

Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 OCTOBER 2019

SUMMARY

Commencement of Diamond Drilling at Pani

- 10,000m diamond drilling program commenced in the NW portion of the IUP, based on a target for mineralization which has previously returned 406m at 0.5g/t gold.

Nusantara Resources, Awak Mas Gold Project:

- Project financing is progressing.
- Option to extinguish third-party royalty secured.
- Project:
 - Permitting – updated approvals received.
 - Construction contractor engagement commenced.
 - Benching drilling program completed.
 - Quarry drilling confirms sufficient material.
- Diamond drilling beyond the current designed open pit intersected 63.7m at 2.12g/t gold.

EganStreet Resources

- Subsequent to quarter end, Silver Lake Resources increased the value of their takeover bid for EganStreet to 0.431 Silver Lake shares for every EganStreet share and declared the bid to be unconditional.
- Lion has received the full consideration, and has sold the Silver Lake shares it received, increasing cash by \$9.5m.

Erdene Resource Development

- Pre-Feasibility Study results establish value in developing the high-grade open-pit Bayan Khundii deposit.
- Bayan Khundii Mining Licence received.
- Completion of exploration and infill drill program on Khundii mining licence.
- C\$8m financing led by European Bank for Reconstruction and Development (EBRD).
- Lion's Hedley Widdup joins the board.

ABOUT LION

Lion Selection Group is a mining investment company, focused on a portfolio of carefully selected and closely managed investments in listed and unlisted junior developing mining companies. Lion aims to offer diversity and a portfolio approach to the micro-cap end of mining investment, providing exposure to companies in various stages of development. Lion's investment model involves focusing investment towards the best opportunities in the portfolio, which from time to time results in concentration of Lion's portfolio towards specific investments and commodities. Lion is currently weighted towards several producing or developing gold projects, across a range of jurisdictions but in particular to the Pani gold project in Indonesia.

Lion is listed on ASX, under the ticker code LSX.

INVESTMENT HIGHLIGHTS

Pani Joint Venture

Commencement of drilling at Pani

The Pani joint venture has commenced a 10,000 metre diamond drill program on the Pani IUP. Drilling is designed to test the north-western portion of the IUP, in the area between the Resource and the area where J Resources has delineated its own Resource on the surrounding Contract of Work. Previous drilling has highlighted a target in the area to be drilled, with two holes drilled by Utah International in 1982 returning 406m at 0.5g/t gold (GPD-04) and 154m at 0.57g/t gold (GPD-05). The program is being managed by Lion's joint venture partner Merdeka and is expected to run through the first half of 2020, utilising 2-3 man-portable drill rigs.

