



Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 30 APRIL 2021

SUMMARY

Pani Joint Venture (Lion 33.3%, Merdeka 66.7%)

- Lion is actively seeking to reconcile the issues that have prevented closure of the deal to unify the two Resources [2.37Moz¹ (33.3% Lion/ 66.7% Merdeka) and 2.30Moz² (100% J Resources)].
- Arbitration by the Pani Joint Venture (33.3% Lion/ 66.7% Merdeka) continues, with Lion remaining hopeful to close the deal as originally intended and avoid a drawn-out arbitration process.
- Geological work is underway to combine the two resources and integrate the successful 'link zone' drilling campaign.

Nusantara Resources

- Work is nearing completion to determine the next steps for development of the 2.28Moz³ Awak Mas Gold Project.

Erdene Resource Development

- Dark Horse discovery extends to the south with near surface intersection of 35m at 2.7g/t Au including 12m at 5.1g/t Au.⁶
- Further results pending for 27 holes (over 2,610m) from Dark Horse Mane and surrounding prospects.

Sector Themes

- Lion Clock has moved to 11 o'clock, as large mining and exploration IPOs have succeeded and more are evident in the pipeline.
- 11 o'clock is the final (often multi-year) phase of the mining boom, and features highly abundant liquidity, the market rewards growth, puts high values on exploration assets and junior companies perform strongly.

ABOUT LION

Lion Selection Group is a mining investment company, focused on a portfolio of carefully selected and closely managed investments in listed and unlisted junior developing mining companies. Lion aims to offer diversity and a portfolio approach to the micro-cap end of mining investment, providing exposure to companies in various stages of development. Lion's investment model involves focusing investment towards the best opportunities in the portfolio, which from time to time results in concentration of Lion's portfolio towards specific investments and commodities. Lion is currently weighted towards several developing gold projects, across a range of jurisdictions but in particular to the Pani gold project in Indonesia.

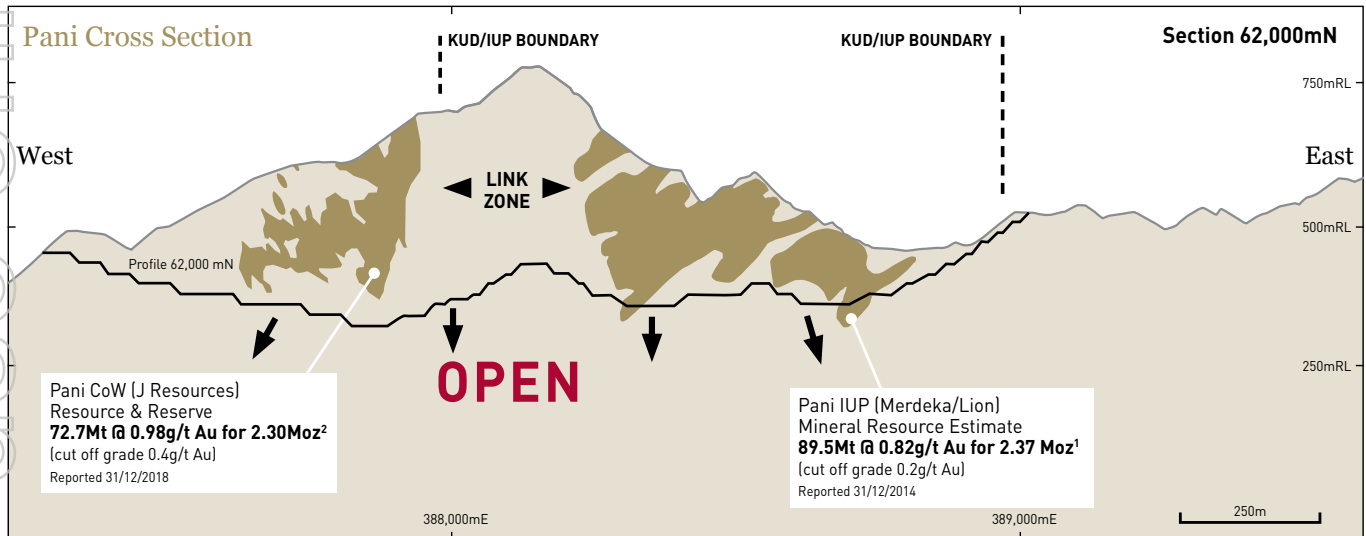
Lion is listed on ASX, under the ticker code LSX.

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INVESTMENT HIGHLIGHTS

Pani Joint Venture

Lion holds 33.3% in the Pani Joint Venture alongside Merdeka Copper Gold. The Pani Gold Project is emerging as a potential world class gold project, showing signs of size, exposure, geometry and metallurgy to warrant investigation of a large scale, long-life, open pit operation .



Pani currently consists of two Resources [2.37 Moz (33.3% Lion/ 66.7% Merdeka) and 2.30Moz (100% J Resources)] on two licenses which historically have been separately held. An agreement to combine the two Pani tenements into one ownership group was signed in late 2019, but remains incomplete, and is subject to arbitration initiated by the Pani Joint Venture. The Pani Joint Venture (Lion 33.3%, Merdeka Copper Gold 66.7%) 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. Further detail of the Singapore International Arbitration Center action is attached to Lion's announcement of 4 February 2021.

