

Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 JULY 2019

SUMMARY

Gold Market comes alive

- Gold price breaks out above US\$1,500/oz.

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

Alternative pathways to development:

- Potential to create world-class gold deposit combining Pani IUP (2.37Moz Resource)¹ with adjoining Contract of Work (CoW) tenement owned by J Resources (2.06Moz Resource)².
 - Step out drilling commencing September 2019 targeting known mineralisation between Pani IUP Resource and J Resources' CoW;
- OR standalone development of Pani IUP (2.37Moz Resource)¹.

Nusantara Resources, Awak Mas Gold Project:

- Project ready to go:
 - Independent expert review confirms DFS.
 - New Jakarta based-CEO appointed in preparation for development.
- Financing key to unlocking value:
 - Strategic partner PT Indika Energy Tbk anticipated to acquire project interest and cornerstone financing.
- Defining upside:
 - Multiple higher grade sub-vertical zones exposed by benching within open pit highlights potential to increase grade. Drilling underway to assess and model.
 - Exciting drill target generation on satellites and orebody extensions, scheduled for testing in the second half 2019, including porphyry style Cu/Au at Salu Kombong.

EganStreet Resources

- Announced a Recommended Takeover Offer for EganStreet by Silver Lake Resources.
- Lion entered Pre-Bid Acceptance Deed with Silver Lake in respect of its shares in EganStreet.
- EganStreet shareholders to receive 0.27 Silver Lake shares for every EganStreet share held.

Toro Gold acquired by Resolute Mining

- ASX and LSE listed Resolute Mining acquires African Lion 3 investee Toro Gold for US\$305M (50% cash and 50% Resolute shares).

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 producing or 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.

INVESTMENT HIGHLIGHTS

Pani Joint Venture (33.3%)

Seeking deal with J Resources
Step out drilling planned

OR **Standalone development of Pani IUP**
Key permits granted

Pani Development Strategy

Deal with J Resources

The Pani joint venture is seeking to strike a deal with J Resources on its adjoining Contract of Work (CoW) tenement. If a deal can be consummated, the joint project would be a world class gold deposit with immediate upside, uniting the Pani JV's 2.37Moz Resource with J Resources Resource of 2.06Moz.

Such a deal would unlock optimal development of the Pani deposit in a 'Superpit' operation, unrestricted by tenement boundaries, including:

- Favourable topography: low strip ratio, open pit operation amenable to bulk mining.
- Low processing costs anticipated, with grid power available.
- Metallurgical work to date suggests high recoveries via heap leach or CIL.

Due to key permits already being in place, it may be possible to fast track development. Subject to appropriate assessment, initial concepts envisage a 250Koz – 300Koz operation.

Resources defined on surrounding CoW belonging to J Resources:

Pani CoW (JResources 100%) 0.4g/t cut off ²			
Category	Ore (Mt)	Grade (g/t Au)	Au (million oz)
Measured	13.8	0.95	0.42
Indicated	38.7	0.91	1.13
Inferred	14.1	1.12	0.50
Total	66.6	0.96	2.06

OR

Develop Pani IUP standalone

The Pani joint venture continues to progress towards a standalone operation for the Pani IUP, with key permits received this quarter.

A standalone operation would entail trucking material on an access haul road to the Pani JV's processing and refining area several kilometres south of the Pani IUP mining area where it would be treated.

Such an operation is also expected to be low cost due to favourable characteristics, but would not benefit from the economies of scale of a combined operation. In addition, some mineralisation is expected to be challenging to mine due to topography and tenement boundaries.

Resources defined on the Pani IUP:

Pani IUP (Lion 33.3%/Merdeka 66.7%) 0.2g/t cut off ¹			
Category	Ore (Mt)	Grade (g/t Au)	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

Nusantara Resources Limited

Awak Mas Gold Project Sulawesi, Indonesia

Project Financing

The Company is actively working with strategic partner Indika Energy towards financing Awak Mas, anticipated to be partly funded by Indika Energy's purchase of a Project interest.

