

Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 JULY 2015

The Resources Sector has fallen continuously since peaking in 2011 and appears to be nearing cycle base. Lion's focus is to preserve investments that can be brought into production once conditions improve.

Historically end of cycle falls have been sudden and dramatic, resulting in immediate corrections to costs. The 2011–2015 decline was gradual and so not all participants were prepared to make essential changes. The current junior resources environment of capitulation provides ideal conditions for contrarian investors to assemble champion teams and assets in preparation for an upturn. Lion favours gold and base metals, avoiding iron ore and coal.

SUMMARY

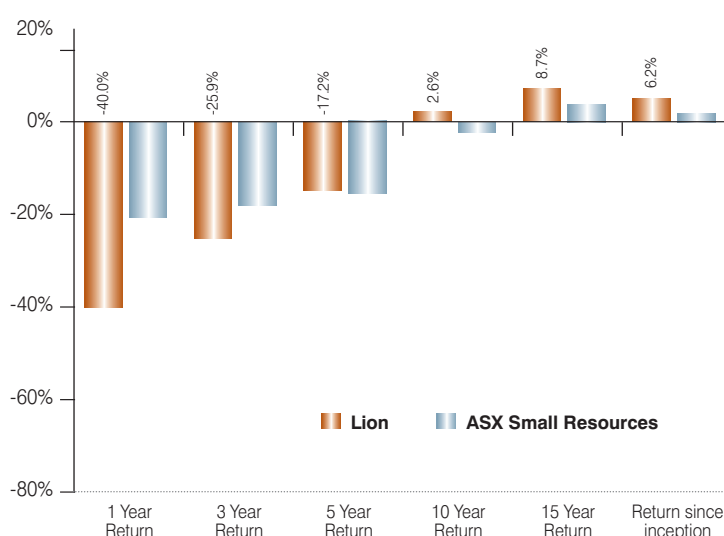
- Resource sector weakness continues, particularly juniors where liquidity has vanished.
- Gold company fundamentals improving strongly, particularly A\$ producers.
- Gold and cash represent 85% Lion NTA.

One Asia investment

- Rights issue raises \$2.6m.
- Appointment of Mr Gavin Bradley as Non-Executive Director.
- Awak Mas Updated Feasibility Study: Preliminary Indonesian Government Approval.

Annualised Total Shareholder Return ¹⁻⁶

Annualised TSR to 31 July 2015	Lion	ASX Small Resources
1 Year	(40.0%)	(21.5%)
3 Years	(25.9%)	(19.5%)
5 Years	(17.2%)	(17.7%)
10 Years	2.6%	(2.4%)
15 Years	8.7%	4.6%
Inception (17yrs)	6.2%	2.2%



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

All of the signs that liquidity in the mining sector has reached a base were maintained during the quarter. Most notably, the theme of mid-tier miners, especially those focused on gold, acquiring projects from major miners continued. Many major miners remain heavily indebted, so the key driver of major miners selling assets to reduce leverage is set to continue – however it does appear that many of the better deals have been done. Accordingly, there are indications the acquirers are now looking more broadly than the project portfolios of the majors as we have now seen the announcement of corporate combinations as well as M&A deals aimed at consolidating ground positions around producing assets. Consideration in these deals also remains primarily shares based, and in cases where the acquirer has paid cash, often this has been subject to finance. This is an encouraging sign of health as it appears the growth appetite of the mid-tier is still alive as these companies look to get set for the next mining cycle.

Whilst liquidity for mid-tier companies looks to be recovering, liquidity for juniors is still very low. The trend of reverse takeover deals where otherwise vacant or dormant junior mining company ‘shells’ are occupied by new projects and management continues, and in many cases these shells are becoming non-mining businesses. The companies that re-invent themselves as miners have been able to raise small amounts of capital.

A prominent feature of the mining market in 2015 has been commodity price weakness, corresponding with a deterioration in the growth outlook for the Chinese economy. It is interesting to note a high degree of correlation between commodities. China is a substantial customer for most commodities, although notably supply fundamentals for each commodity differ significantly. For now, there appears to be a high degree of speculative selling in commodities. Notwithstanding the price drivers, most commodity prices are now impinging substantially on cost curves, and many producers are under great pressure. In time, this will lead to production falling out of the market which should tend to be price supportive, as well as driving cost improvement in surviving producers.

Some relief in commodity prices has been from exchange rates. Many producer currencies have been weakened by a stronger US dollar, which has softened some of the blow. Year-to-date, most mineral commodities are down in both US dollar and most producer currency terms. The one shining light has been gold, which Lion remains well exposed to.

The backdrop of the broader market has also been very weak, with substantial declines in global equity markets since April 2015. Falls in miners due in part to commodity weakness and in part tied to the global market movements are showing some signs of a capitulation event, which had not occurred for miners in the recent bust. If this turns out to be the case, it may be the final substantial downward movement, paving the way for greater mining market stability and eventually gains as the next boom takes place.



