Lion Selection Group

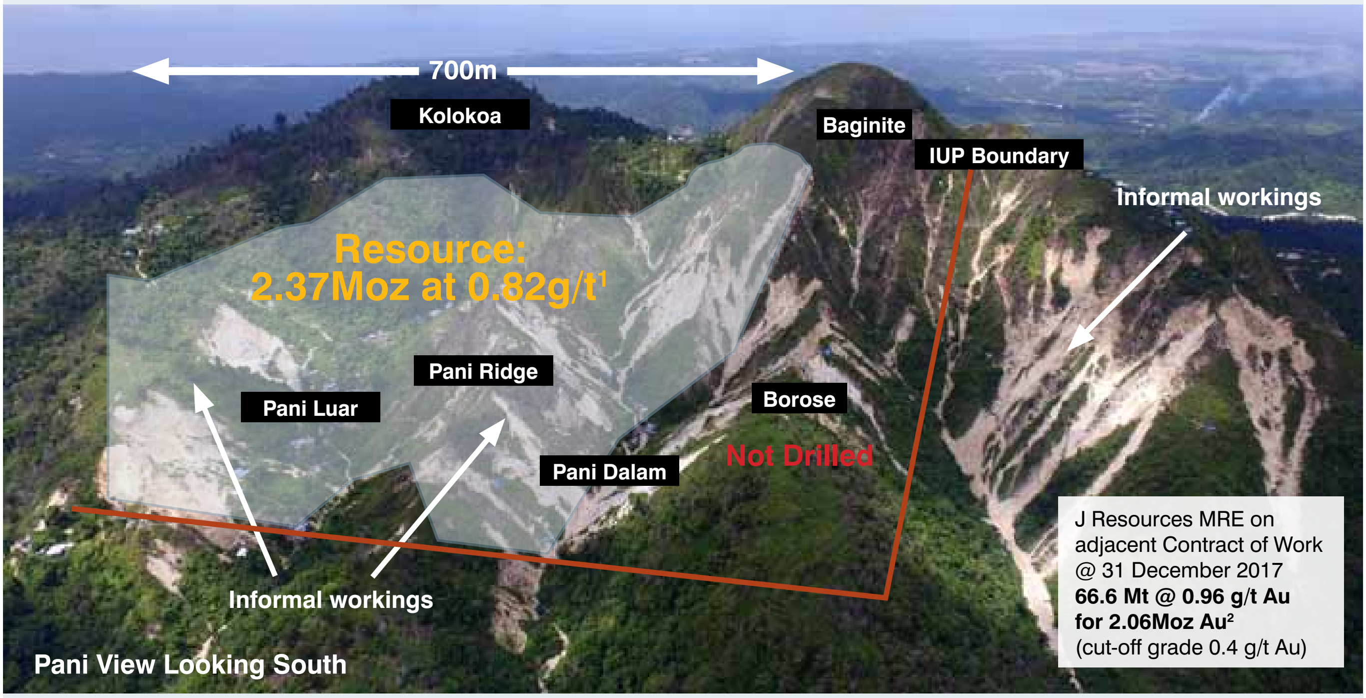
QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 OCTOBER 2018

SUMMARY

INVESTMENT HIGHLIGHTS

Pani Joint Venture

- Merdeka Copper Gold becomes Lion's joint venture partner purchasing 66.6% Pani JV for US$55m cash. Purchase price imputes look through value of $39m for Lion's 33.3% interest, increasing Lion's NTA at the end of October to 43cps, up from 29cps in September.
- Potential exists for a large tonnage, low grade disseminated gold deposit amenable to bulk mining.
- Mineralisation on the Pani IUP owned by the Pani JV has the potential for continuity towards the Contract of Work owned by J Resources surrounding the Pani IUP.



Other Investments

- **Nusantara Resources:** Indika becomes Nusantara's strategic partner acquiring a 19.9% stake, to work with Nusantara on financing and development of the Awak Mas Gold Project where a DFS was completed in October 2018.
- **Roxgold:** On track to meet upper-end of Roxgold's 2018 production guidance with record quarterly processing throughput 15% above nameplate capacity;
- **EganStreet Resources:** Resource update work to commence following exceptional high-grade results from recently completed diamond drilling program.
- **Erdene Resource Development:** Bayan Kundii Mineral Resource technical report and exploration update filed.

