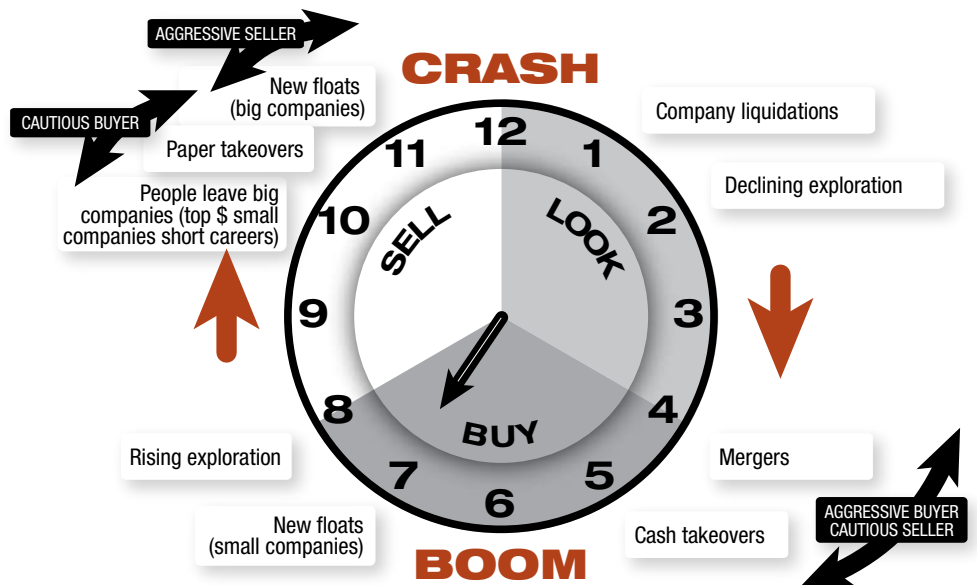


Mining: The liquidity tap is ON

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Lion Clock strikes 7 o'clock The liquidity tap is ON

In early 2016, sentiment swung back to miners, led strongly by gold miners. Along with equity price increases, there has been a commensurate opening of the fund raising market both for listed companies and more recently for companies hoping to list. The opening of the IPO market for miners is a crucial indicator of investor sentiment – therefore it is now 7 o'clock.



Equities performance – spectacular in gold, robust elsewhere

The table below shows 2016 year to date performance for key mining equity indices on ASX, the standout being gold equities. Gold miners have

increased their market value for good reason – as a sector, operating margins have reached multi-cycle highs. Positive sentiment generated by gold miners is rubbing off on other sectors of mining, as is clearly evidenced by investors seeking riskier exposures such as smaller companies.

	ASX Gold Index	ASX 100 Resources	ASX Small Resources
2016 YTD	105%	22%	66%
2015	29%	-30%	-16%

Given the strong share price performances of gold miners, and otherwise positive share price performance across the sector, but critically the opening of the mining IPO market, the Lion Clock has now moved to 7 o'clock.

Liquidity is back

Equity prices have been driven by investors buying back into the sector, however this is not the only money flowing in. Miners are able to raise equity funds in large parcels again, and whilst we have seen instances of this in the last five years, until recently large fund raisings have corresponded exclusively with financing the purchase of operating assets. Recent examples of equity raisings by listed miners clearly demonstrate it is possible to finance exploration, project studies or to bolster less specific working capital.

Mining IPO market has opened

The clearest indicator of recovering liquidity is IPO volume, because IPOs just won't work in a weak market.

- In 2016, there have been three new mining listings year to date (excluding reverse takeovers).
- This is equal to the number in 2015, although one of the listings in 2015

was MMG, which only sought listing and did not raise any money.

- Critically, IPO deal flow is now ramping up swiftly.
- The ASX website lists three mining IPO's that are in preparation, which means these companies have lodged documents and paid their initial listing fees. In addition, at least two ASX listed companies have announced their intention to seek an IPO as a spin out of non-core assets, and Lion is aware of at least six others that are yet to lodge documents but all expect to list during 2016. A total of 6-12 new mining listings in 2016 would be a significant increase on 2015.

First day trading performance of IPO's that occurred in 2016 have also been more positive than those in 2015, indicating investor appetite has generally exceeded that available through the IPO raising. Observations of investor interest in the most recent IPO raisings strongly support this trend.

Miners are 'growth' stocks again

Against an otherwise flat market. Mining equities (especially gold), have captured the attention of investors seeking growth.

There are indications that equity prices have so far been driven predominantly by institutional interest, with funds fearful of being caught out 'underweight' and therefore underperforming their peers. Several sources indicate that retail investors are largely yet to commit to the sector, so there is a portion of the market yet to really become active.

Given the strong share price performances of gold miners, and otherwise positive share price performance across the sector, but critically the opening of the mining IPO market, the Lion Clock has now moved to 7 o'clock.

2015		2016	
Company (listing month)	First day closing price, % premium or discount to raising price	Company (listing month)	First day closing price, % premium or discount to raising price
GRA (Dec 2015)	40%	SMG (Mar 16)	-10%
MMG (Dec 2015)	No fund raising, and did not trade until March 2016	GPX (Jun 16)	82.5%
ARS (Dec 2015)	-37.5%	LPI (Jun 16)	37.5%

3 further IPO's flagged on ASX website, at least 6 others known to be in preparation