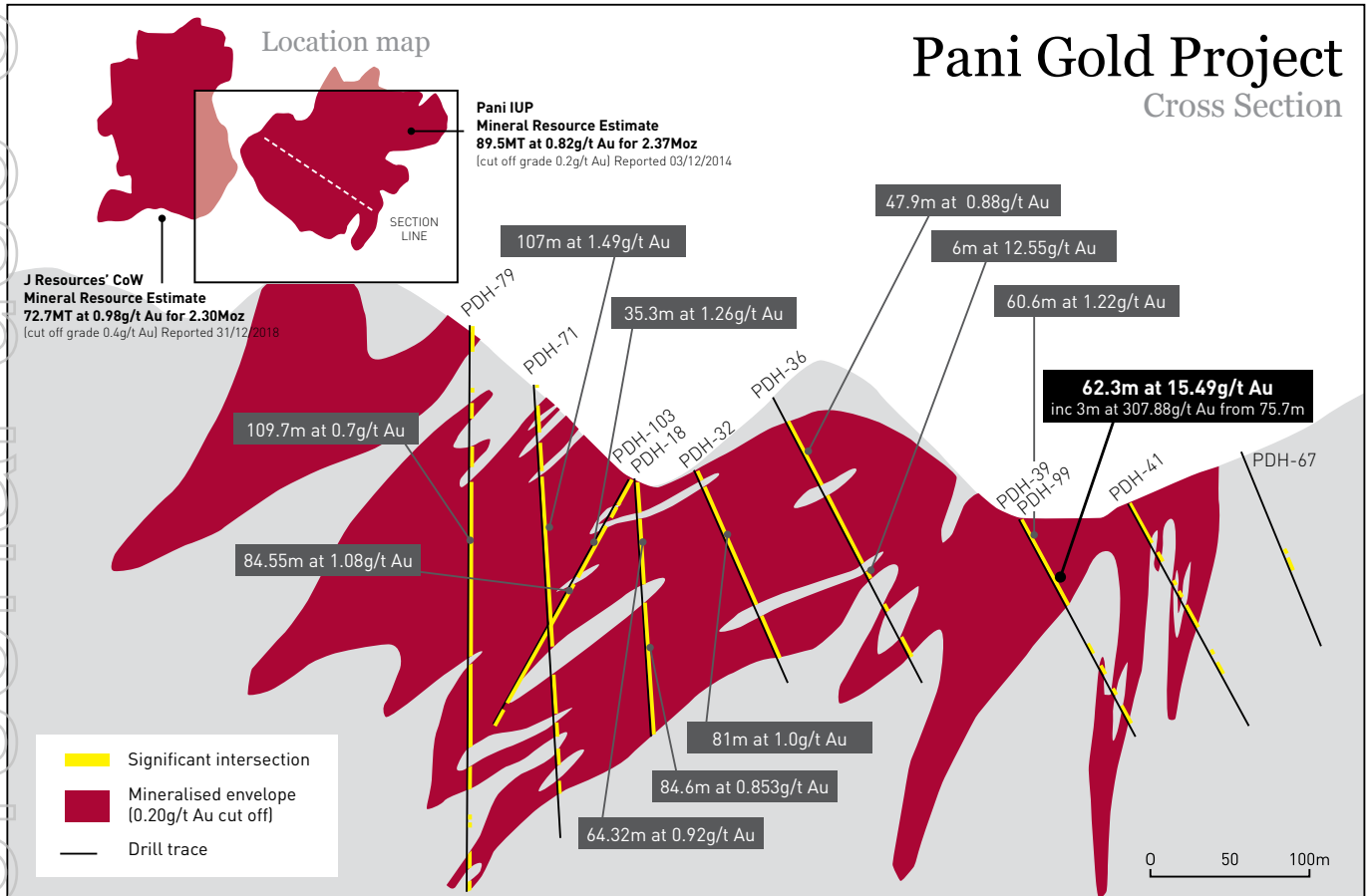
Neither the Pani Joint Venture nor J Resources has terminated the J Resources Agreement, and Lion is actively involved in seeking to reconcile the issues that have prevented the deal from closing. Joint development of the Pani Project generates maximum value for all participants and Lion continues to pursue this outcome, remaining hopeful that the parties can avoid a drawn-out arbitration process. If completed, the combination of the two tenements and Pani link zone drilling results announced previously are anticipated to materially improve the valuation of Lion's investment in the Pani Joint Venture.

Technical work continues on unification of technical databases, geological models and integration of new diamond drilling results that is expected to ultimately culminate in a unified Resource for the 'Pani Besar' ('Greater Pani') region which can then be used as the basis of project development studies. Confirmation of 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.

INVESTMENT HIGHLIGHTS

Pani Joint Venture continued

In addition, the new information from the link zone is expected to have an important bearing for the geological interpretation of Pani. As announced on 11 February 2021, observations and preliminary results from the link zone confirm that the region is strongly mineralised including higher grade intercepts, exceeding previous expectations. An extensive drill campaign is being planned to in-fill the link zone and test the depth and boundaries of the deposit once the J Resources deal closes. 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).



Pani Mineral Resource Estimates

Pani IUP (Lion 33.3%/Merdeka 66.7%) 0.2g/t cut off ¹			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	10.8	1.13	0.39
Indicated	62.4	0.81	1.63
Inferred	16.2	0.67	0.35
Total	89.5	0.82	2.37

Contract of Work (J Resources 100%) 0.4g/t cut off ²			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	15.5	1.03	0.51
Indicated	41.3	0.98	1.31
Inferred	15.9	0.93	0.48
Total	72.7	0.98	2.30

INVESTMENT HIGHLIGHTS

Nusantara Resources Limited

Awak Mas Gold Project in Sulawesi, Indonesia



Multi-million ounce gold project

- 2.28 Moz Resource³ / 1.53Moz Reserve⁴
- Current Life of Mine 1.5Moz gold produced and growing through exploration



Long life

- 16 years LOM on current Reserves



Regional exploration upside opportunities

- Numerous scattered occurrences of gold mineralisation outside of existing Resource