SECTOR THEMES

- 2018 has seen resource stock indices return flat to slightly negative performances, whilst micro-cap miners and explorers have weakened more substantially.
- Lion clock remains at 8 o'clock, notwithstanding historically unusual share price performances through 2016 and 2017, conditions in 2018 are not dissimilar to previous cycles at 8 o'clock.

INVESTMENT HIGHLIGHTS

Pani Joint Venture (33.3%)

- **Merdeka Copper Gold purchases 66.6% of the Pani JV.**
- **Permitting is progressing.**

Merdeka Transaction

On 5 November 2018, Lion announced that PT Merdeka Copper Gold Tbk (IDX: MDKA) (Merdeka) will become Lion's joint venture partner in the Pani Joint Venture (Pani JV) after agreeing to pay US$55m cash to buy the 66.6% joint venture interest from Lion's existing joint venture partner. The purchase price paid by Merdeka imputes a look through value of $39m for Lion's 33.3% interest. Lion has adopted this valuation for its net tangible asset (NTA) disclosure.

Merdeka is a leading Indonesian gold mining company which developed and operates the Tujuh Bukit oxide heap leach project, East Java. Merdeka's technical, financial and Indonesian operations expertise brings essential skills to the development of the Pani Gold Project. Merdeka has been providing technical, social and government relations support to the Pani Joint Venture through its Mining Services division.

Permitting

The Pani Joint Venture is progressing permitting for the Pani Gold Project including the Pani IUP licence containing the Pani gold Resource, a processing and refining area and an access corridor. Key permits including the AMDAL (Indonesian environmental and social approval) for the project, processing and refining area permit, and forestry approval for the mining IUP are anticipated to be received by December 2018.

KEY STEPS TOWARDS PRODUCTION		
Pani Joint Venture Interest acquired	✔	**April 2018**
Direct Ownership	✔	**August 2018**
Merdeka Acquires 66.6%	✔	**November 2018**
NEXT STEPS		
Permitting and Licencing: Pani IUP Mining Area Road access corridor Processing and refining area		**Targeting December 2018**
Step out drilling		
Scoping Study		
Definitive Feasibility Study		

Pani Resource

Lion acquired its 33.3% Pani Joint Venture interest from One Asia in April 2018 having been involved with the Pani project since 2012 when Lion made its first investment into One Asia. One Asia published a Mineral Resource Estimate (MRE) of 89.5Mt at 0.82g/t for 2.37 million ounces of gold based on a 0.2g/t cut off (3 December 2014)[1]. Technical work on the project accelerated in December 2017 following settlement of a four-year ownership dispute.

Geology

Mineralisation remains open to the south and to the west. It is noteworthy that PT J Resources Asia Pasifik Tbk (J Resources) holds the Contract of Work surrounding the Pani IUP and has publicly released a resource estimate of 2.063 million oz of contained gold[2] for the project. This suggests the potential for continuity of the mineralisation across the two tenements and that the Pani project has substantial potential for a large-tonnage, low-grade disseminated gold deposit amenable to bulk mining.

