

# Quarterly Report for the 3 months ended 31 July 2024

## ASX:LSX

As at 31 July 2024 Lion held \$56.6M of cash and \$31.8M of equity investments with a combined aggregate value of \$88.0M (62.3cps after tax), against a market capitalisation of \$67.0M (47.5cps).

Lion is making strategic investments in selected micro-capitalisation resources companies with strong growth outlook, getting set to capture the benefits of project de-risking, a cyclical recovery and return of investor risk appetite to the sector. These are the most downtrodden group of companies in the market at present, but in boom times stocks in this space are capable of high multiples returns.

### Quarter Highlights:

- Committed to investment deployment of \$14.1M across five deals, including two new investments.
- Cornerstone positions in two multi-million-ounce gold companies located in the heart of WA's gold fields.
- Added Rare Earth Element exposure: large footprint / high grade play.
- Increased exposure to tightly held unlisted copper-gold company exploring one of the largest untested hydrothermal systems in Australia.
- Hedley Widdup appointed CEO/Craig Smyth CFO.
- Lion continues to make strong interest returns on cash and finished the quarter with \$56.6M cash.

Hedley Widdup, Lion's recently appointed CEO said:

*"This has been a huge quarter for the Lion team. A couple of investments have been in the pipeline for a while, and we've followed our money on three other companies. The Lion portfolio now has a spread of early stage right through to producers, offering significant discovery, development and derisking value uplift potential. Liquidity in the market continues to struggle and Lion is strongly funded so can capitalise on the value on offer, confident of a cyclical recovery."*

## SAVE THE DATE

### Lion Selection Group AGM

28 November 2024 ■ 3.30PM ■ Melbourne

see page 19 for details

ASX : LSX  
Share price

**47.5cps**

as at 31 July 2024

NTA

Pre-Tax **62.6cps**  
Post-Tax **62.3cps**

as at 31 July 2024

# Preparation Meets Opportunity

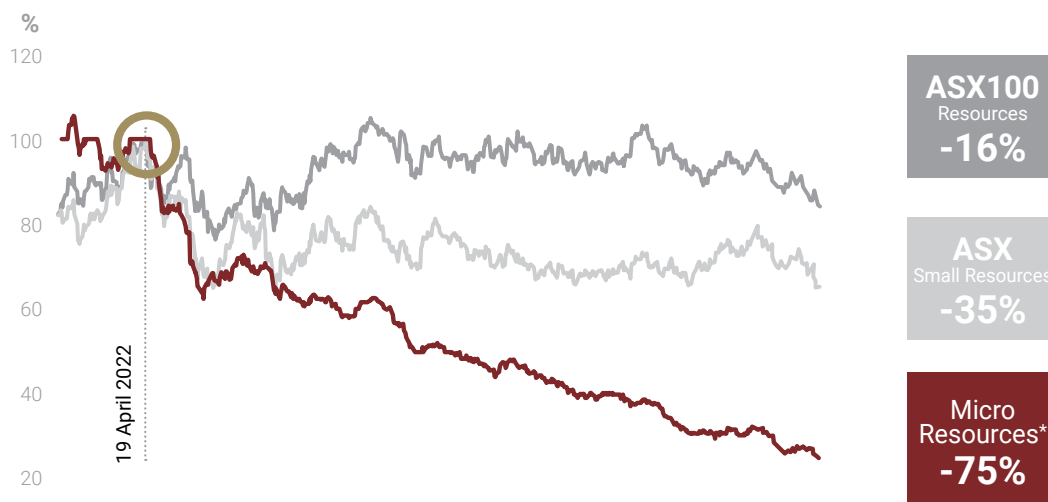
Well funded Lion is capitalising on carefully selected micro-capitalisation mineral resources stocks in a cyclically depressed market

# 1.

## Opportunity: Once-in-a-cycle discounts

Lion targets micro-capitalisation investment opportunities in the mineral resources sector. The trend of share price performance for this investment universe isn't measured by indices, because there isn't one, but a median of share price performance of this group shows a fall of 75% since early 2022. Lion is well funded to invest, and the purchasing power of Lion's cash has increased four-fold since early 2022 following such a strong collapse in share prices of micro-capitalisation resources companies.

Gold explorers and developers, which have been a focal point of Lion's investment to date, have been especially hard hit – despite the record gold price environment.



**Mining equity indices (ASX100 Resources and ASX Small Resources), January 2022 – Present, rebased to 19 April 2022.**

\* The proxy for price of Micro-capitalisation Resources companies is the Median Performance of a group of 608 ASX listed companies with GICS classification Metals & Mining, that were capitalised at less than A\$100M on 1 December 2023

Source: IRESS, Lion

# 2.

## Strong medium to long term sector outlook

- The mining industry is collectively extremely under-invested in future supply, new projects are needed to catch up and major miners are buying them, rather than finding or developing.
- Amplified by new demand from the energy transition.
- A small-cap recovery is broadly expected as risk-taking investment appetite returns.
- Chinese investors have replaced western ETFs as the marginal buyer of gold: a new, large source of demand.

# 3.

## What Lion is doing – taking advantage of the opportunity

Lion is positioning itself for the next mining and commodity boom, by building a portfolio of precious metal, base metal and strategic material investments whilst the market is weak. The combination of well-situated projects and highly credentialed teams provide the best leverage to the next boom phase of the cycle. Micro-capitalisation resources is one of the highest growth sectors where multiples can be realised through project derisking and cyclical uplift.

4.

**Deal flow**

To invest in this space, it is hard to know that you are making investments in the best opportunities unless you are seeing a really broad cross section of them. Lion does – this is not only the listed micro- and small-cap resources companies, but a large number of unlisted companies which are typically not visible to most investors.

5.

