



Lion Selection Group

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 OCTOBER 2017

SUMMARY

Sector themes

- Risk appetite is recovering and small miners are performing.
- Exploration activity is increasing, and exploration is valuable again.
- Lion Clock – 8 o'clock.

Lion Selection Group – successful capital raising

- Strongly subscribed placement and Share Purchase Plan (SPP) raised a total of \$5.5m.

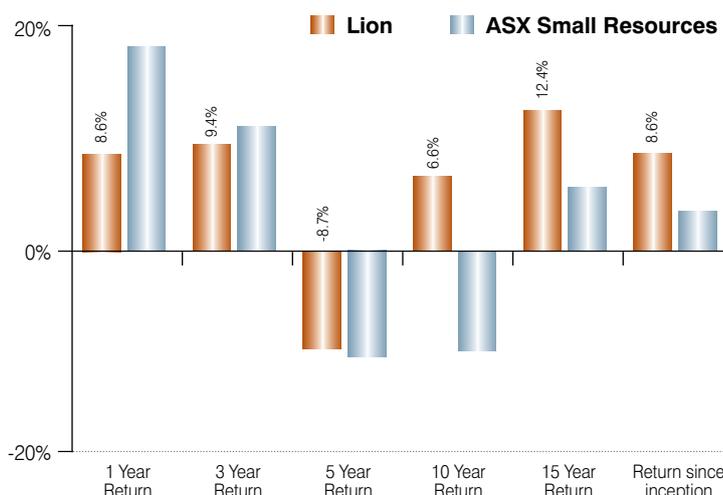
Investment highlights

- Nusantara Resources – Awak Mas progress with drilling program in full swing, confirmed availability of low cost grid power and improved gold recoveries from whole rock CIL testwork.
- One Asia Resources – Pani preparatory work underway, pending resolution of Pani dispute.
- EganStreet Resources – exploration work accelerated by \$4m placement.

LION PERFORMANCE

Annualised Total Shareholder Return ¹⁻⁶

Annualised TSR to 31 October 2017	Lion	ASX Small Resources
1 Year	8.6%	18.1%
3 Years	9.4%	11.0%
5 Years	-8.7%	-9.4%
10 Years	6.6%	-8.8%
15 Years	12.4%	5.7%
Inception (20 yrs)	8.6%	3.5%



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.

MINING SECTOR THEMES

Small Miners – Performing Again

As the mining sector has recovered from the bust which ended in January 2016, performance was largely enjoyed by large capitalisation stocks – reflecting the market's willingness to invest in miners, but with a low appetite for risk. By far the best period for large cap miners was 2016, the ASX100 Resources index went up by 38% in 2016, against a corresponding 10% for 2017 to 31 October. The second half of 2017 has seen the ASX Small Resource outperform the larger capitalization ASX100 Resources – a healthy indication that investors are moving down the capitalisation scale and by doing so, comfortable in taking on additional risk.

