

Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 OCTOBER 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.

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 and fertiliser products.

SUMMARY

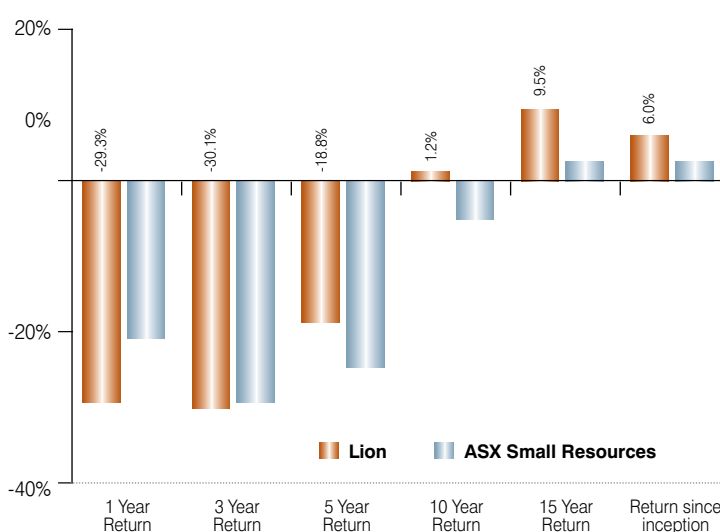
- Resource sector weakness continues, particularly in specific commodities.
- Gold company fundamentals improving strongly, particularly A\$ producers.
- Mid-tier gold producers with substantial projects and healthy margins are recipients of investor interest.
- Gold and cash represent 85% Lion NTA.

One Asia investment

- Pani Project – alliance with Indonesian partner Provident is producing steady progress.
- Awak Mas Project – AMDAL near completion.

Annualised Total Shareholder Return ¹⁻⁶

Annualised TSR to 31 October 2015	Lion	ASX Small Resources
1 Year	(29.3%)	(20.7%)
3 Years	(30.1%)	(29.2%)
5 Years	(18.8%)	(24.8%)
10 Years	1.2%	-5.0%
15 Years	9.5%	2.6%
Inception (17yrs)	6.0%	0.8%



- 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

Many of the sector themes reported on during the July quarter have been maintained. The most significant occurrence has been a further, steep deterioration in many mineral commodity prices from mid-October onwards. The financial press reports almost daily on mining projects that are now very likely uneconomic on the basis of costs contrasted with spot commodity prices.

Mining equities generally have been weak, correlated with commodity prices, heavily influenced by stock specific performance. The major miners have been affected not only by weak commodities, but project disasters in some cases too, which has led to individual companies underperforming benchmark indices and the key underlying commodities. The Australian mid-tier miners have outperformed the phases of weakness, demonstrating that they are the key beneficiary of institutional money starting to find a home in mining stocks again.

The pre-production segment of the mining market has been the hardest hit over the period of the bust, however there have been encouraging signals during the quarter. Dacian Gold released a scoping study for its Mt Morgans gold project in WA, which was followed by a share price rerating and a capital raising of \$25m – a substantial indication that liquidity is available, albeit in very specific circumstances. Another highly significant development during the quarter was the EMR Capital led private equity acquisition of the Martabe gold and silver mine in Indonesia for US\$775m (A\$1.07B). To date, there has been considerable speculation about the likelihood of deployment of private equity funds into mining, but very little transaction activity.

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.

Pani Gold Project

In May 2015 One Asia signed a Memorandum of Understanding (MOU) with Provident Capital Partners Pte Ltd (Provident) providing for the establishment of a joint venture on the Pani Gold Project. The purpose of the arrangement 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.

The working relationship with Provident is well established providing tangible support to One Asia. Provident is well-credentialed, has extensive Indonesian experience and networks and will be invaluable in resolving the Pani IUP dispute and ultimately developing the project. One Asia and Provident are committed to the development of the Pani IUP with the KUD and local community.

Detailed agreements continue to be established with respect to the operation and management of

the joint venture. The ultimate ownership of the joint venture will be 66.6% Provident and 33.3% One Asia, with One Asia and Provident each committing US\$4m cash. These arrangements will include representation by One Asia on the joint venture board and pro rata funding rights.

