

Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 JULY 2014

SUMMARY

Markets

- Junior miners' share prices have levelled out, and the worst appears to be behind us.
- Signs of returning investor interest, but highly selective.
- For juniors, exploration success, M&A and commodity price expectations remain the key value drivers; funding remains the key risk.
- The Lion clock is at 4 o'clock.

One Asia investment

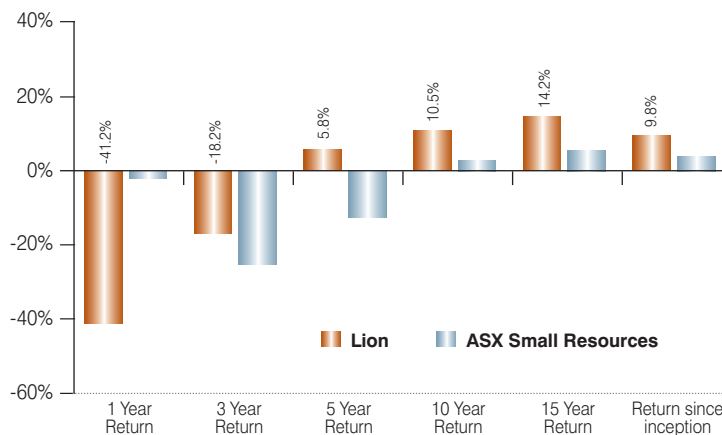
- One Asia continues to work to remedy the challenge to ownership of its Pani project.
- One Asia continues to assess development options for Pani.

LION PERFORMANCE

We place the greatest emphasis on long term returns (5+ years), as this timeframe best matches the investment timeframe approach used by Lion. Past performance is no guarantee of future performance, but we believe the sustained performance illustrated below endorses the Lion investment model which importantly has remained unchanged. Lion takes a portfolio approach to invest in companies with quality people and projects, with the advantage of being able to take a long term investment view, elements which are essential to generating excess returns from the small resources sector.

Annualised Total Shareholder Return ¹⁻⁶

Annualised TSR to 31 July 2014	Lion	ASX Small Resources
1 Year	-41.2%	-1.6%
3 Years	-18.2%	-25.9%
5 Years	5.8%	-12.5%
10 Years	10.5%	3.0%
15 Years	14.2%	6.9%
Inception (16yrs)	9.8%	3.8%



1. 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).

2. Methodology for calculating total shareholder return is based on MorningStar (2006), which assumes reinvestment of distributions.

3. 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.

4. Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.