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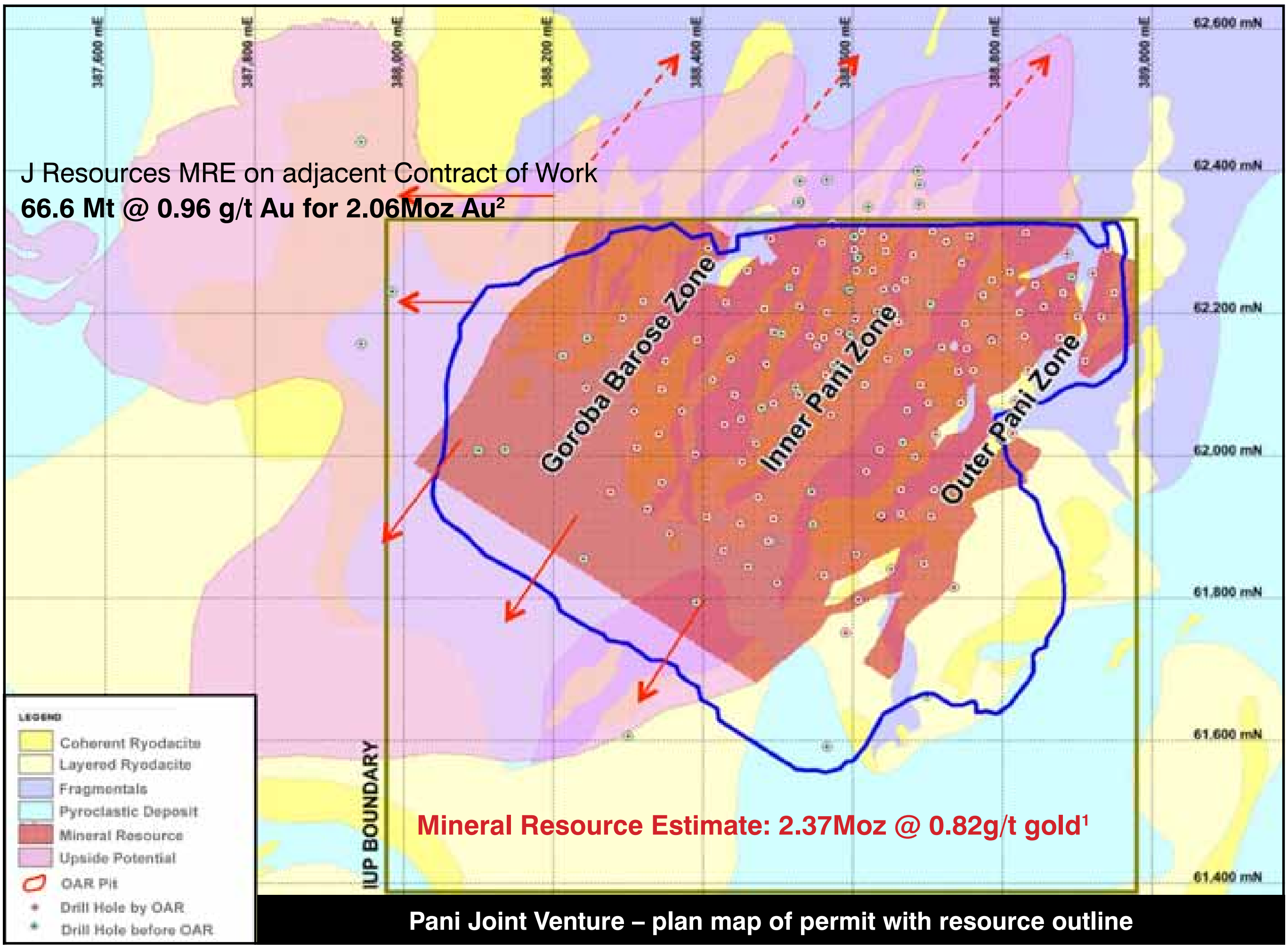
1. Refer to One Asia Resources Limited news release 3 December 2014
https://www.lionselection.com.au/wp-content/uploads/2018/08/PANI%20JORC%20RESOURCE.pdf

Summary of the mineral resources at a cut-off grade of 0.2g/t is tabulated below:

Classification	Tonnes (Mt)	Au Grade (g/t)	Au (million Oz)
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**

INVESTMENT HIGHLIGHTS



Pani Joint Venture – plan map of permit with resource outline

Nusantara Resources Limited

Awak Mas Gold Project
Sulawesi, Indonesia

Ore Reserves

- Updated Ore Reserve of 1.1Moz [9] released as part of DFS and follows additional drilling and updated 2.0Moz Resource May 2018.[10]

DFS

Definitive Feasibility Study released October 2018:

- 11 years x 100,000 oz gold pa.
- Capex US$146m, NPV$_{5\%}$ US$152m.
- All in sustaining costs US$758/oz.
- 91% recovery, 3.5/1 strip ratio.
- 2.5mtpa x 1.3g/t CIL.

DFS has confirmed the Awak Mas Project is a technically feasible, financially robust project with significant opportunities to increase project value through optimising the current mineral resources and further exploration.

Corporate

Lion warmly welcomes PT Indika Energy Tbk (Indika) as Nusantara's strategic partner. As announced on 12 December 2018, Indika has agreed to invest $7.7m to acquire 19.9% of Nusantara at a premium to the prevailing market price. Founded in 1972, Indika is listed on the Indonesian Stock Exchange with a market capitalisation of A$1.2 billion. Indika has a range of Indonesian businesses across natural resources including oil and gas, and mining contracting. Lion thanks AustralianSuper for investing alongside Indika.

Exploration

Continues to identify new targets and testing known prospects which have had minimal previous assessment.