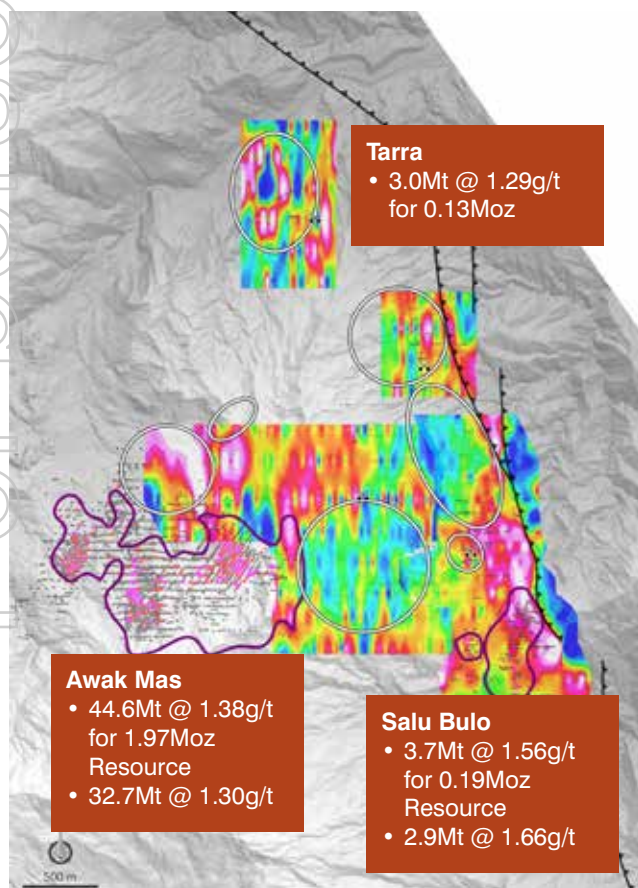
Low cost / high margin

- AISC USD875/oz
- Bottom half of cost curve



Conventional Gold Mining and Processing

- Open pit mining: 4.7:1 LOM strip ratio (waste : ore)
- Gravity and CIL processing: 2.5Mtpa, 93% recovery



Re-rating catalysts

- **Indika tranche 2 project investment:**
 - USD25M for additional 15% stake which implies an AUD128M market capitalisation for NUS (December 2021).⁵
- **Regional exploration:**
 - CoW covers 144km² in a highly prospective region for multiple gold mineralisation styles / deposits, with limited historic exploration.
- **Financing milestones:**
 - Finalisation of FEED and process plant expandability studies;
 - Signing of termsheet for Project Financing and subsequent drawdown.
- **Production:**
 - Expect to trade in line with gold producer metrics.

INVESTMENT HIGHLIGHTS

Erdene Resource Development Corp

Khundii Gold District, Mongolia

Despite the impact of COVID-19 on the global economy, Erdene continues to progress the Bayan Khundii gold project toward development while expanding high-grade gold resources in the Khundii Gold District.

The Company has completed a staged exploration plan at the new Dark Horse prospect confirming continuity of a gold mineralised system along a 1.2km north-south trending structure, which is located approximately 3km to the north of the established Bayan Khundii Resource. In late March, a 3,000m shallow delineation drilling program was commenced on the north portion of the Dark Horse structure. Initial assay results from this exploration drill program have confirmed the southern extension of the Dark Horse Mane gold prospect.

Dark Horse Discovery

Recent drilling extended the near-surface, high-grade gold zone at the southern end of the Dark Horse Mane prospect⁶, located north of the Bayan Khundii gold deposit:

- 35m of 2.67 g/t gold beginning 4m from surface:
 - includes 12m of 5.1g/t Au, including 1m intervals of 14 and 19.1g/t Au;
 - mineralisation remains open to the south, with assay results pending for holes located approximately 100m to the south;
- 4m of 3.2g/t Au and 22g/t Ag;
- all 10 holes returned significant zones of anomalous gold and/or indicator mineral elements, helping to refine the geological model and future targeting.

Results are pending for 27 holes from Dark Horse Mane and surrounding prospects. Erdene's next phase of exploration is expected to commence in late Q2 2021.

Corporate

During the quarter Erdene launched an Employment Orientation program at the Bayan Khundii Project camp for local community members with more than 70 residents receiving training from Erdene's HSEC team. A further 140 residents are registered for upcoming program sessions.

While the host province of Bayankhongor has registered its first COVID-19 infection, Erdene is taking all necessary precautions to maintain a safe work environment. Additionally, Erdene has provided funding to the local provincial emergency commission to ensure the safety of local residents. Erdene continues to closely monitor the COVID situation in Mongolia and its potential impact on commencement of construction of the Bayan Khundii Gold Project.