5. Past performance is not a guide to future performance.

6. Source: IRESS, Lion Manager.

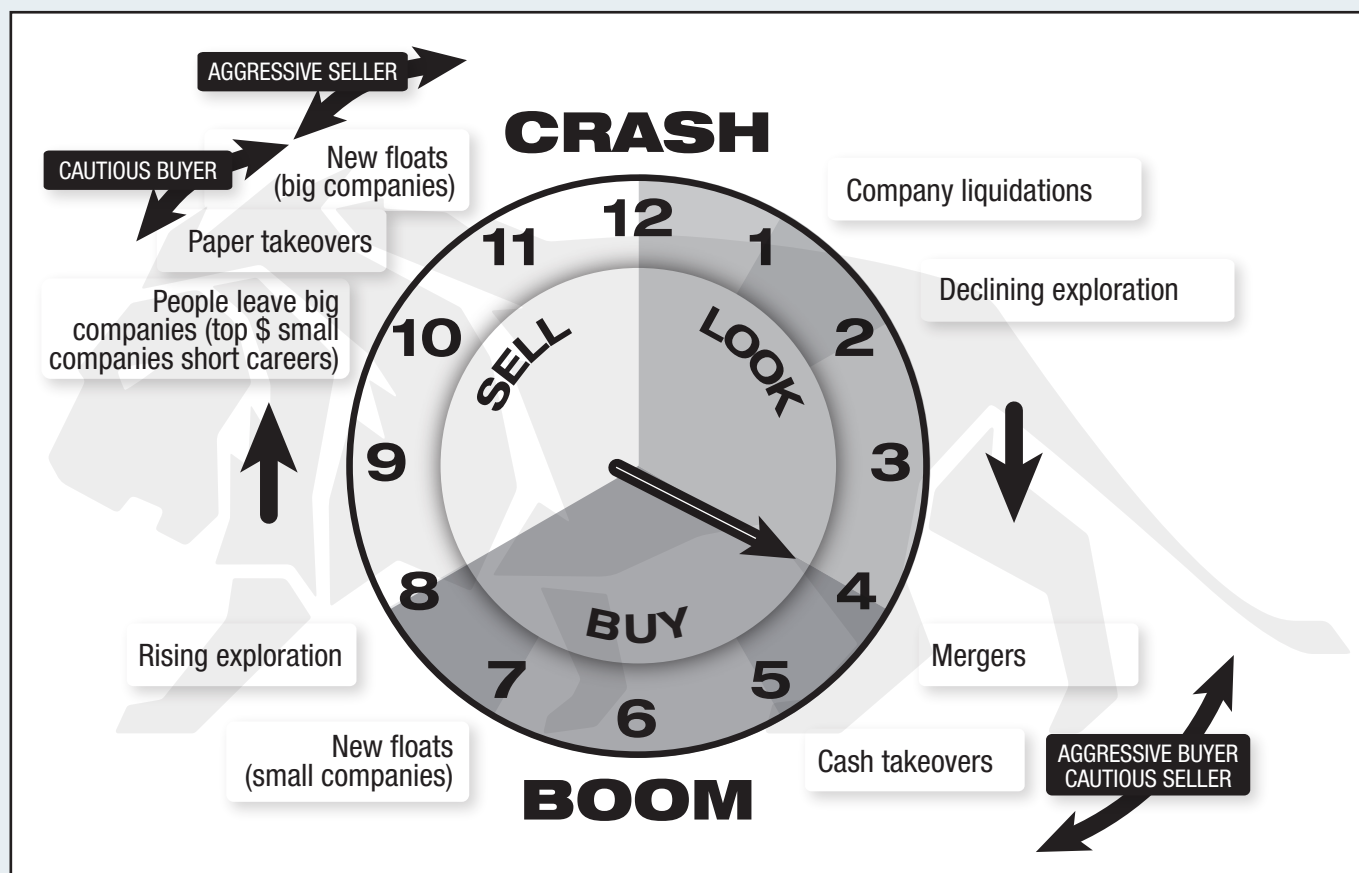
THE SECTOR

Shares of most miners took a battering between mid-2011 and 2013, but over the last financial year major miners turned and staged a collective ~20% price appreciation. Mid-cap miners were less convincing but nevertheless look to have broken the downtrend. Pre-production / exploration focused juniors continued to suffer as it remained difficult to raise funds. Since roughly the middle of 2014, sentiment towards explorers has perceptibly changed.

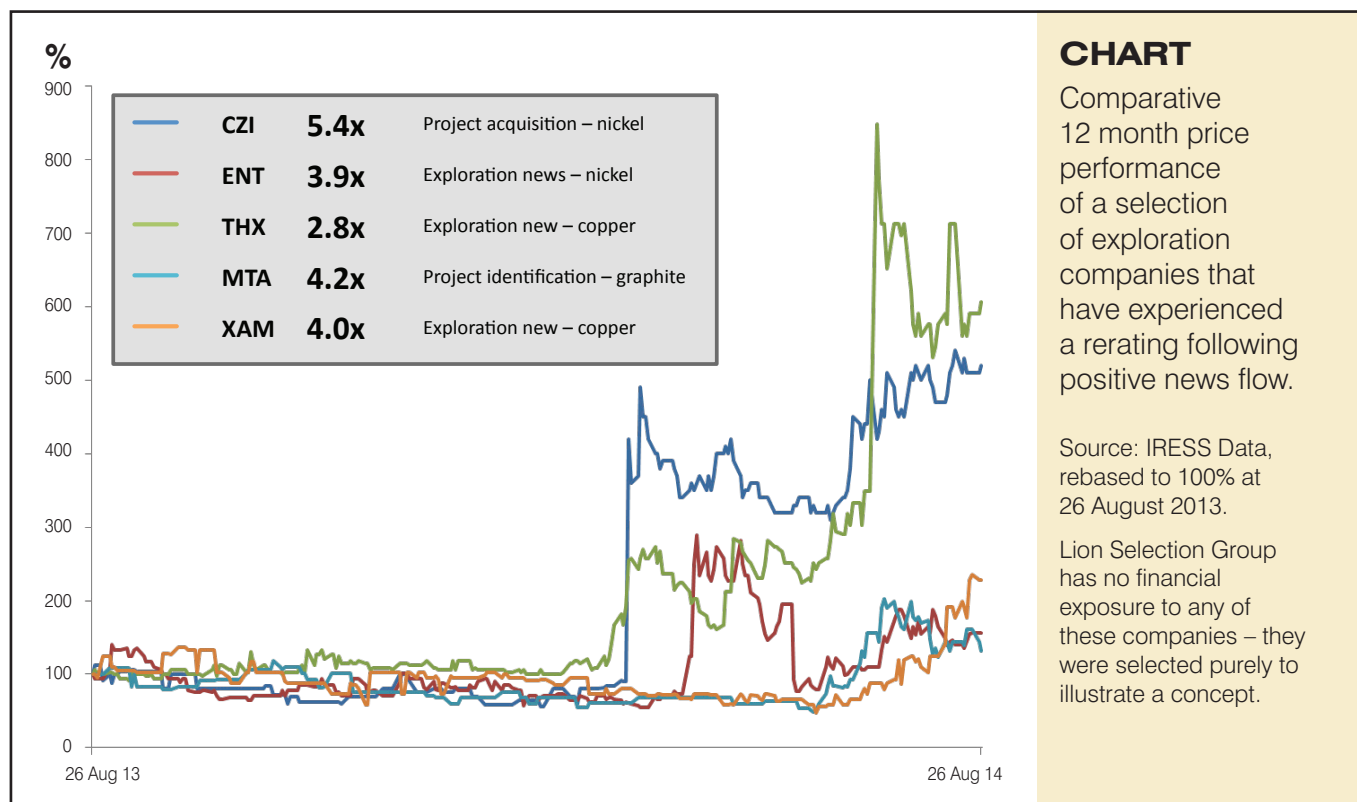
During roughly the last three or four months, juniors have begun to experience selective, positive market recognition of good news. There are now a number of examples of companies that experienced a multiple rerating following an announcement of drill results, project acquisition or a change of focus (for example, into graphite – see chart opposite). This is great news for the junior space – these events show that there is investor interest in risky exploration plays, and importantly many of these companies have been able to raise some fresh funds.