Development Team

In preparation for development, Nusantara appointed Neil Whitaker as its new Jakarta based CEO. Neil has over 40 years' experience in the mining sector and has held operating and senior executive roles with companies such as Anglo American, Western Mining Corporation, Clough Indonesia (Petrosea Tbk) and Newcrest Mining. Neil has extensive international operating experience with a demonstrated background in leading resource companies through the transitional stages of the full project life cycle.

Ore Reserves

- 1.1Moz announced September 2018.³
- Resource updated to 2.0Moz May 2018.⁴

DFS

Definitive Feasibility Study released October 2018⁵ based on US\$1,250/oz gold price:

- 11 years x 100,000 oz gold pa
- Capex US\$146m, NPV₅ US\$152m
- At US\$1,500/oz gold price NPV₅ US\$282m based on DFS sensitivity analysis
- All in sustaining costs US\$758/oz.
- 91% recovery, 3.5/1 strip ratio.
- 2.5mtpa x 1.3g/t CIL.

During the quarter post-DFS confirmatory and supportive technical studies on metallurgy, quarry materials and grade benching were completed. Metallurgical test-work increased the estimated gold recovery from 91.1% to 93.1% gold, and in-fill bench sampling in the starter pit area demonstrates the potential to uplift the reserve grade. In addition, a review of Nusantara's DFS by Independent Technical Expert identified no technical deficiencies.

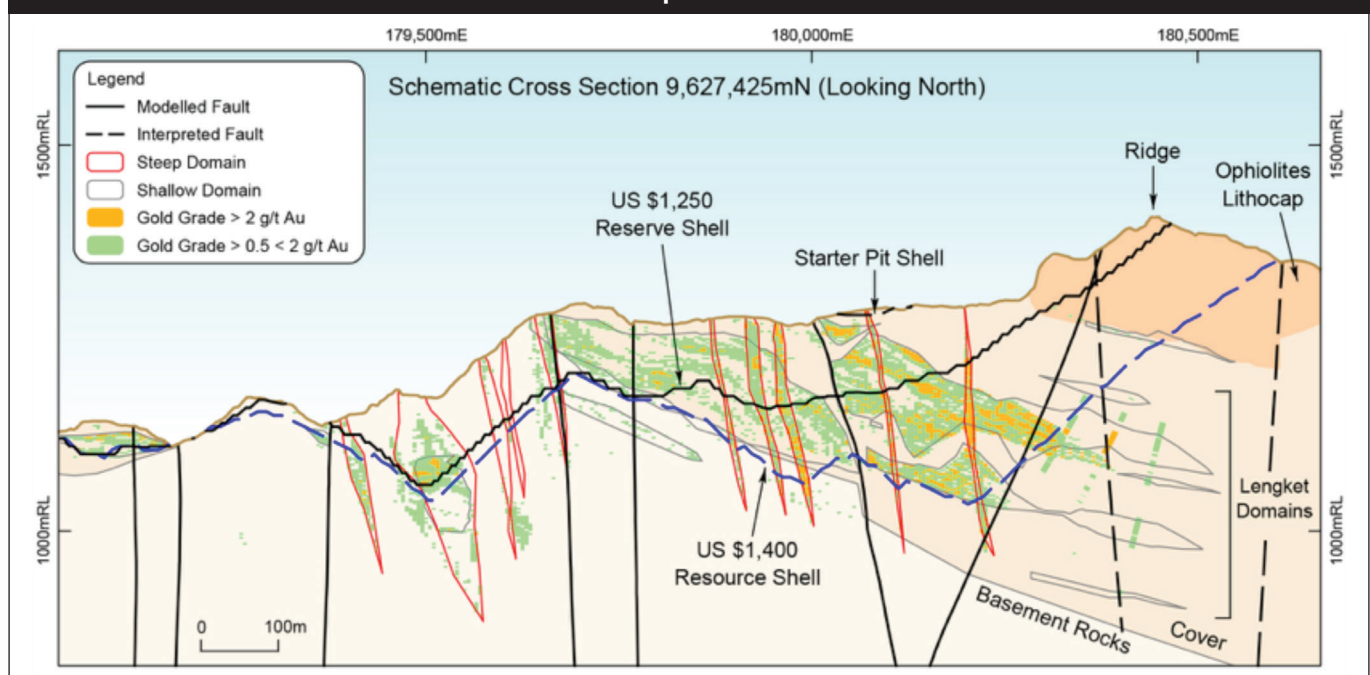
At US\$1,500/oz an opportunity exists to drive the proposed pit deeper; noting the ore Reserve of 1.1Moz based on US\$1,250/oz and the 2.0Moz Resource based on US\$1,400/oz.