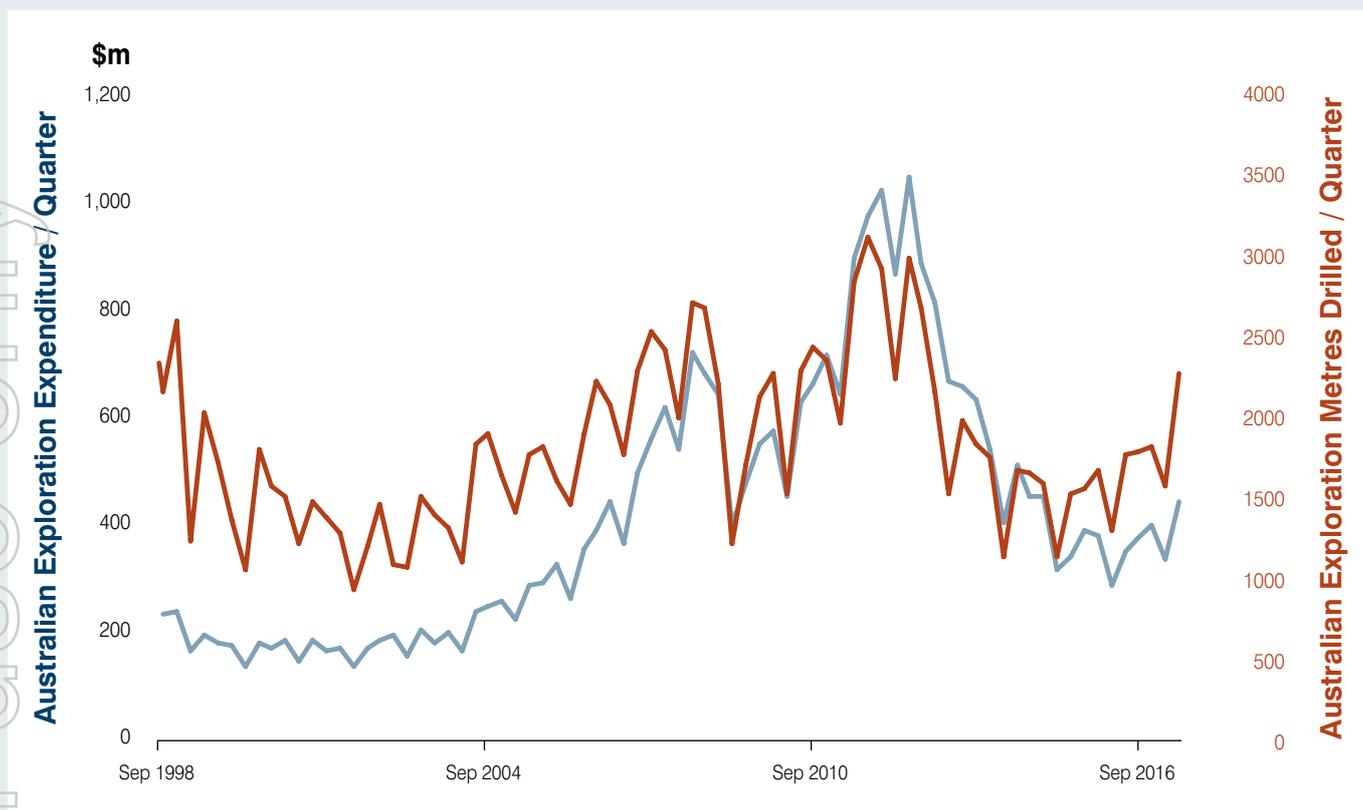


The performance of the Small Resources Index probably underplays the trend – the smallest capitalisation company in the index is \$185m, so the constituents are hardly ‘juniors’. There are more than 600 minerals or energy companies listed on ASX with market capitalisation of \$100m or less, and this population has appeared to be overlooked by the market until recently. Since approximately mid-2017, frequency of capital raisings and materially positive price performances by members of this group of companies have increased. These represent a solid (albeit rough) indication that liquidity is not only flowing again but is finding a way to the smaller end of the mining market.

Exploration – Activity Increasing

Figures from the Australian Bureau of Statistics show exploration expenditure in Australia has broken out of negative trends in expenditure and activity (meters drilled) that existed from 2012 through to early 2016. Exploration spend maps the availability of risk dollars to the industry, so a recovery in exploration expenditure strongly supports the recovery of liquidity to the sector as in many cases the budgets now being spent had to be raised as fresh equity.

MINING SECTOR THEMES continued



Re-invigoration of exploration also highlights a further evolution of investor sentiment toward miners – growth is back on the menu, having been pushed down the priority list in favour of reducing debt levels and costs.

As aggressive cost reduction took place over the period 2011-2015, most avenues of growth for the industry were curtailed – these include exploration but also project assessment studies and development of new projects. To re-start growth initiatives, especially for big companies with big projects, means re-hiring whole teams so re-invigoration of the future production pipeline is unlikely to be rapid. The industry as a whole is poorly prepared to respond to investors' renewed desire for growth. A number of larger companies have supplemented internal growth options with investment into junior companies during 2017 – a harbinger of potential growth via future mergers and acquisitions activity.

Modern Day Gold Rush – Exploration is Valuable Again

A modern day gold rush is taking place in the Pilbara region of Western Australia. Investor excitement began to grow in July 2017, around a target that is being promoted as having immense potential. Gold nuggets have been extracted from a conglomerate unit at surface, which offers up the geological analogy of the South African Witwatersrand. Nugget occurrences at the surface do appear rich, but they are all that the market has to go on so far. What makes the Pilbara rush quite enigmatic is the collective capitalisation that has been ascribed to the key players in the region prior to any drilling taking place – the group of companies that hold ground believed to be prospective were valued by the market at more than A\$1.7B at the end of October.

