JUNIOR RESOURCES

Unwanted & Ignored ? OR about to go GREEN ?
Miners – best performers in market

Index Returns: Jan 2016 – Jun 2019

- **Gold**: 2.7x
- **ASX100 Resources**: 2.1x
- **Small Resources**: 1.9x
- **ASX100 Industrials**: 1.1x
- **Small Industrials**: 1.2x
- **Non-Index Resource Juniors**: 0.8x
- 100%: Break Even
Two-speed mining equity market

ASX100 Resources and ASX Small Resources

- 41 companies, 36 +ve
- Steady collective outperformance since 2016

Non-Index Juniors

- 572 companies
- Only 104 +ve
- Major deterioration since Jan 2018
“Haves”  VS  “Have-nots”

**Production**
- The bigger the better
- Very strong recovery in large cap miners since 2016

**Development**
- By exception only

**Exploration**
- Only small quantum

**Business Model**
- Operating [multiple] mines
- Explore to *extend* life
- Exploring / developing to *attempt to create value*
- Funding by stock market (continual need to raise funds)
“Haves” VS “Have-nots”

Production
- The bigger the better
- Very strong recovery in large cap miners since 2016

Development
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Exploration
- Only small quantum

Institutional

Retail
Risk Money – Distractions

Tech
Massive Venture Capital Inflows /
Huge investment into unlisted tech

Pot
Regulatory platform in N America /
Equity market infatuation
Then VS Now... Peak (Junior) Despondency?

1998-2008
- Large caps recovered immediately
- Junior miners recovery was after tech bubble

2016-2019
(Present boom so far)
- Large caps recovered immediately
- Distractions to the junior space still exist

Distraction:
- Dot.com bubble
- Tech unicorns and medicinal marijuana

Graph showing the performance of ASX100 Resources and ASX Small Resources with notable distractions.
Equity market *loves* a commodity break out

June: Gold spiked...

...As rates (and outlook) turn *more negative*

Periods of very low to negative real rates

**Producer Hedging / De-hedging**

Periods of Global Central Bank Net *Selling*
Gold price + equity market performance = ........

- Rare premium valuation over peers
- Strong cash flows after best operational discipline

ASX listed Gold Miners
3.5x

- Performance not sustained
- Yet to execute same operational (cost) discipline

RoW listed Gold Miners
1.9x

... M&A ambitions?
Lion Selection Group

AND – Growth oriented thinking re-emerging

Top 10 Gold Producers¹ – Asset Sales & Purchases

- 2018: Barrick for Randgold
  - US$6.5 Billion

- 2019: Newmont for Goldcorp
  - US$10 Billion

- 2019: Newcrest Red Chris (70%)
  - US$0.8 Billion

- 2019: Formation of Barrick / Newmont Nevada JV
  - (4Mozpa production)

¹ Based on 2017 gold production
Source: company press releases
PolarX secures A$4.3m investment from Lundin Mining to acquire an earn-in option on Alaskan Cu-Au porphyry projects

Lundin Mining’s A$4.3M subscription for 14.3% of PolarX secures an exclusive option to earn a 51% interest in PolarX’s Stellar Project by staged spending of US$24M on exploration and staged payments to PolarX of US$20M.

Key Points:
- PolarX Limited and Lundin Mining Corporation (Lundin Mining) have agreed terms for a
- A$4.3M investment
- An earn-in option to earn a 51% interest in PolarX’s Stellar Project
- Staged spending of US$24M on exploration
- Staged payments to PolarX of US$20M
- The earn-in milestone was achieved 14 months earlier than required under the agreement.
Risk Appetite – Care Factor

- Declined to almost nothing 2011 – 2015
- Revival: 2016 / 2017 (NO – momentary)
- 2019: New low – risk investors distracted
- Majors are exploring and investing
- Majors & Mid tiers are BUYING
- GREEN signal… approaching recovery?

SOURCE: Totally made up
✓ Exploration activity increasing
✓ Growth oriented thinking has re-emerged
✓ Large acquisitions (gold)

× Canadian market holding back global sentiment – distracted by cannabis
• Listed Mining Investment Fund
• Target: Micro cap miners / Project developers
• Long term track record: 7.5% pa over 22 years
• Pani: World Class Gold Project for development in Indonesia

ASX : LSX

LION SELECTION GROUP

Listed Mining Investment Company • Managed Portfolio exposure to Highest Growth Miners • Celebrating 22 Years of Performance