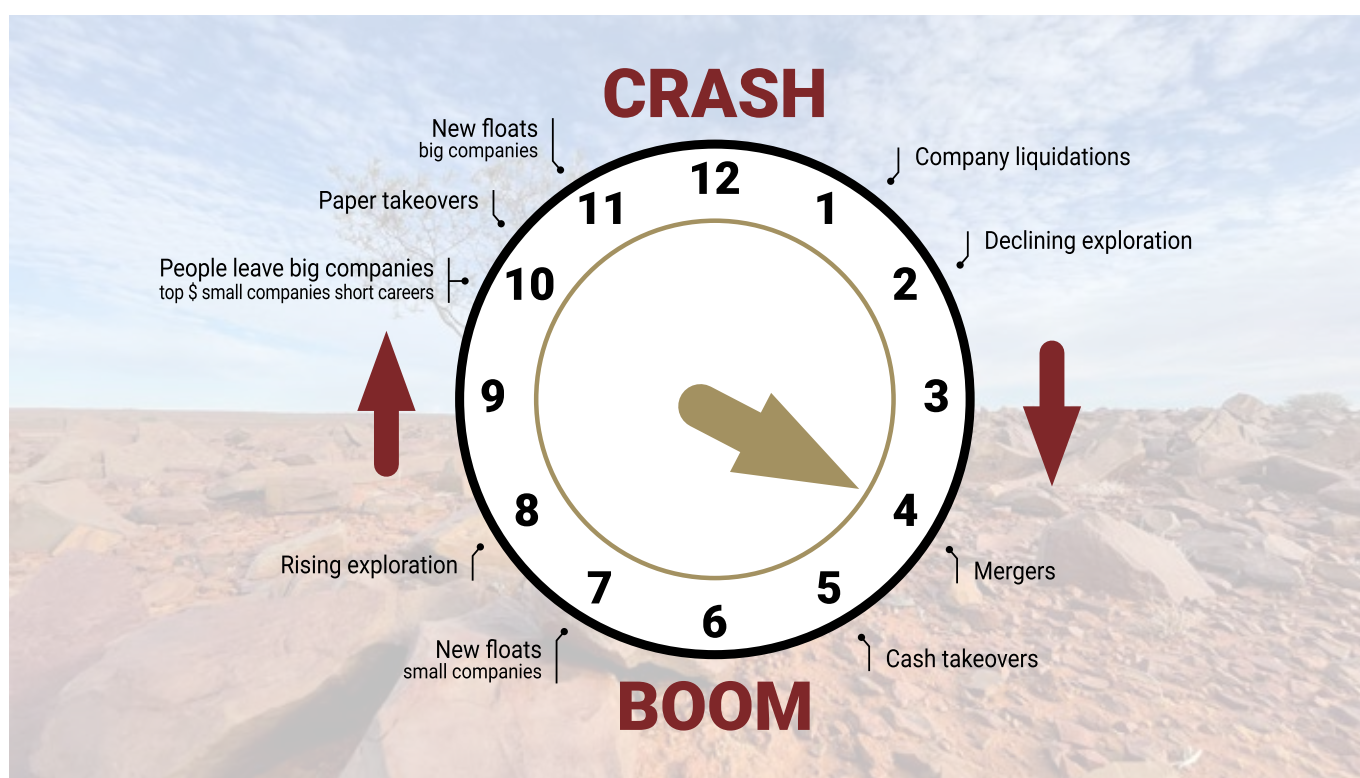
**Delivering investments into the Portfolio: Investment Strategy**

Lion maintains live reviews on a dynamic watchlist of companies which are selected from the huge number of listed and unlisted mineral resource companies that we have reviewed and met. The watchlist, and ultimately the investment portfolio, result from multi-factor filtering and then due diligence which assess value and risk. Lion targets high value outcomes (multiples) that are accompanied by manageable (and avoiding unnecessary) risks.

6.

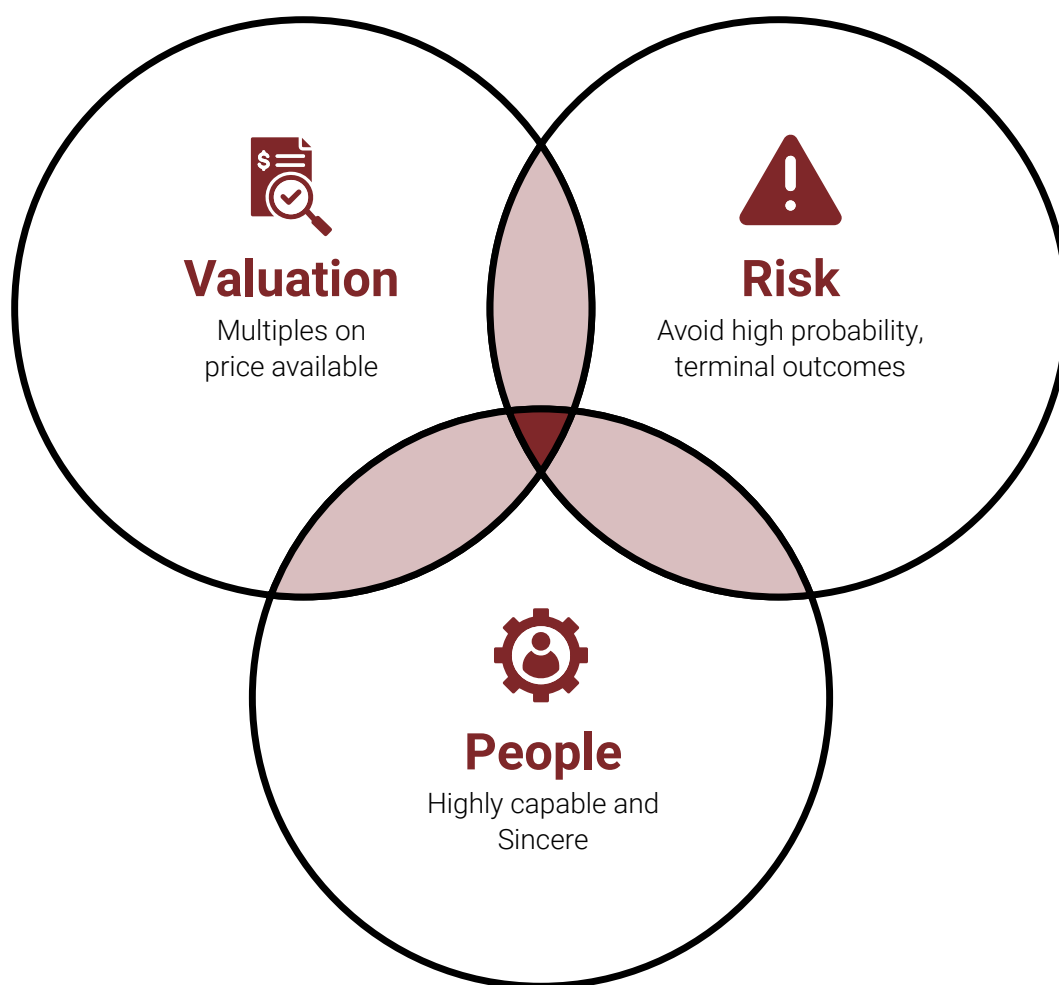
**This makes Lion an ideal exposure to high growth potential resources**

Lion aims to make 10-20 investments to structure its portfolio, which is a very small subset of the large opportunity universe. Most investors are unable to access as much of the market, particularly from the micro-capitalisation stage (where there are very few funds that provide exposure), and many other investors lack access to deal flow or relevant technical experience. Under this strategy, it is not necessary for Lion to invest unless the value / risk settings are appropriate and consider attractive.



# Investment Selection Objectives

Investors that are interested to understand more about Lion's investment strategy and process are invited to attend Lion's AGM and Annual Strategy Presentation taking place on 28 November 2024 in Melbourne (see page 19).



## Leverage to most attractive commodities

Essential to be able to produce and sell a product

## High capability, growth-oriented teams

Oriented toward long-term relationships

## Cents in the dollar pricing

Developing portfolio at cyclical lows

## Strategically located assets

Multiple pathways to development and exit

# Portfolio Overview

Australia focus | Precious, base and strategic materials | Pre-development stage  
**Underpins greatest value growth potential**

## Portfolio development

Since exiting its Indonesian gold investments in 2021 and 2022, Lion has selected nine Australian focussed companies and deployed (including commitments and investments as at 31 July 2024) \$24.9M.