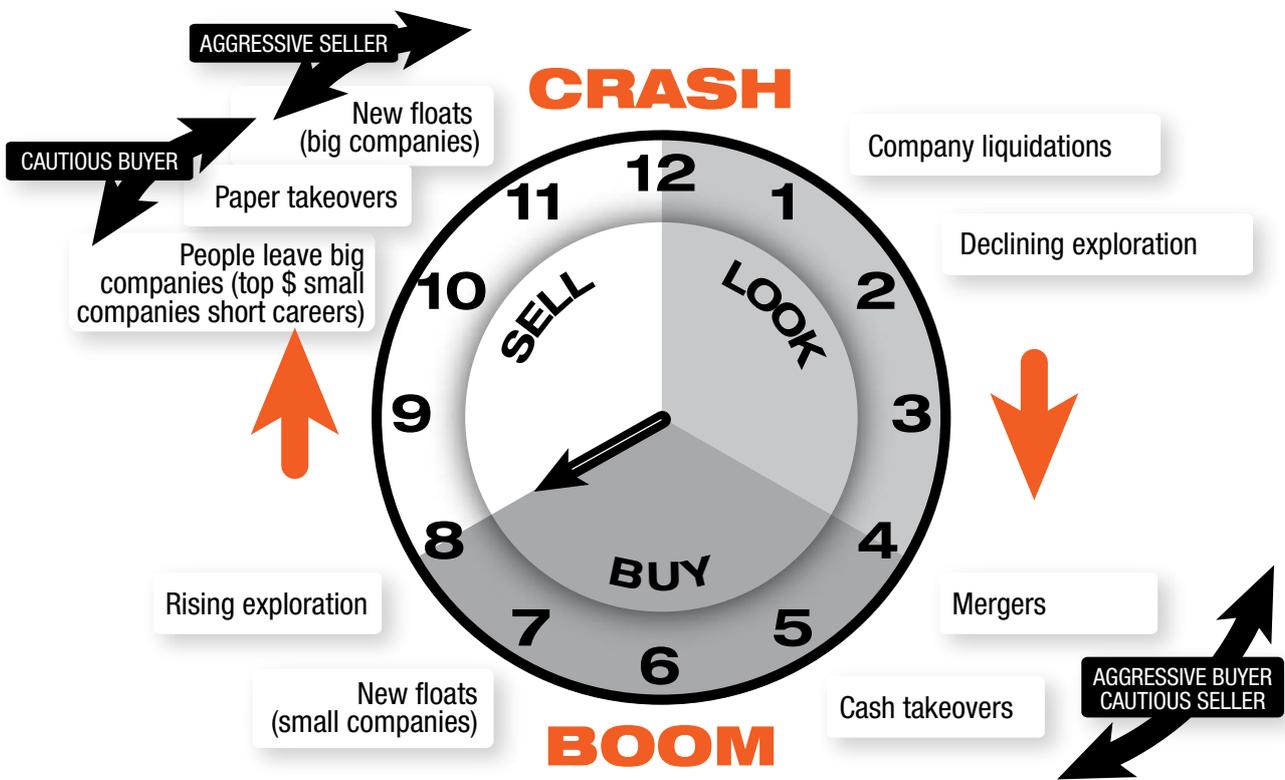
Whilst the world waits for news to underpin some sort of estimate of gold abundance, the value so far ascribed by the market provides a very clear indication of the prevailing level of risk appetite. Explorers of all kinds are variously experiencing positive market response to exploration news, which is a marked reversal of the conditions between 2011-2015. The conclusion that is immediately evident is that risk appetite has returned to mining, which is essential for the boom to progress. We have not seen conditions so supportive of highly speculative exploration concepts for many years.

MINING SECTOR THEMES continued

Lion Clock – 8 o'clock

The Lion Clock was moved to 6 o'clock in early 2016, after the sense of sentiment toward miners turned positive. It became 7 o'clock later in 2016 when all indications were that the IPO market was opening and investor appetite had commensurately increased.

Official figures map a trend of increasing exploration, which is well supported by reporting of activities by listed junior companies. Recent capital raising success positions the sector well to fund continued work, and furthermore, investors' supportive response to positive exploration results indicates that the positive trend of expenditure is more likely to continue than not. This is a clear signal of progressed sentiment in the sector – and so the time is now 8 o'clock.



INVESTMENT HIGHLIGHTS

Nusantara Resources Limited (ASX:NUS)

The October 2017 quarter has been transformational for Nusantara Resources Limited ('Nusantara') following its successful IPO and ASX listing in August 2017. The development-ready 1.74 Moz Awak Mas Gold Project in Sulawesi, Indonesia benefited from two key breakthroughs:

- Confirmation of availability of low cost grid power; and
- Testwork that delivered improved gold recoveries using Whole of Ore CIL processing.

Initial drilling to date has been extremely encouraging in both demonstrating the robustness of this broad mineralised system and the veracity of the geological model. The results to date also demonstrate the presence of additional mineralisation within and beyond the resource pit shell, confirming the potential to grow the scale of the Awak Mas Gold Project.

