

# Lion Selection Group

## QUARTERLY REPORT FOR THE 3 MONTHS ENDED 30 APRIL 2015

Lion Selection Group's recent share price performance has been disappointing, largely as a result of uncertainty regarding One Asia Resources, Lion's largest investment, compounded by a generally weak junior resources market.

Lion Manager has worked continuously over an extended period with One Asia to deliver value for all shareholders. Lion is delighted to welcome Provident as One Asia's strategic partner in the Pani project and this partnership is expected to provide the framework for Pani's future development.

## SUMMARY

### Markets

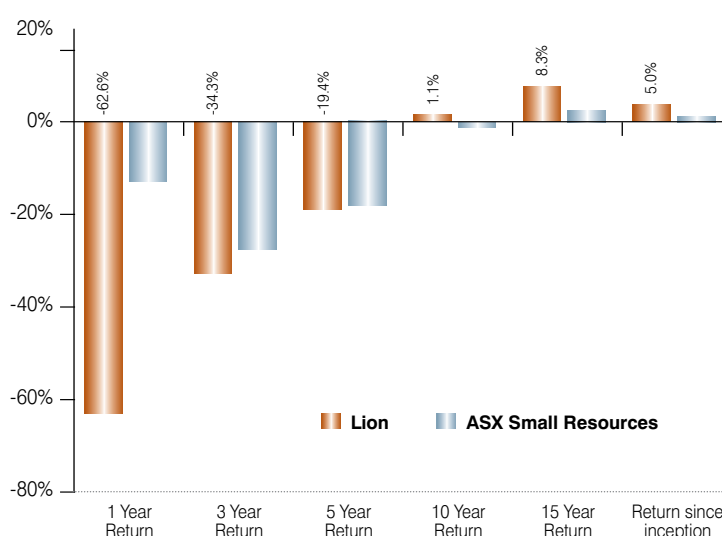
- M&A activity accelerating.
- Lion Clock moves to 4.30: the boom still awaits, but the bust is off.
- Markets for junior miners remain challenging and many still need to raise money.

### One Asia investment

- Key investment and Lion's number one priority.
- Lion welcomes Provident as One Asia's strategic partner at Pani, providing a path to unlocking Pani's value.
- Rights Issue underway at 18 cps.

## Annualised Total Shareholder Return <sup>1-6</sup>

Annualised TSR to 30 April 2015	Lion	ASX Small Resources
<b>1 Year</b>	(62.6%)	(12.8%)
<b>3 Years</b>	(34.3%)	(28.0%)
<b>5 Years</b>	(19.4%)	(18.5%)
<b>10 Years</b>	1.1%	(0.9%)
<b>15 Years</b>	8.3%	6.0%
<b>Inception (17yrs)</b>	5.0%	2.3%