This quarter has been the busiest for announced investments by Lion for a long, long time. It has seen deployment of \$14.1M over five individual deals (including Brightstar announced just after quarter end). Brightstar and Saturn are to be substantial percentage holdings<sup>1</sup> in two ideally located multi-million-ounce gold companies. These are complemented by Plutonic which is a greenfield exploration play that covers one of the largest untested hydrothermal systems in Australia and contains enormous discovery potential. Lion's recent investment in Venture contains a newly identified large, high grade and well-located rare-earth element project, and the portfolio is rounded out with a handful of companies that are drilling to grow projects with strong indications of developability.

If these investments progress as planned, Lion expects to follow its money. In all cases investments have been sized according to the stage of the investment, the kind of de-risking that is expected prior to the next capital raising, and the balance of risks and value assessed via our due diligence. From experience we expect that future investment will be skewed toward investments that reveal the best value and performance over time.

At 31 July 2024, the value of Lion's new investment portfolio (invested and committed) – which is entirely focussed on Australia – was up 9% on cost.

Selected highlights from the investment portfolio, focussing on key developments during the quarter are described below.

### Stage and location of Lion's Australian investment portfolio

Note that legacy investments in Erdene, Atlantic Tin, Kin Gin and PhosCo are not shown

		Pre-discovery	Definition	Assessment	Development	Production
<b>Brightstar Resources</b> (ASX:BTR)	Low capex, cash flow funds growth, strategically sized gold inventory					●
<b>Saturn Metals</b> (ASX:STN)	Low-cost heap leach economics x large gold inventory			●		
<b>Antipa Minerals</b> (ASX:AZY)	Telfer region strategic resource		●			
<b>Sunshine Metals</b> (ASX:SHN)	High grade Gold / Copper / Zinc VMS		●	●		
<b>Alto Metals</b> (ASX:AME)	Strategic ground package, 0.8Moz in shallow drilling		●			
<b>Great Boulder</b> (ASX:GBR)	Defining the Eastern limb of the Meekatharra Gold Field		●			
<b>Venture Minerals</b> (ASX:VMS)	Large, shallow, high grade REE discovery close to proposed upgrade facilities		●			
<b>Koonenberry Gold</b> (ASX:KNB)	Koonenberry field – nugget patches and untested targets	●	●			
<b>Plutonic</b> (unlisted)	Large, undrilled hydrothermal system with gold / copper pregnancy	●	●			

**Commodity legend:** ● Precious metals ● Base metals ● Strategic materials

1. Following completion of the investments, scheduled to take place during the current quarter.

## Brightstar Resources (ASX:BTR)

Short pathway to production and strategy to apply cash flow to fund growth, acquiring a major growth project by consolidating the Sandstone/ Gidgee region of WA.



Lion initially invested \$2M in Brightstar in March 2024, and has announced a commitment to invest a further \$4.3M<sup>1</sup> in a placement announced by Brightstar on 2 August 2024<sup>2</sup>. This most recent funding was announced alongside a strategic consolidation of gold projects, whereby Brightstar has agreed to acquire the Montague East gold project from Gateway Mining, as well as acquiring Alto Metals via a scheme of arrangement. Lion is also a shareholder of Alto and assuming both the acquisition deals are completed, following completion of the raising Lion will become a 5.1% shareholder in Brightstar.

Brightstar also announced a Non-Binding Indicative Offer for a gold offtake financing facility of \$36M with a South Korean strategic investor AustKor Minerals Co.

These acquisitions and funding arrangements position Brightstar strongly to develop three gold production centres and capitalise on record gold prices. We see three steps in Brightstar's growth outlook:

- **Step 1:** establish gold production on a small scale via ore sales or toll treatment utilising process plants proximal to their Menzies and Laverton gold resources. Brightstar is well progressed on this step;
- **Step 2:** become an owner operator producing gold via its wholly owned Laverton processing infrastructure. Brightstar is now well funded for the development capital required for this step; and

- **Step 3:** following the consolidation and acquisition of the Alto and Gateway projects at Sandstone, which introduces an established Resource position of 1.5Moz grading 1.5g/t<sup>3</sup>, Brightstar will then be able to apply the cash flow from Menzies/ Laverton gold production to assessing Sandstone. Brightstar intend to undertake an aggressive drilling effort at Sandstone, and there is scope to materially increase the resource estimate with focussed exploration. Ultimately the aim is to establish a larger/longer life gold producing asset at Sandstone as a third gold production centre for Brightstar.

As a result of the acquisitions Brightstar will have a pro-forma combined gold resource of 3.0Moz<sup>4</sup>, and the announced capital raising positions Brightstar to be strongly funded. The ability to fund growth from cash flow rather than being reliant on capital raising positions Brightstar uniquely. The combination of this strategy, exceptional team, and newly consolidated large mineral resource inventory presents the potential to become a large gold producer.

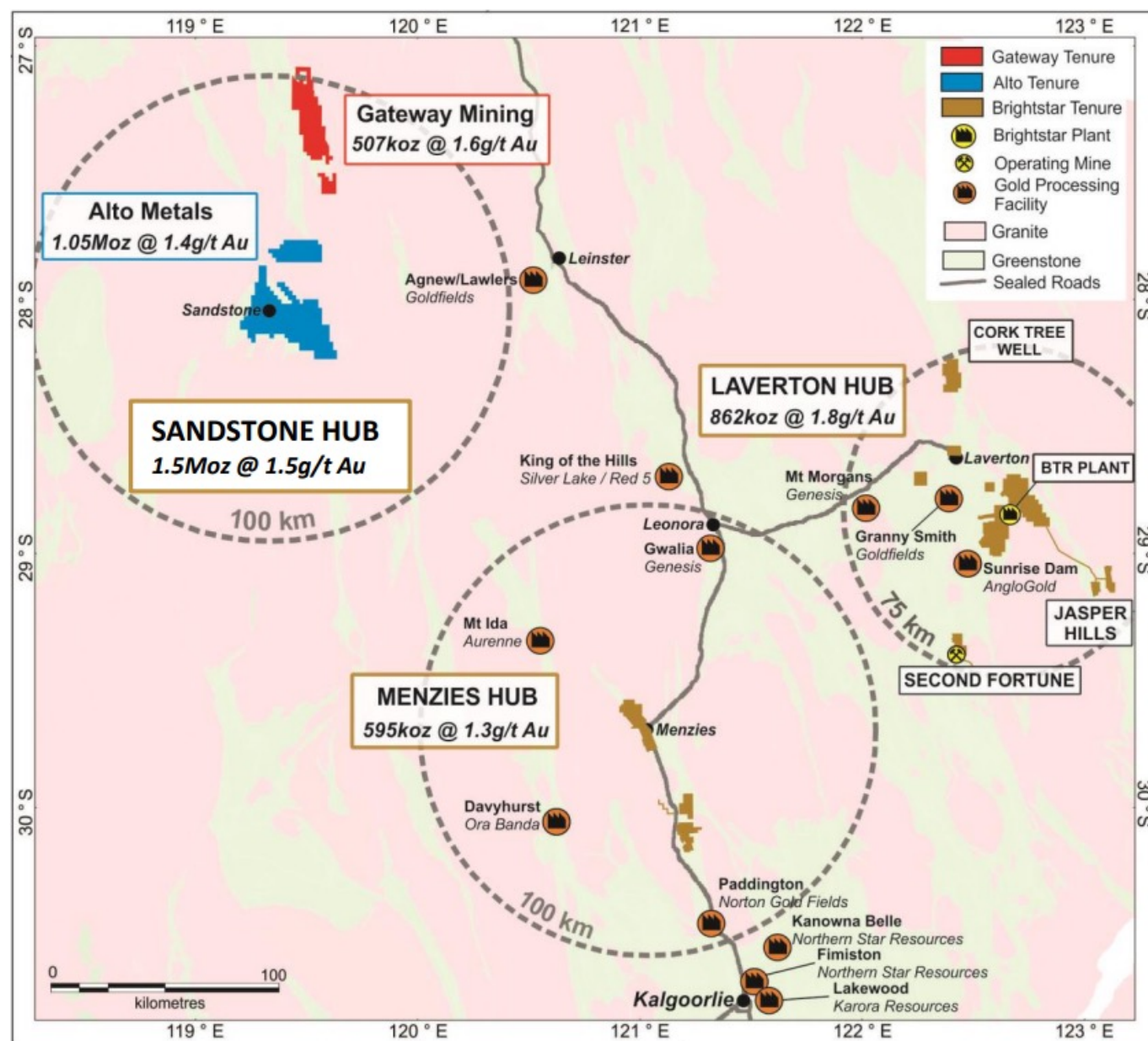
### For Lion the investment in Brightstar provides:

