

## SUMMARY

### INVESTMENT HIGHLIGHTS

#### Pani Joint Venture

- Lion completes purchase of 33.3% of Pani Joint Venture from One Asia Resources.
- Technical team established leveraging personnel from Merdeka Copper and Gold, with relogging work nearly complete and new Resource in preparation.
- Feasibility study being planned including drilling, metallurgical testwork, and technical studies.
- Permitting has commenced including the Pani IUP license containing the Pani gold Resource, a processing and refining area and an access corridor.

#### Other Investments

- **Nusantara Resources:** Increased Resource 2 Moz, Maiden Reserve 1Moz, Contract of Work tenure confirmed.
- **Roxgold:** Strong quarterly production, increased 2018 guidance, Bagassi South satellite project development on track.
- **EganStreet Resources:** 31% increase in Resource to 400Koz, outstanding ore sorting testwork.
- **Erdene Resource Development:** 193% increase in Altan Nar Resource to 730Koz Au equivalent, high grade results continuing from Bayan Khundii.

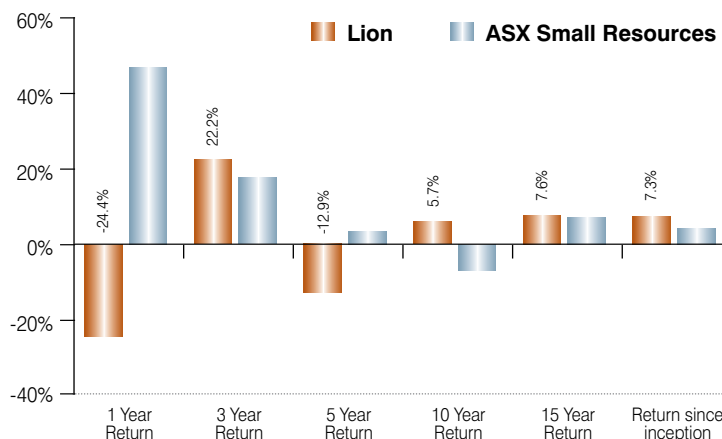
### SECTOR THEMES

- ASX Resources outperforming international peers and other sectors, reaping the benefits of solid cash generating operations and fiscal discipline.
- Appetite for growth building with depleted Reserves not being replaced.
- M&A remains cautious.
- Lion Clock remains at 8 o'clock.

## LION PERFORMANCE

### Annualised Total Shareholder Return <sup>1-6</sup>

Annualised TSR to 30 April 2018	Lion	ASX Small Resources
1 Year	-24.4%	46.7%
3 Years	22.2%	17.4%
5 Years	-12.9%	3.5%
10 Years	5.7%	-7.0%
15 Years	7.6%	7.0%
Inception (20 yrs)	7.3%	4.3%



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.

## INVESTMENT HIGHLIGHTS

### Pani Joint Venture (33.3%)

#### Pani IUP

- Lion completes purchase of One Asia's 33.3% joint venture interest in the Pani gold project.
- Work program underway.
- Feasibility study being planned.

Lion is very pleased to provide its first quarterly report on the Pani gold project in Sulawesi, Indonesia, having acquired the 33.3% interest from One Asia in April 2018.

Lion has been involved with the Pani project since 2012 when Lion made its first investment into One Asia. One Asia published a Mineral Resource Estimate (MRE) of 90Mt at 0.82g/t for 2.4 million ounces of gold based on a 0.2g/t cut off (3 December 2014). Technical work on the project is accelerating again following settlement of a long running dispute with respect to ownership of the Pani project dating back to December 2013. Lion would like to acknowledge the outstanding contribution of its 66.6% partner in the Pani Joint Venture, Provident Capital, in resolving the ownership dispute.

In the opinion of the Lion team, Pani is shaping up as the best gold discovery that Lion has been involved with since its inception in 1997. The understanding of Pani will unfold as the project is put through the rigours of various studies, however at this early stage three key factors are apparent at Pani which point towards a large and low cost new gold mine:

- Exceptionally thick and continuous gold mineralisation;
- Minimal overburden;
- Early test work indicating very high heap leach recovery.

#### Technical Work

Recent independent technical reviews have highlighted the presence of significant free gold associated with the mineralisation at Pani. It was therefore considered prudent to revisit certain elements of previous work programs underlying the 2014 Mineral Resource Estimate including the sampling procedures, definition of geological domains, and metallurgical test-work. This technical reassurance is nearing completion including re-logging of all diamond drill core, which is expected to form the basis for a re-estimated Resource and detailed project planning.

The next phase of work at Pani will be to progress more detailed works that contribute toward an economic assessment of the project which is expected to include drilling, metallurgical testwork and technical studies.