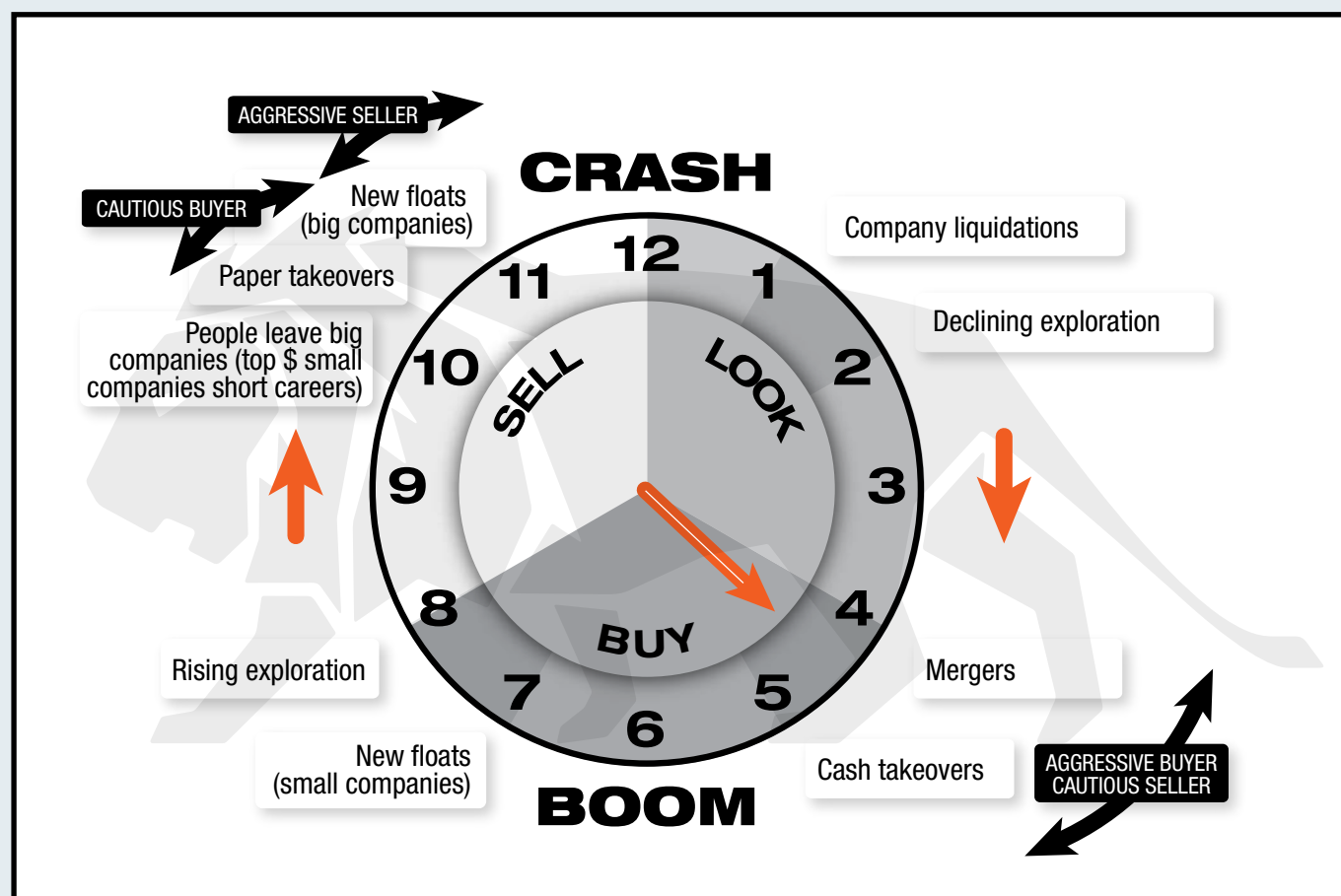
- Investment performance figures reflect the historic performance of Lion Selection Group Limited (ASX:LSG, 1997 – 2007), Lion Selection Limited (ASX:LST, 2007-2009), Lion Selection Group Limited (NSX:LGP, 2009-2013) and Lion Selection Group Limited (ASX:LSX, 2013-present).
- Methodology for calculating total shareholder return is based on MorningStar (2006), which assumes reinvestment of distributions.
- 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.
- Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.
- Past performance is not a guide to future performance.
- Source: IRESS, Lion Manager.

## THE SECTOR

There are some positive signs that the sector may be over the worst of the bust of the current cycle, although this is not yet reflected in the indices as valuations bounce along the bottom. The most notable clear signal with respect to the Lion Clock is the increasing level of M&A activity, including some cash-based transactions. This has encouraged the team at Lion to move the Lion Clock forward to 4.30. The improved profitability of many producers has largely gone unnoticed by the broader market, but mid-tier mining companies with the balance sheet and the confidence to act are making the most of the improving environment. Notably a select few juniors have been able to raise meaningful funds to take their generally advanced projects forward along the development curve.