1. Leverage to the gold price via near term gold production: the most mature investment Lion has in Australia<sup>5</sup>;
2. Ability to achieve and expand production for a modest capital amount, which is attractive in a market where capital is rationed; and
3. A very large undeveloped gold inventory with serious exploration upside and the funding to pursue that in the near term.

1. Refer to Lion Selection Group announcement made to ASX on 2 August 2024.  
 2. Refer to Brightstar Resources announcement made to ASX on 1 August 2024: *BTR and AME Strategic Merger. BTR Consolidates Sandstone.*  
 3. Refer to Brightstar Resources announcement made to ASX on 1 August 2024: *BTR and AME Sandstone Merger and Acquisition Presentation.*  
 4. *ibid.*  
 5. Erdene Resource Development Corp is classified as a legacy investment, and reaching maturity for Lion's typical holding period. Erdene is developing the Bayan Khundii Gold Project in Mongolia in partnership with Mongolian Mining Corp, and expecting first gold in 2025.

## Brightstar Resources

## Map of the Laverton/Menzies/Sandstone regions in Western Australia



**This is the heart of the Western Australian gold fields, with twelve commercial gold process facilities shown.**

Brightstar has announced transactions to combine their existing 862koz Resource at Laverton and 595koz Resource at Menzies with 1.5Moz of established gold resources at Sandstone, which is expected to become a major growth hub for Brightstar.

Brightstar offers a far shorter timeframe to production and cash flow than most Lion investments and has an attractive risk profile given likelihood of cash flow funding to support growth to their ultimate production scale. The use of cash flow to fund aggressive exploration and eventually contemplate development of a large new gold project in the Sandstone region has the potential to catapult Brightstar into the ranks of being a significant gold producer. This combination of people, strategy and assets makes Brightstar a wonderful cornerstone to Lion's portfolio.

## Saturn Metals (ASX:STN)

Low unit costs make strong economics available unlocking strategically sized gold development.



Lion initially invested \$3M in Saturn in late 2023 and has committed to invest a further \$5M<sup>1</sup> as part of a \$14M fundraising announced by Saturn Metals in July 2024<sup>2</sup>. Following completion of the raising Lion is expected to hold approximately 17.58% of Saturn. This will be Lion's largest individual deployment into its Australian focussed portfolio and make Saturn Lion's largest investment.

Saturn's Apollo Hill Gold Project located southeast of Leonora in WA has an established resource inventory of 1.84Moz grading 0.54g/t gold<sup>3</sup>. Whilst this is a low-grade resource, the ore zone is broad (100m) and contains a high density of gold over 6,000oz per vertical metre. The size and geometry of the orebody mean that gold ore can be mined with large scale equipment (most open pit gold mines use smaller equipment to selectively mine narrow ore zones) in a low strip ratio open pit, resulting in low cost per tonne ore mining<sup>4</sup>. Saturn has shown very strong gold recoveries averaging 88%<sup>5</sup> via heap leach processing, which is a low-cost extraction method. Saturn is unique as a prospective gold developer in being able to access low unit costs for mining and processing. Once successfully funded and developed, these economics would position Saturn as a large-scale gold producer with attractive margins.

Saturn has begun describing a Pilot Project as a potential near-term development which is a unique step compared with most gold development projects.

In our view the Pilot Project would provide real-world confidence to project parameters such as heap leach recoveries and the way the heap performs stacked to operational height (how it compacts, leachate percolation, etc). This confidence is well beyond the level that lab-scale test work could ever provide which would be a major de-risking and could provide a substantial boost to overall bankability and corporate appeal.

The Australian market is not as familiar with heap leach processing as the North American market where heap leaching is far more common, so a successful pilot project could potentially provide a step-change in market understanding of Saturn. Furthermore, the Pilot Project could yield 24koz gold based on production parameters outlined in the Apollo Hill PEA<sup>6</sup>, which at current spot gold prices has a value of circa A\$89M<sup>7</sup>. Clearly this revenue figure needs to cover costs but presents a clever way to combine revenue winning with derisking and potentially step toward becoming a producer.

### For Lion the investment in Saturn provides:

1. High percentage holding of a large gold project which can access very low unit costs, producing excellent economics;
2. Potential for a long life and large scale that would make Saturn an attractive key gold producer; and
3. The potential pilot project provides a unique pathway to feasibility and could catalyse enhanced bankability and corporate appeal.

1. Refer to Lion Selection Group announcement made to ASX on 1 July 2024: *Lion increases Saturn Metals holding with \$5M investment.*  
 2. Refer to Saturn Metals announcement made to ASX on 1 July 2024: *Successful \$14M Placement.*  
 3. Refer to Saturn Metals announcement to ASX on 28 June 2023.  
 4. Refer to Saturn Metals announcement to ASX on 17 August 2023.  
 5. Refer to Saturn Metals announcement to ASX on 28 May 2024.  
 6. Refer to Saturn Metal's announcement to ASX on 30 April 2024.  
 7. 24,000 oz of gold at US\$2460/oz and AUDUSD 0.663.



## Antipa Minerals (ASX:AZY)

Established strategic gold resources in the Paterson province which neighbours Telfer, Winu and Havieron and where corporate activity is stirring.



Lion invested \$2M in Antipa Minerals as part of a \$6.75M fundraising announced by Antipa in June<sup>1</sup>. As a result of the investment, Lion expects to hold approximately 4% of Antipa.

Antipa have a large established gold resource and series of quality joint ventures in the Paterson province of Western Australia. The primary focus of Antipa is the Minyari Dome Gold-Copper Project, which hosts a 1.8 Moz gold resource (grading 1.6 g/t)<sup>2</sup> which was the subject of a Scoping Study in 2022<sup>3</sup>.