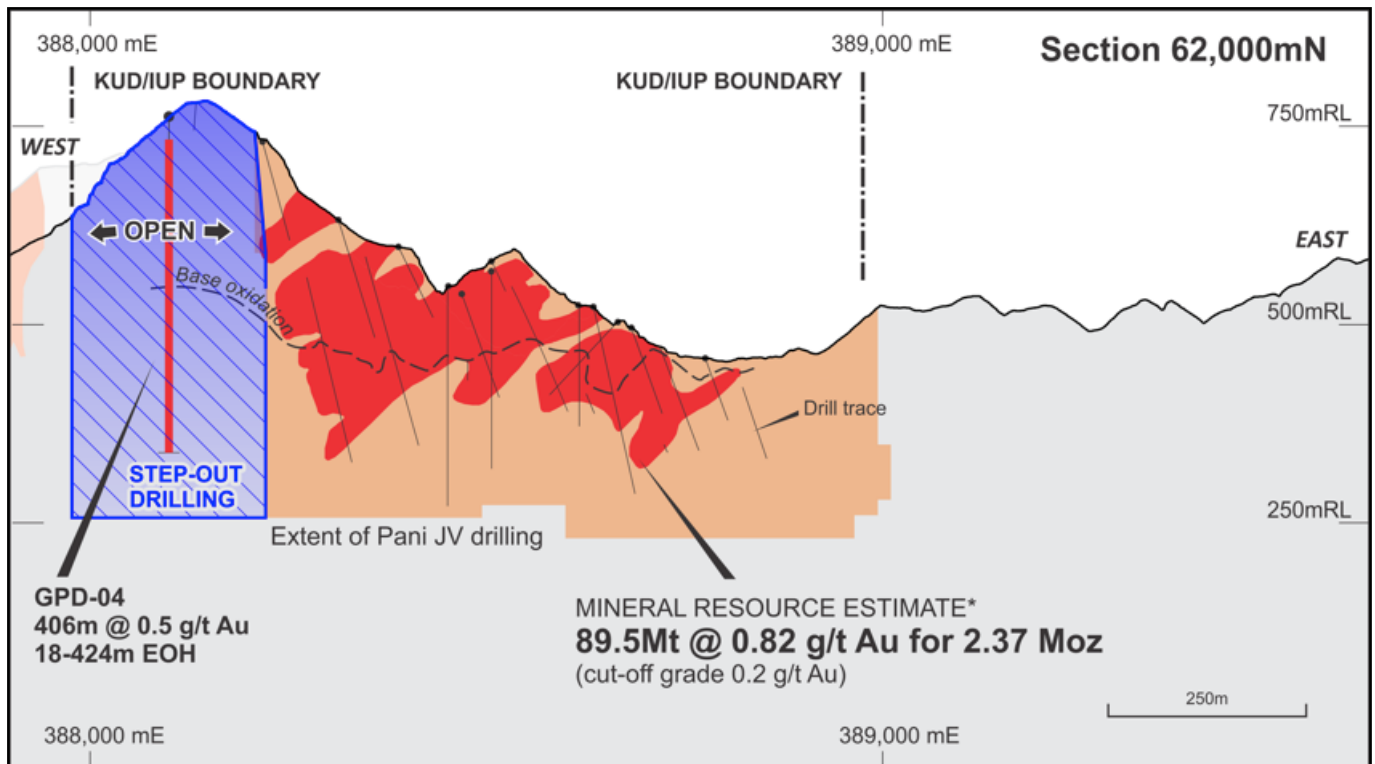


Figure 1 – Cross section 62,000mN (looking North) showing location of drill hole GPD-04 (drilled by Utah International in 1982 which returned an intersection of 406m at 0.5g/t gold from 18m) with respect to the existing Mineral Resource.



INVESTMENT HIGHLIGHTS

Nusantara Resources Limited

Project Financing

The Company continues to work with strategic partner, Indika Energy, to refine project financing alternatives and facilitate Indika Energy's purchase of a Project interest to support the Company's future development equity investment.

Corporate Development

Nusantara has secured the right to extinguish the third-party royalty over future gold production from its Awak Mas Gold Project. Under the arrangement, Nusantara will pay USD100,000 and issue 666,667 ordinary shares to the holder of the existing Net Smelter Returns Royalty Agreement, Vista Gold Corporation (Vista). The option allows Nusantara to terminate 50% of the Royalty by paying a further consideration to Vista of US\$2.4m by 30 April 2020. For an additional USD\$2.5m paid before May 2021, Nusantara can then extinguish the royalty altogether. These options increase Nusantara's level of flexibility and represent a potential cash saving over the life of the mine.

Ore Reserves

- Maiden 1.1Moz announced April 2018.¹
- Resource updated to 2.0Moz May 2018.²

DFS

Definitive Feasibility Study released October 2018³

based on US\$1,250/oz gold price:

- 11 years x 100,000 oz gold pa
- Capex US\$146m, NPV₅ US\$152m
- At US\$1,500/oz gold price NPV₅ US\$282m based on DFS sensitivity analysis
- All in sustaining costs US\$758/oz.
- 91% recovery, 3.5/1 strip ratio.
- 2.5mtpa x 1.3g/t CIL.