During the quarter One Asia staff and personnel continued baseline studies and undertook routine activities at the Pani site.

Awak Mas Gold Project – 100%

During the last quarter the Indonesian Mines Department provided 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 AMDAL is near completion and is expected to be submitted in late 2015.

The updated Awak Mas Prefeasibility Study based on a gold price of \$US1,250/oz demonstrates the potential for a commercial scale gold project 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 general lowering of costs 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. →

INVESTMENT NEWS

A preliminary geological review has been undertaken at Awak Mas which has indicated an alternative geological hypothesis which if confirmed could give vertical orientation to mineralisation amenable to more selective mining. This work continues and will include relogging and remodelling work on the 1,093 historic diamond drill holes totalling more than 125,000m of drilling. The aim of this study is to enhance the existing 2.83m ounce resource, reported in March 2015**, and investigate all three project areas; Awak Mas, Salu Bulu and Tarra Main. The new geological hypothesis, if proven, would open up the geological potential of the field, both at depth and regionally.

	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

** As announced to shareholders on 16 March 2015, which is available on the company website. The company confirms that it is not aware of any new information or data that materially affects the information included in the announcements and that all material assumptions and technical parameters underpinning the resource estimates continue to apply and have not materially changed.

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 with resource and reserve grades around 14g/t and 12g/t respectively.

Construction at the Yaramoko project continues to advance and remains on time and on budget being more than 50% complete. Roxgold is on track for first gold pour in the second quarter of 2016. Initial production should be over 100,000 oz pa.

Exploration 4km south of the mine at Bagassi South is ongoing with results expected before

the end of the year. Exploration to date has been positive and Roxgold is planning to assess the project for development with a feasibility study mid-2016, including definition of the maiden resource. It is envisaged that production from the second underground mine would be trucked to the Yaramoko treatment plant that has designed expansion capacity.

Doray Minerals

Lion Selection Group owns 3% of Doray Minerals which operates Australia's highest grade gold mine, Andy Well, and has a second mine, Deflector, under construction.

Doray continues to have exploration success with recent underground diamond drilling at Andy Well extending the zone of high grade gold mineralisation to the north of the existing Wilber Lode Ore Reserve boundary. This indicates the potential for further extensions to the Wilber Lode underground mine.

Asian Mineral Resources

Together with Asian Lion, Lion owns 3% of Asian Mineral Resources (AMR) which owns and operates the Ban Phuc underground nickel mine in Vietnam. The mine and processing centre have delivered strong operating performance allowing repayment of AMR's US\$12m outstanding bank debt.

Exploration at AMR's high priority Kingsnake prospect has provided good results with the identification of a 1.2km mineralised zone.

Celamin Holdings

Through the African Lion Fund, Lion has an investment in ASX listed Celamin Holdings NL which is focused on a high grade rock phosphate project in Tunisia.

Following the alleged theft of 51% of Celamin's Chaketma Phosphate Project joint venture company by its Tunisian partner, Celamin has submitted an application for international arbitration of the dispute. This arbitration request is in order to seek preservation and recognition of Celamin's rights, including restitution of its shares in the joint venture company and compensation for damages suffered.



Lion Selection Group

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 October 2015 is \$0.29 per share (after tax).

SUMMARY OF INVESTMENTS AS AT 31 OCTOBER 2015

	Commodity	Market Value A\$M	Portfolio %
Australia			
Doray Minerals	Gold	4.5	
Rum Jungle Resources	Phosphate	1.0	
Auricup Resources	Gold	0.9	20%
African			
Roxgold	Gold	4.3	
Toro Gold	Gold	1.2	
Other Africa		1.6	
Cash dedicated to Africa ¹		1.7	28%
Asia			
One Asia Resources ²	Gold	8.3	
Asian Mineral Resources	Nickel	1.2	
Other Asia		0.4	32%
Americas	Iron Ore/Coal	0.2	1%
Uncommitted Net Cash		6.1	19%
Net Tangible Assets		\$31.4m	29¢/ 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 October 2015

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