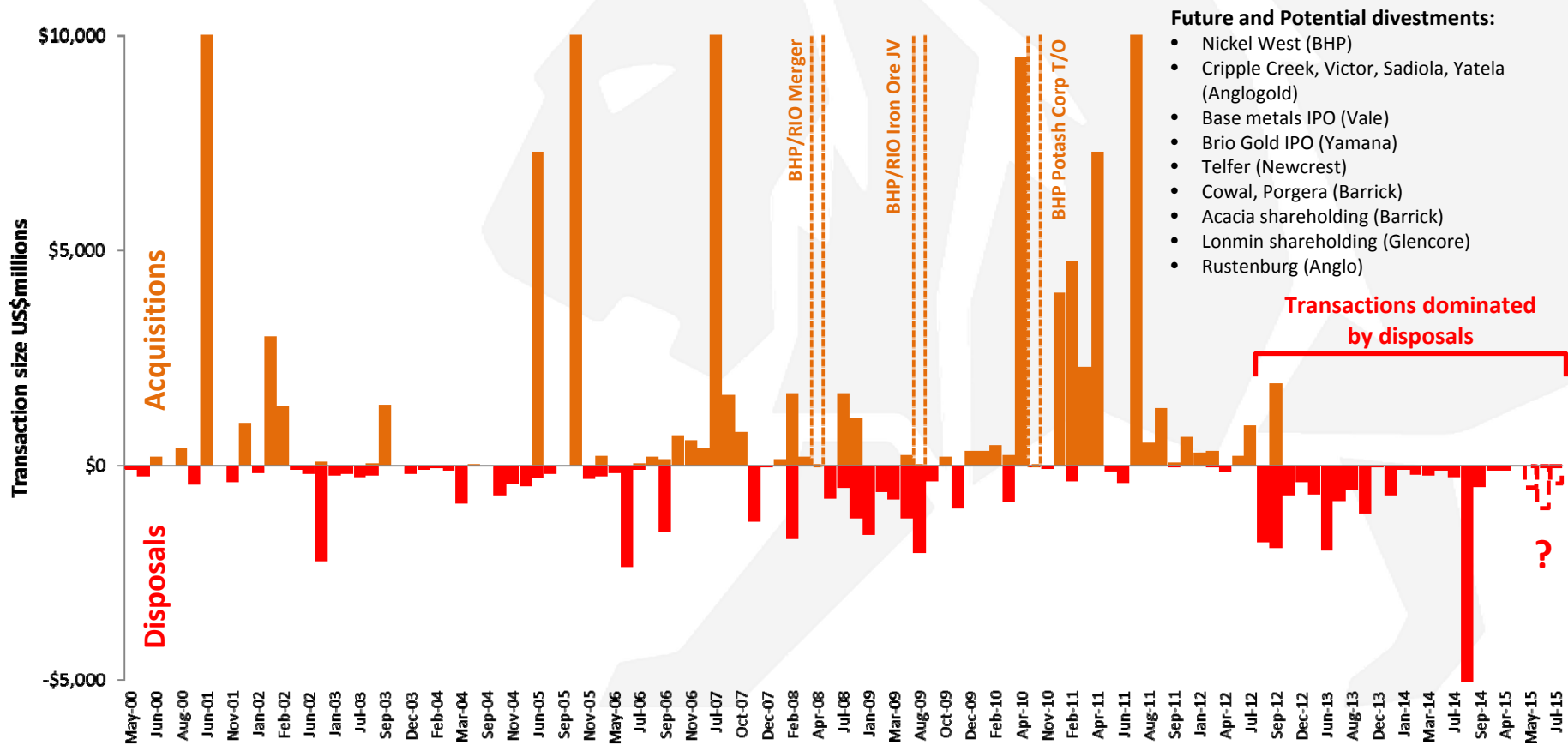
- IPO market closed but
- RTO's have been steady and now outnumber IPO's (2015 on trend for increased RTO volume)