Exploration

Geophysics program delineates exciting new satellite extension targets over a 3km strike length.

Exploration drilling started in August and includes the testing of an 'Porphyry Style' hydrothermal copper – gold system discovered at Salu Kombong.

Mine Area Expansion Potential



INVESTMENT HIGHLIGHTS

EganStreet Resources Limited

Rothsay Gold Project Western Australia

Corporate

During the quarter EganStreet announced a Recommended Takeover Offer for EganStreet by Silver Lake Resources Limited (Silver Lake) (ASX:SLR) pursuant to which Silver Lake will acquire all of the issued and outstanding shares of EganStreet. Under the terms of the offer, EganStreet shareholders will receive 0.27 Silver Lake shares for every EganStreet share held.

Lion holds 16.2% of EganStreet and has entered into a Pre-Bid Acceptance Deed with Silver Lake with respect to all of its shares in EganStreet. Silver Lake's offer can only be declared unconditional with minimum shareholder acceptances (including Lion) of 38%, subject to Lion's waiver.

The EganStreet Board of Directors unanimously recommends that EganStreet shareholders accept the Offer and have indicated that they will accept the Offer in respect of all EganStreet shares they own or control, in both instances in the absence of a superior proposal.

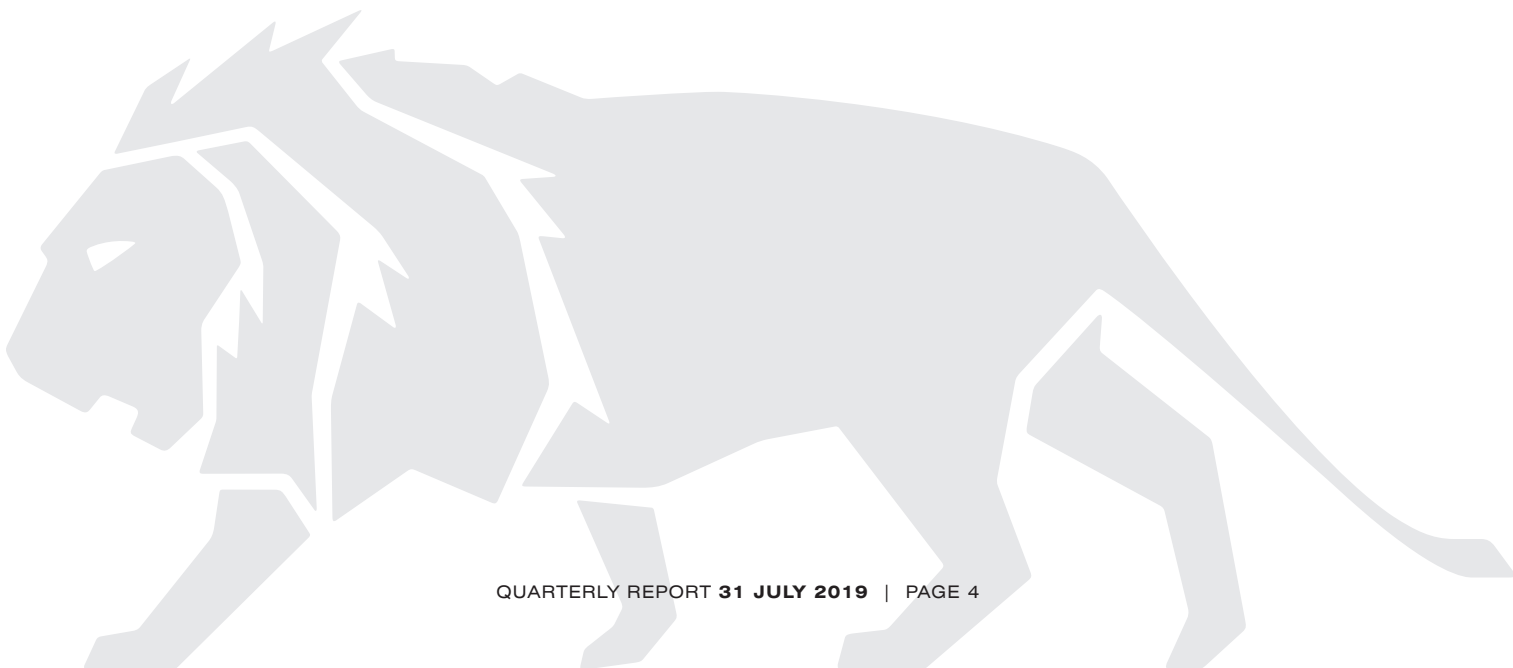
Sale of African Lion 3

Investee Toro Gold

During the quarter African Lion 3 Ltd (**AFL3**) investee Toro Gold (**Toro**) entered into a binding agreement with ASX and LSE listed gold producer Resolute Mining Ltd (**Resolute**) pursuant to which Resolute acquired all of the shares of Toro.