The 900km<sup>2</sup> Minyari Dome Project is complemented by three large-scale growth projects covering a total of 4,200km<sup>2</sup> which have attracted major listed miners to agree multi-million-dollar farm-in and joint venture arrangements:

- Citadel Project (33% Antipa): Rio Tinto JV over 1,200km<sup>2</sup>;
- Wilki Project (100% Antipa): Newmont farming-in 1,470km<sup>2</sup>; and
- Paterson Project (100% Antipa): IGO farming-in 1,550km<sup>2</sup>.

### Lion was attracted to a number of facets of Antipa:

1. Minyari has clear upside potential with ongoing drilling success, for example at the nearby GEO-01 target<sup>4</sup>. Generation of a new Resource would enhance the stand-alone development prospects;
2. Large exploration programs are underway via the three regional JV's. This provides a large budget and exploration resources that Antipa don't need to fund, yet exposes the company to potential discoveries; and
3. The area is currently the subject of jostling ownership of projects. The area is home to Newmont's world-class Telfer mine and some of the world's more recent large gold-copper discoveries including Rio Tinto's Winu and Newmont-Greatland Gold's Havieron.

Newmont has announced that its assets in the region, including Telfer, its share of Havieron and shareholding in Greatland are for sale<sup>5</sup>, and speculation is swirling around future ownership of Rio Tinto's Winu<sup>6</sup>. Any change of ownership of projects of this scale would be strongly expected to be followed by investment, which could provide opportunities to Antipa.

Interestingly Newmont, despite having made it clear they intend to exit the region via sale of Telfer, exercised a top up right to maintain an 8.6% shareholding in Antipa which arose as a consequence of the recent fund raising<sup>7</sup>.

1. Refer to Antipa Minerals announcement to ASX on 20 June 2024: *\$6.75M Funding Secured to Advance the Minyari Dome Project*.  
 2. Refer to Antipa Minerals announcement to ASX on 2 May 2022.  
 3. Refer to Antipa Minerals announcement to ASX on 31 August 2022.  
 4. Refer to Antipa Minerals announcement to ASX on 10 July 2024.  
 5. <https://www.afr.com/markets/commodities/newmont-puts-telfer-havieron-mines-in-wa-up-for-sale-20240223-p5f77h>  
 6. <https://thewest.com.au/business/mining/rio-tinto-puts-huge-winu-copper-gold-development-in-wa-on-the-market-with-rumoured-interest-from-south32-c-15683871>  
 7. Refer to Antipa Minerals announcement to ASX on 5 July 2024.

## Plutonic Limited (unlisted)

Never-before considered mineral systems over a large area: district scale discovery potential.

Lion announced it had invested a further \$1.8M in Plutonic, as part of a \$5.24M funding alongside a \$3.44M investment raised by Reach Markets Pty Ltd at the end of July<sup>1</sup>. As a result of the current investment round Plutonic is strongly funded to expand its current geophysical program and next stage of exploration, with Lion now holding 41.9% in the company.

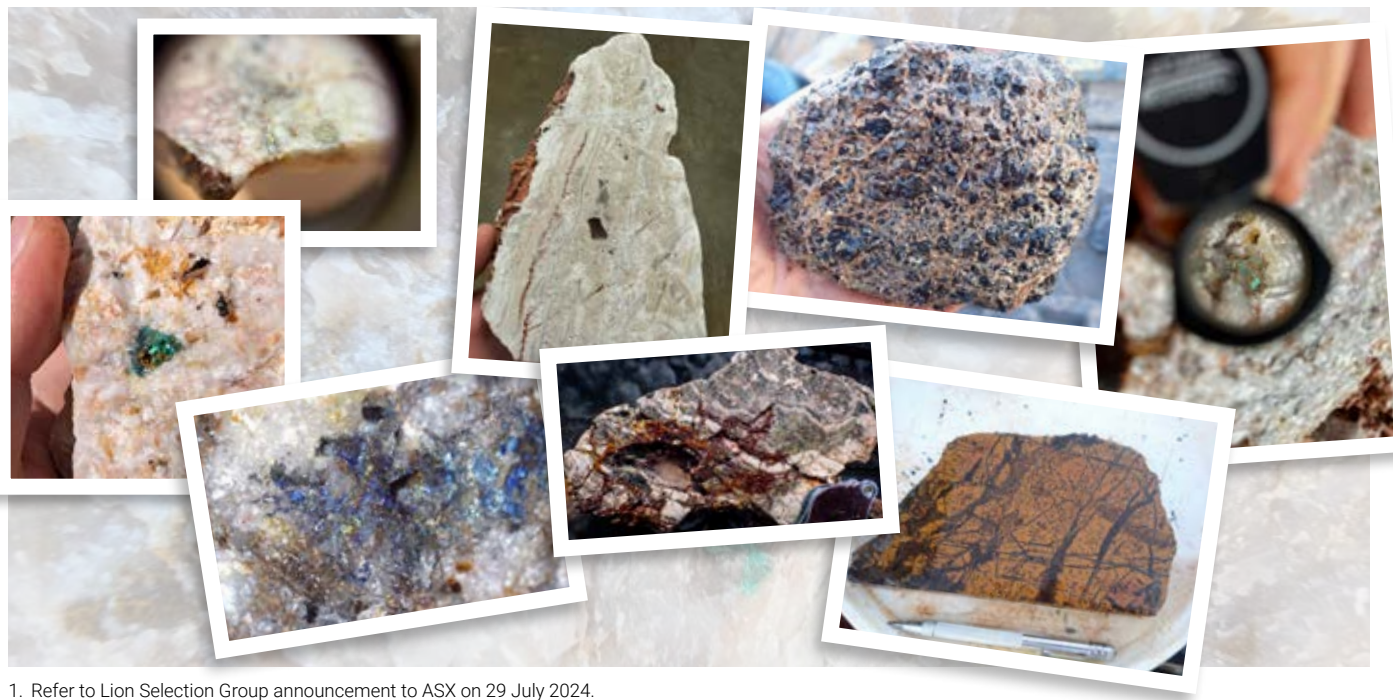
Plutonic began its 2024 field program at its focus Champion project in the Northern Territory in April. The key work program is Induced Polarisation (IP) surveys over the key target areas which measures subsurface chargeability and resistivity, providing the quickest way to target the styles of systems Plutonic have interpreted may exist at Champion.

Whilst the program is still underway, a number of large and strong anomalies have been generated across multiple prospect areas. These results are seen as a great start to the program. Chargeability anomalies may represent potentially metal-bearing sulphides associated with large hydrothermal alteration zones.

Additionally, ongoing reconnaissance work has identified outcropping quartz veins with epithermal textures hosting copper mineralisation within the Loki and Perseverance prospects. Assays received for a Loki sample yielded 0.31% Cu, which is the highest grading copper sample gathered so far.

Lion have rarely invested at such an early stage, making Plutonic a unique investment for Lion. Plutonic is an unlisted company and not accessible by most investors, and the Champion project contains very large targets with alteration expressions that outline large hydrothermal systems which contain low-level surface anomalism for gold (up to 1.3g/t) and copper (up to 0.31%) in rock chips<sup>2</sup>, and present the opportunity for a district scale discovery. Lion's investment premise here is simple: a potentially very large discovery linked reward on an investment that has been made for a low cost and now a high percentage exposure.

Rock specimens from Plutonic's Champion project in the Northern Territory.