Source: IRESS Data, ASX, Company reports

Mining M&A

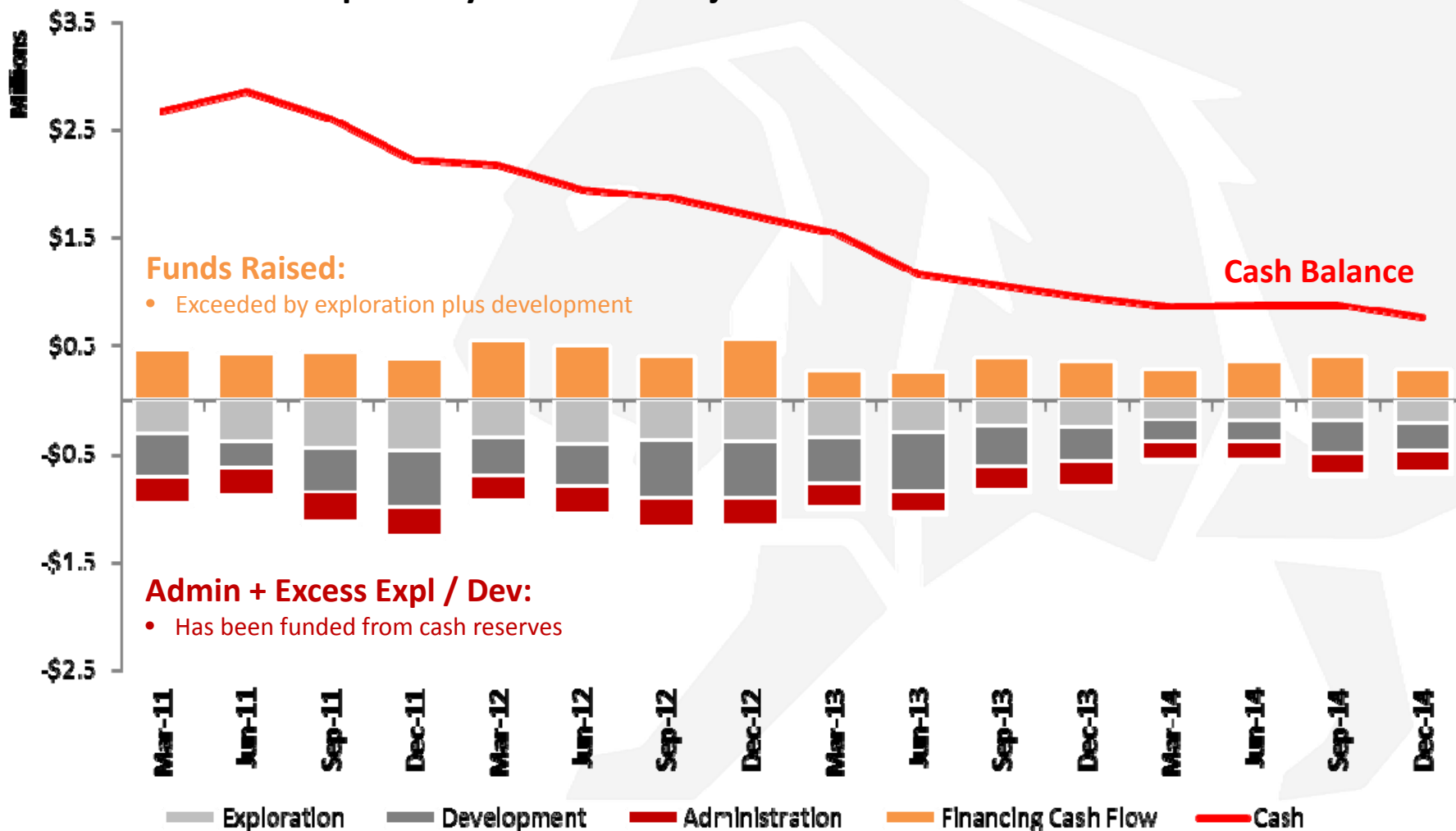
- Major miners have been sellers for more than 2 years – selling to pay down debt
- Buyers are Mid-tier



Selected major miners only (BHP, Rio Tinto, Barrick, Newmont, AngloGold, Newcrest). Horizontal axis not to scale. Source: Company reports, newswires