Permitting

The Awak Mas project is permitted for construction and approval of the Addendum to the AMDAL (Indonesian environmental impact assessment report) has been received.

The key outstanding permit for future operations is for the Tailings Storage Facility which is on track for submission in 2020 following detailed engineering design of the facility.

Exploration

Awak Mas Ridge drilling beyond the current \$1,250/oz reserve⁴ and \$1,400/oz resource shells confirms the mineralisation remains open, with the main pit step-out hole intersecting 63.7m at 2.12g/t gold.

Drilling to test geophysics targets at Salu Bulu has commenced.

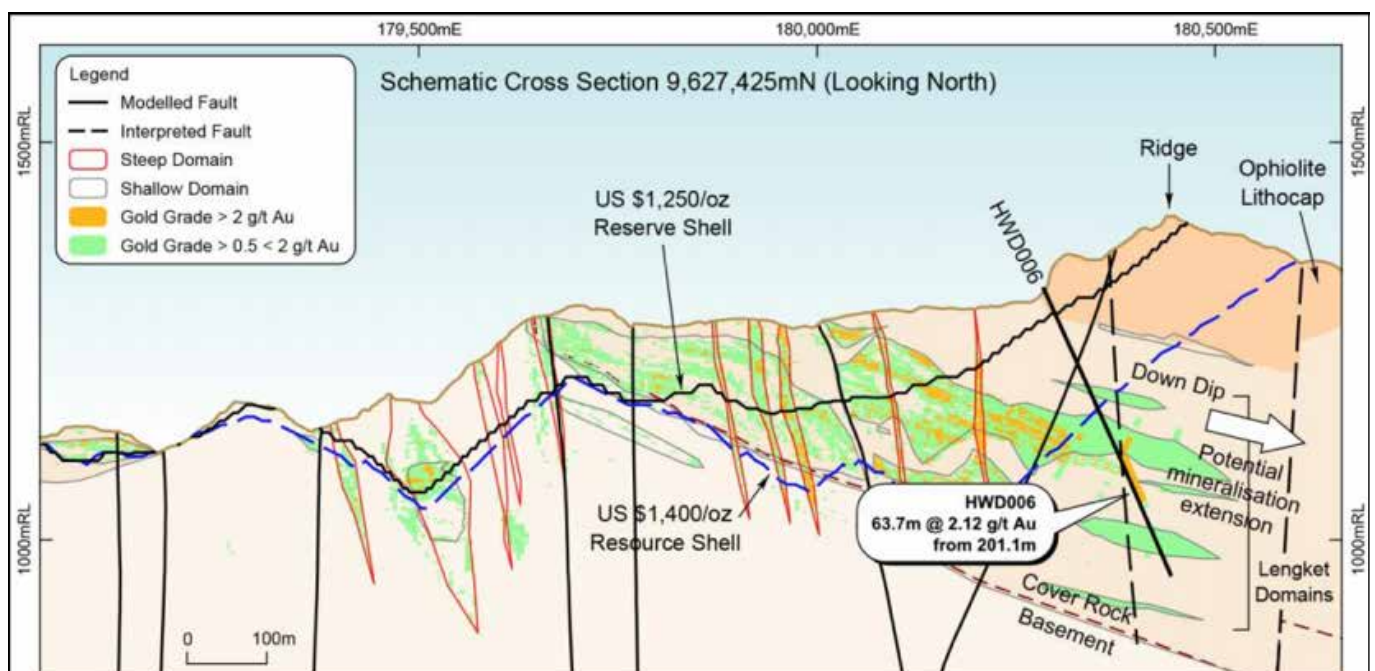


Figure 2 – Cross section through the Awak Mas deposit showing the significant eastern extension and further potential expansion as defined by the latest drilling. The proposed pit outlines are in accordance with the 2018 Definitive Feasibility Study.