Lion holds a 23.7% interest in AFL3, and AFL3 in turn holds 2.4% of Toro, a private unlisted company that owns and operates the Mako Gold Mine in Senegal. Under the terms of the transaction, Resolute will pay US\$305M in consideration via 50% cash and 50% Resolute shares.

Based on the consideration of Resolute shares and cash that AFL3 received, Lion's indirect interest in Toro is valued at A\$2.3m at 31 July 2019.



MINING MARKET REVIEW

Gold price: driving investor interest in gold miners

Perhaps the story of 2019, certainly since April, has been the performance of the gold price.

Since an all-time high of US\$1,884/oz in August 2011, gold collapsed in 2013 to settle into a (loosely bounded) trading range of US\$1,100/oz to US\$1,300/oz. Gold broke out in April 2019, driven primarily by the outlook for interest rates which has flipped from 'going to increase' to 'going down again', and encouraged by significant global uncertainty. Gold has pushed beyond US\$1,500/oz in a movement that has seen a gain of over US\$300/oz in 12 months, US\$200/oz of that since April 2019. Australian producers have benefited enormously from this with the added contribution of a weakening Australian dollar, contributing to an appreciation of A\$600/oz in 12 months to over A\$2,200/oz. The equity market has followed this lead, with gold equities performing better than all other sectors of ASX.

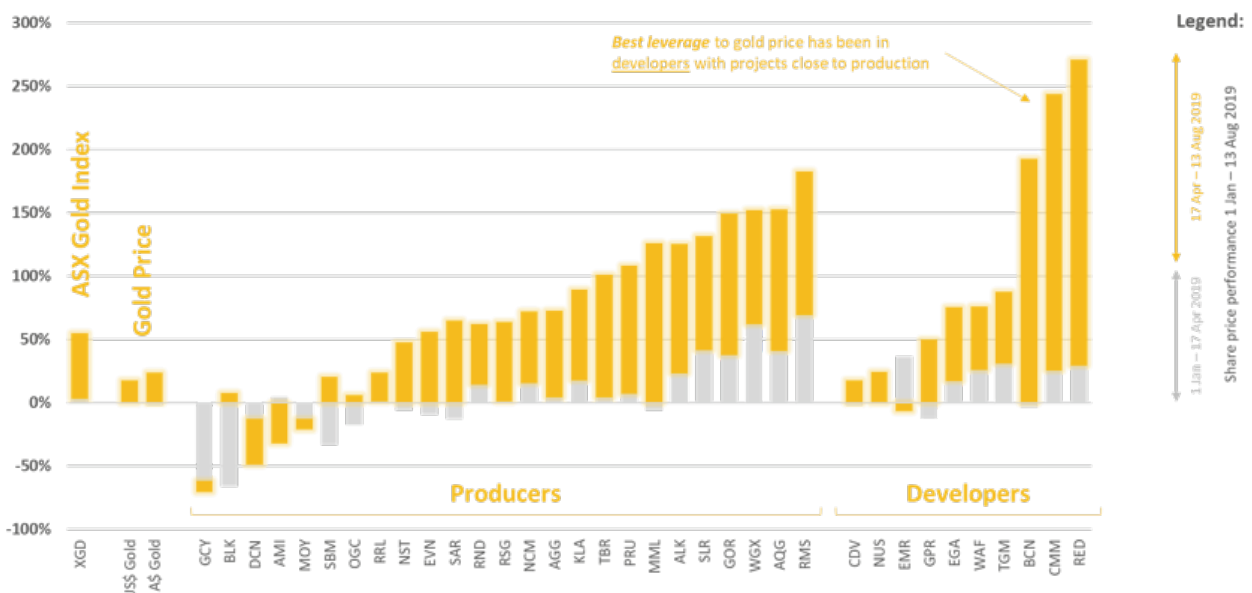
Share price performances for a selection of ASX listed gold producers are shown below, with their performance for 2019 broken into the period before and after the gold price re-rating. On clear display is the handsome leverage effect of gold equities over the metal: gold in Australian dollar terms is up 22% in 2019; gold miners are up on average 60%. Unsurprisingly, the best gains were almost universally received since April when the gold price has been strong.