Drilling continues including at the higher grade Salu Bulu deposit with third drill rig being added to the project. In addition Nusantara is expanding the exploration program to include the highly prospective area between Awak Mas and Salu Bulu.

Work on the Awak Mas Definitive Feasibility Study commenced based on Whole of Ore carbon in leach 'CIL' processing, leveraging off the availability of low cost grid power, low reagent consumption, and industry standard technology.

One Asia Resources Limited

Following the recent demerger and IPO of Nusantara, One Asia continues to hold its interest in the Pani project.

In May 2015, One Asia signed a Memorandum of Understanding (MOU) with Provident Capital Partners Pte Ltd which provides for the establishment of a joint venture on the Pani Gold Project. The purpose of this arrangement is to resolve the Pani conflict dating back to 2013 when the KUD unilaterally attempted to cancel One Asia's arrangements. Upon a successful resolution of the Pani conflict, the joint venture will see One Asia's interest in the Pani Project transferred into a special purpose vehicle with the ultimate ownership of the SPV being 66.6% Provident and 33.3% One Asia. One Asia has completed its funding obligation towards the proposed joint venture

arrangement and Provident is now funding towards its obligation. Detailed agreements with respect to the operation and management of the joint venture are yet to be finalised however the MOU provides for arrangements typical of joint venture conditions including representation on the joint venture board by One Asia and pro rata funding rights.

Preparatory work pending the resolution of the Pani dispute continues, with Lion Manager recently visiting site. A geological review assessing the geological model, database verification and sampling techniques has recently been undertaken, with some further investigations required.

The working relationship with Provident is well established and One Asia is appreciative of the tangible support received. One Asia is working closely with Provident, the KUD and local community to further develop the Pani gold project.

EganStreet Resources

Exploration news continued from EganStreet Resources during the quarter. The discovery of high grade gold mineralisation in the hangingwall to the main Woodley's Shear now appears to be two, rather than one new lode. A Mineral Resource Estimate is being finalised, and drilling will continue through the Christmas / New Year period and provide for a further Mineral Resource Estimate upgrade in 2018 that will feed in to the Definitive Feasibility Study for Rothsay, expected Q2 2018.

Exploration work will be accelerated, given the necessity to examine near-mine discoveries such as the hangingwall lodes in order to determine optimal infrastructure layout. A placement was conducted in September 2017 that raised \$4m to fund the work, which includes further drilling in the immediate vicinity of the existing high grade Mineral Resource as well as testing regional targets – the first regional drilling in 25 years. Lion participated in the placement to maintain the existing 16.6% position.

As the company progresses toward implementation of its strategy to develop the Rothsay Gold project, Richard Hill has been appointed Chief Financial Officer. Richard brings invaluable experience, having most recently held the position of CFO at WA gold producer Millennium Minerals, and previously financial and commercial roles with Adamus Resources and Newmont.

SUMMARY OF INVESTMENTS AS AT 31 OCTOBER 2017

Placement and Share Purchase Plan

During the quarter Lion announced a capital raising, comprised of a placement and share purchase plan. Proceeds of the placement and SPP total \$5.5m, and will strengthen Lion's cash position to enable opportunistic participation in deal flow in junior miners, including further investment in EganStreet Resources in which Lion holds 7.7m options exercisable at 25cps prior to March 2018. Both the placement and SPP were strongly subscribed.

Net Tangible Asset Backing

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 31 October 2017 is \$0.34 per share (after tax).

SUMMARY OF INVESTMENTS AS AT 31 OCTOBER 2017			
	Commodity	Market Value A\$M	Portfolio %
Australia			
Egan Street Resources	Gold	4.3	
Other Australia		0.4	11%
African			
Roxgold	Gold	6.7	
Toro Gold	Gold	1.0	
Other Africa		1.0	
Cash dedicated to Africa ¹		0.6	22%
Asia			
Nusantara Resources	Gold	9.7	
One Asia Resources ²	Gold	2.5	
Erdene Resources	Gold	5.5	
Other Asia		2.5	47%
Americas			
	Coal	0.7	2%
Uncommitted Net Cash		7.7	18%
Net Tangible Assets		\$42.6m	34¢/ share

1. Includes committed cash of US\$0.3 million to AFL3.

2. One Asia at a value of A\$0.04/share, after the in specie distribution of Nusantara Resources.

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 2017

Market Cap: \$48.1m
 Issued Shares: 126.6m
 Share Price: \$0.38