INVESTMENT HIGHLIGHTS

EganStreet Resources Limited

Exit completed following takeover by Silver Lake Resources

A takeover bid by Silver Lake for EganStreet was announced on 30 July 2019, with an initial offer of 0.27 Silver Lake shares for every EganStreet share. The offer was subsequently improved to 0.431 Silver Lake shares for every EganStreet share and then declared unconditional on 7 November 2019. Subsequent to the quarter end, Lion received 9,110,050 Silver Lake shares, which have been sold for net proceeds of A\$9.5m. Silver Lake has announced (29 November) acceptances of 93.33% and is progressing to compulsory acquisition.

Brief history of Lion's investment in EganStreet

Lion made its first investment in Auricup in July 2011 to assist with funding of the purchase of Rothsay from Silver Lake Resources. The company initially planned to list on ASX to explore and assess Rothsay for potential redevelopment as a gold mine but the deterioration of the market for junior resource companies between 2011 and 2015 made fund raising challenging and thwarted ambitions of listing early on. The high-grade nature of Rothsay was well known from historic production and work done by previous owners. After several changes of directors in the intervening period, Marc Ducler and Lindsay Franker were appointed to the board in 2015 after having made an investment in the company. In 2016, the company was renamed EganStreet Resources (so named after the street that Marc and Lindsay lived on in Kalgoorlie whilst studying at the Western Australian School of Mines) and went on to list on ASX in the same year after a well-supported \$6m IPO. The company conducted drilling, grew Resources at Rothsay and produced economic assessments culminating in a definitive feasibility in July 2018, which was updated with an expanded Resource and mine plan in February 2019. Lion invested A\$5.87m between 2011 and 2018, and the sale of the Silver Lake shares received as consideration for the takeover closed out a successful investment for Lion and somewhat of an end of an era having had a close and successful working relationship with EganStreet for the duration of the investment.

Erdene Resource Development Corp

Khundii Gold District, Mongolia

Pre-Feasibility Study

Positive results of the NI 43-101 Technical report led by Tetra Tech, Inc encompassing the Bayan Khundii Pre-feasibility Study (PFS) and an updated Altan Nar Preliminary Economic Assessment (PEA) establish value in developing the high-grade open-pit Bayan Khundii deposit.

Permitting

Erdene has received the Bayan Khundii Mining Licence which is valid for an initial term of 30 years and can be extended to 70 years.

Mongolian Mineral Council approval for the Altan Nar resource registration has also been received with the mining licence expected to be received by year end.

Corporate

C\$8m financing secured led by European Bank for Reconstruction and Development (EBRD):

- Comprised of a US\$5m (C\$6.6m) convertible loan and concurrent C\$1.6m non-brokered private placement.
- The first tranche of the loan and the private placement totalling C\$4.1million have closed – the final closing is anticipated by the end of November.
- Proceeds will primarily fund the company through a project development decision.

Hedley Widdup appointed to the Board of Erdene.

MINING MARKET REVIEW

Performance of mining equities, with the exception of gold miners, has been flat to weak for much of 2019. In fact, performance of Resources equities (as measured by the ASX200 Resources Index) has been much closer to that of Industrial equities (ie, the rest of the ASX200, as measured by the ASX200 Industrials Index) through 2019 – marking the end of what has been a strong out-performance of Resources over Industrials on ASX since the start of 2016.