With respect to the operational team for the project, the Pani Joint Venture has been able to access technical personnel from Merdeka Copper and Gold where Provident is a shareholder. Merdeka is a listed Indonesian company that has relevant recent experience in successfully developing the Tujuh Bukit Gold heap leach project.

#### Permitting

The Pani Joint Venture is progressing permitting for the Pani gold project including the Pani IUP license containing the Pani gold Resource, a processing and refining area and an access corridor.

#### Corporate

The Pani Joint Venture has budgeted US\$3 million for the first half of 2018, with Lion funding its share being US\$1 million since the acquisition of the Pani Joint Venture interest. The scope of works for the drilling and project technical studies needs to be developed based on the results of the on-going technical reassurance work. This will then provide the basis for determining the budget to take the project towards an investment decision. Initial estimates are that approximately a further US\$7m will be required to complete verification work and DFS of which Lion will be required to fund 33.3%.

Lion's 33.3% interest in the Pani Joint Venture is currently an economic interest, and regulatory approval is being sought by the Pani Joint Venture to allow for foreign investors to hold equity directly. This will then enable Lion to obtain an equity interest in the Pani Joint Venture.

## INVESTMENT HIGHLIGHTS

### Nusantara Resources Limited (Lion 32%)

#### Awak Mas Gold Project Sulawesi, Indonesia

##### Resource & Reserve

- Resource increased to 2.0 Moz (45.3Mt @ 1.4 g/t Au; 8 May 2018).
- Ore Reserve of 1.0 Moz defined (23.7Mt at 1.35 g/t Au; 18 April 2018). Supports a long-life, low cost gold operation at a 2.5Mtpa processing rate, with a strip ratio of 3.5 and good access to established power and transport infrastructure.

##### Development

Definitive feasibility study on track for July 2018.

##### Exploration

Extensional drilling demonstrated continuity of mineralisation in the Awak Mas Highwall eastern area.

##### Corporate

Contract of Work amendments signed with the Government of Indonesia providing long-term investment stability and tenure until 2050. Divestment requirements deferred until 10th year post production at fair value.

Robin Widdup from Lion joined the Nusantara board.

### Roxgold Inc (Lion 2%)

#### Yaramoko Gold Project Burkina Faso

##### Production

- Outstanding March 2018 quarter, producing 40,452 oz @ 16.8g/t from 55 Zone.
- Cash costs US\$451/oz, AISC of US\$658/oz.
- 2018 guidance increased to 120–130koz (from 110–120koz) at lower costs.

##### Development

Construction work well advanced on satellite Bagassi South Mine on track for Q4 2018 production.

##### Exploration

Extensive 64,000m of regional exploration drilling planned for 2018 following up high priority gold in soil anomalies along geophysical structures.

##### Corporate

Cash US\$72M, debt US\$42M.

On market buy back of around 3% of shares approved.

### Egan Street Resources Limited (Lion 16%)

#### Rothsay Gold Project Western Australia

##### Resource & Reserve

- Resource increased 31% to 401,000 oz (1.42Mt @ 8.8 g/t Au; 14 May 2018).

##### Development

Definitive Feasibility Study targeted for June 2018.

Outstanding results from multi sensor ore sorting suggest ability to substantially reduce waste from mining dilution, reducing anticipated operating costs.

##### Exploration

Aggressive campaign focused on in-fill and extensional drilling exploration targets nearby parallel shears including down-dip position of historical workings.

##### Corporate

\$12 million raised (before costs) from the exercise and underwriting of options, including Lion exercising its options.

### Erdene Resource Development Corp (Lion 6%)

#### Khundii Gold District Mongolia

##### Resource & Reserve

- Altan Nar Resource increased 193% to 730,000 oz Au eq (8.4Mt @ 2.7 g/t Au eq; 10 May 2018).

##### Exploration

Exploration drilling continues following success in defining and expanding gold mineralized zones on its Bayan Khundii and Altan Nar projects (16 km apart).

Latest drilling confirmed strong high-grade continuity within Bayan Khundii, with all holes intersecting visible gold mineralization and assays ranging from 22 to 169 g /t gold. Drill results included 18m @ 21.6 g/t Au, including 2m @ 169 g/t Au (Hole BKD-238; 8 May 2018).