Gold producers have been clear beneficiaries. Notably, there remains a clear aversion for miners with challenges, especially following several high profile failures which serve as a reminder of the risks associated with mine development and operation. The largest re-ratings of producers have gone to those that were most marginal when gold was circa US\$1250/oz and have therefore seen their notional cash margin expand the most. Delving deeper, the largest re-ratings in the sector have been for development companies. Share prices of producers tend to reflect volatility in the gold price, whereas not-yet producers (particularly hopeful developers) can be frustratingly un-correlated. A movement of US\$50/oz might not change the world all that much for a developer, but there is a point for every project where a commodity price increase tips economics into 'this should get funded' territory and a large movement in price is likely to bring this about. To obtain this, preparation needs to meet opportunity because the market is still wary of risks around permitting, commissioning and fundability.

The drivers of the gold price movement (particularly the outlook for interest rates), combined with gold pushing well past price levels which have met resistance over the last 5-6 years are both very encouraging. But gold remains one of the greatest enigmas in the commodities space – prediction is challenging to say the least. As it stands, the combination of fundamentals and day to day price behaviour appears to leave most observers wondering – is this as good as it gets, or the start of something new?

ASX Gold Producers and Developers:

Price performance during 2019 (broken down to illustrate leverage of gold price jump since April 2019)