1. Refer to Lion Selection Group announcement to ASX on 29 July 2024.  
2. *ibid.*

## Venture Minerals (ASX:VMS)

Large, shallow, high grade REE discovery close to new upgrade facilities.

Lion invested \$1M in Venture Minerals as part of a \$6.2M fundraising announced by Venture in July. Subject to full completion of the funding announced Lion expects to hold 2% in Venture.<sup>1</sup>

Venture Minerals has discovered clay hosted Rare Earth Elements (REEs) over a 40km<sup>2</sup> footprint at Jupiter, located approximately 230km inland of Geraldton in the Mid-West region of Western Australia. The REE mineralisation at Jupiter is high grade (broad zones of mineralisation exceeding 3,000ppm TREO) and covers a large footprint.<sup>2</sup>

There is no shortage of REE projects at exploration stage given recent interest aroused by the criticality of REEs to new age applications. REEs have become a commodity sector of huge strategic and geopolitical interest to governments, with a broad suite of applications in magnets and super magnets, motors, metal alloys, electronic and computing equipment, batteries and catalytic converters. There is a clear attractive long term demand picture which has driven Lion's interest in establishing REE exposure.

REE occurrence is reasonably common (geologically), yet REE production is scarce and deposits which offer attractive development fundamentals are rare. Lion has taken a view that whilst REE exposure is highly desirable, there are several 'must have' qualities that must be identified to enable Lion to invest (these were identified in Venture):

- In any developing mineral sector, we have high regard for deposits which are largest and / or highest grade. Jupiter has consistently returned high grade intervals of REE mineralisation over a large footprint;
- Host rock measures are all attractive for the stage of the project. Jupiter is clay hosted which offers low comminution costs. Mineral department is at an early stage of understanding but has

encouraging indications. Low levels of common contaminants Uranium and Thorium; and

- Located in WA which is one of the world's most desirable mining jurisdictions. Additionally, Jupiter is located within 500kms of two under construction downstream upgrading facilities, and connected by sealed highways – this may turn out to be a major advantage.

In the context of REE projects, Jupiter offers an acceptable level of technical and jurisdiction risk on the current understanding. Additionally, because Jupiter is shallow and flat, the investment requirement to drill out a high confidence resource and gather volumes of sample for mineral department and metallurgy testing is expected to be much cheaper than a comparable deposit (ie large and high grade) of another commodity.

There have been several examples of REE discoveries that have captured the market's imagination, and the values achieved in those circumstances are well beyond the current market capitalisation of Venture.

To date, Lion has assembled a portfolio that is mainly gold and gold-base metals focused companies – these have been where we have seen the least risk and highest value propositions through the last two years. Valuations of critical minerals companies have reduced significantly from recent highs which has created opportunities for Lion.



1. Refer to Lion Selection Group announcement to ASX on 1 July 2024: *Lion invests \$1M in Venture Minerals.*

2. Refer to Venture Minerals announcement to ASX on 2 August 2024.

# Legacy Investments



Lion holds several legacy investments, which do not fit within the strategy of focussing on Australia yet are awaiting realisation of their contained value and are not yet at the stage that Lion considers sale is warranted.

The total value of the Legacy portfolio was \$9.4M on 31 July 2024. This compares favourably with the aggregate amount invested in these holdings of \$6.8M.

- **Erdene Resource Development Corp (TSX:ERD)**

Gold, base metals and Molybdenum in Mongolia. Erdene currently accounts for approximately half of the total value of the legacy portfolio. Project development is in full swing at the Khundii gold project funded by a loan from project partner Mongolian Mining Corporation, which positions Erdene strongly to take advantage of strengthening gold prices. Erdene is approaching maturity within Lion's portfolio and is expected to improve trading liquidity as it moves towards gold production in early 2025. Lion's Erdene holding was valued at A\$5.9M at 31 July 2024.

- **PhosCo Limited (ASX:PHO)**

Rock Phosphate in Tunisia. Awaiting licence restitution and new licence granting.

- **Atlantic Tin (unlisted)**

Tin in Morocco.  
Awaiting commercial pathway to liquidity.

- **Kin Gin (unlisted)**

Gold in Japan.  
A licence portfolio containing defined epithermal gold deposits and historic mines has been assembled for very low cost. The first project approvals have now been granted, and systematic on-ground work is anticipated to follow.

Lion considers that modest follow-on investment may be required in some legacy investments, but ultimately is focused on pathways to value realisation.



## Net Tangible Asset Backing as at 31 July 2024

Lion held \$56.6M of cash and \$31.8M of equity investments with a combined aggregate value of \$88.0M (after tax), against a market capitalisation of \$67.0M.

Lion advises that the unaudited net tangible asset backing of Lion as 31 July 2024 is 62.6 cents per share (before tax) and 62.3 cents per share (after tax).

	Unaudited NTA A\$M
<b>Net Cash</b>	56.6
<b>Portfolio</b>	31.8
<b>Less Tax</b>	(0.4)
<b>NTA Post Tax</b>	<b>\$88.0M</b>
<b>NTA per share (post tax)</b>	<b>62.3cps</b>

### Notes to the NTA

- The NTA laid out above excludes \$1.0M in contingent liabilities relating to Lion's acquisition of investments from African Lion 3. The contingent liabilities reduce over time and will become zero by 3 March 2026 if not crystallised by the sale of PhosCo or Atlantic Tin prior.
- The NTA contains the value of the component parts of Lion's assets as at the NTA date, which is a snapshot in time. The majority of this includes the value of cash at bank, and value of investments at their closing price on NTA date. The NTA is not an expression of the ultimate, realisable value of the investments, which in many cases may far exceed the value contained in the NTA.

## Cash Flow and Cash Management

The principal movements in Lion's cash balance between 1 May 2024 and 31 July 2024 are described below.

### Cash flow

- Opening Balance (1 May 2024): \$66.4M.
- Lion received interest income of \$796K during the quarter. (Note, \$3.3M has been received in interest income since 1 August 2023, which is the total for the Financial Year to date).
- Investment \$14.1M. This comprises \$1.8M invested into Plutonic, \$1.0M invested into Venture (\$129K commitment was subject to shareholder approval at 22 August 2024 Venture General Meeting), \$2.0M invested in Antipa, \$5.0M invested in Saturn. The commitment to invest \$4.3M in Brightstar was announced subsequent to the quarter end.
- As at 31 July 2024 Lion held \$56.6M cash (closing balance), which will reduce as the commitments highlighted above are settled. The balance is available for investing.

### Cash management

- Lion's cash is held between an on-call account and term deposits which roll off on a regular basis.
- This arrangement provides a higher interest income than call accounts over a majority of the cash, but ensures Lion has sufficient access to liquidity to fund investment opportunities as they arise.
- Note that the interest on term deposits that Lion had in place as at 31 July 2024 ranges between 4.85% pa and 5.39%pa.



# Lion Board and Management

Right: Sun setting over 'I'm not a Vampire', one of Plutonic's key target areas at Champion



## Lion Management Arrangements

During the quarter Lion completed the internalisation of its management, shifting from investment management services being provided by an external manager (Lion Manager) to direct employment of all staff. This simplifies Lion's structure and creates alignment between each of the key individuals and Lion. Lion will also have better control of costs as the Company seeks to grow, as under the previous investment management contract fees would increase proportionately with invested capital under management.