Cash

Nusantara reported US$2.9m (A$4.0m) cash at 30 September 2018.

INVESTMENT HIGHLIGHTS

Egan Street Resources Limited

Rothsay Gold Project, Western Australia

Exploration

Exceptional high-grade results returned from recently completed 16-hole diamond drilling program targeting southern extensions to the Woodley's and Woodley's East shears, including a bonanza hit of 0.3m at 776g/t gold.

Drilling has confirmed extensions to high-grade mineralisation beyond the current 401,000oz Rothsay Mineral Resource.[11]

EganStreet will shortly commence work on an updated Mineral Resource incorporating the results generated by this successful drilling program.

Cash

EganStreet reported A$9.0m cash at 30 September 2018.

Roxgold Inc

Yaramoko Gold Project, Burkina Faso

Production

- 30,532 ounces of gold produced in Q3 driven by record quarterly processing throughput of 78,357 tonnes – 15% above nameplate capacity.
- Consistently solid operating performance at Yaramoko has Roxgold on track to meet the upper-end of its 2018 production guidance of 120,000-130,000 ounces.

Development

Construction work on satellite Bagassi South Gold Mine on track for first ore late Q4 2018.

Exploration

Seven drill rigs currently active at Yaramoko targeting extensions to the 55 Zone and Bagassi South deposits, as well as priority regional targets. Significant drill results during the quarter at 55 Zone include:

- 10.1m @ 19.5g/t from 576.6m depth
- 5.4m @ 9.2g/t from 903.1m depth
- 16.5m @ 6.9g/t from 595.6m depth

RC drilling to start at the 1.5km long gold in soil anomaly at Kaho, at the southern part of the Yaramoko permit in late November.

Cash

US$71M at 30 September 2018.

Erdene Resource Development Corp

Khundii Gold District, Mongolia

Exploration

Erdene has filed an updated technical report regarding the mineral resource estimate of its 100% owned high-grade Bayan Khundii gold deposit which is one of two resource areas included in the Khundii Gold Project.

Given its high-grade, proximity to surface and favourable metallurgy, the Khundii Gold Project represents a compelling development opportunity.

Erdene is currently undertaking a Preliminary Economic Assessment study for the Khundii Gold Project which is scheduled for completion in Q4 2018.

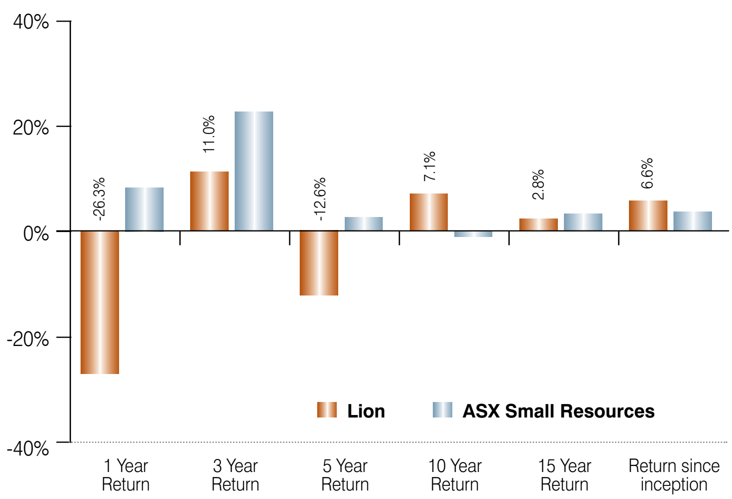
Cash

At 9 November 2018, Erdene had working capital of US$2.3m.

LION PERFORMANCE

Annualised Total Shareholder Return [3-8]

Annualised TSR to 31 October 2018	Lion	ASX Small Resources
1 Year	-26.3%	8.6%
3 Years	11.0%	23.2%
5 Years	-12.6%	2.5%
10 Years	7.1%	-0.2%
15 Years	2.8%	3.6%
Inception (21 yrs)	6.6%	3.7%



MINING MARKET REVIEW

Since the start of 2016, mining indices have posted impressive returns: the ASX100 Resources has returned 81% whilst the deceptively named Small Resources (the smallest inclusion is capitalised at A$350m) has more than doubled (107%). In contrast, the ASX100 Industrials has returned only 7% in the same time.

