



Lion Selection Group

## **Lion Selection Group Limited Annual General Meeting 2015 Chairman's Address**

*Lion's Chairman Peter Maloney has taken leave of absence for personal reasons and we hope to see him back in the chair at the end of January. In his absence, the Chairman's Address is based on Peter's Chairman's Letter to shareholders from the Annual Report.*

The last 12 months has been another tough period for Lion's shareholders, with the value of Lion's portfolio being eroded by the combination of further declines in the small resources sector generally and specifically Lion's investment in One Asia Resources.

One Asia represents Lion's largest and potentially most exciting investment. Following the formal part of the meeting, Robin Widdup will give you a presentation on One Asia to remind shareholders of its potential. The ownership dispute at the Pani project continues. However, during the year One Asia introduced a strategic local partner, Provident Capital Partners, whose tangible support has and will be instrumental in upholding One Asia's legal rights at Pani. Experience tells us that the path is unlikely to be smooth, but crucially we believe One Asia has the right strategy with the right people involved. Assets like Pani do not come along often and are worth fighting for, and Lion remains fully focussed on One Asia, devoting resources accordingly. Lion has negotiated major challenges with investments in the past, ultimately providing some of our most successful investments.

For both juniors and majors alike, this challenging resources market environment is about surviving. Global mining equities and commodity prices have been in decline since early 2011. Some areas have been hit harder than others with confidence in junior resource companies that require funding particularly hard hit. Amidst this gloom, bright spots are beginning to emerge, costs are falling significantly, and lower energy prices and favourable exchange rate movements have provided considerable relief. One unusual feature as this new cycle begins to turn, is the heavy debt burdens of many global major miners is forcing them to sell assets when traditionally they should be buying. Mid-sized gold companies have started acquiring gold projects globally indicating that in their view the market is undervaluing assets that will be revalued in a cyclical upturn. Fortunately Lion has a 75% weighting to gold.

The Lion team believes there are strong arguments that the resources market cycle is in the vicinity of the bottom. No doubt there are still some bumps to come along and the eventual recovery will be gradual and its duration uncertain, but there are indications that things are slowly improving.

Your directors would like to take this opportunity to thank shareholders for their loyalty to Lion and understanding of the resources cycle. Contrarian investing is seldom easy, with patience and belief in your investment ethos required. Lion's share price has reflected the challenges of the market and specifically One Asia during the year. The Lion team remains confident that with time both will improve. Importantly the team are well aligned with shareholders with many being material shareholders, and also with some making further investment in recent months.

I would personally and on behalf of all directors like to acknowledge the whole Lion team who have effectively rolled their sleeves up this year to help many investees through this challenging period. I would particularly like to acknowledge the leader of the team, Robin Widdup, for his energy, enthusiasm, and considerable skill and judgement. This period has been as difficult as any experienced by Lion and Robin's effort has been outstanding in maintain focus and advising on strategy and tactics for each member of the team when managing often very confronting and sensitive issues with investees in challenging circumstances. Robin has been heavily involved in the issues surrounding One Asia and continues to visit Indonesia regularly. The active management by all the team is an important differentiator of the Lion investment philosophy, and illustrates the experience, influence and networks we can draw upon to assist investees.

We all remain enthusiastic and optimistic about the future and particularly Lion. We hope all shareholders are able to "keep the faith" in these tough times and reap the rewards in due course.