

Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 JANUARY 2016

2015 was a year that the Resources Sector would prefer to forget, however signs continue to suggest that the cycle has reached its trough with selected commodities seeing upswings, particularly in Lion's exposures of gold and agricultural minerals. Lion's continued focus is to preserve investments that can be brought into production once conditions improve.

SUMMARY

- Gold equity markets improve significantly.
- Many junior companies taking advantage of improved conditions to top up cash reserves.
- Gold and cash represent 85% Lion NTA.

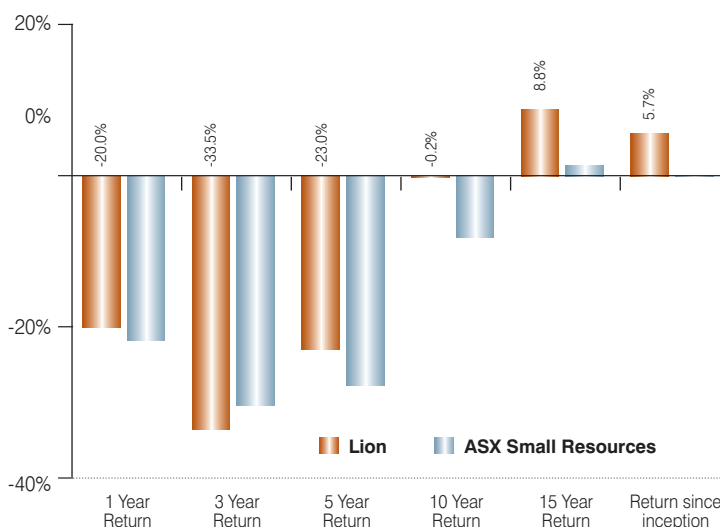
Investments

- **One Asia Pani joint venture** – Provident continues to provide tangible support towards providing a solution to the Pani IUP ownership dispute. One component in this dispute is the KUD Management Case, a decision on which was recently made in the Marisa Court. The decision was mostly supportive of One Asia with costs to be paid by opponents. Appeals subsequently lodged by both sides.
- **Doray** – Positive newsflow continues with strong quarterly production figures, second project at Deflector on time and on budget and leveraging low cost environment and improving AUD gold price.
- **Roxgold** – Premium Yaramoko project being developed on time and on budget and encouraging on-going exploration at Bagassi South satellite deposit.

LION PERFORMANCE

Annualised Total Shareholder Return ¹⁻⁶

Annualised TSR to 31 January 2016	Lion	ASX Small Resources
1 Year	(20.0%)	(21.7%)
3 Years	(33.5%)	(30.3%)
5 Years	(23.0%)	(27.8%)
10 Years	(0.2%)	(8.2%)
15 Years	8.8%	1.5%
Inception (18yrs)	5.7%	0.1%



- Investment performance figures reflect the historic performance of Lion Selection Group Limited (ASX:LGS, 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

2015 was a very tough year for Resources with precipitous falls in most mineral commodities, but not gold, which dragged down mining equities and saw substantial falls in the share price of the major miners. Early 2016 had looked like a continuation of the trend and BHP had fallen 47% from the start of 2015. In mid January mining equities staged a short rally. The sentiment around miners seemed to shift from capitulation selling, to a broad perspective that miners are cheap, especially once large miners like BHP and Rio Tinto abandoned their respective boom time dividend policies. BHP has also made commentary around considering being an opportunistic acquirer, which whilst encouraging is still hard to envisage.

The bigger news during early 2016 so far however has been gold, and gold equities. 2015 was one of the best years that Australian gold producers have had for many years, with a more or less stable gold price in Australian dollar terms. Some of the larger domestic producers generated substantial cash in that period. Since early 2016, the gold price has rallied strongly in US dollar and Australian dollar terms, which has been transmitted directly into the equities. Since the start of the year, the Australian Gold Index is up 36%, the best performance of all the key sectors represented on ASX by a significant margin (the next nearest is REIT's at 3% and Utilities which are flat, year to date).

There has not been a great deal of fund raising activity to take advantage of buoyant equity prices in the gold stocks, most likely because the larger stocks already had robust balance sheets. However, at the time of writing (late February) there are the signs of many smaller stocks, that have faced tough to impossible funding conditions for some time, moving to raise equity funds.

These market movements are highly encouraging. There appears to have been a change in sentiment toward most miners, and a clear return of investor interest and liquidity to the gold sector, classic signals of the mining cycle turning a corner. These observations correspond closely with volatility in tech heavy markets such as the Nasdaq. The pots of money that tend to chase risk investments often follow market fads, and since the late 1990's, tech and mining have generally traded in opposite directions. It is not for us to argue that the tech companies that have been successful in the market are not legitimate businesses, however many are extremely overvalued on current earnings. It is possible that money is now beginning to flow back from tech toward mining, into miners that look cheap, and into gold which is performing well.