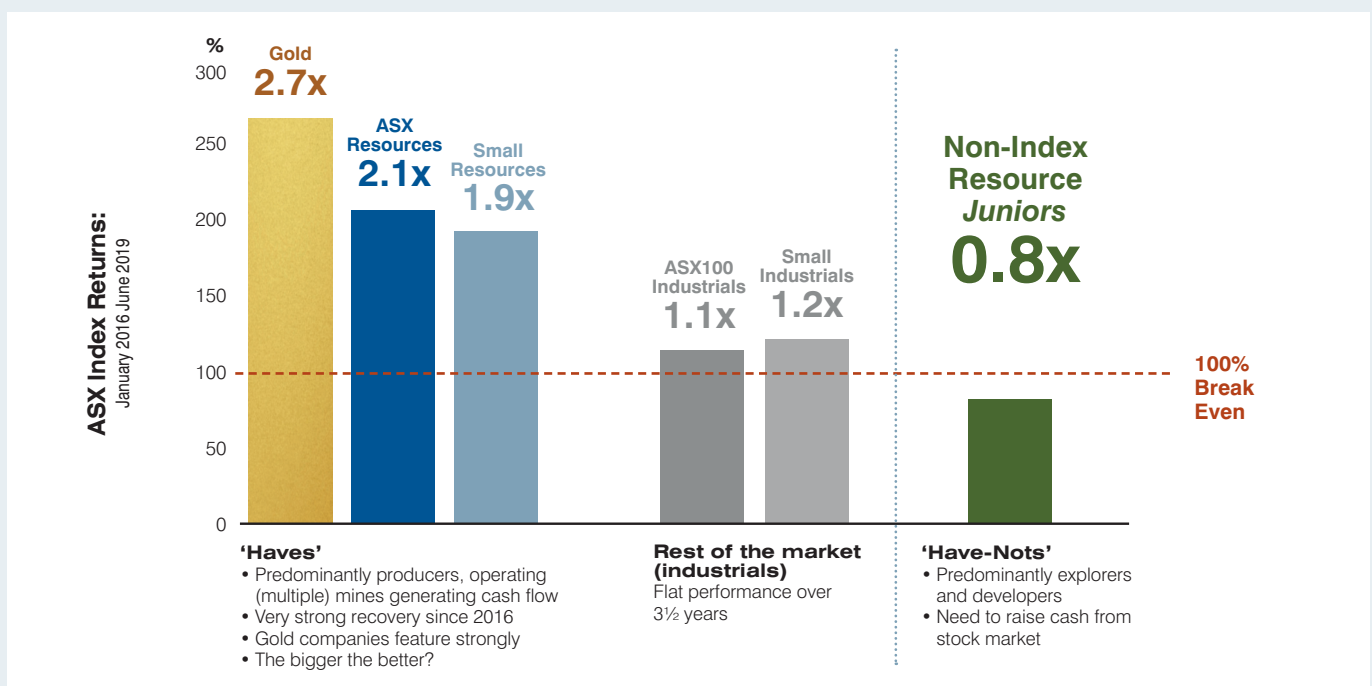
MINING MARKET REVIEW continued

‘Haves’, ‘Have-nots’ and the rest of the market

Perceptions of the condition of the mining industry are often driven by a small number of companies – the largest companies which constitute the key indices that tend to define performance of the “mining sector”. Strong performance from mining indices doesn’t necessarily mean junior resources stocks will have performed as strongly, in fact at present the opposite is the case.

The chart below shows the performance of key Resources indices of ASX (ASX100 Resources and ASX Small Resources, as well as the ASX Gold Index) alongside the sub-index junior resources and the Industrials indices. Over the period January 2016 to June 2019, Resources indices have clearly outperformed – putting on multiples against an almost flat backdrop from the rest of the market.

There is no index that captures the performance of pre-production Resources companies. Instead, using the median share price performance of the circa 600 metals and mining focussed companies on ASX as a proxy, performance of this group tells a different story compared with the mining indices. As opposed to putting on multiples, this group has collectively recorded a 20% loss for the same period, defining two classes of companies in the Resources sector: the ‘Haves’ and the ‘Have-nots’. Whilst a generalisation (there are always exceptions), the “Haves” are producing companies that are valued for their cash flow. The ‘Have-nots’ in contrast are predominantly explorers and developers, and are funded by the stock market which is still risk averse as far as funding and development is concerned.



Junior Miners – overlooked or just not time yet?

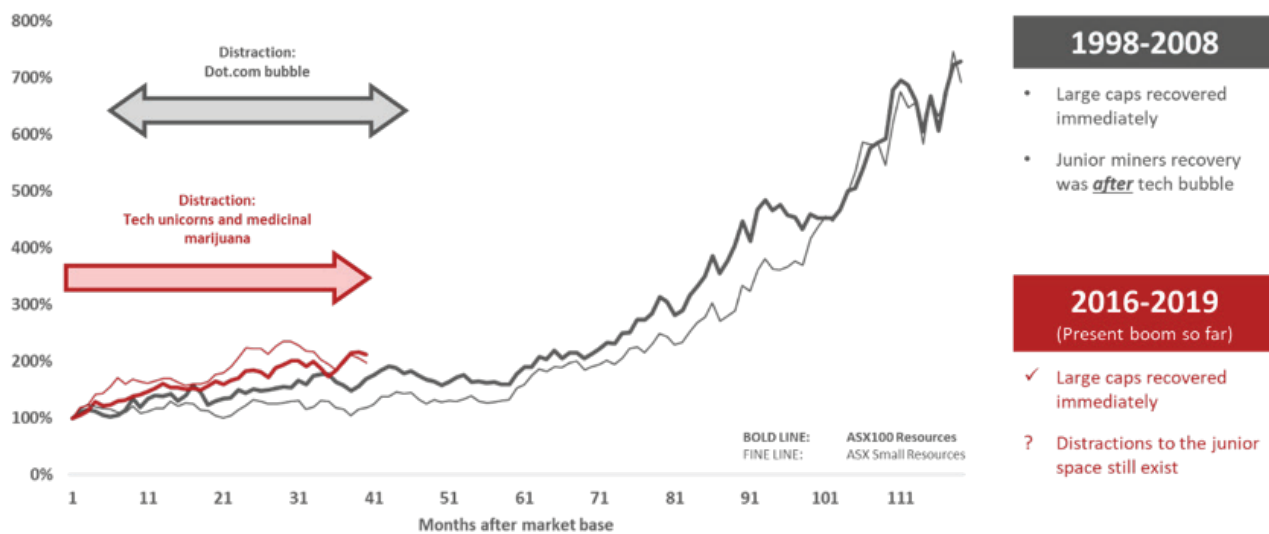
The stark performance difference between share prices of miners versus juniors, and commensurate challenges in raising funding for junior companies has led to some despondency between junior miners and their shareholders. Reflecting on previous mining cycles, this might not be an unusual phenomenon.