MINING MARKET REVIEW

Lion Clock: moves to 11 o'clock on IPO activity

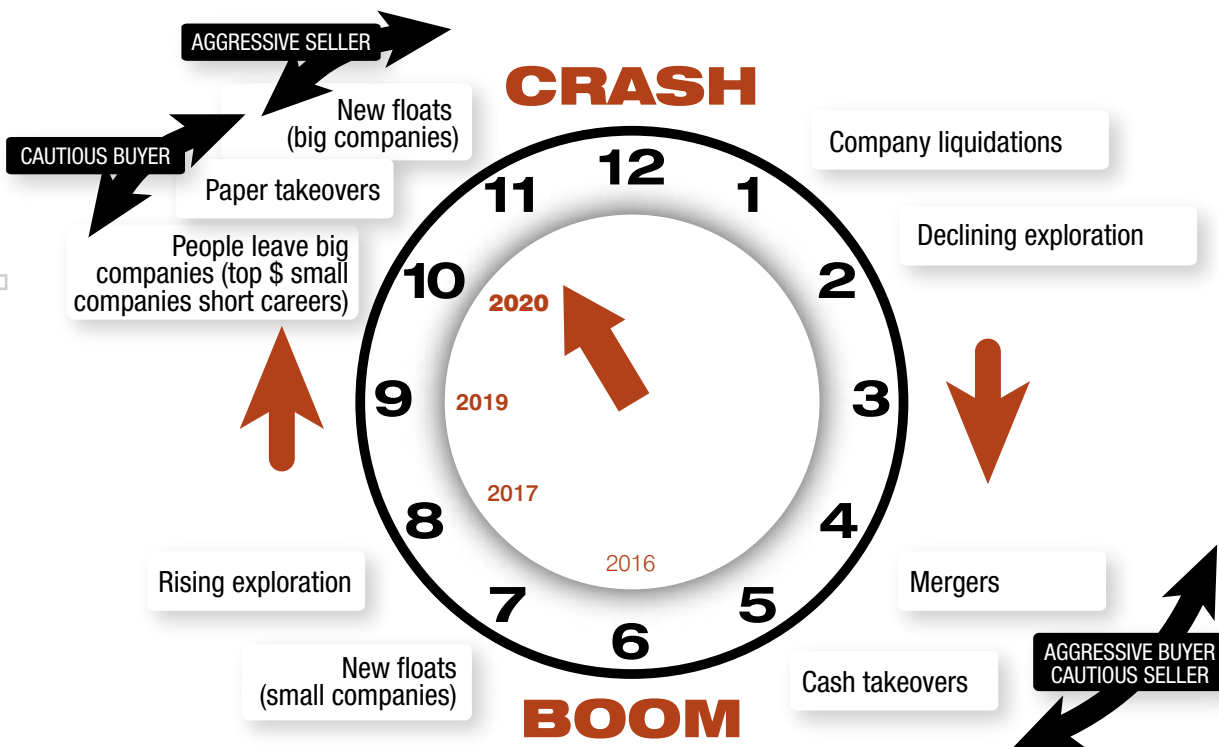
The Lion Clock has moved to 11 o'clock, following the emergence of large (\$10's-\$100's million dollar) mining focussed IPOs with visibility of several, larger still mining IPOs globally in preparation. Large mining focussed IPOs are only possible under unusually high liquidity that has historically only presented in the lead up to cyclical peaks.

It is quite possible that an assessment that the cycle is at 11 o'clock will be met with some disagreement, or perhaps an assertion that 'this time will be different' – this is common at this stage of the cycle. It is important to point out that historically the 11 o'clock stage of the cycle has lasted several years. Whilst the movement of the Lion Clock to 11 does not set an expiry date for the current boom, it might not herald an immediate crash warning either. Attractive trading profits have been provided through the 11 o'clock phase of previous markets, as this time is characterised by the highest liquidity the cycle will provide. Clearly, investors who hold large or strategic stakes in mining companies or projects might now be contemplating their exit opportunities.



The Lion clock is not yet signalling crash, nor is it a finely tuned investment guide, but it can provide a useful early-warning signal about what comes next.

*Dryblower, via MiningNews.net
3 May 2021*



MINING MARKET REVIEW

Introduction

Mining is booming, a number of mineral commodities have set new record highs and share prices of major miners have also reached fresh all-time highs. Ultra-accommodative global monetary policy settings have ushered in an era of 'free money' which has inflated asset markets. Liquidity in the form of investor funding is pouring into mining equities, and this has opened a window which only ever occurs in the latter years of a boom – the ability to conduct large mining IPOs. Large mining IPOs define 11 o'clock on the Lion Clock – a time when liquidity is uber-abundant, the market rewards growth, puts high values on exploration assets, junior companies perform strongly and is the final (often multi-year) episode of the boom.

Mining Cycles and the Lion Clock

The Lion Clock depicts the mining cycle according to liquidity indicators that are diagnostic of the different stages of the cycle. Mining cycles are defined by equity prices of mining companies, but the underlying driver of mining equity prices is liquidity – money flowing into, or out of the mining sector. The availability of funding drives behaviours in the market and the sector which are characteristic of cycle maturity.

There are two aspects of mining cycles that must be emphasised:

1. Mining is cyclical and regularly enjoys booms, which have always ended with a bust.
2. The top of any market cycle, mining booms included, are notoriously hard to pick. Increased liquidity (which is easy to spot) is not what causes a bust, but creates conditions that are ripe for a collapse following a suitable catalyst (which is the highly unpredictable ingredient).

Mining and Exploration IPO's – large listings done, more on the way

The number and size of mining and exploration focused IPOs is the best litmus test of liquidity there is for the mining sector. Companies hoping to IPO have no track record of value creation and need to justify the valuation they are raising money at without the benefit of a market price. Typically IPO investors are new to the register, so discounting the issue tends to penalise the existing owners due to dilution. In a weak mining market (such as 2015), an exploration IPO is extremely challenging and listing an established or hopeful miner is impossible, but in boom time asset valuations incentivise owners to accept dilution or sell down.

There were five exploration IPOs onto ASX in 2019 and 26 in 2020. Year-to-date there have been 25 which is almost as much as the 2020 full year, and raising \$10m or more for an exploration IPO now appears more the rule rather than the exception.

