

Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 JULY 2016

- Lion strengthened its cash position in the last quarter with an \$8.3m exit from Doray Minerals. The additional funds provided a welcome boost to help push its portfolio of emerging miners towards listing and/or production as seen with the Egan Street IPO and we hope others to follow, most notably One Asia Resources which has the 100% owned 2.8moz Awak Mas Gold Project.
- We believe that progression of the Lion Clock to 7 o'clock heralds a much improved mining equities environment.

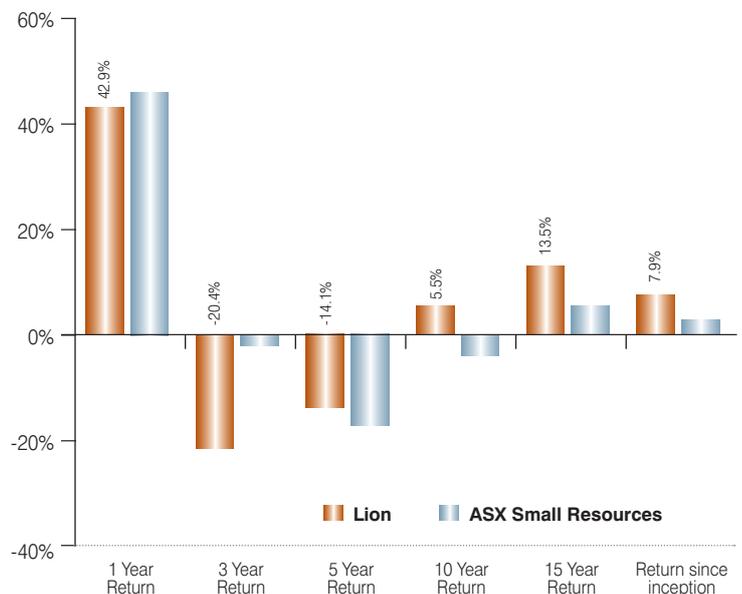
SUMMARY

- One Asia**
- The Awak Mas updated PFS (April 2016) combined with positive results from the geological review (August 2016) underline a project with significant value for One Asia shareholders in the current positive gold market. A range of options are being investigated to provide project funding and a liquidity event for One Asia shareholders, including IPO, RTO (Reverse Takeover), merger with a larger listed entity and outright sale.
 - Pani Gold Project – geological review and validation underway.
- Roxgold**
- First gold pour one month ahead of schedule on 16 May 2016.
 - Production continues to ramp up with first stoping activities underway in July 2016.
- Egan Street Resources (previously Auricup Resources)**
- Highly sought IPO raising now largely complete.
 - ASX listing expected to be finalised mid-September

LION PERFORMANCE

Annualised Total Shareholder Return ¹⁻⁶

Annualised TSR to 31 July 2016	Lion	ASX Small Resources
1 Year	42.9%	45.4%
3 Years	(20.4%)	(2.9%)
5 Years	(14.1%)	(17.7%)
10 Years	5.5%	(4.0%)
15 Years	13.5%	5.8%
Inception (18yrs)	7.9%	3.0%



(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

The first half of 2016 produced a stunning performance of mining equities, particularly in gold. The table below compares full year 2015 with 2016 to 31 July performance for key mining equity indices on ASX, and highlights a substantial change in fortunes between 2015 and this year. Gold miners have increased their market value for good reason – as a sector, operating margins have reached multi-cycle highs. It is becoming increasingly evident that positive sentiment generated by gold miners is rubbing off on other sectors of mining – investors preparing to recycle gold profits now appear much more willing to take risks on either smaller stocks (as is evident in the performance of the Small Resources Index) or in miners of other commodities. Below the threshold of these indices, we have observed similar investor interest in micro-cap mining stocks, albeit off of a very low base.

	ASX Gold Index	ASX 100 Resources	ASX Small Resources
2015	29%	-30%	-16%
2016	102%	18%	64%