Whilst very encouraging, it's still too early to be calling a new boom. A mining boom is characterised by pervasive optimism, greed rules over fear and the rising tide lifts all (or most) boats. At present we are seeing very selective performance, and performance is occurring in highly speculative stocks.

Why the sudden risk appetite? In a broader market that looks well valued, it's quite likely that punting money is now actively looking for riskier stocks. Additionally, resources look 'cheap' (cheaper than they were) and whilst this condition has persisted for some time, some commentators are now saying that it is dangerous to be betting against resources any longer. The herd may have changed direction, the fear that presided over a weak market for miners has grown weary and greed looks to have finally reappeared, albeit on a small scale.



The Lion Clock now reads 4 o'clock - we are in the early stages of a new mining cycle, where the foundations for the next boom are laid. Mining booms never start quickly. Fund raisings are taking place, but available funding for companies exploring or developing projects is still very low and appetite is selective. Major miners remain in 'reverse' M&A mode (ie selling), as their new generations of leaders steady their ships on cost and jettison non-core projects.



INVESTMENT NEWS

One Asia Resources Limited

Lion Selection Group and Asian Lion own a combined equity interest of 36% of One Asia Resources, an Australian unlisted public company. One Asia is focused on the development of two gold mines in Sulawesi, Indonesia.

One Asia continues to take all actions necessary to protect and enforce its interest in the Pani Gold project under the existing agreements with the KUD Dharma Tani (KUD). One Asia notes these arrangements remain in full force despite Indonesian media reports that the KUD had signed a co-operation agreement with a subsidiary of publicly listed Indonesian company J Resources. One Asia continues to progress studies on development options for the project and retains access to the Pani site.

As announced previously, One Asia's Awak Mas project has a JORC Resource of 2.55 Moz gold and is held under a 7th generation Contract of Work. One Asia completed acquisition of Awak Mas from Vista Gold December 2013 to own 100% of the project, it was previously earning 80%. A scoping study released May 2014 modified the December 2012 Pre-Feasibility Study by incorporating the new higher grade Salu Bulu resource (December 2013) 2km south east of Awak Mas:

US\$243m capex, 8 year life, 887,279oz at C1 cash cost US\$576/oz, open pit, CIL.

A revised feasibility study is expected to be completed by the end of 2014 on Awak Mas.

Adrian Rollke replaced Stephen Walters as Managing Director of One Asia. Mr Rollke, a co-founder of One Asia, has been an executive director for over six years and has extensive experience in the mining industry.

One Asia appointed Boyke Abidin as President Director of both PT Pani Resources Indonesia and PT Masmindo DWI Area, the respective primary operating subsidiaries for the Pani and Awak Mas projects. Mr Abidin has been with One Asia for over four years and was involved with PT Masmindo DWI Area since 2000 with principal responsibility for all Government matters and community relations.



Lion Selection Group

SUMMARY OF INVESTMENTS AS AT 31 JULY 2014

	Commodity	Market Value A\$M	Portfolio %
Australia			
Doray Minerals	Gold	6.1	
Rum Jungle Resources	Phosphate	1.7	
Auricup Resources	Gold	1.5	
Other Australia		0.1	15%
African			
Roxgold	Gold	5.1	
Toro Gold	Gold	1.0	
Kasbah Resources	Tin	1.2	
Other Africa		1.4	
Cash dedicated to Africa ¹		2.6	18%
Asia			
One Asia Resources ²	Gold	29.6	
Asian Mineral Resources	Nickel	1.5	
Manas Resources	Gold	1.2	
Other Asia		1.8	53%
Americas			
	Iron Ore/Coal	0.5	1%
Uncommitted Net Cash		8.6	13%
Net Tangible Assets		\$63.9m	60c/ share

1. Includes committed cash of US\$2.3 million to AFL3.

2. One Asia at a value of A\$0.75/share.

Note: The above table includes investments held directly by Lion and the value to Lion of investments which are held by African and Asian Lion Funds.

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ASX Code: LSX
As at 31 July 2014

Market Cap:	\$37m
Issued Shares:	106m
Share Price:	\$0.35