Lion shareholders provided approval for an Employee Incentive Plan and New Long Term Incentive arrangements for Hedley Widdup (related party) at a General Meeting of shareholders on 26 June 2024, and the arrangements became effective on 1 July 2024. From this date, investment management fees will no longer be paid, and there will be no ongoing commercial relationship with Lion Manager.

Under this new arrangement Hedley Widdup has taken up the position of Chief Executive Officer and Craig Smyth retained the position of Chief Financial Officer.

Lion's investment process and team has not changed – only the job titles of Hedley and Craig. Modest cost savings are expected to be derived as a result of the removal of investment management fees.



*Vale*

### Barry Sullivan

It is with deep sadness and sincere condolences that Lion has advised the passing of Barry Sullivan, former Lion chairman and non-executive director, who passed away in June, suddenly and unexpectedly of natural causes.

Barry was a mining engineer, qualified at the Royal School of Mines before commencing his career in South Africa. He later moved to Mt Isa, where in a tenure of more than 20 years he rose to the level of Executive General Manager responsible for the extensive Mount Isa and Hilton operations. In the era of Barry's tenure in Mt Isa, the mine was an inseparable part of the social fabric of the town. Barry carried forward a strong sense of how a company of any size would work within its host community.

Barry was a thoroughly decent man, with a keen interest in people and provider of unwavering and unflappable guidance endeared him to other board members. He became a friend and mentor to many who's career pathways he crossed, he will be fondly remembered and missed.

It was a very long friendship with Barry for the Lion team, several of whom had technical careers in Mt Isa prior to finance. After his retirement from MIM he had involvements with several Lion investments as a non-executive director or chairman of Exco Resources, Allegiance Mining, Sedimentary Holdings, Catalpa Resources and EganStreet Resources. Barry joined the Lion board in 2011, he was the chairman from February 2016 to January 2024.

# Market Review

**Lion's last quarterly report (for the period ending 30 April 2024) documented our case for the Lion clock moving to 4 o'clock. In our assessment the liquidity collapse had bottomed and couldn't get much lower, which sets the scene for a recovery.**

Strong performances in gold and copper in early 2024 had provoked a small boost in liquidity. Whilst the gold price has continued to perform, copper hasn't, and the emergence of recession fears has set liquidity back – liquidity seen in early 2024 looks to have been a false start.

At the start of the quarter, there was re-emergence of market interest in small cap stocks. This move originated most strongly out of the US market and was marked by a rally of 11% in the US Russell 2000 small cap index in the second week of July, as large cap indices weakened. Some commentators marked these movements with comments like 'don't miss the small cap rally'<sup>1</sup>. The sentiment appears to have been aligned with growing market conviction toward moderating interest rates.

The sense that depressed small caps were about to stage a recovery was short lived; global markets shook in early August as equity markets took a pessimistic turn on recession fears. The Russell 2000 gave back all of its July rally, and equity markets generally have weakened since.

These recent developments don't change our view of the time in the cycle. The short emergence of liquidity could well be a green shoot – at least showing that investor willingness could be provoked. Equity and liquidity trends, when they are in their infancy, are often fragile.

“ When markets are weak there are many observers alert to the first signs of a turn around, and there can be many false dawns.”<sup>2</sup>

## Reasons for optimism

The market for small and micro-cap companies, especially mineral resources explorers and developers, remains depressed. We don't know when the turning point will be, only that this market has produced valuations that are attractive to invest right now, and our observations of liquidity and market behaviour lead us to a strong view that we are investing through the bottom.

**But** – Looking beyond short-term uncertainties, we know that a cyclical recovery will emerge – because that's what cyclical markets do. Despite short term uncertainties and volatility, long term fundamentals will conspire to procure the next commodity and mining boom cycle, and these are very attractive.

1. For example: *Don't wait until its too late*, warn ASX small-cap managers. Australian Financial Review, 25 July 2024 (<https://www.afr.com/markets/equity-markets/don-t-wait-until-it-s-too-late-warn-asx-small-cap-managers-20240725-p5jwf8>).
2. Quoted from Lion Selection Group quarterly report for the period ended 30 April 2024. *Worth repeating.*



## Rotation of capital?

Mining equities have enjoyed some of the strongest booms when capital has been rotating out of a speculative technology boom just as a strong new commodity theme is emerging. Two of the best examples from history:

**1.** An almighty bubble in British railway investment in the 1840's saw huge premia paid for railway earnings that never materialised, and the bubble deflated rapidly. It was followed by gold rushes (California 1848, British Columbia 1850, Victoria 1851) – an event unconnected to railways in Britain, but a series of commodity discoveries that lured speculators on mass. The gold rushes spawned several decades of the frothiest capital raisings fed by the allure of huge discoveries of gold; and

**2.** The dot-com bubble of the late 1990's gave way to the China fuelled commodity bubble of the late 00s / early 10's, which was also a heady time for the number and size of capital raisings.

The recurrent theme here is investors giving up on earnings that were probably never realistic but imagined based on the proliferation of a world changing technology. This is followed by capital rotating from such hypothetical earnings into a commodity fundamental that is obvious enough to capture hearts and minds.



Investor interest in Artificial Intelligence (AI) has provided a massive leg up to an already premium priced global technology sector. This is big business – of the top ten stocks in the S&P500, nine are tech-based companies<sup>1</sup>. One of the largest beneficiaries of the AI boom is Nvidia which traded from a low of US\$11.23 per share in 2022 up over 12x to \$135.58 per share in June 2024, becoming the third largest company in the USA by market cap. Nvidia has fallen 27% since its peak in June, representing a loss of capitalisation of US\$900 Billion, *which is almost three times the size of the entire capitalisation of mineral resource companies listed on ASX*<sup>2</sup>. Clearly, there is a great deal of capital tied up in AI related tech investment. Nvidia trades on a PE ratio of well over 60, for it to normalise (to circa 15x to 20x PE), either an enormous earnings boost is delivered, or capital gives up waiting.

## A growing commodity fundamental?

The global energy transition adds substantial new sources of demand for many commodities and governments in many developed economies have begun providing incentives to support the transition. The problem, from a supply perspective, is the global commodity industry is unprepared to meet moderate (let alone expanded) demand projections. Several factors contribute to this:

- Permitting pathways are longest they have ever been. There are some very good reasons for this – no one wants to advocate to rush environmental studies, or barge through social license issues. The fact is any new discovery will take a long time to commercialise; and
- The mining industry cut capital budgets massively in the period 2011-2015. Most of these budgets have not returned, and the trend for growth in large miners has been to acquire rather than organically find and develop. This behaviour has had far better return on investment for the major miners, but it has not replenished the future supply pipeline.

***Could the overlapping commodity thematic of energy transition and a mining industry that is drastically under invested in future supply generate a strong enough temptation to attract rotating capital?***

1. The other is Berkshire Hathaway, which has made headlines recently for selling down its holding in Apple, the number 1 of the 10.  
 2. According to IRESS, the aggregate capitalisation of shares trading on ASX for companies with GICS classifications 15104000 (metals & mining) was A\$481 Billion on 14 August 2024. Using an exchange rate of 0.663 US dollars buys one Australian dollar, this is approximately US\$315 Billion.



