

Lion Selection Group Limited Annual General Meeting 2014 Chairman's Address

The last 12 months have been a tough period for all of Lion's stakeholders. They may not be the worst we have experienced in the small resources sector, but they are certainly among the worst. They have been very tough for our shareholders who have seen the share price fall reflecting negative market sentiment and declining share prices of our investees. Tough for our investees who have battled declining commodities prices, sometimes slow and delayed permitting and approvals, and extremely difficult financial market conditions. And they have been tough for our management team.

It seems like another age since we were being told that this time it, the boom that is, would be different, and it will go on and on because of a paradigm shift being the Chinese economy's insatiable demand for ever more mineral commodities to fuel its inexorable growth. It seems like looking back on Alice in Wonderland times as we remember the previous government's mining tax which would raise billions upon billions of dollars forever and ever, without of course affecting new investment into the mining of Australian resources, somehow forgetting corporate taxes, royalties, GST and income tax paid by thousands of employees. Who can forget the incredible demand for all sorts of inputs into exploration, project development and operations, setting new and sometimes outrageous benchmarks for all of these costs, not least the salaries of mining professionals. Now it is estimated that something like 25% of Australian geologists are now no longer employed as geologists.

But of course this, sadly, is all part of the mining cycle, and the lessons are that the cycle will continue, and that maybe the bigger the boom, the bigger the hangover, that governments, both politicians and bureaucrats, and the great mass of Australians living in capital cities who have never seen a mine and

probably never will, simply don't understand the nature and meaning of the mining cycle, and that, for much of the time, mining is a tough business.

For shareholders in Lion, this has meant a decline in our share price and the value of our investment, reflecting the negative market sentiment and the fall in the share prices of our investees. But the lesson of the cycle is that it will turn. No one knows when and to what extent. Lion's approach, to the extent that is sensible, is to conserve its resources, nurture its investees and maintain and develop its management team through this tough period.

It is often standard course to talk about the efforts of the management team in Chairman's addresses. It may be a little perverse to do that when our share price performance has been so disappointing, but I think it is important to do so because these times require a lot more dedication, perseverance and effort. Firstly, I want to acknowledge the immense efforts made by Robin Widdup, firstly as the leader of Lion Manager's team, maintaining focus and morale, advising on strategy and tactics for each member of the team in managing the difficult times for the investees for which they are responsible, and for his enormous efforts in taking the leading role in steering our single largest investment, One Asia, through its major challenge over the last 18 months. As most of you will know, Robin stepped up to a board role in One Asia in August 2013 and over the last 15 months, has made 12 trips to Indonesia and otherwise worked incredibly hard and applied all of his considerable skills to helping this company move forward.

We all need to understand that the outlook for Lion will be strongly influenced by developments in One Asia. As most of you will be aware, we have made several announcements in recent days regarding One Asia following receipt of shareholder updates provided by the Company. One related to an increase in resources at Pani, which is a positive development. The other relates to the fact that the term sheet agreed by One Asia with Provident is not being pursued and that a joint venture over Pani with Provident is now being negotiated and that the outcome is uncertain. Your directors believe this development increases the risk of the company's investment in One Asia, and we have adjusted the carrying value accordingly. Robin will provide a short

talk on One Asia after the meeting, but I must advise that unfortunately there is very limited scope to provide any additional information than we have already made available, including extensive information in this year's annual report.

Other members of the team have also stepped up and worked effectively and with diligence during the year. The toughest experiences are usually the best learning experiences, and we directors have seen a continued and strong and necessary growth in the maturity, skills and wisdom of the team working with Robin. On behalf of directors and shareholders, I thank all of them for their dedication and hard work.

No one can predict the mining cycle; but it will turn. Having said that, the next 12 months, right now, looks equally as challenging as the last. Your directors are confident our team is up to the task of meeting these challenges. We thank shareholders for their continued loyalty and support.