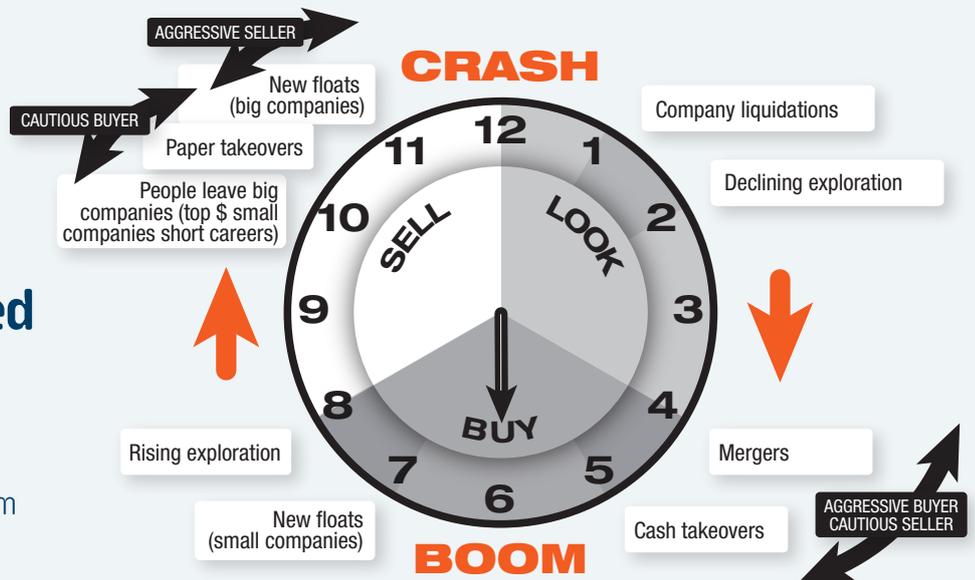


The boom has started

May 2016. Edition 9

Lion Clock moves to 6 o'clock – the boom has started

There is no need for charts and detailed discussion. The evidence is strikingly clear – sentiment has swung back to miners, and the boom phase of the cycle is underway.



After five years of downturn, we can see all the signs that an upturn is now underway

- Miners have outperformed industrials in the ASX 200 by 14% year-to-date, and this positive number includes a recovery from a 16% fall in miners from 1 to 20 January.
- Sentiment reversed to 'miners are cheap and rational' in early 2016.

IPO's restarting – the speculator is back

- There have been few Initial Public Offerings (IPO's) – yet.
- Legislation changes have made Reverse Takeover Transactions less attractive.

- A number of IPO's are now in preparation – including a company from within the Lion portfolio.
- Equity price performance is matched by increasing deal size and volume of capital raisings by junior miners – liquidity is improving on all measures.

Cash takeovers and transactions – the sector is cheap

- Miners raised money in the market and issued paper in exchange for assets or takeover targets through 2013/14.
- 2015 and 2016 – transactions are now trending towards balance sheet funded deals.

- Notable Private Equity and Chinese interest, who are all cash buyers.

Costs – slashed

- High costs that were a legacy of the iron ore and coal boom in the past have been slashed by the industry as a whole.

Gold is leading the way

- ASX gold companies have been the best performing sector on ASX in 2016 – up 68% year-to-date.
- Producer margins in gold are excellent due to metal price and industry leading cost improvements.
- Even better where producer currencies are weakening – eg Australia.