



## Pani Valuation and Update

- **Pani valuation retained at A\$61.6M.**
- **Preliminary results from step-out drilling between the Pani IUP 2.37Moz<sup>1</sup> Resource and Pani Contract of Work 2.30Moz<sup>2</sup> Resource suggest that Pani is a single body of gold mineralisation**
- **Arbitration action initiated with J Resources**

### Pani Valuation

Lion directors advise that the fair value of Lion's interest in the Pani Joint Venture has been retained at A\$61.6M at 31 January 2021. The valuation was previously increased from A\$40.7M to A\$60.7M at 31 July 2020, with further investment of A\$0.9M during the half-year.

Lion's accounting policy for determining the fair value of unlisted investments aims to maximise the use of observable market data where it is available and rely as little as possible on unobservable inputs. The determination of fair value at each measurement date takes into account developments in relation to progress of activities for Pani, commodity price movements, other comparable recent transactions along with further investment in the project.

As at 31 January 2021 Lion directors have assessed that there is no indication of a substantial change in fair value based on movements in market conditions and project milestones, noting the following:

- Since July 2020, the outlook for long-term gold prices consolidated, with spot gold generally trading between US\$1,800/oz and US\$2,000/oz. In the same period, the US dollar has weakened from \$0.71 to \$0.76 relative to the Australian dollar.
- Multiples for comparable listed companies have generally increased modestly during the half year.
- Drilling on the Pani IUP between the two Resources has suggested continuity and some higher-grade intercepts, improving the potential value for the combined project.
- Further material upside is expected for the Pani gold project if the J Resources transaction announced to the ASX on 9 December 2019 completes. This upside has not been considered in the fair value for the assessment made at 31 January 2021 as the deal has not yet been completed, and is now the subject of arbitration. There is an ongoing risk that the conditions precedent are not met and the deal is unable to be completed.

## Pani Valuation continued

The current valuation for Pani is based on trading multiples for junior companies with comparable assets at similar stage of advancement. This methodology implicitly contains a discount for the various risks that exist for single asset pre-production companies. De-risking by way of detailed technical and economic assessment and funding is typically accompanied by a change in valuation multiple, as is evident in the difference in trading multiples between development and production stage gold companies.

The key de-risking objectives for Pani would include:

1. Completion of the JV deal;
2. Further drilling;
3. Feasibility studies.

## Pani Drilling Update

As reported previously, the Pani Joint Venture has been drilling a 10,500 metre drill program on the Pani IUP in the area between the Pani IUP Resource and Pani Contract of Work Resource held by J Resources.

Preliminary assays have now been received for 17 holes for a total of 4,544 metres completed in August 2020. All holes have intersected, and most ended in mineralisation, but hole length was limited by the capacity of the man portable drill rigs used. This drilling has suggested the continuous presence of gold mineralisation between the two separate established resources located on the Pani IUP and surrounding Contract of Work and some higher-grade intercepts. Based on all the combined drilling between the IUP and CoW, Pani mineralisation may now span approximately 1.5km (east-west) x 0.8km (north-south).

Mineralisation in the 'link' zone (previously described as the 'gap' zone) is likely to have a consequence for strip ratio and geometry of mining shapes for the combined Pani project (although there is no guarantee that the combined project will eventuate, given that the transaction is subject to arbitration and outstanding conditions precedent). In addition, the new information from the link zone is expected to have an important bearing for the geological interpretation of Pani. Observations and preliminary results from the link zone suggest that the region is strongly mineralised including higher grade intercepts. An extensive drill campaign is being planned to in-fill the link zone and test the depth and boundaries of the deposit if the J Resources deal closes.