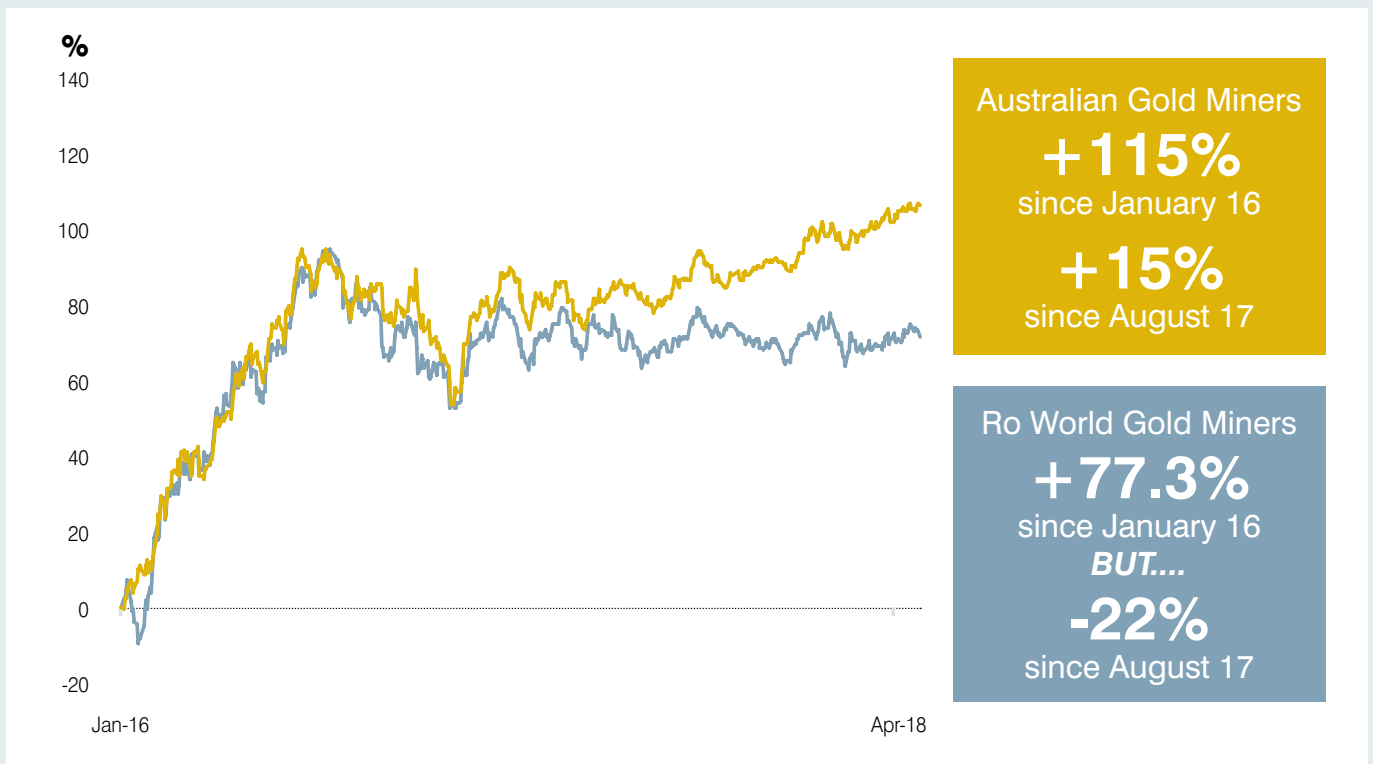
# MINING MARKET REVIEW

Since the mining market switched from bust to boom in January 2016, we have seen a progressive improvement in the funding for miners by the equity market, which has flowed through to various measures of liquidity:

- Most obviously, mining equities have performed exceptionally well. From January 2016 to May 2018, the ASX100 Resources index is up 102% (ie the value of the index has doubled), against the ASX100 Industrials at 14% for the same period;
- The equity market is willingly funding mining IPO's again. Jupiter Mines listed on ASX in April, having raised A\$240m, making it the largest mining IPO on ASX since Aston (listed in August 2010 having raised A\$400m) and Ivanhoe (listed in August 2008 having raised A\$125m), and raising more for the one deal than had been raised for mining IPO's on ASX in the whole of 2017
- Capital raising by non-producers has been steadily increasing, with a large jump in the fourth quarter of 2017 (discussed in the January 2018 quarterly report)
- A significant portion of exploration is funded by the equity market. This hasn't always been the case – up until the 1980's the major and mid-tier miners maintained large exploration budgets and made the bulk of discoveries, funded by cash flow from their operating mines. This trend has reversed, and in the last decade more discoveries were made by juniors, who have been funded by the equity market directly. The trend of increasing capital raisings and IPO's has contributed to an increase in exploration expenditure and drilling activity

On these measures, the Australian mining market is ahead of global peers. In contrast, risk money in the Canadian equity market appears pre-occupied with medicinal marijuana, and fund raising metrics have not improved to the same extent as for ASX.

In tandem, a performance gap has opened between ASX listed/ Australia focussed miners and those domiciled and listed elsewhere. As a snapshot, the chart below shows average performance for a basket of ASX listed/ Australia focussed gold producers versus their global peers. The entire community was lifted strongly in the recovering market of 2016, but the Australian producers made a strong positive consolidation from this since the start of 2017, where their peers have weakened.