Accordingly, the next phase in the market is probably upwards with institutions that are underweight resources seeking exposure to the sector. A large cash acquisition by private equity buyers would be a strong signal to the market. The improvement is likely to be gradual rather than a step change, especially at the smaller end of the sector, as increased liquidity from investors will be tempered by the desperate need to top up funds by many smaller companies. Mining cycle recoveries never start quickly, and it may be a slow (and painful) process to deal with these sector specific issues.

## THE BOOM STILL AWAITS, BUT THE BUST IS OFF



## INVESTMENT NEWS

### One Asia Resources Limited

Lion Selection Group and Asian Lion own a combined equity interest of 35% 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 represents Lion's largest single investment, and accordingly it is the Lion team's number one priority.

As announced on 11 May 2015, One Asia has signed an MOU with Provident Capital Partners Pte Limited (Provident) for the establishment of a Joint Venture on the Pani Gold Project. The purpose of the arrangement between Provident and One Asia is to resolve the current Pani IUP dispute dating back to December 2013, working in co operation with the KUD Dharma Tani Marisa (KUD) and the local community to develop the Pani Project. Lion is delighted to welcome Provident as One Asia's strategic partner in Pani.

One Asia subsequently announced a \$2.6m partially underwritten rights issue at 18¢ps. Lion is underwriting \$1.1m of the rights issue, along with support from Macquarie Bank and the introduction of new shareholder Mr Gavin Bradley. In addition, Lion's board has approved Lion Manager to underwrite \$100,000 of the rights issue.

Lion views the MOU with Provident and the One Asia rights issue as positive developments and stresses that there is a wide valuation range for One Asia and the Pani Gold Project in particular. The One Asia rights issue price of 18¢ps meant that Lion directors had no alternative than to reduce the carrying value of its investment in One Asia to this level, but note the contrary message this may convey at a time of otherwise positive developments.

### Doray Minerals Limited

Lion Selection Group owns 4% of Doray Minerals, a Western Australia focused company with one producing gold mine (Andy Well) and a second development project (Deflector).

Doray's production from its high-grade/ low cost underground Andy Well gold mine has continued to be very encouraging along with a series of positive exploration results that are indicative of its mine life upside. Doray recently acquired the Deflector project, and encouraged by its high grade/ low cost development nature, in May 2015 approved Deflector for development upon the project being financed. Lion has been a shareholder in Doray since 2011.

### Roxgold Inc

Lion Selection Group holds an indirect investment in Roxgold through its African Lion 3 fund. Roxgold has commenced construction at its Yaramoko gold project, one of the highest grade undeveloped gold deposits in the world, located in the prolific greenstones of Burkina Faso.

Roxgold is targeting production in June 2016, and continues to have outstanding exploration success that has the potential to rapidly increase its production profile and/ or mine life. African Lion first invested in Roxgold in 2011.



## Lion Selection Group

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 30 April 2015 is \$0.31 per share (after tax).

### SUMMARY OF INVESTMENTS AS AT 30 APRIL 2015

	Commodity	Market Value A\$M	Portfolio %
Australia			
Doray Minerals	Gold	3.7	
Rum Jungle Resources	Phosphate	0.9	
Auricup Resources	Gold	0.9	17%
African			
Roxgold	Gold	3.8	
Toro Gold	Gold	1.1	
Kasbah Resources	Tin	0.6	
Other Africa		1.5	
Cash dedicated to Africa <sup>1</sup>		1.8	27%
Asia			
One Asia Resources <sup>2</sup>	Gold	7.1	
Asian Mineral Resources	Nickel	1.5	
Other Asia		1.5	30%
Americas	Iron Ore/Coal	0.2	1%
Uncommitted Net Cash		8.2	25%
Net Tangible Assets		\$32.8m	31c/ share

1. Includes committed cash of US\$1.3 million to AFL3.

2. One Asia at a value of A\$0.18/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 30 April 2015**

Market Cap:	\$18m
Issued Shares:	106m
Share Price:	\$0.17