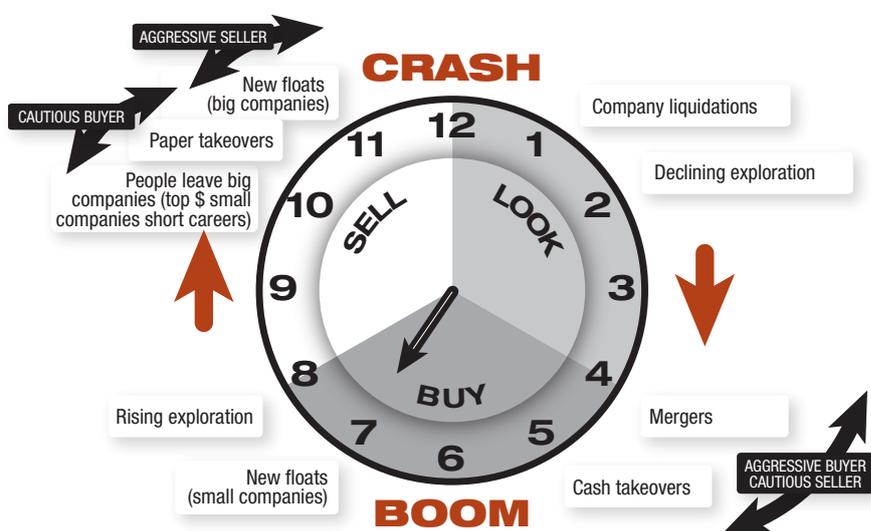
The recovery in investor sentiment has procured fresh liquidity to the mining sector. Earlier this year equity performance and the general improvement in moods was sufficient to call the start of a new boom – the Lion Clock moved to 6 o'clock in May. In a few short intervening months, this liquidity has facilitated not only continued equity price performance in gold companies, but also equity capital raisings are becoming more sizeable and plentiful.

A crucial indicator of liquidity is initial public offerings (IPOs) – IPO fundings are just not possible in a poor market. In 2016, there have already been more mining IPOs (YTD) than 2015, and there are now a number in the barrel, ready to list or soon to lodge documents. Anecdotes strongly suggest that capital raisings for recent IPO deals has been unchallenging, and the performance of the few recent listings has been largely positive, indicating that overall investment demand for the deal exceeded the IPO stock on offer.

A prime, and fresh, example of the recovery in liquidity and buoyant investor interest is Egan Street Resources, an unlisted company Lion has been invested in for around five years, and is now about to list on ASX. During 2015, Lion was assisting the company in seeking a listing and small amount of funding, primarily through a backdoor listing or Reverse Takeover (RTO). Whilst there is no shortage of ASX listed 'shells', many suffer from a lack of cash and even in late 2015, there were very few investors or stockbrokers willing to consider investing in a RTO listing of that company.

Come 2016, and an IPO mandate was secured, and the majority of the targeted fund raising was able to be underwritten. Sub-underwriting positions were highly sought, so any observer of that process could confidently conclude that the liquidity tap has been turned back on. Egan Street is expected to list in September.

Given the strong continued performance of gold equities, otherwise positive share price performance across the sector, and critically the opening of the mining IPO market, the Lion Clock has moved (in August) to 7 o'clock.



INVESTMENT NEWS

One Asia Resources Limited

In June 2016 Lion invested US\$0.5m in a One Asia Resources US\$1m short term loan facility. The funds were raised for Pani funding obligations and to advance work on the Awak Mas Gold Project. It is expected that the loan will convert to a rights issue later in 2016 when sufficient information is available to determine the appropriate issue price of new shares.

Lion Selection Group and Asian Lion own a combined equity stake of 36% in One Asia Resources and so conversion of the loan to shares will increase this ownership. One Asia is committed to provide a pathway to listing for both Pani and Awak Mas in the current strong gold equities market. A range of alternatives are being pursued.

Awak Mas Gold Project

With gold equity markets relatively buoyant and the economics of Awak Mas improving due to lower costs and higher gold price, One Asia considers this is an opportune time to provide value for its shareholders.

A variety of options exist for Awak Mas including vending the project in exchange for shares in a listed entity, taking Awak Mas to a separate IPO, outright sale or taking the project into a definitive feasibility study within the existing One Asia umbrella. Key issues being considered include the ability to finance and develop the project, management capability, valuation and a timely path to liquidity.

One Asia will only consider a specific transaction if it determines that a transaction meets the critical objectives mentioned above and is in the best interests of the company.

The geological review program announced in May 2016 was largely completed at the end of August 2016 following a re-logging program of selected drill holes and receipt of initial reports from the consultants involved.

Preliminary results confirm that the gold mineralisation has an epithermal origin. While that genesis is not expected to change the existing resource, this work does guide brownfields expansion potential and adds the potential for new regional targets. Low cost target generation work is planned, but brownfields expansion drilling is not needed at this stage.



An initial review of the extensive historical metallurgical test-work will be undertaken in light of the geological review findings. If the presence of 'free gold' is pervasive there may be possibilities to simplify the process flow sheet to reduce capital and operating costs.