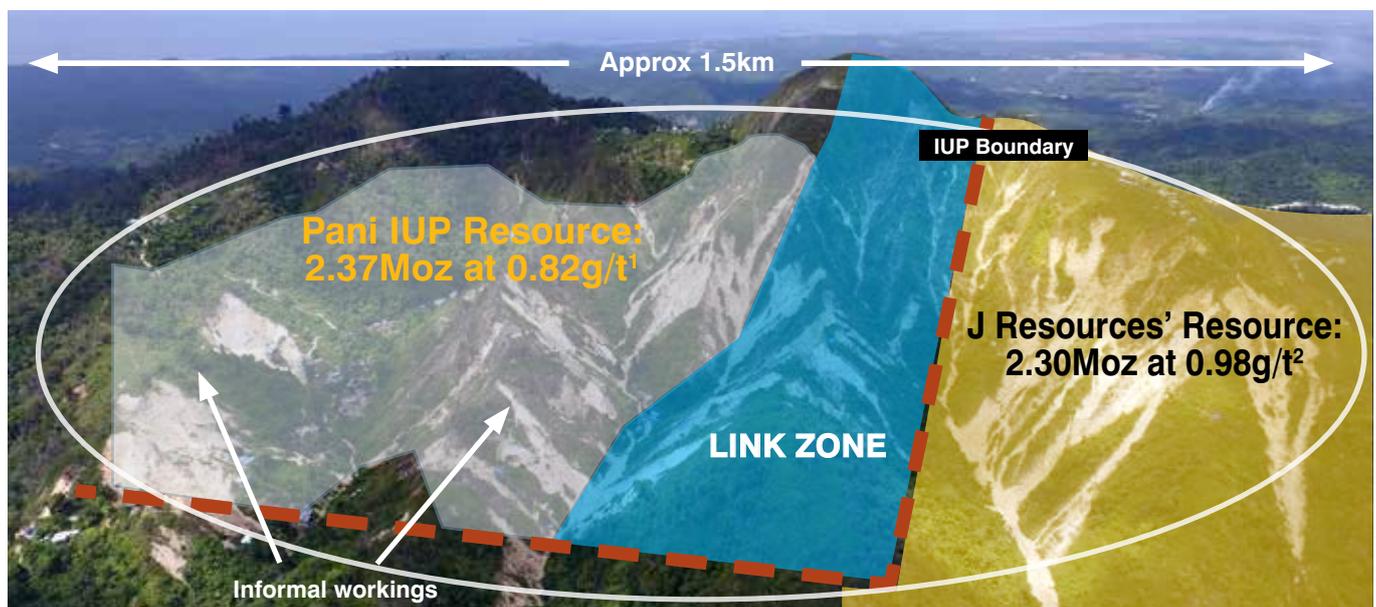


Figure 1. Pani view looking south showing informal workings

Figure 2. Pani plan view showing collars and drill traces  
note multiple holes from each collar