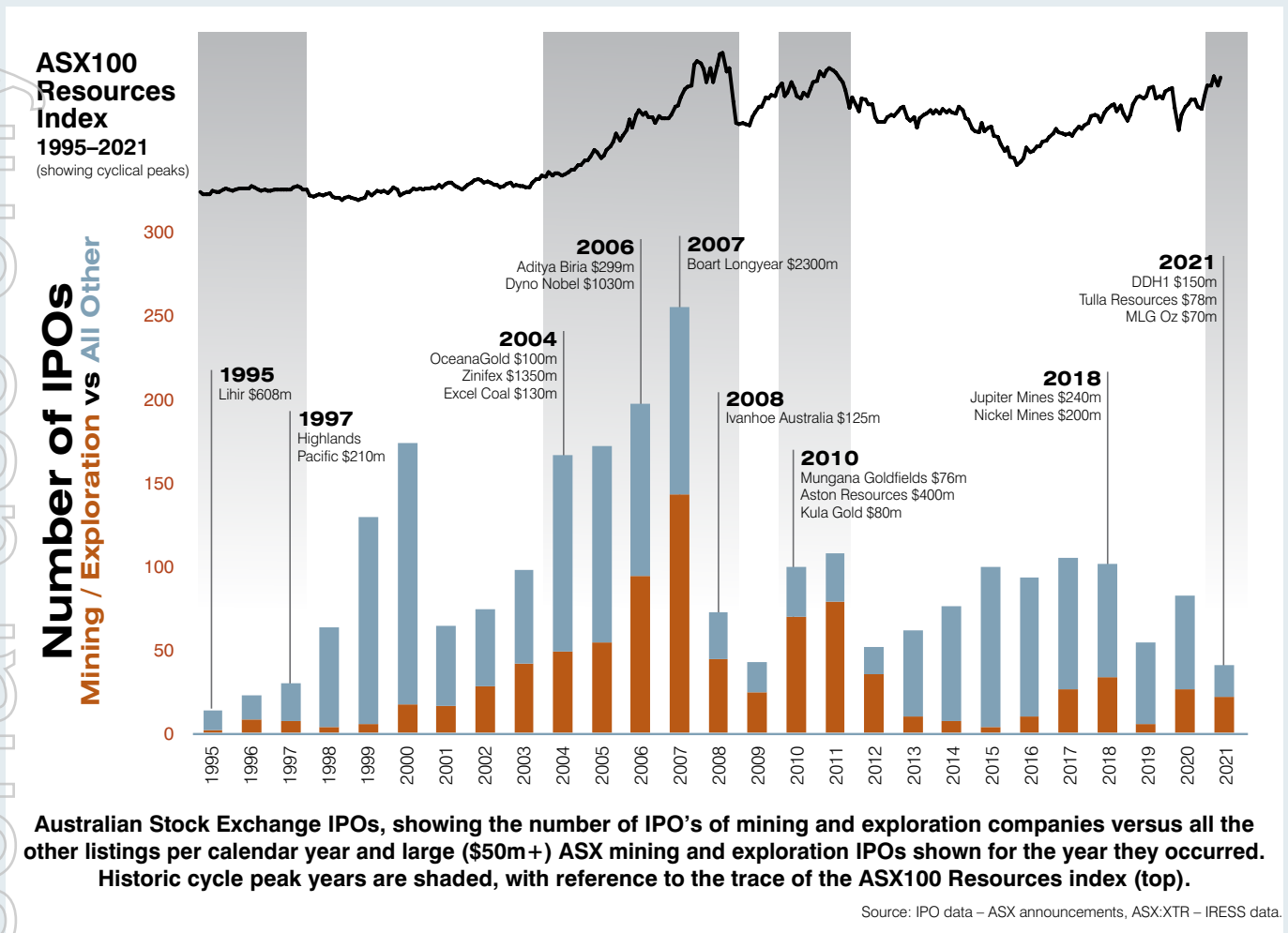
On top of high and growing exploration IPO volume, large mining IPO deals are clearing the market: there have been three IPOs in 2021 raising A\$70m or more. One is a part owner of a gold project (Tulla Resources) and two mining services companies (DDH1 and MLG Oz). And the global mining IPO pipeline looks as well stuffed as a Christmas stocking: according to the Australian Financial Review, copper focussed 29Metals is in advanced stage of IPO preparation for an ASX listing and is expected to raise in excess of A\$500m¹³. A London listing for Russia and West Africa focussed Nord Gold has been touted which would reputedly attract a multi-billion dollar valuation¹⁴. In Indonesia, where the local exchange has seen the emergence of several substantial local gold businesses, an IPO to raise US\$500m and list the Toka Tindung gold mine was postponed in April¹⁵. There are others with the aspiration to raise over A\$100m and establish new, significant sized mining businesses under serious contemplation but so far less visible, that are likely to target listings on Australian, European and Asian exchanges.

Combining just the visible potential of 29Metals and Nord Gold listings with the current ASX trend of increasing number and size of mining and exploration IPOs puts 2021 on track for a year commensurate with years such as 2006 or 2010.

The investment market has typically only supported large (A\$50m-\$150m raising) mining or exploration focussed IPOs in the 2-3 years prior to the peak of a cycle. Mining IPOs that raise in excess of A\$1b are rare and tend to be quite close to the cycle peak. The best historic example is the IPO of Glencore, which raised US\$11B to list on the London Stock Exchange in 2011 within months of the peak of the hottest mining market in decades.

MINING MARKET REVIEW

The emergence and tempo of large (multi \$10's millions raising) mining focussed IPOs is a serious signal from the market which betrays unusually high liquidity that has historically only presented in the lead up to cyclical peaks.



Transactions, COVID and the proverbial naughtier sibling

Large mining takeovers are also a useful cyclical indicator. Recent deals such as the mergers of Northern Star and Saracen, Endeavour and Teranga, or SSR and Alacer have all created companies that have leap-frogged rivals to move to higher tiers of gold producers. Compared with some of the combinations that occurred in previous cycle peak years such as 2008 (Rio Tinto / Alcan 2007) or 2011 (Newcrest / Lihir, Rio Tinto / Riversdale 2010), these recent deals do not seem so outrageously priced. This raises a question of whether the sector has become exuberant enough to justify being near a cycle peak.

