



Lion Selection Group

Lion Selection Group Limited Annual General Meeting 2016 Chairman's Address

Last year at this meeting we noted that the resources sector had fallen continuously since peaking in 2011 but it appeared to be nearing a cyclical base and that Lion's focus was to preserve investments that can be brought into production once conditions improve.

2016 marks a reversal in investor sentiment toward miners after that five years of persistent negative performance which had culminated in capitulation selling in 2015.

That reversal was triggered by a number of events; the improved gold price for Australian miners, later to be followed by other commodities, the unexpected success most miners achieved in cutting costs, lower energy prices for miners that generated their own energy, and improved demand from China. The recent pullback in gold price is not seen as a retreat, more volatility around a rising tide.

Investment in miners having previously been regarded as 'risky' and 'irresponsible', perception changed to 'rational' and 'cheap'. The switch has been marked by a strong rally in mining equities, an increase in equity raising frequency and average raising size for miners, and re-opening of the IPO market to miners.

In May, the Lion clock moved beyond 6 o'clock, marking the lowest ebb, and the Lion team was the first, as far as I'm aware, to call the beginning of a new boom cycle at that time.

Lion's financial results improved during the year reflecting underlying investment performance including successful commissioning of Roxgold's Yaramoko project in Burkina Faso and a new gold discovery by Erdene Development Corporation in Mongolia and the well-timed sale of Doray. Pleasingly, Lion's share price has also reflected this success. One Asia, Lion's largest investment, remains primed for value improvement.

The active management of investees by the Lion team is an important differentiator of the Lion investment philosophy, and illustrates the experience, influence and networks our team can draw upon to assist investees. Largely as a result of this investment approach there were a number of positive developments in Lion's portfolio during this period.

Lion took the opportunity to boost its cash position with a timely exit from Doray Minerals. The \$8.3m raised by this sale provided a welcome boost to help push Lion's portfolio of emerging miners towards listing and/or production.

One Asia represents Lion's largest and potentially most exciting investment. The ownership dispute at the Pani project has continued and has taken longer to resolve than we anticipated. However, One Asia's strategic local partner in Pani, Provident Capital Partners, whose tangible support has and will be instrumental in upholding One Asia's legal rights at Pani, remains involved and committed. We believe One Asia has the right strategy with the right people involved. Lion has negotiated major challenges with investments in the past, ultimately providing some of our most successful investments.

During the year, there have been positive developments at One Asia's second project, Awak Mas, which has become a large potential gold operation in its own right. With a view to creating value for shareholders, and with Lion's strong support, One Asia has announced it will spin off Awak Mas into a new ASX listing, with its own management team led by a Mike Spreadborough, an experienced and well qualified mining executive.

Lion's team was instrumental in the refocusing and subsequent listing on the ASX of EganStreet Resources (previously called Auricup). Since listing, the company has performed well, and is an excellent example of the committed and patient approach which Lion can bring to investees.

Roxgold, a company Lion holds through its interest in African Lion, successfully commissioned its Yaramoko project in Burkina Faso. The project has operated very well since commissioning, and more recently has released encouraging exploration results.

Erdene Resources has discovered a promising gold project in Mongolia.

Other investees have not performed as well, but in most cases Lion continues to actively manage them.

Your directors would like to take this opportunity to thank shareholders for their loyalty to Lion and understanding of the resources cycle. Contrarian investing is seldom easy, with patience and belief in your investment ethos required. We believe we have emerged from a long and tough period for Lion and its shareholders with a good portfolio of investees and a strong and very experienced core management team who have shown commitment and skill in weathering this period. Importantly the team is well aligned with shareholders, with many being material shareholders.

On behalf of all directors and shareholders I would like to acknowledge the whole Lion team who have endured lean and difficult years with no loss of commitment and enthusiasm. It is very pleasing to see the team not only having some success for those efforts, but also seeing strong growth in their skills and capacities as active investment managers, which bodes well for Lion's future. I would particularly like to acknowledge the leader of the team, Robin Widdup, for his energy, enthusiasm, and considerable skill and judgment.