The current Awak Mas economic model assumes power will be provided by a new coal fired power station to be funded and operated by an independent power producer (IPP). The national power grid is being expanded into the region around Awak Mas and there is a possibility that grid power could become available in 2017/18. This could increase confidence in future feasibility work by reducing development risk for power supply and the company has initiated discussions on this alternative. Utilising the local power grid would also provide obvious environmental and social benefits.

As part of its strategic review, One Asia is continuing to refine the economic model, incorporating the findings of geological review, strategic review, updating fuel, power, mining and other costs since the 2016 updated PFS. This is expected to result in a slight escalation in capital and operating costs, however the Company notes that the higher gold price more than offsets these increases.

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INVESTMENT NEWS

One Asia Resources Limited (continued)

Awak Mas appears to be an attractive project development opportunity at the PFS stage with secure 100% ownership through a 7th Generation Contract of Work and community support. One Asia is assessing the most appropriate way to fund and manage a DFS/Definitive Feasibility Study and the best pathway to project funding if the DFS confirms the results of earlier work.

Pani Gold Project

A review of Pani geology and mineralisation was initiated by Provident and included two multi-day site visits to inspect site geology and historic core. Areas of focus included reviewing the geological model and quantifying the amount of coarse, free gold and how this was treated in historic metallurgical test work.

Further investigations are ongoing to validate current observations and findings.

Roxgold Inc

Lion Selection Group holds an indirect investment in Roxgold through its African Lion 3 fund, representing Lion's largest single investment. 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 of 13.9g/t and 11.8g/t respectively (as announced by Roxgold on 22 April 2014).

Roxgold has now joined the ranks of a gold producer having poured its first gold one month ahead of schedule on 16 May 2016. Roxgold also announced completion of construction and came in under budget with the capital expenditure of \$107m. By the end of the June 2016 quarter, Roxgold had produced 14,482 ounces of gold with the processing facility performing above name plate capacity in terms of both throughput and recovery. Production continues to ramp up with first stoping activities underway in July 2016.

Exploration activity has increased with Roxgold undertaking a diamond drilling program for 45 holes (9,957m) targeting a Resource upgrade in the top 430m of the deposit. Results of the drilling are expected in Q3 2016.

Egan Street Resources Limited (Previously Auricup Resources)

Auricup Resources secured a mandate earlier this year with a stockbroker to raise funds and list on ASX, and made significant progress during the quarter.

- The name of the company was changed following an EGM to Egan Street Resources. The name comes from a locality in Kalgoorlie, which was named after a prospector from the late 1800's. The name has many ties to mining, particularly graduates of the Western Australian School of Mines, which is headquartered on Egan Street.
- As part of the preparations of the IPO documentation, the company re-estimated the Resource for the Rothsay project. The old estimate had included a great deal of very low grade (but still mineralised) material peripheral to the main quartz vein, and consequently contained excessive dilution. The new estimate has been made to include only quartz vein hosted gold mineralisation, and much higher grade. The Mineral Resource for the Rothsay Gold Deposit now stands at 623,862 tonnes at 11.3g/t Au for 226,049 ounces of gold above a cut-off grade of 5.0g/t gold (announced in the Egan Street Resources prospectus dated 28 July 2016).
- The IPO raising is essentially completed. The raising was highly sought, with interest far exceeding the required amount.
- Lion has taken up its full rights of \$925k, and sub-underwrote a further \$275k for a total possible investment of \$1.2m.
- Due to the structuring of the deal, Lion was unable to secure any priority positions for Lion shareholders to participate in the raising.
- The company expect to list and begin trading on ASX in mid-September.

INVESTMENT NEWS

Asian Mineral Resources / Kasbah Resources

A proposed merger by Scheme of Arrangement was announced 11 August of TSXV listed Asian Mineral Resources and ASX listed Kasbah Resources. Lion has shareholdings in each company and will emerge with a 10.1% indirect/3.85% direct shareholding in the merged company if Kasbah shareholders vote to approve in a meeting expected for November 2016.

Lion supports the merger as it provides a pathway to development of the Achmmach Tin Project in Morocco, with a skilled operations and development team. It also moves to create a diversified global base metals company with an exciting exploration portfolio in tin and nickel, plus support from a well regarded cornerstone shareholder, Pala Investments.

