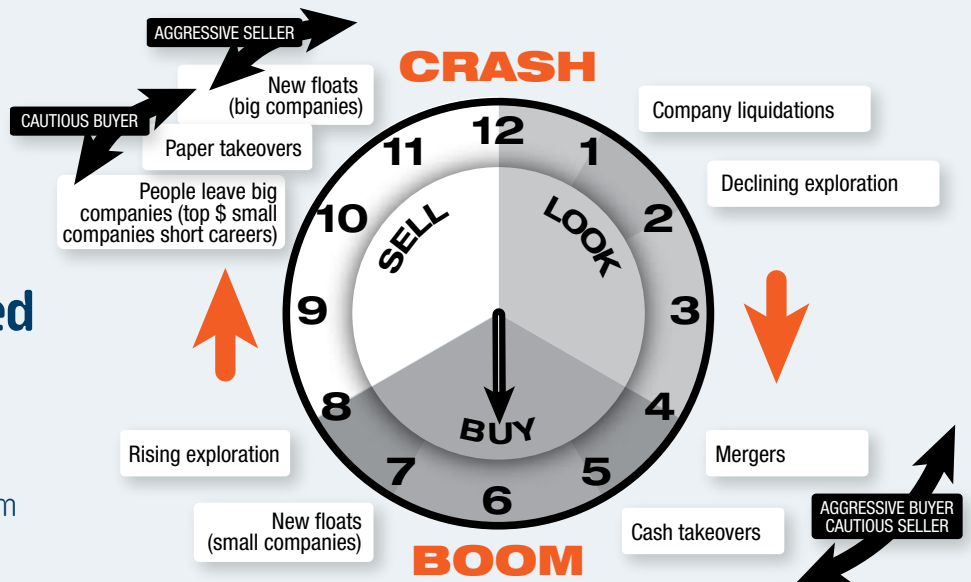


## The boom has started

May 2016. Edition 9

### Lion Clock moves to 6 o'clock – the boom has started

There is no need for charts and detailed discussion. The evidence is strikingly clear – sentiment has swung back to miners, and the boom phase of the cycle is underway.



#### After five years of downturn, we can see all the signs that an upturn is now underway

- Miners have outperformed industrials in the ASX 200 by 14% year-to-date, and this positive number includes a recovery from a 16% fall in miners from 1 to 20 January.
- Sentiment reversed to 'miners are cheap and rational' in early 2016.

#### IPO's restarting – the speculator is back

- There have been few Initial Public Offerings (IPO's) – yet.
- Legislation changes have made Reverse Takeover Transactions less attractive.

- A number of IPO's are now in preparation – including a company from within the Lion portfolio.
- Equity price performance is matched by increasing deal size and volume of capital raisings by junior miners – liquidity is improving on all measures.

#### Cash takeovers and transactions – the sector is cheap

- Miners raised money in the market and issued paper in exchange for assets or takeover targets through 2013/14.
- 2015 and 2016 – transactions are now trending towards balance sheet funded deals.

- Notable Private Equity and Chinese interest, who are all cash buyers.

#### Costs – slashed

- High costs that were a legacy of the iron ore and coal boom in the past have been slashed by the industry as a whole.

#### Gold is leading the way

- ASX gold companies have been the best performing sector on ASX in 2016 – up 68% year-to-date.
- Producer margins in gold are excellent due to metal price and industry leading cost improvements.
- Even better where producer currencies are weakening – eg Australia.