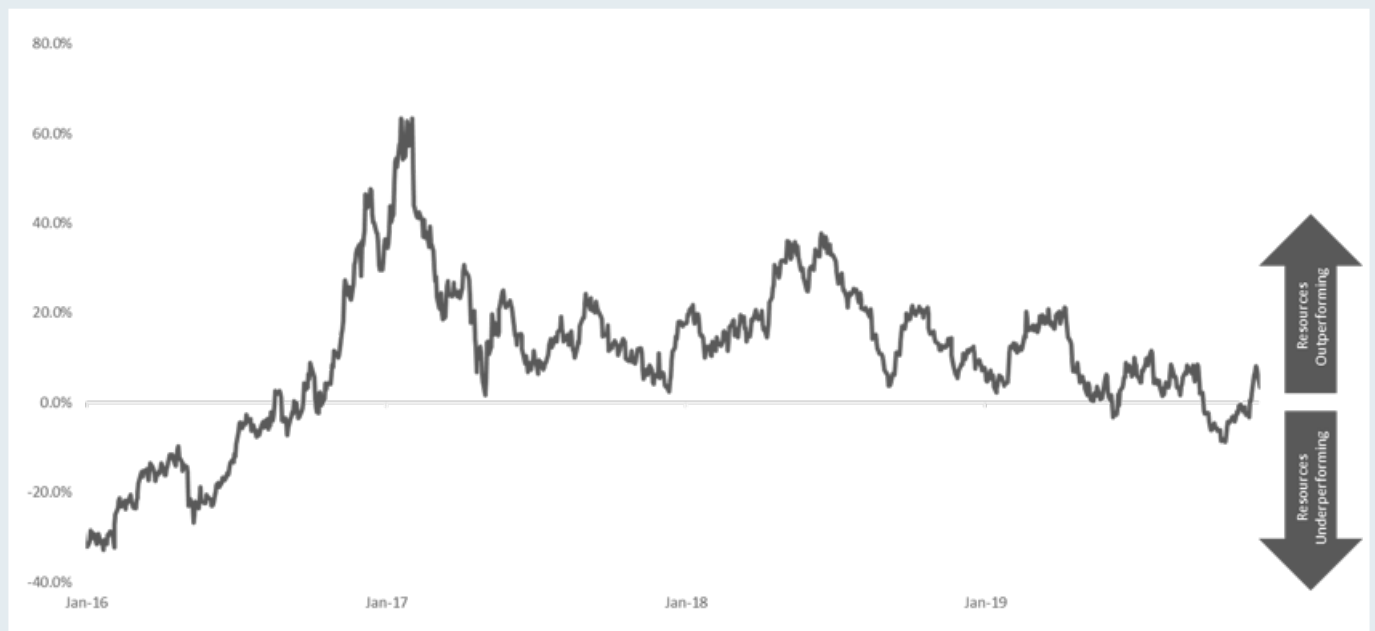


Figure 3 – 12 Month rolling outperformance of the ASX200 Resources index over the ASX200 Industrials index.