Anyone who's behaviour was ever highlighted as an example of what not to do to their (usually younger) siblings know – halos are eventually dislodged, most often by the wearer. In 1997, the exposure of a massive fraud and false gold discovery at Busang in Indonesia not only led to the collapse of Bre-X Minerals, it brought about a seismic shift in sentiment toward miners. All at once, distrust spread across the market and miners were sold off as exuberance (which was abundant) was seen as a sign of certain rot. Miners were bestowed the unofficial title of 'least reliable' sector of the global equity market, although this was soon usurped by the technology sector following the dot-com bubble and bust.

The mining bust of 2011-15 has a great deal in common with the bust of 1997-99: miners were sold down against an otherwise buoyant equities market owing to (fairly well deserved) investor distrust toward the mining sector. But with no dot-com wreck, investors' memories of financial recklessness in the mining sector from circa 2011 remain all too clear. Whilst miners can access abundant funding, the investment market remains wary of deals that might not obviously create value.

MINING MARKET REVIEW

The global proliferation of the COVID-19 virus may also have had an impact, as travel became restricted and borders closed sometimes on short notice. This must certainly have posed a challenge to due diligence for potential deals and might explain why many of the deals that have been completed in the era of COVID-19 have been more or less jurisdictionally confined.

Emissions targets vs takeover targets and the rush to be most responsible

Without an obstructive smoke screen of someone else's poor behaviour, outstandingly good behaviour can restore some previous standing. The mining sector has embraced the broader equity market push toward greater transparency on Environmental, Social and Governance performance and most would agree the products of this are mostly welcome improvements. It is a little more than tongue in cheek to say that some miners need to work hard at this to restore investors' confidence to the extent that they might one day conduct a large transaction because investors, like parents, are quite capable of punishing previous poor behaviour by withholding permission for a separate activity.

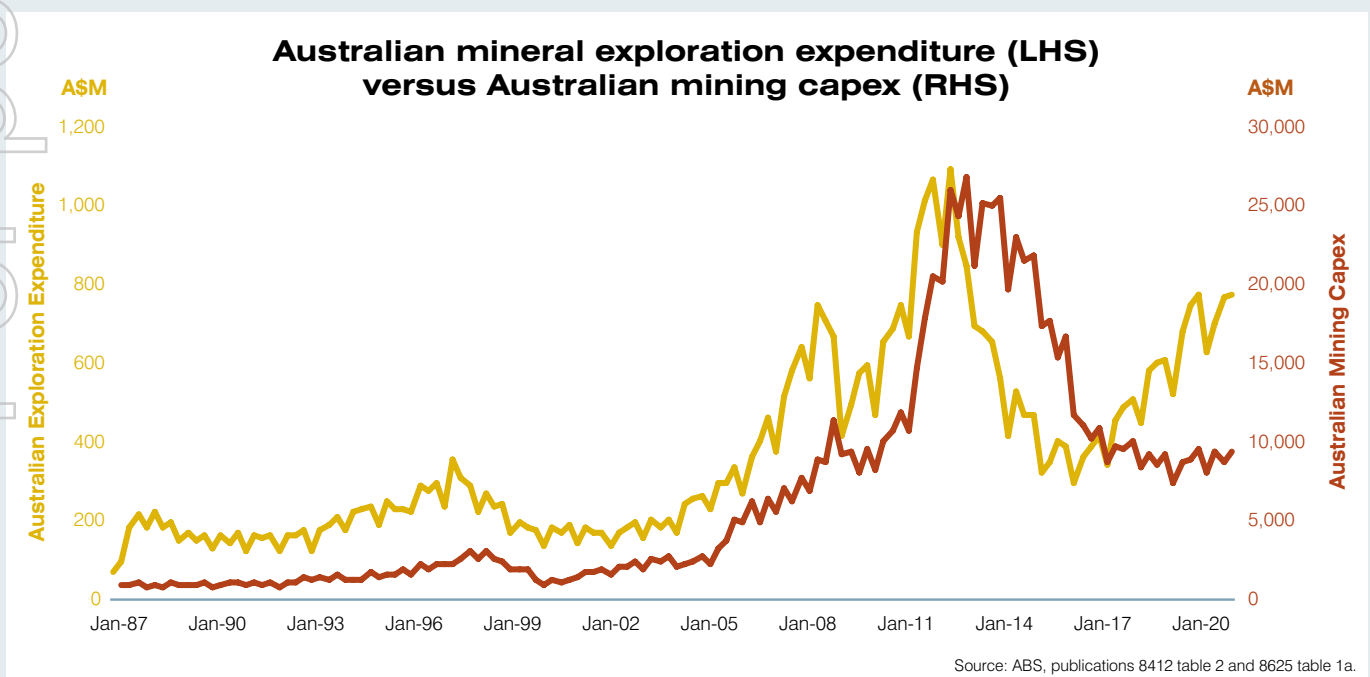
There was a significant clean out of the global mid-tier by a multi-decade consolidation drive that concluded in the 2000's and as a result ideally sized takeover targets are scarcer than they have been in previous cycles.

For now, it might just be easier for a number of miners to achieve emissions, gender balance or local employment targets than to identify a growth acquisition target that also justifies a value proposition significant enough to make it the focus of their investors.

Growth by responsible investment

Australian exploration expenditure data (via the Australian Bureau of Statistics) might not represent the global industry, but Australian miners have been a major beneficiary of investment via the equity market as investors prized its safe jurisdictional status. Where money is spent in the mining industry, trends are likely to show up in Australian data.

Australian quarterly mineral exploration expenditure has jumped 2.6x since the most recent cyclical low in 2016. Exploration spend remains below previous cycle peaks, but meters drilled have surpassed the peak of 2008 and are slightly below the peak of 2011 – not a warning signal of itself but a clear confirmation the boom is well progressed. Mining capex has historically followed a very similar trend to exploration expenditure but has remained flat since 2016, which is the first time since the data have been available this circumstance has taken place. Perhaps similar investing discipline is being reflected in capital investment decisions as is so far apparent in transaction planning.