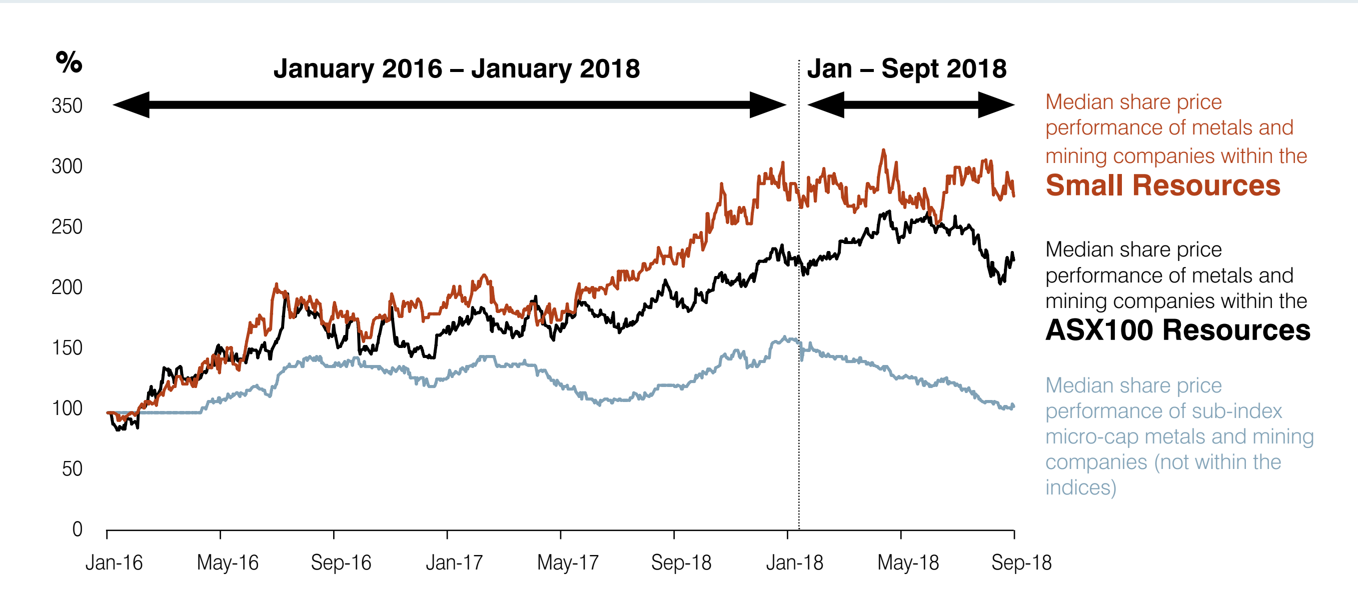
A substantial uplift in mining indices and outperformance over the rest of the market certainly paints a fairly rosy picture for miners. However, delving a little deeper, there are only 17 companies in the ASX100 Resources index, and 40 in the Small Resources, with both indices including metals, coal, oil and gas, and services stocks. There are 540 companies listed on ASX classified as 'metals and mining' capitalised below the level of the indices, so the number of companies which have contributed to resource index performance is only a very small proportion of the population of miners and explorers as a whole.

There is no index for the micro-cap explorers and developers that fall beneath the representative indices, and so there is no obvious way to compare this group with their larger capitalisation contemporaries. Consequently, performance of the micro-cap end of mining is often assumed (incorrectly) to mimic the indices.

Big vs Small vs Micro

The median share price performance for the groups of companies in the ASX100 Resources and Small Resources Indices tell the same story as the indices themselves; strong, positive returns over the period. Comparing median share price performances for only the metals and mining companies in both indices, as well as all the companies too small for the indices begins to highlight a difference between the larger cap and micro-cap stocks. Micro-caps have a similar trend to those of the larger cap stocks, with corresponding peaks and troughs, but the overall performance lags both indices by a long way.

More recently, the trend for the sub-index juniors confirms what many small cap CEOs already knew – that 2018 has been a far harder year to attract investor attention than 2016 or 2017. Notably in 2018, 82% of the micro-caps have experienced a negative share price performance.