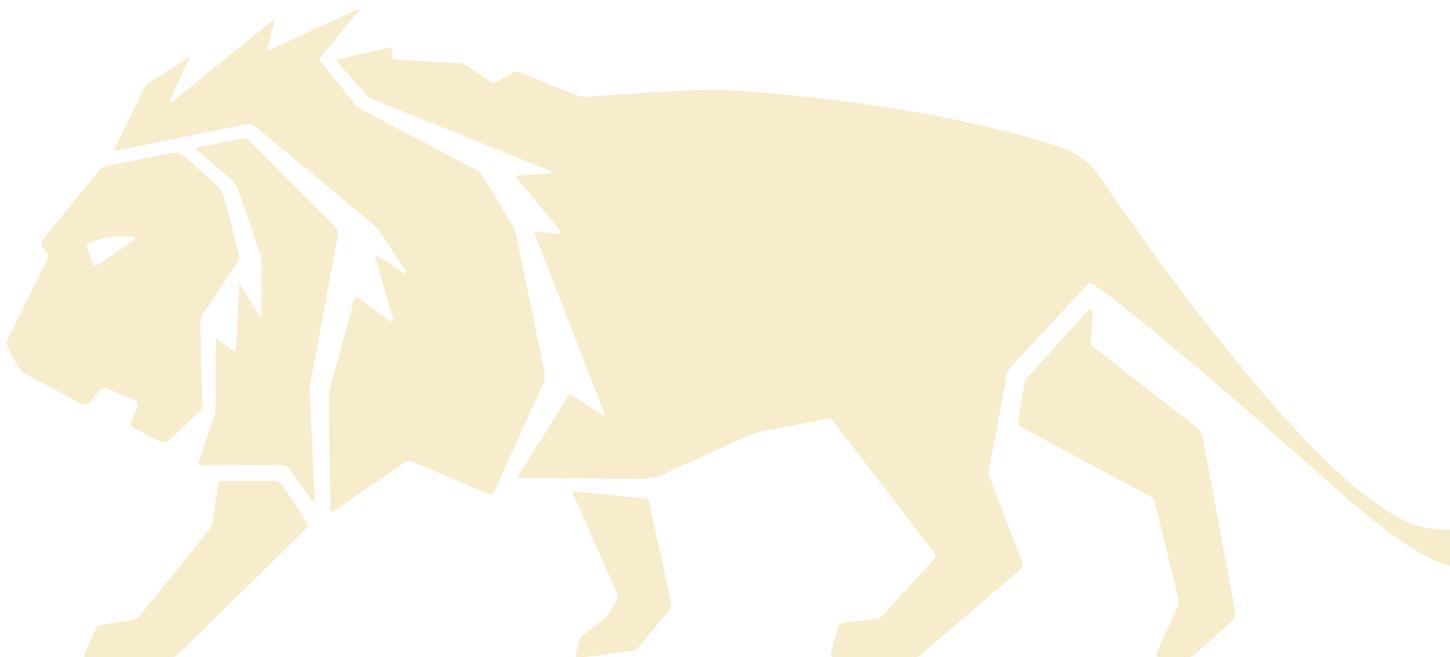
Doray Minerals

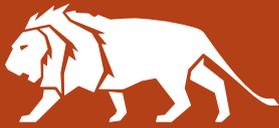
Over the course of the quarter, Lion sold out of its long term holding in Doray Minerals at an average 95¢ps. Lion first invested in Doray in 2011, when the company had only just produced a maiden Resource for the Wilber Lode, at Andy Well near Meekatharra in WA. Andy Well is now a mine and has completed three years of production, and Doray acquired a second project, Deflector, via a takeover of Mutiny Gold in 2015.

The investment in Doray was mature for Lion, and a conscious decision was taken to hold the investment beyond the point at which the fund would normally seek to exit – primarily as the weak markets of the last few years were reflecting a very low value for the company, especially given the quality of the assets and management team.

Lion generated a profit on the Doray investment of A\$1.8m. Part of the \$8.3m proceeds have been used to make an investment in the IPO of Egan Street Resources.

We thank the team at Doray.





Lion Selection Group

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 July 2016 is \$0.369 per share (after tax).

SUMMARY OF INVESTMENTS AS AT 31 JULY 2016

	Commodity	Market Value A\$M	Portfolio %
Australia			
Egan Street Resources	Gold	1.1	
Other Australia		0.4	3%
African			
Roxgold	Gold	10.3	
Toro Gold	Gold	1.0	
Other Africa		2.4	
Cash dedicated to Africa ¹		1.2	36%
Asia			
One Asia Resources ²	Gold	9.1	
Erdene Resources	Gold	2.2	
Other Asia		1.0	30%
Americas	Iron Ore/Coal	0.3	1%
Uncommitted Net Cash		12.2	30%
Net Tangible Assets		\$41.2m	39¢/ share

1. Includes committed cash of US\$0.8 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 2016

Market Cap: \$32m
Issued Shares: 106m
Share Price: \$0.30