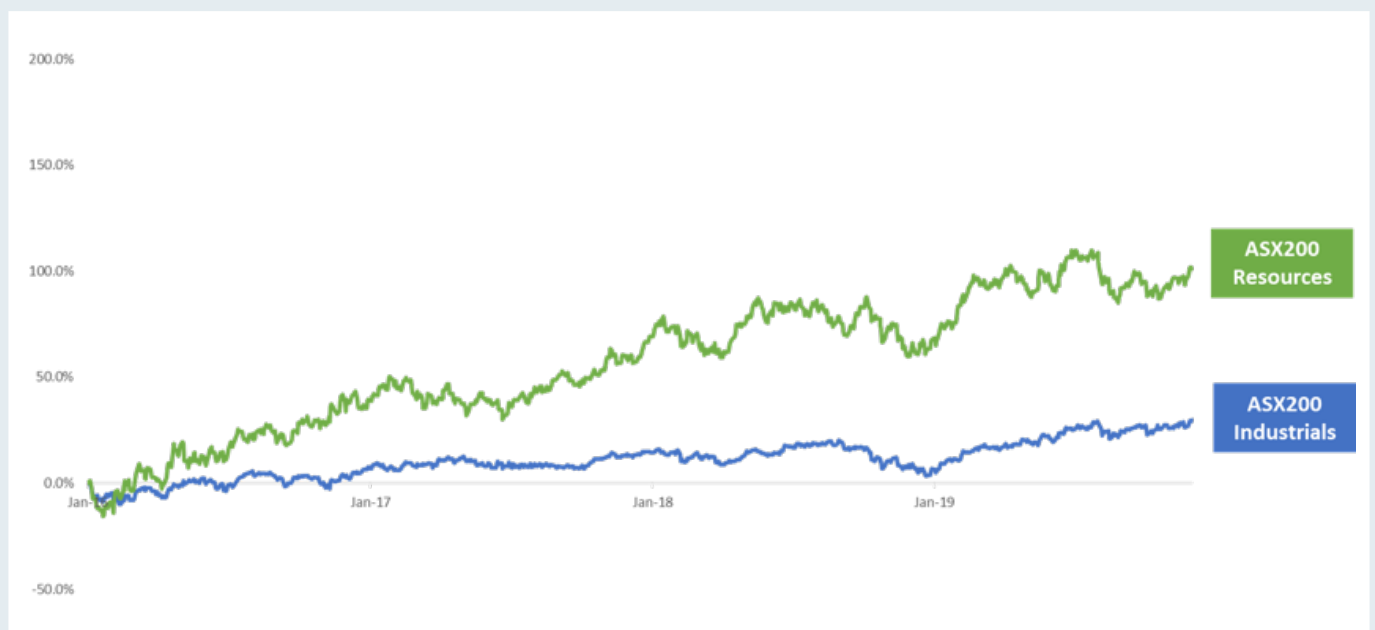


Figure 4 – Performance of ASX200 Resources and ASX200 Industrials indices since 2016 (rebased to January 2016).

MINING MARKET REVIEW **continued**

Meanwhile, 2019 has featured a continuation, and possibly an increase in merger and acquisition activity. M&A activity has typically fallen into two broad categories:

1. Established producer acquiring a project or company and by doing so materially increases production profile. Notable and recent examples include Saracen acquiring a 50% share in the Kalgoorlie Superpit from Barrick, Kirkland Lake announcing a takeover offer for Canadian miner Detour Gold, Evolution acquiring the Red Lake Gold Complex in Canada from Newmont (all in November 2019) and Resolute acquiring unlisted Senegalese gold miner Toro Gold (August 2019).
2. Established producer either investing in or acquiring outright junior companies. In most cases the junior is pre-production and assets are of strategic interest to the investing miner – either by virtue of the focus commodity or a geographic nature, and the investing miner offers (either formally or implicitly) a solution to funding the junior company.

Whilst the tempo of M&A appears to be gathering pace, so far very few deals are obviously competitive, although recent deals (where there is a trading share price as a reference) have all featured a premium. This suggests that acquirers are aware of the need to offer something above market to shareholders or potentially of the threat of being the underbidder if the offer isn't convincing enough to conclude quickly – maybe both.

2019 has also offered encouragement on the exploration front. Discoveries don't take place unless the industry is exploring, and expenditure (especially in well regarded mining jurisdictions like Australia and North America) has been trending positively for several years now. There have been a number of highly encouraging results and in some cases discoveries reported during 2019:

- Rio Tinto has reported a number of copper intersections from Winu, located in the Paterson region of Northern WA
- In the same Paterson region of WA, AIM listed Greatland Gold (now in JV with Newcrest) has reported a discovery of gold and copper
- Alkane Resources reported a long intersection of copper-gold in porphyry rocks from Boda, in the Central West of NSW
- Stavely Minerals has reported high grade copper and gold intersections, plus some proximal nickel