MINING MARKET REVIEW

Outlook: risks to liquidity

An oversupply of liquidity doesn't cause a crash, but substantially reduces the need for miners to be fiscally responsible because excess expenditures can be readily funded. The longer liquidity remains high the greater the risk that a bust will take place, as a result of an adequate catalyst. History is extremely firm with this outcome.

Risks to commodity prices – many are close to all-time highs:

- Iron Ore: resumption of large-scale production out of Brazil.
- Battery materials: demand expectations fail (or is slow) to meet newly developed supply.
- Gold: interest rates increase to combat inflation.

Risks to financial performance of miners:

- Most indications are that financial behaviour of miners is regarded broadly as responsible, so mining sector exuberance is not yet a risk to the cycle.

Risk of inflation; interest rates versus asset values:

- Many large economies have limited ability to manage inflation (should it be reflected in measures) because of the risk to asset markets (eg US equity market, the Australian housing market), high government debt levels and risk to enterprises and individuals who leveraged themselves with cheap credit.
- The global equity market has surged in response to global stimulus and record low interest rates, and any substantial equity market correction would affect mining equities.

The greatest risk of a mining bust appears to be aligned with a general equity market correction in a similar fashion as 1987 or 2008.

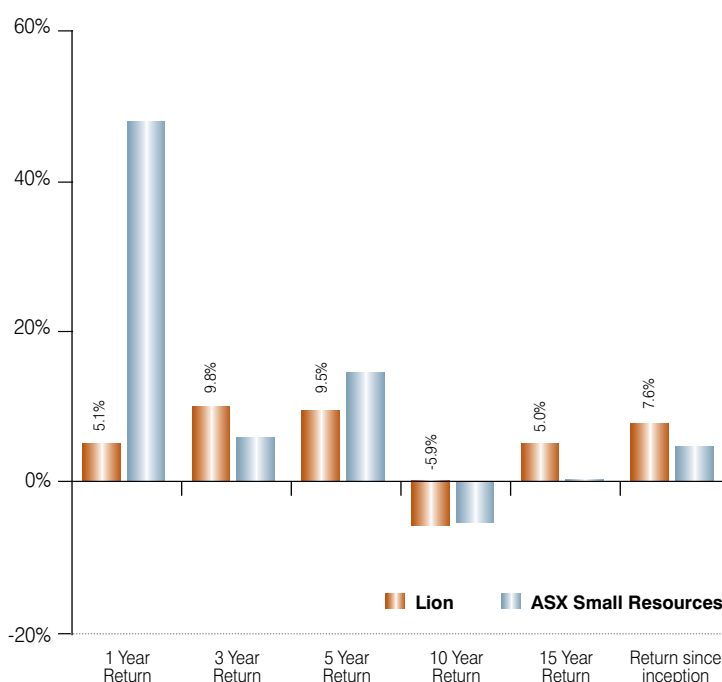
Post Script

The Lion Clock is a concept created by Robin Widdup, as a mining analyst at JB Were, to depict the cyclical nature of mining booms and busts. This concept has been refined, but little changed in over 30 years, and is referred to by many others in the industry in discussion of the mining cycle. Leading Australian Mining media outlet, MiningNews.net published an article on 3 May 2021 where the prominent but anonymous commentator Dryblower ruminated on the mining cycle. Dryblower's conclusion was very similar to our own, if justified differently. The article has been reproduced on pages 13 and 14 of this report.

LION PERFORMANCE

Annualised Total Shareholder Return ⁷⁻¹²

Annualised TSR to 30 April 2021	Lion	ASX Small Resources
1 Year	5.1%	47.5%
3 Years	9.8%	5.8%
5 Years	9.5%	14.3%
10 Years	-5.9%	-5.4%
15 Years	5.0%	0.2%
Inception (23 yrs)	7.6%	4.5%



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>).
3. Refer to Nusantara Resources Limited ASX announcement, 16 March 2021.
4. Refer to Nusantara Resources Limited ASX announcement, 29 June 2020.
5. Refer to Nusantara Resources Limited ASX announcement, 19 May 2021.
6. Refer Erdene Resource Development corporation news release made 22 April 2021.
7. Investment performance figures reflect the historic performance of Lion Selection Group Limited (ASX:LSG, 1997 – 2007), Lion Selection Limited (ASX:LST, 2007-2009), Lion Selection Group Limited (NSX:LGP, 2009-2013) and Lion Selection Group Limited (ASX:LSX, 2013-present)
8. Methodology for calculating total shareholder return is based on MorningStar (2006), which assumes reinvestment of distributions
9. Distributions made include cash dividends, shares distributed in specie as a dividend, proceeds from an off market buyback conducted in December 2008, and the distribution of shares in Catalpa Resources (which became shares in Evolution Mining) via the demerger of Lion Selection Limited in December 2009. Lion assume all distributions are reinvested, with all non-cash distributions sold and the proceeds reinvested on the distribution pay date.
10. Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.
11. Past performance is not a guide to future performance.
12. Source: IRESS, Lion Manager.
13. Australian Financial Review, Street Talk Column, 20 May 2021. <https://www.afr.com/street-talk/copper-bigwig-29metals-gives-funds-an-early-look-under-the-hood-20210520-p57tgx>
14. Wall Street Journal, 20 January 2021. <https://www.wsj.com/articles/russian-gold-miner-nordgold-aims-to-list-in-5-billion-london-ipo-11611158597>
15. Bloomberg, 20 April 2021. <https://www.bloombergquint.com/business/indonesian-gold-miner-archi-is-said-to-postpone-500-million-ipo>

Nusantara Resources Limited's Awak Mas Gold Project

Mineral Resource Estimate – March 2021 ³ 0.5g/t cut-off			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	2.2	1.58	0.11
Indicated	39.4	1.43	1.82
Inferred	9.6	1.15	0.36
Total	51.3	1.39	2.28

Ore Reserve Estimate – June 2020 ⁴ 0.5g/t cut off			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Proved	–	–	–
Probable	35.6	1.33	1.53
Total	35.6	1.33	1.53

SUMMARY OF INVESTMENTS AS AT 30 APRIL 2021

Net Tangible Asset Backing

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 30 April 2021 is 60 cents per share (after tax).

