



## Pani valuation gives Lion's NTA 29% uplift

### Net Tangible Asset Backing

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 July 2020 is 66.5 cents per share (after tax), an increase of 29% compared with June 2020. Primary contributors to the substantial jump in the NTA have been:

- Pani revaluation to A\$60.7m, net effect + 13.6¢ps;
- Erdene market re-rating, net effect +2.3¢ps;
- Cash invested (Pani JV, Nusantara & Erdene Resources) during the month, net effect -1.7¢ps.

	Commodity	June 2020 A\$M	July 2020 A\$M    ¢ps	
<b>Pani Joint Venture</b>	Gold	40.3	<b>60.7</b>	<b>40.5</b>
<ul style="list-style-type: none"> <li>▪ The fair value of Lion's interest in the Pani Joint Venture increased to A\$60.7M at 31 July 2020. This increase reflects the sustained escalation in gold prices since November 2018, being the most recent arms-length transaction when Merdeka acquired its project interest in the Pani Joint Venture. (See next page for more details.)</li> </ul>				
<b>Portfolio</b>				
Nusantara Resources	Gold	15.7	<b>16.8</b>	<b>11.2</b>
Erdene Resources	Gold	4.3	<b>7.8</b>	<b>5.2</b>
Sihayo Gold	Gold	2.2	<b>2.1</b>	<b>1.4</b>
Celamin Holdings	Phosphate	1.0	<b>1.1</b>	<b>0.7</b>
Other		0.4	<b>0.5</b>	<b>0.3</b>
<ul style="list-style-type: none"> <li>▪ Portfolio holdings measured at fair value</li> <li>▪ Includes investments held directly by Lion and the value to Lion of investments held by African Lion.</li> </ul>				
<b>Net Cash</b>		13.3	<b>10.8</b>	<b>7.2</b>
<b>Net Tangible Assets</b>		A\$77.2m	<b>A\$99.8m</b>	<b>66.5¢ps</b>

### Capital Structure

<b>Shares on Issue:</b>	150,141,271
<b>Share Price:</b>	46.0¢ps    31 July 2020

## Pani Valuation

As announced on 4 August 2020<sup>1</sup> the fair value of Lion's interest in the Pani Joint Venture increased from A\$40.7M to A\$60.7M at 31 July 2020. This increase reflects the sustained escalation in gold prices since November 2018, being the most recent arms-length transaction when Merdeka acquired its project interest in the Pani Joint Venture. This increase is most notable since mid-March 2020 with spot gold prices strengthening ~US\$500/ oz, and the share prices of most peer companies selected increasing by more than 100%. This valuation assesses the sustained increase in the gold price on the Pani Joint Venture, without considering the leverage effect from improved margins for the Pani Joint Venture.

Further material upside is expected for the Pani gold project once the conditional J Resources transaction announced on 9 December 2019<sup>2</sup> completes, combining the two Pani tenements into one ownership group. This upside has not been considered in the fair value as it remains subject to regulatory approvals and approval from J Resources' secured lenders. Until completed, there is an ongoing risk that the conditions precedent are not met and the deal is unable to be completed. The parties continue to work towards deal completion prior to deal expiry in November 2020 (unless extended by the parties), and the parties expect conditions precedent to be satisfied in the second half of 2020 after which the joint venture will commence.

In addition to revaluation reflecting the combination of ground positions, the combined project value could also improve to the extent that step out drilling on the Pani IUP between the two Resources confirms continuity, and eventually may become better informed by project economic studies which are expected to follow drilling campaigns. Preliminary results from this step-out drilling appear broadly consistent with mineralisation on either side. Assays are awaited from the drilling, and further drilling has been paused pending deal completion.

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<sup>1</sup> [http://www.lionselection.com.au/wp-content/uploads/2020/08/Lion Announcement PANI%20UPDATE%20&%20VALUATION%20REVISION final.pdf](http://www.lionselection.com.au/wp-content/uploads/2020/08/Lion%20Announcement%20PANI%20UPDATE%20&%20VALUATION%20REVISION%20final.pdf)

<sup>2</sup> [http://www.lionselection.com.au/wp-content/uploads/2019/12/LSX Pani%20Gold%20Projects%20Combined%20091219.pdf](http://www.lionselection.com.au/wp-content/uploads/2019/12/LSX%20Pani%20Gold%20Projects%20Combined%20091219.pdf)