Junior resources companies, which depend on stock market funding to develop a case for project advancement and eventual construction, compete for funding in the global market against other speculative ventures. There is no philosophical obligation for these speculative buyers to target resources opportunities, the prerequisite is generally an upside story built around accessing a large or growing market, and it certainly helps if other investors are speculating on the same concept.

During the early stages of the 1998-2008 cycle, junior resources companies were competing for funding against technology companies. Following a painful mining bust, speculative investors collectively moved on to a sector less sullied by capital destruction and the tech sector was rapidly growing around the adoption of

MINING MARKET REVIEW continued

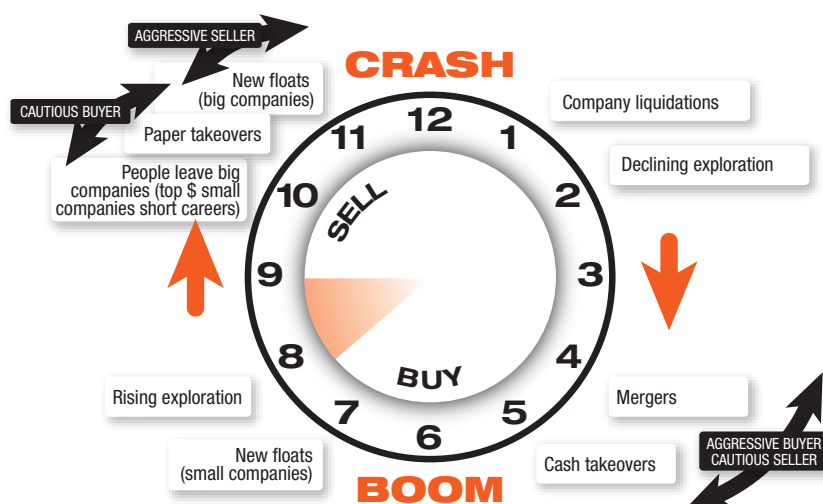
Then Vs Now... Peak (Junior) Despondency?



the internet. History records the inflation and then bursting of the dot-com bubble, importantly it wasn't until the bubble had burst that funding began to creep back into junior resources.

The chart below overlays the 1998-2008 cycle with the present (2016-) cycle, rebased to the start of each boom. In 1998, share prices of the larger capitalisation miners began immediately, but the performance of small cap's lagged. Note that in the late 90's / early 00's, the Small Resources index did include more development stage companies than it does today, and reflected the difference we see between miners in both of the indices and non-index juniors.