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 represents Lion's largest single investment, and accordingly it is the Lion team's number one priority.

Corporate

In May 2015, One Asia undertook a rights issue to fund its contribution to the Pani Project Joint Venture, to continue work on the Awak Mas Project and to fund working capital progressing its goal of becoming a successful gold mining company in Indonesia. The partially underwritten offering (1 for 9 renounceable rights at A\$0.18/share) was fully subscribed raising \$2.6m with 14,422,795 shares issued as a result. Lion provided underwriting of \$1.1m of the rights issue, along with support from Macquarie Bank and the introduction of new shareholder Mr Gavin Bradley who made a personal investment of \$0.5m. In addition, Lion's board approved Lion Manager underwriting \$100,000 of the rights issue.

Following the completion of the rights issue, Mr Gavin Bradley was appointed as a Non-Executive Director of One Asia, bringing a wealth of experience in the financial markets and the resources sector. He is a senior finance executive with over 20 years banking experience (including +10 years as Joint Head of Macquarie Bank Limited's Metals and Energy Capital Division)

Awak Mas Gold Project – 100%

The Indonesian Mines Department has provided its preliminary approval for the revised Awak Mas feasibility study. The next step for Awak Mas from a permitting perspective involves completing the AMDAL (Indonesian environmental and social approval) which is required prior to final Mines Department approval. The updated Awak Mas Prefeasibility Study (PFS) incorporates the Salu Bulu higher grade satellite deposit and the Tarra Main satellite deposit neither of which were included in the 2012 Study. The PFS demonstrates that a robust commercial scale gold project can be developed at Awak Mas and the results warrant the completion of a Bankable Feasibility Study.

The benefits of adding higher grade ore into the mine plan, and a reduction in the plant size and pit have led to significant improvements in NPV. In addition, the new work benefits from the flexibility of multiple pits and ore sources, lower fuel prices and generally declining industry costs.

	PFS Nov 2012*	PFS Mar 2015**
Resource	49.7mt x 1.4g/t: 2.1 moz	60.6mt x 1.45g/t: 2.83moz.
Mined / Treated	29.mt x 1.37g/t	23mt x 1.55g/t ^(1,2)
Treatment Rate	3.5mt	2.5mt
Mine Life	8.5 years	10 years
Gold Recovered	1.14moz	1.02moz ⁽³⁾
Cash Operating Cost (C1)	\$714/oz	\$565/oz
Capex	\$299m	\$198m
Including Contingency	15%	18%
Pit Optimisation Gold Price	\$1,250	\$1,250
NPV 7.5%	\$17m	\$166m

(1) Strip ratio 3.8/1 recovery 89.2%.

(2) Includes Inferred Resources from: Tarra Main of 2,787,690t @ 1.38 g/t Au; Awak Mas of 735t @ 3.35 g/t Au; Salu Bulu of 15,824t @ 1.39 g/t Au.

(3) Includes 111k ounces of gold recovered from an Inferred Resource on Tarra Main.

* Released 17 December 2012

** Released 16 March 2015

Roxgold Inc

Lion Selection Group holds an indirect investment in Roxgold through its African Lion 3 fund.

Roxgold's Yaramoko project, located in the prolific greenstones of Burkina Faso, is one of the highest grade undeveloped gold deposits in the world.

Roxgold has secured a \$75m debt facility with Societe Generale and BNP Paribas with the proposed private placement of \$18.4m to the International Finance Corporation, Roxgold is a step closer to fully financing to production. Mobilisation of the underground mining contractor at Yaramoko was established during the quarter and construction continues ahead of schedule.

Additionally, Roxgold has announced drilling results at the Bagassi South Prospect, located near Yaramoko. The results were very positive with high-grade mineralisation intersected in several holes including:

Hole ID	From (m)	Width (m)	Au (g/t)
YRM-15-DD-BGS-089	185.9	7.5	11.0
YRM-15-DD-BGS-090	228.6	7.2	13.7
YRM-15-DD-BGS-095	157.8	6.0	14.5



Lion Selection Group

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 July 2015 is \$0.28 per share (after tax).

SUMMARY OF INVESTMENTS AS AT 31 JULY 2015

	Commodity	Market Value A\$M	Portfolio %
Australia			
Doray Minerals	Gold	3.2	
Rum Jungle Resources	Phosphate	0.9	
Auricup Resources	Gold	0.9	16%
African			
Roxgold	Gold	3.9	
Toro Gold	Gold	1.2	
Other Africa		1.5	
Cash dedicated to Africa ¹		1.9	28%
Asia			
One Asia Resources ²	Gold	8.3	
Asian Mineral Resources	Nickel	1.6	
Other Asia		0.4	34%
Americas			
	Iron Ore/Coal	0.2	1%
Uncommitted Net Cash		6.4	21%
Net Tangible Assets		\$30.4m	28¢/ share

1. Includes committed cash of US\$1.2 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 31 July 2015

Market Cap:	\$22m
Issued Shares:	106m
Share Price:	\$0.21