Metals and Mining classified companies	January 16 – January 18			January 18 – September 18		
	Median %	# companies +ve performance	# companies -ve performance	Median %	# companies +ve performance	# companies -ve performance
ASX100 Resources	+111%	11	0	+2%	8	3
Small Resources	+160%	33	0	-12%	9	24
Sub-Index Micro-Caps	+54%	356	178	-30%	95	439

MINING MARKET REVIEW continued

Risk appetite – episodic and specific

Investors look for a number of things, paramount being the prospect of returns and assessment of risk. Mining indices reflect that the majors and mid-tier have improved on many fronts, including profitable production, reducing costs, de-leveraging and seeking to improve shareholder value. These changes combined with reasonably robust commodity prices have attracted capital into the equity markets from a variety of sources.

The boom commenced in 2016, and whereas historically larger companies have been the first beneficiaries of a boom and transmission to smaller and less advanced companies has been gradual, 2016 saw aggressive performances from large-, mid- and many small-capitalisation miners as investor interest rapidly spread from large capitalisation companies into smaller companies. Trading profits became available, and were recycled into fund raisings, this led to a rapid and probably premature increase in risk appetite, which was not sustainable and has since declined. Conditions in 2018 have toughened for the micro-cap metals space and capital raising has become more challenging. The dilemma for retail and institutional investors at the moment for micro-caps is "why should I invest today when I can probably buy shares cheaper tomorrow?", especially when the prospect of further fund raisings to fund assessment and development are reasonably obvious. Accordingly, the single biggest risk for many micro-caps is that of funding future equity capital raisings, irrespective that the company may have a quality project that will attract bank finance. This is also impeded by reductions in company research from full service brokers that have previously been important motivators to both retail and institutional investors.

Investor interest in companies too small to make it into the indices has been directed toward fairly specific companies and has followed some distinct themes – which have enabled capital raising and for a time also provided positive performances.

Hot topics

Battery commodities	2015 – present	• Centres on a thematic for storage of electricity and electrification of transportation, which will lead to increased consumption of battery constituent commodities such as graphite, lithium, cobalt • This thematic has been the most persistent, with sums in excess of $100m raised for individual projects, some of which have now been built into producing mines
Pilbara Gold	2017	• In mid-2017 Novo Resources (TSX listed) reported watermelon seed shaped gold nuggets from a conglomerate horizon in the Pilbara, and promoted a substantial target based on the size of the regional extensive host unit • Novo and other neighbouring explorers were rapidly re-rated, with Novo achieving a peak capitalisation of over C$1.1 billion. Funding for conglomerate gold exploration was raised sometimes in multiples of $10m
Victorian Gold	2017 – present	• A reinvigoration of interest in Victorian gold has occurred following the discovery of an extremely high-grade zone at the Fosterville Gold Mine, with interest from investors for targets ranging from deep to shallow and based on extensions of known mineralised fields through to new areas and under cover
Rio Tinto nearology Paterson Copper	2018?	• A rumoured major copper discovery under cover in the Paterson province of northern WA by Rio Tinto based on the establishment of a large exploration camp and pegging a large land position. • Notwithstanding the lack of geological news, the nearology play has affected neighbouring listed explorers.

MINING MARKET REVIEW continued

Each of the thematics that investors have been prepared to take risk on have been large concepts – development of new commodity markets, regionally extensive targets or discovery of new mineral fields. This suggests that considerable motivation (ie a sizeable reward) is required to tempt what risk money that is available to diversify from the comparative safety of index sized stocks, most of which are producing companies.

These observations tempt a discussion of the risks that investors appear not to be willing to take just yet:

- Development assets appear to be cheaper than exploration – there are numerous examples of projects at or close to 'development ready' that are capitalised well below the levels of explorers with fairly (as yet) undefined projects. This puzzles many observers and frustrates company owners and management – investor reactions tend to be that companies that are ready to be developed may have a known and tempting value, but are also cum a sizeable fund raising, whereas exploration stories have unlimited upside that could be demonstrated with very little expenditure and at any minute.
- Jurisdiction risk – clear preference of investors for 'safe' jurisdictions like Australia. Known and prospective jurisdictions that carried favour in previous booms, such as Mongolia or West Africa are still awaiting a return of broad investor interest. A fairly obvious exception to investors avoiding jurisdiction risk may be Ecuador, which has attracted investors and companies alike after the discovery of a porphyry called Cascabel by SolGold. Companies involved in the pegging rush to Ecuador are no doubt chasing prospectivity, investors on the other hand may be speculating on corporate actions also; share price movements in SolGold have been more positive off the back of news regarding either of BHP or Newcrest taking an interest, than for exploration results.