# How will history describe the present?

General equities are expensive (compared with commodities)

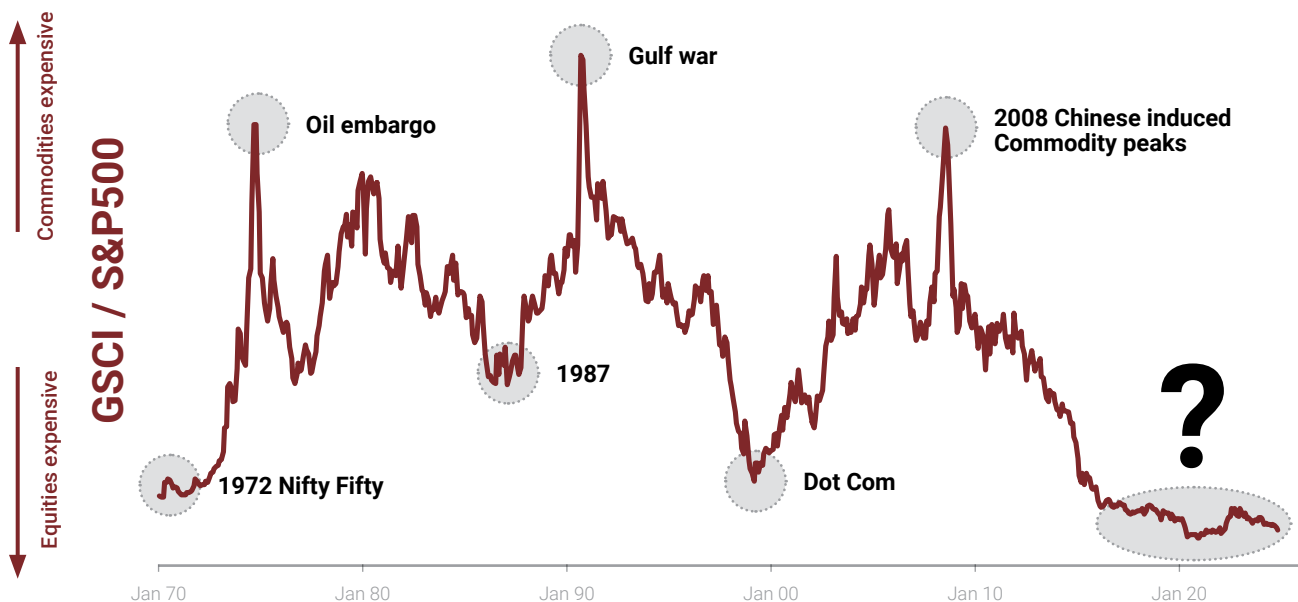
The chart below shows the GSCI Index (a broad index of commodity prices) divided by the S&P500 (prominent US equity index) and is used as a comparison of the relative valuation of equities and commodities. On this measure, the current valuation difference is the largest it has been since 1970 but it is also notable that this extreme difference has existed since 2016.

The mining boom from 2016 to 2022 has seen muted commodity price performance in comparison to the previous cycle, which was driven by the economic

emergence of China, that drove huge demand growth for many commodities and pushed them into new price paradigms. Since 2016, the equity market has experienced an enormous growth in technology companies.

The persistence of technology stock valuations and a looming lack of supply to meet new demands for commodities from the energy transition will play out from here and look like a potent mixture to set the scene for a bullish period for commodities to come – the next mining boom.

GSCI index divided by the S&P500 index, 1970-present (monthly imprints)



Source: Investing.com, IRESS, Lion



## Recent media



During the quarter, Lion was featured in a number of conferences, interviews and podcasts. A selection are highlighted below, which can be accessed via the links.



The **Kalgoorlie SUPERPITCH** is a lunch time event organised by Discovery Capital Partners and Corporate Storytime and held during the Diggers and Dealers conference. It features a handful (this year: 10) of junior explorer / developers, who each have five minutes to pitch to the audience who judge a winner. This year, Lion CEO Hedley Widdup MC'd the SUPERPITCH, and Lion's investee Brightstar Resources won the pitch contest.

[Recording of the full event](https://themarketonline.com.au/brightstar-tops-votes-in-2024-kalgoorlie-super-pitch-2024-08-07/)

<https://themarketonline.com.au/brightstar-tops-votes-in-2024-kalgoorlie-super-pitch-2024-08-07/>



**Money of Mine** is a mining focused podcast which has taken the world by storm in the last 12 months, growing a huge listener base in a short time. Jonas Dorling, one of the founders of the podcast visited Melbourne and interviewed Hedley in the Lion office. The episode includes a number of Lion's investments and covers a diverse range of views on the market.

[Apple podcasts](https://podcasts.apple.com/au/podcast/money-of-mine/id1459208682?i=1000662722481)

<https://podcasts.apple.com/au/podcast/money-of-mine/id1459208682?i=1000662722481>

[Video recording on Youtube](https://www.youtube.com/watch?v=a-JsNcEqi7o)

<https://www.youtube.com/watch?v=a-JsNcEqi7o>

**Read Corporate** are the organisers of one of Australia's largest mining focussed investor conferences that caters to a huge network of retail investors, with an annual event on the Gold Coast. Hedley talked to Paul Armstrong for their podcast **The Hole Truth**, and talked through Lion's current portfolio, investment strategy, view of the market and how investors can benefit.

[Apple podcasts](https://podcasts.apple.com/au/podcast/hedley-widdup-and-the-lion-selection-groups-crystal/id1678902849?i=1000659310456)

<https://podcasts.apple.com/au/podcast/hedley-widdup-and-the-lion-selection-groups-crystal/id1678902849?i=1000659310456>



## Coming up...

In the current quarter, Hedley will be presenting at several conferences which are free to attend for investors.

Lion shareholders – if you can get to these events, please get in touch (via [info@lsg.com.au](mailto:info@lsg.com.au)) to arrange a catch up with him.

### RRS Gold Coast

Australia's largest retail investment forum for mining and exploration companies. Held at the RACV Royal Pines at the Gold Coast, 3 & 4 September 2024.

<https://www.rrsinvestor.com/events-details?EventGuid=fcad0c38-f154-4c14-9a25-cf289e629698&NavPage=1&ReturnTo=https%3a%2f%2fwww.rrsinvestor.com%2fevents>

### Australian Gold Conference

Held at Crown Towers Sydney 27 & 28 August.

<https://goldevents.com.au/australian-gold-conference/overview/>

## SAVE THE DATE Lion Selection Group AGM

**28 November 2024 ■ 3.30pm**  
**A new Melbourne CBD venue**

Lion is reformatting its Annual General Meeting (AGM) in 2024. Following the official business of the AGM, an afternoon program is planned to cover:

- **Lion Strategy: deal flow, investment process**
- **Portfolio overview**
- **Market review**
- **Three guest presenters, all Lion investees, to tell their story direct to Lion shareholders**

Refreshments (drinks, canapes) will be provided through the afternoon.

This is a terrific opportunity to hear from, and ask questions of Lion management and several key investees.

Further details will be provided in due course, for now please put this date in your calendar so you don't miss out.



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