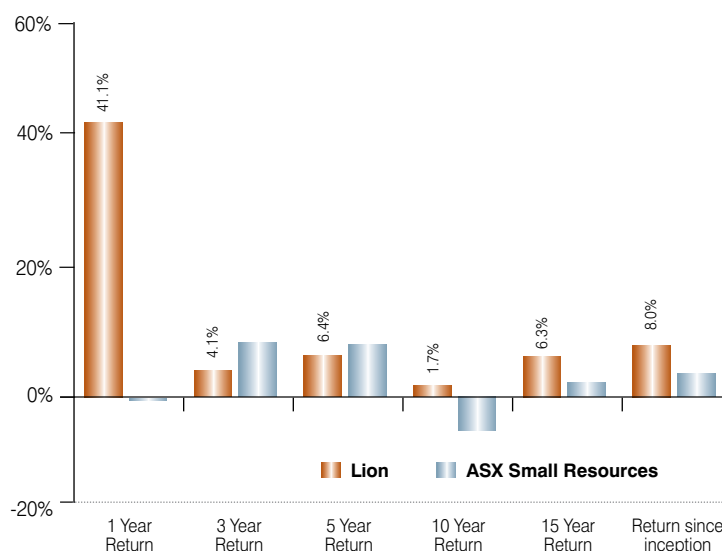
These are examples only and not intended to be exhaustive. What is important is that each of the junior companies from the examples above have seen quite material share price appreciation, and have been able to raise funds to perform aggressive follow-on work. Whilst Rio Tinto and Newcrest haven't received any sort of market re-rating owing to their respective exposures to these discoveries, juniors with proximal ground positions have seen increased speculative interest and positive share price performances, owing to their 'nearology' to a find and potential to host something similar.

These discoveries will see more drilling, and in most cases (hopefully all), produce further encouraging results to be rewarded by the market. Discoveries contribute significantly to investor sentiment and risk appetite, and these are examples of highly likely positive newsflow in the near future.

LION PERFORMANCE

Annualised Total Shareholder Return ⁵⁻¹⁰

Annualised TSR to 31 Oct 2019	Lion	ASX Small Resources
1 Year	41.1%	-0.5%
3 Years	4.1%	8.5%
5 Years	6.4%	8.1%
10 Years	1.7%	-5.3%
15 Years	6.3%	2.2%
Inception (22 yrs)	8.0%	3.5%



NOTES

1. Refer Nusantara Resources Limited announcement to ASX 18 April 2018.
2. Refer Nusantara Resources Limited announcement to ASX 8 May 2018.
3. Refer Nusantara ASX Announcement, 4 October 2018, Definitive Feasibility Study Confirms Robust, Long-Life, Low Cost Project.
4. ASX released dated 12 September 2018 – Ore Reserve increased by 11% to 1.1Moz gold.
5. 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).
6. Methodology for calculating total shareholder return is based on MorningStar (2006), which assumes reinvestment of distributions.
7. 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.
8. Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.
9. Past performance is not a guide to future performance.
10. Source: IRESS, Lion Manager.

SUMMARY OF INVESTMENTS AS AT 31 OCTOBER 2019

Net Tangible Asset Backing

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 October 2019 is \$0.47 per share (after tax).

SUMMARY OF INVESTMENTS AS AT 31 OCTOBER 2019				
	Commodity	September 2019 A\$M	October 2019 A\$M	cps
Pani Joint Venture (33.3% Interest)	Gold	39.2	39.2	26.1
Fair value for Pani based on Merdeka's acquisition of 66.7% interest in the Pani JV from Lion's existing JV partner in November 2018.				
Portfolio				
Nusantara Resources	Gold	11.5	11.5	7.7
EganStreet Resources	Gold	6.3	6.7	4.4
Erdene Resources	Gold	2.0	2.0	1.4
Other		3.4	3.3	2.2
<ul style="list-style-type: none"> Portfolio holdings measured at fair value Includes investments held directly by Lion and the value to Lion of investments held by African Lion. 				
Net Cash		8.6	8.2	5.4
Net Tangible Assets		A\$71.0m	A\$70.9m	47cps

Capital Structure

Shares on Issue:	150,134,879	
Share Price:	39.5¢ps	31 October 2019
Options on Issue:	15,720,958	\$0.50 expiry 12 April 2020