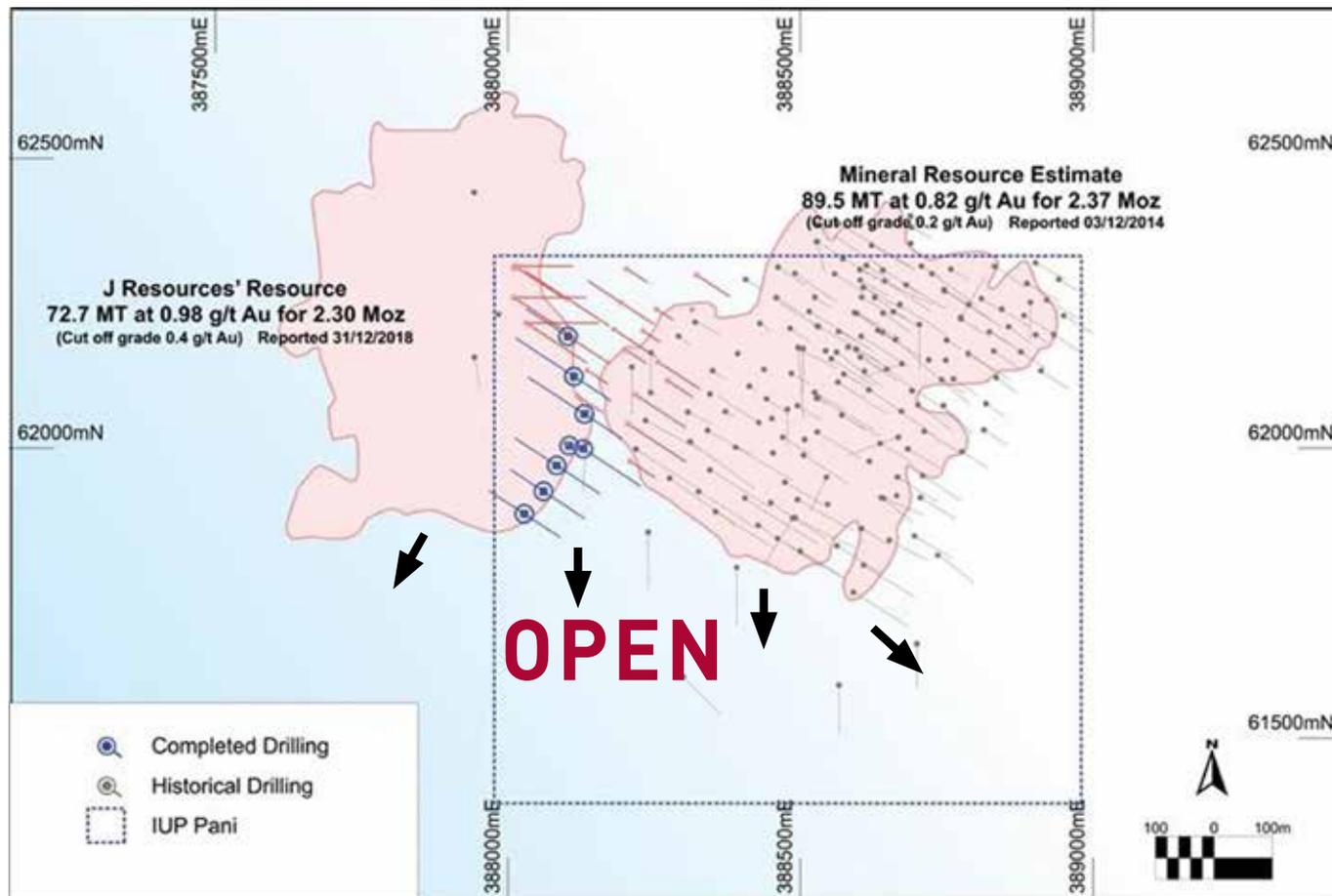
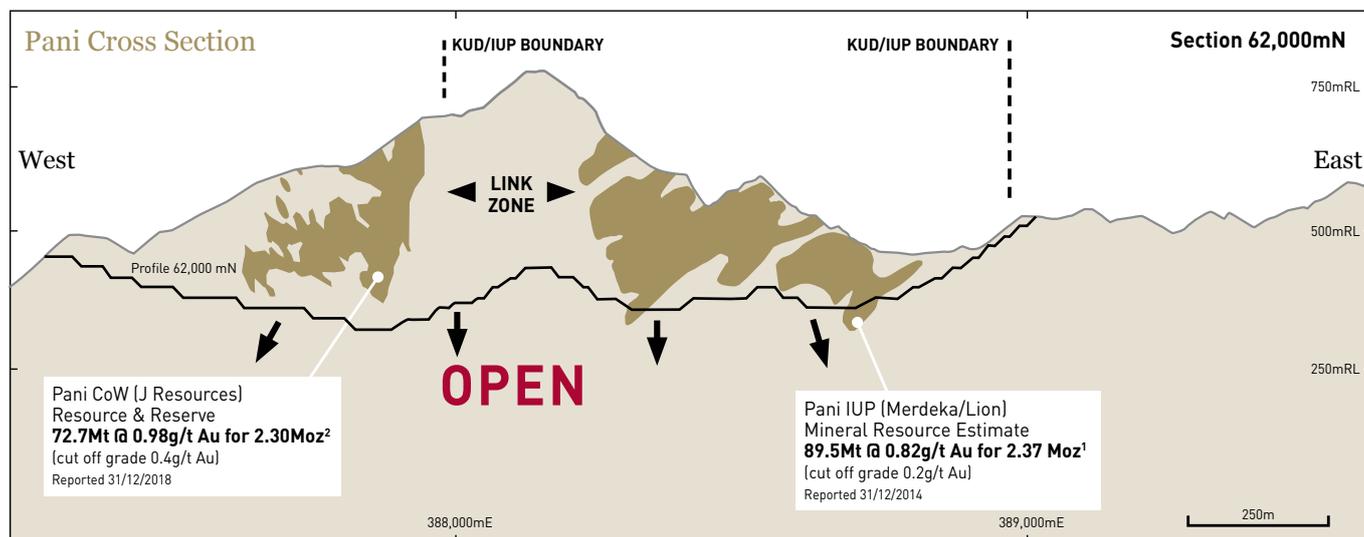