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

One Asia's alliance with Provident established in May 2015 continues with the objective of resolving the current Pani IUP dispute, and ultimately working in co-operation with Provident, the KUD Dharma Tani Marisa (KUD), and the local community to develop the Pani Project. Progress has been slow but steady, with One Asia and Provident actively working with the KUD, the local community and regional authorities to resolve the current dispute. In January

2016 the District Court of Marisa ruled on the KUD Management case where the management team lead by Mr Idris Kadji remains supportive of and continues to honour the legal agreements with One Asia, while the opposing management team lead by Mr Uns Mbuunga does not.

One Asia views the result of the decision through the Marisa District Court as a positive outcome over the opposing KUD management team lead by Mr Mbuunga. However, the decision also brings into question the validity of the appointment of the management team led by Mr Kadji, a supporter of and seeking to honour the legal agreements with One Asia. The Marisa Court decision is now under appeal, as both parties have filed statements of appeal.

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



INVESTMENT NEWS

Awak Mas Gold Project

During the quarter One Asia submitted the revised AMDAL to the Government of Indonesia (GOI) and preliminary approval was received in January 2016. A resubmission of the AMDAL is required due to a number of revisions requested. Final approval of the AMDAL is expected in mid-2016; following this One Asia expects the final approval of the Indonesia Feasibility Study from the GOI.

The 2015 updated Awak Mas Prefeasibility Study (PFS), based on a gold price of \$US1,250/oz demonstrates the potential for a commercial scale gold project. Due to improving industry costs, One Asia is conducting a review of the cost estimates contained in the 2015 PFS to assess if further improvements in the project economics are possible.

A geological review continues to advance with encouraging results and potential implications for both mining and treatment method. Work will continue with a re-logging of the 1,093 historic diamond drill holes totalling more than 125,000m of drilling and the remodelling of the ore body to better understand the various domains and further investigate the three project areas; Awak Mas, Salu Bulu and Tarra Main plus identify other potential ore bodies.

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.

Development of the Yaramoko Gold Project has advanced considerably during the quarter with significant infrastructure packages now complete. Underground mine development rates are ahead of plan and the Project continues to track on time and on budget with the first gold pour remaining on schedule for next quarter.

Work progressed across the property with all contractors mobilised and established. In January, the Project personnel levels peaked at 750 people on site. At the end of January, the Company had spent approximately US\$64 million and remains on target to complete the Project within the budget of US\$110.8M.

During the quarter Roxgold released results from its latest drilling program at Bagassi South. Highlights include:

- 6.1m @ 52.3g/t gold;
- 6.7m @ 21.0g/t gold.

This drilling program was successful in further extending the Bagassi South high grade QV1 mineralization along strike and down plunge from existing intercepts by approximately 100 metres. Roxgold aims to deliver a maiden resource on the QV1 structure in the next quarter. Given the proximity to Yaramoko, a resource at Bagassi South could have positive implications for the production profile and mine life of the operation.

Doray Minerals

Lion Selection Group owns 2.5% of Doray Minerals which operates Australia's highest grade gold mine, Andy Well, and has recently commenced open pit mining at its Deflector Gold Project in the southern Murchison region of Western Australia.

The Deflector Gold Project is a high-grade/low-cost gold-copper deposit with an initial mine life of six years and significant exploration upside. Doray is utilizing its recent experience from Andy Well Gold Project to optimize the construction, development and operation of Deflector. Following construction and commissioning of Deflector in mid-2016, Doray is forecasting combined production from Andy Well and Deflector of 140,000 ounces per annum (plus copper and silver) and is targeting an average all-in sustaining cost of less than \$1,000/oz (after by-product credits) across the two projects.

Doray continues to have exploration success at its Andy Well Project where underground diamond drilling within the Wilber North area has intersected further significant visible gold mineralisation, including from the deepest hole drilled to date within the Wilber Lode.

Results from the first three holes drilled with Wilber Lode intersections are:

- WBUG0974A 4.3m @ 52.7g/t Au (true width 1.7m) from 270.7mdh
- WBUG0975 2.9m @ 6.5g/t Au (true width 1.3m) from 377.1mdh
- WBUG0976 3.6m @ 13.6g/t Au (true width 1.0m) from 255.6mdh.



Lion Selection Group

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 January 2016 is \$0.28 per share (after tax).

SUMMARY OF INVESTMENTS AS AT 31 JANUARY 2016

	Commodity	Market Value A\$M	Portfolio %
Australia			
Doray Minerals	Gold	4.7	
Rum Jungle Resources	Phosphate	0.7	
Auricup Resources	Gold	0.9	21%
African			
Roxgold	Gold	4.4	
Toro Gold	Gold	1.2	
Other Africa		1.1	
Cash dedicated to Africa ¹		1.7	28%
Asia			
One Asia Resources ²	Gold	8.3	
Erdene Resources	Gold	1.0	
Other Asia		0.3	30%
Americas			
	Iron Ore/Coal	0.2	1%
Uncommitted Net Cash		6.0	20%
Net Tangible Assets		\$30.5m	28¢/ share

1. Includes committed cash of US\$1.1 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 January 2016

Market Cap:	\$21m
Issued Shares:	106m
Share Price:	\$0.20