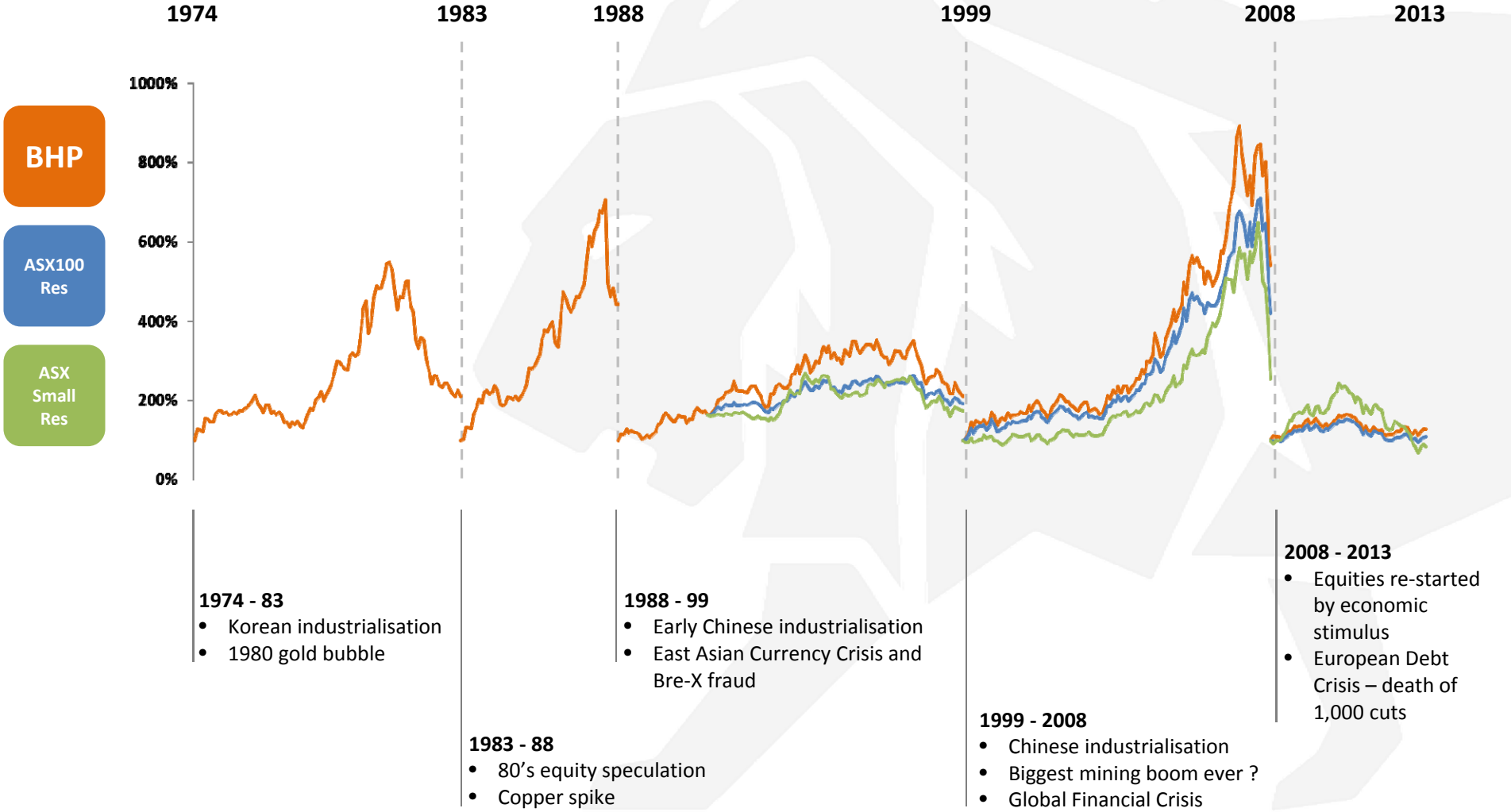
Financial condition of microcap miners

Median quarterly cash flows of junior resources sector 2011 – 2014

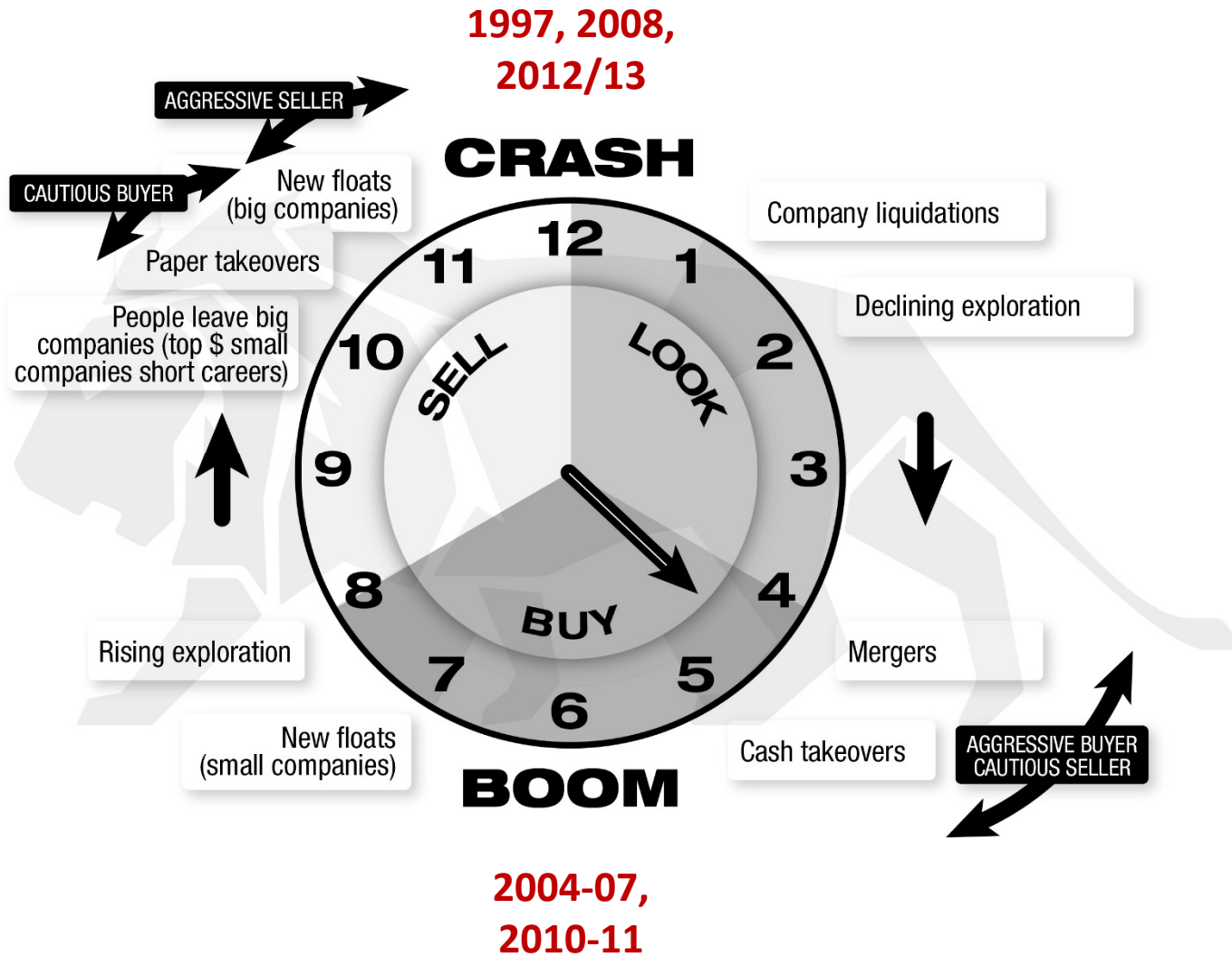


Source: IRESS data. All figures are MEDIAN of population, consisting of ASX listed Materials – Metals & Mining classified companies capitalised at less than \$100m at 30 Oct 2014 (producers, service companies and metals recyclers removed)

Mining Cycles



Source: IRESS Data



Catalysts

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



Lion Selection Group

LION SELECTION GROUP

ASX : LSX

BUILDING EMERGING MINERS

People • Projects • Opportunities

SPECIALIST LISTED INVESTMENT COMPANY

www.lionselection.com.au