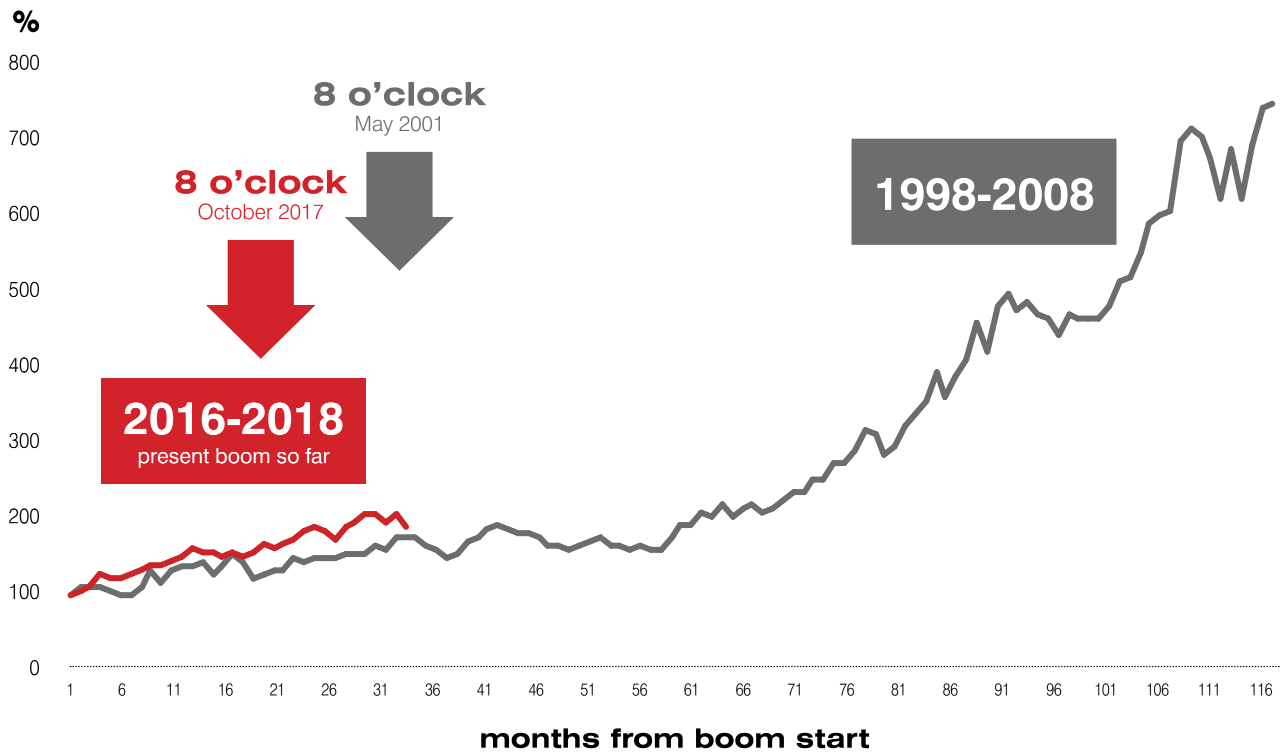
Last time it was 8 o'clock...

The Lion clock was at 8 o'clock in 2001, following a bust in 1998.

- The 2001 market was still recovering from the dot-com crash of 2000, which had seen huge losses of capital in risk money circles. Mining, still possibly viewed as a relic of the industrial era (remembering that the dot-com era was being born), had not yet seen the proper return of risk money.
- Nevertheless, exploration spending and activity (based on ABS data) had begun to recover – year on year trends had levelled out from previous years declines. Budgets were favouring 'safe' jurisdictions (According to the Minerals Council), as year on year breakdowns of expenditure saw the proportional allocation to places such as Australia increased.
- IPO volumes were rising, (1999: 5, 2000: 17, 2001: 16, 2002: 28). Macarthur Coal and Sally Malay (now Panoramic) were listed in 2001.
- On the deal front, large miners already had an eye on growth, and in some cases were shedding sub-scale assets. The market had seen Rio Tinto successfully bid for North Limited and Ashton Mining in 2000, both competitive processes. Then the merger of BHP and Billiton took place in 2001, and Barrick took out Homestake – M&A activity was healthy, and the industry was certainly investing even if the market was not. BHP had demerged OneSteel and distributed to its shareholder register in late 2000, and WMC sold their gold assets (ironically, at the very bottom of the gold market) in Western Australia to Goldfields.
- This cycle lasted until 2008.

continued over...