Figure 3. Pani cross section looking north



The Pani Joint Venture has temporarily paused its drilling program given the J Resources agreement to combine the two Pani tenements into one ownership group remains incomplete. This agreement remains subject to the ongoing arbitration and subject to regulatory approvals and approval from J Resources' secured lenders that are yet to be received. It is anticipated that final assay results of holes that have been drilled will become available after the recommencement of drilling.

If completed, the combination of the two tenements and Pani drilling results are anticipated to materially improve the valuation of Lion's investment in the Pani Joint Venture.

## Arbitration

The Pani Joint Venture (Lion 33%, Merdeka Copper Gold 67%) recently initiated arbitration action against J Resources in relation to a claim of non-compliance with the terms of the November 2019 J Resources agreement to combine the two Pani tenements into one ownership group. This agreement remains incomplete due to the lack of regulatory approvals and approval from J Resources' secured lenders. The Pani Joint Venture is seeking compensation in the range of US\$500 – US\$600 million or specific performance to complete the transaction.

Neither party has terminated the J Resources Agreement, and Lion remain hopeful that the parties involved can avoid a drawn out arbitration process and close the deal as originally intended.

Further detail of the Singapore International Arbitration Center action is attached to Lion's announcement of 4 February 2021.

## Pani Mineral Resource Estimates

| Pani IUP (Lion 33.3%/Merdeka 66.7%)<br>0.2g/t cut off <sup>1</sup> |              |                |                      | Contract of Work (J Resources 100%)<br>0.4g/t cut off <sup>2</sup> |             |                |                      |
|--|--------------|----------------|----------------------|--|-------------|----------------|----------------------|
| Category   | Tonnage (Mt) | Grade (g/t Au) | Contained Gold (Moz) | Category   | Tonne (Mt)  | Grade (g/t Au) | Contained Gold (Moz) |
| Measured   | 10.8         | 1.13           | 0.39                 | Measured   | 15.5        | 1.03           | 0.51                 |
| Indicated  | 62.4         | 0.81           | 1.63                 | Indicated  | 41.3        | 0.98           | 1.31                 |
| Inferred   | 16.2         | 0.67           | 0.35                 | Inferred   | 15.9        | 0.93           | 0.48                 |
| <b>Total</b>   | <b>89.5</b>  | <b>0.82</b>    | <b>2.37</b>          | <b>Total</b>   | <b>72.7</b> | <b>0.98</b>    | <b>2.30</b>          |

### Notes

1. Refer to One Asia Resources Limited news release 3 December 2014, (<https://www.lionselection.com.au/wp-content/uploads/2018/08/PANI%20JORC%20RESOURCE.pdf>).
2. Refer to J Resources 31 December 2018 Annual Report, (<http://www.jresources.com/investors/article/final-resources-reserves-compilation-2017-to-2018>)

## Competent Person Sign Off – Exploration Results

The information in this report which relates to Exploration Activities and Exploration Results is based on, and fairly represents, information and supporting documentation compiled by Mr Zach Casley, BSc (Hons). Mr Casley is a full-time employee of PT Merdeka Copper Gold Tbk, he does not hold any shares in Lion Selection Group Limited either directly or indirectly.

Mr Casley is a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy (ID: 112745), and a Member of the Australian Institute of Geoscientists (ID: 1451). Mr Casley is also listed as a CPI IAGI (#CPI-200), a Member of the Indonesian Geologists Association (ID: 7083B) and a Member of a Masyarakat Geologi Ekonomi Indonesia (ID: B-1173).

Mr Casley has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2017 Kode KCMI for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, and the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*.

Mr Casley consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

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This announcement has been approved by the  
Board of the Lion Selection Group Limited

Authorised for release by:  
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