## MINING MARKET REVIEW *continued*

Leading up to the boom commencing, a number of Australian companies had made exceptionally well timed and keenly priced deals to purchase Australian gold projects that their previous owners were wanting to sell owing to financial stress. Subsequent operating by these companies has resulted very positive collective traits of the Australian listed and focused producers:

- Strong operating margins, and expanding production;
- Minimal capex in many cases – so the mines are at the strongest phase of their (currently expected) lives;
- Exploration success has pushed out mine lives;
- Balance sheets which were originally in good shape now contain growing piles of cash.

The Australian gold sector is understandably the golden child of the global mining industry, and combined with a fair share of the world's emerging battery commodity developers being ASX listed, has amounted to a great shot in the arm for Australian mining equities.

The Lion Clock depicts the mining cycle, and is set according to indicators such as IPO's, exploration and merger and acquisition (M&A) activity. It moved through 6 o'clock as the boom commenced in early 2016, and then to 7 o'clock when the IPO market re-opened later that year. The strong trend in exploration activity that became evident in late 2017 moved the clock to 8 o'clock. The cycle is driven by liquidity, and whilst different jurisdictions can fall out of kilter (as noted in the above example), these are unlikely to last long, and eventually will catch up. Having said that, it is difficult to envisage the Australian market moving far beyond present liquidity settings, being anchored as it were by conditions in other large mining markets such as North America.

Miners are presently operating in a mostly prudent fashion – steadily improving margins, avoiding capex except where there is an outstanding investment case, and maintaining discipline towards risky opportunities like exploration and M&A. There is a clear appetite for growth in the industry, and a tacit industry-wide acknowledgement of a need for growth opportunities – depleted reserves have not been replenished anywhere near the rate required over the last 5-10 years. With this driver identified, M&A is front and centre as an indicator of the progression of the cycle from here.

The character of recent M&A has been anything but aggressive. There have been takeover deals announced, amounting to up to hundreds of millions of dollars, but these are predominantly friendly deals and in the large part provide a funding solution to the project owner for an approaching capex bill – so whilst the market is improving, growth is not yet fully funded! By number, the most prominent deal type has featured a producer making an equity investment with a junior (non-producer), either directly in company equity or project joint venture. From growth point of view, these deals are highly efficient – situations are well understood, tenure secure, work underway so a much faster start option than the company generating an equivalent scenario under their control.

Premiums for these deals are low and deals are relatively straight forward, which is highly acceptable to many shareholders who have been keen on operating and capital allocation prudence. Shareholders in a sense are leading growth appetite. With history as a guide, the desire to grow has a long way to run as liquidity increases. Toward the end of the cycle, possibly years away, excess liquidity coupled with voracious growth appetite, and we will see large aggressive and hostile takeover deals.

Given the difference in liquidity between ASX and other mining markets, it is hard to see conditions for ASX domiciled miners improving much further without a commensurate improvement in areas like North America. The industry signals of investing in juniors is highly positive that this is approaching. In the meantime, we expect to see increases in exploration, and volatile but otherwise positive funding trends. Most closely, we are watching M&A activity for signals that the industry starts to lead growth appetite.

The Lion clock remains at 8 o'clock.

## SUMMARY OF INVESTMENTS AS AT 30 APRIL 2018

### Net Tangible Asset Backing

Lion Selection Group Limited (Lion) advises that the unaudited net tangible asset backing of Lion as at 30 April 2018 is \$0.34 per share (after tax).

<b>SUMMARY OF INVESTMENTS AS AT 30 APRIL 2018</b>			
	Commodity	April 2018	
		A\$M	¢ps
<b>Pani Joint Venture (33.3% Interest)</b>	Gold	15.4	10.3
<ul style="list-style-type: none"><li>Fair value for Pani reflecting the consideration paid by Lion to acquire 33.3% interest from One Asia Resources in April 2018</li></ul>			
<b>Portfolio</b>			
Nusantara Resources	Gold	8.2	5.4
Roxgold	Gold	7.2	4.8
Egan Street Resources	Gold	5.8	3.9
Erdene Resources	Gold	3.3	2.2
Toro Gold	Gold	1.6	1.1
Other		4.3	2.7
<ul style="list-style-type: none"><li>Portfolio holdings measured at fair value</li><li>Includes investments held directly by Lion and the value to Lion of investments which are held by African and Asian Lion Funds.</li></ul>			
<b>Net Cash</b>		<b>4.9</b>	<b>3.4</b>
<b>Net Tangible Assets</b>		<b>A\$50.6m</b>	<b>34¢ps</b>

### Capital Structure

<b>Shares on Issue:</b>	150,134,879	
<b>Share Price:</b>	31¢ps	30 April 2018
<b>Options on Issue:</b>	15,720,958	\$0.50 expiry 12 April 2020