MINING MARKET REVIEW continued



Performance of the ASX100 Resources Index, in the months following the commencement of a major boom: 1998-2008 vs 2016-2018

… and it's 8 o'clock still

The Lion Clock moved to 8 o'clock in late 2017, when it had become evident that exploration activity in the sector had restarted. The heavy lifters in exploration at present appear to be the mid-tier miners, with Australian focussed gold miners featuring prominently. The rapid onset of risk appetite in 2016 led to a recapitalisation of the sector, including many juniors, which enabled many smaller companies to also explore. Exploration may not produce results for everyone, but does generate news within the industry, which serves to encourage investors over time. History has shown that when the industry is generating free cash and investing in itself, periods of weakness in the market tend to promote M&A activity which also leads investors back to the market. No cycle has ever been smooth, and the conditions of today are altogether normal for 8 o'clock – they just may seem strange because for a period of time (2016, 2017), given the performance of many smaller miners, it looked like the cycle may continue to improve at a more rapid pace than it has!

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

Summary of the mineral resources at a cut-off grade of 0.2g/t is tabulated below:

Classification	Tonnes (Mt)	Au Grade (g/t)	Au (million Oz)
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**

2. J Resources Reserve and Resources Statement 31 December 2017.
http://www.jresources.com/assets/uploads/home/JRAP_-_2017_-_RR_table_@_20171231_(Sanjaya).pdf

J Resources Group		Cut off grade	0.4 g/t
Resource Classification	**Tonnes (Mt)**	**Au Grade (g/t)**	**Metal Koz Au**
Measured	13.8	0.95	423
Indicated	38.7	0.91	1,136
Inferred	14.1	1.12	504
Total MRE	**66.6**	**0.96**	**2,063**

3. 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).
4. Methodology for calculating total shareholder return is based on MorningStar (2006), which assumes reinvestment of distributions.
5. 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 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.
6. Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.
7. Past performance is not a guide to future performance.
8. Source: IRESS, Lion Manager.
9. Refer Nusantara Resources Limited announcement to ASX 13 September 2018.
10. Refer Nusantara Resources Limited announcement to ASX 8 May 2018.
11. Refer EganStreet Resources announcement to ASX 14 May 2018.

Lode	Indicated			Inferred			Total		
	Tonnes (kt)	Grade (g/t Au)	Ounces (koz)	Tonnes (kt)	Grade (g/t Au)	Ounces (koz)	Tonnes (kt)	Grade (g/t Au)	Ounces (koz)
Woodley's	630	10.6	213	240	10.6	83	870	10.6	296
Woodley's East	190	5.3	33	160	9.1	45	350	6.9	78
Woodley's East HW				160	4.3	22	160	4.3	22
Other				40	3.3	5	40	3.3	5
Total*	**820**	**9.3**	**264**	**600**	**8.0**	**155**	**1,420**	**8.8**	**401**

SUMMARY OF INVESTMENTS AS AT 31 OCTOBER 2018

Net Tangible Asset Backing

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 October 2018 is $0.43 per share (after tax).

SUMMARY OF INVESTMENTS AS AT 31 OCTOBER 2018				
	Commodity	September 2018 A$M	October 2018 A$M	October 2018 ¢ps
Pani Joint Venture (33.3% Interest)	Gold	16.9	**39.3**	**26.2**
Fair value for Pani based on Merdeka's acquisition of 66.7% interest in the Pani JV from Lion's existing JV partner in November 2018.				
Portfolio				
Nusantara Resources	Gold	7.1	**7.9**	**5.3**
Roxgold	Gold	5.3	**5.3**	**3.5**
Egan Street Resources	Gold	4.4	**4.1**	**2.7**
Erdene Resources	Gold	2.6	**2.1**	**1.4**
Toro Gold	Gold	1.6	**1.6**	**1.0**
Other		3.7	**3.2**	**2.2**
• Portfolio holdings measured at fair value • Includes investments held directly by Lion and the value to Lion of investments held by African Lion.				
Net Cash		1.3	**0.9**	**0.6**
Net Tangible Assets		**A$43.5m**	**A$64.4m**	**43¢ps**

Capital Structure

Shares on Issue:	150,134,879	
Share Price:	28¢ps	31 October 2018
Options on Issue:	15,720,958	$0.50 expiry 12 April 2020

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