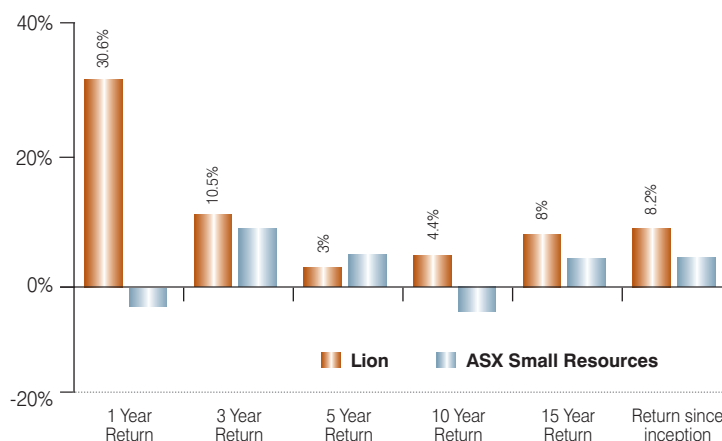
Investors looking for a speculative exposure have had plenty to choose from in recent years – technology plays (especially in the unlisted space – this has attracted copious venture capital funding), crypto currency, marijuana (where a new market has been presented following legalisation). Whilst these ventures present more appealing narratives to speculative buyers, it's likely that funding of resource juniors will remain challenging. Turning points for these sorts of markets can have as much to do with sentiments as they do with fundamentals and are hard to predict. The lower turning point for an under-loved market is usually preceded by capitulation which is both a final sell out as well as emotional 'giving up'. There has been a deepening of negativity in the junior market during 2018 and early 2019 associated with increasing challenge in raising funds, which on all accounts is strongly reminiscent of conditions in the early 00's prior to speculative investors returning to funding resource juniors.



LION PERFORMANCE

Annualised Total Shareholder Return ⁶⁻¹¹

Annualised TSR to 31 July 2019	Lion	ASX Small Resources
1 Year	30.6%	-3.3%
3 Years	10.5%	9.9%
5 Years	3.0%	4.3%
10 Years	4.4%	-4.5%
15 Years	8.0%	3.4%
Inception (22 yrs)	8.2%	3.9%



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. J Resources Reserve and Resources Statement 31 December 2017. [http://www.jresources.com/assets/uploads/home/JRAP_-_2017_-_RR_table_-_20171231_\(Sanjaya\).pdf](http://www.jresources.com/assets/uploads/home/JRAP_-_2017_-_RR_table_-_20171231_(Sanjaya).pdf)
3. Refer Nusantara Resources Limited announcement to ASX 13 September 2018.
4. Refer Nusantara Resources Limited announcement to ASX 8 May 2018.
5. Refer Nusantara ASX Announcement, 4 October 2018, Definitive Feasibility Study Confirms Robust, Long-Life, Low Cost Project.
6. 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)
7. Methodology for calculating total shareholder return is based on MorningStar (2006), which assumes reinvestment of distributions
8. Distributions made include cash dividends, shares distributed in specie as a dividend, proceeds from an off market buyback conducted in Dec 2008, and the distribution of shares in Catalpa Resources via the demerger of Lion Selection Limited in Dec 2009. Lion assume all distributions are reinvested, with all non-cash distributions sold and the proceeds reinvested on the distribution pay date.
9. Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.
10. Past performance is not a guide to future performance.
11. Source: IRESS, Lion Manager.

SUMMARY OF INVESTMENTS AS AT 31 JULY 2019

Net Tangible Asset Backing

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 July 2019 is \$0.47 per share (after tax).

SUMMARY OF INVESTMENTS AS AT 31 JULY 2019				
	Commodity	June 2019 A\$M	July 2019 A\$M	cps
Pani Joint Venture (33.3% Interest)	Gold	38.7	38.7	25.8
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	6.5	9.5	6.3
EganStreet Resources	Gold	5.3	7.3	4.9
Roxgold	Gold	3.4	1.4	0.9
Erdene Resources	Gold	1.7	2.4	1.6
Toro Gold	Gold	1.6	2.3	1.5
Other		4.1	4.7	3.2
<ul style="list-style-type: none"> 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		2.7	3.7*	2.4
Net Tangible Assets		A\$64.0m	A\$70.0m	47cps

Capital Structure

Shares on Issue:	150,134,879	
Share Price:	40.5¢ps	31 July 2019
Options on Issue:	15,720,958	\$0.50 expiry 12 April 2020

* Sale of Roxgold and Toro since 31 July plus distribution from AFL3 has listed cash position to \$8.7m.