SUMMARY OF INVESTMENTS AS AT 30 APRIL 2021			
	Commodity	April 2021	
		A\$M	¢ps
Pani Joint Venture	Gold	62.0	41.3
<ul style="list-style-type: none">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 from the time of the most recent arm's length transaction in November 2018¹. An additional \$1.3M has been invested subsequently.			
Portfolio			
Nusantara Resources	Gold	12.7	8.5
Erdene Resources	Gold	3.9	2.6
Celamin Holdings	Phosphate	1.4	0.9
Sihayo Gold	Gold	1.1	0.7
Other		1.3	0.9
<ul style="list-style-type: none">Portfolio holdings measured at fair value			
Net Cash		7.7	5.1
Net Tangible Assets		A\$90.1	60¢ps
Capital Structure			
Shares on Issue:	150,141,271		
Share Price:	41¢ps	30 April 2021	

* Lion Selection Group ASX Announcement 4 August 2020, Pani Update and Valuation Revision

Dryblower and what time it is on the mining investment clock

ASK anyone for the time and they will probably look at a clock, but ask Dryblower and his answer is 11 o'clock.

In fact, it has been 11 o'clock for the past few months and in that remark lies a clue to what clock he has been watching - it's the Lion Selection mining investment clock.

Created by Robin Widdup when he was working with the once-famous stockbroking firm of J.B. Were and Sons 'the clock' has continued as a feature in presentations of Lion Selection by fellow director of Lion, Hedley Widdup.

The purpose of the clock is to demonstrate how the entire resources sector is cyclical, moving from phase to phase as if rotating around a clock face with the hands turning from crash (12) to boom (6) and back again.

10 is where Lion Selection believes we are today judging by its last 'outing' in a presentation to the Melbourne Mining Club in March.

So, if the people who invented the clock reckon it's 10, possibly the best of all times in the mining game, why would an outside observer like Blower see a different and more worrying time which is what 11 o'clock represents?

The answer lies in the very reason the clock was created, to show how cyclical mining has always been, driven by under and oversupply of raw materials and rarely achieving equilibrium, a time when supply and demand are in harmony.

Robin Widdup best explained the nature of the mining and exploration clock in a letter to a Parliamentary inquiry almost 20 years ago when he wrote that:



"Mineral exploration is extremely cyclical with each cycle lasting from 5 to 10 years".

At the time he wrote that (July, 2002) Widdup said the last full cycle had been from 1987 to 1997 and the cycle before that from 1980 to 1987 and the one before that from 1974 to 1980.

Those three cycles covered in Widdup's 2002 letter ran, respectively, for 10, 7 and 6 years from top to bottom and back again for an average of roughly 7.5 years.

The last full cycle started which most people have experienced started 2011, when everything was at a peak after the government stimulus which followed the 2008 global financial crisis, and bottomed in 2016 when everything was depressed.

In other words, the last big up/down cycle in the mining world started at the end of 2008 (after the crash), peaked in April 2011 and then slithered

down to a bottom in January, 2016 - an 8-year journey from bottom to bottom, almost spot on the average.

All that background is leading to the critical question of where are we today?

The only answer is that pessimists see commodity and financial markets moving to be within sight of the next crash - while optimists reckon we have a couple more good years.

Whatever the correct position there is absolutely no doubt that the clock is ticking with the only unknown being how quickly we move from the official 10 to Dryblower's unofficial 11.

There are two reasons why the clock could be more advanced than that seen by optimists.

The first is that economic cycles are undoubtedly turning more quickly than ever before thanks largely to the speed of communications.

The second reason is that if we assume the accuracy of the 5-to-10-year cycle, with 7.5 years the average, then we reach year 6 early next year.

But if we really are in a 5-to-10-year cycle then the turning point (remember the clock measures a full cycle from bottom to bottom) we might have already passed the half-way point and be heading to the bottom to complete the cycle.

A few case studies highlight the point. Copper, the bellwether metal, bottomed at around US\$1.95 a pound in early 2016 before starting its five-year climb to its recent high of around \$4.50/lb.

It could keep rising as the world rushes into its fully electrified future (from cars to toothbrushes) but the nature of commodity markets is that high prices

incentivise new supply and encourage substitution (aluminium for power lines) as well as the recycling of metals.

Iron ore is another example of a mineral peaking and poised to roll over.

There is an argument from optimists which says the rest of the world is starting to play catch up with China after dramatic recovery from its COVID-19 slowdown and that will ensure long-term demand – a position also known as ‘this time it will be different’.

It never is different, as everyone eventually discovers, because there is a rhythm in markets which can be seen in cyclical nature of commodity prices and measured in the Widdup Clock.

Whether we are at 10 or 11 on the clock can be debated endlessly but the point is that we are starting to move away from the boom years into a time when ‘aggressive sellers’ emerge, and takeovers accelerate which is exactly what Fitch Ratings said last week.

While not widely reported Fitch, a leading credit rating company, said that some parts of the mining industry were moving from a buyer's market to a seller's market and that individual asset prices have risen to a point where it is becoming necessary to launch a takeover of the parent company.

It is those full company takeovers, often at a very high price, which always seem to destroy more value than they create.

The Widdup clock is not yet signalling crash, nor is it a finely tuned investment guide, but it can provide a useful early-warning signal about what comes next.