

LION SELECTION GROUP LIMITED

Annual General Meeting

Chairman's Address 2012

I am very happy to deliver my first address as Chairman of Lion Selection Group. I would firstly like to acknowledge the tremendous contribution over many years my predecessor, Mr Ewen Tyler, provided to the company since its founding. I am pleased, as are the rest of my colleagues, that he continues to be involved as our patron.

I am pleased to welcome Chris Melloy to the Board of Lion, with Chris seeking election today. Chris has been involved with Lion as an executive of Lion Manager since its inception, and it is invaluable to the company to have that continued involvement at board level. Given Chris' recent involvement with Lion Manager, to ensure appropriate balance on the board Craig Smyth has stepped down from the board, but remains as Chief Executive Officer. Craig has been in this role since 2009 and has done an excellent job, and I am grateful that he will continue in the same capacity as an executive.

As you may be aware, Lion is part way through implementing the 'Lion Plan' which will see Lion issue bonus options on a one for six basis, re-listing on the ASX and some changes to Lion's Board and Management arrangements. We are seeking your ratification of some elements of the Lion Plan at today's meeting.

Lion has undertaken a wide ranging review, covering Lion's activities, objectives, structure, management and competitive position. Although there are a number of changes coming out of this review, Lion's investment model of focusing on direct investments in early stage mining and exploration remains unchanged and has been demonstrated to work over time since 1997.

We believe that our investors are seeking three key things:

- a management team with a track record of performance in investing in emerging miners,
- overall returns with costs that are competitive and carefully managed,
- an effective mechanism to benefit from that performance through dividends and capital growth.

Although past performance can never be a guarantee of future success, Lion has reason to be proud of its annualised growth of 15% per annum since its inception. A shareholder who invested \$10,000 in Lion's original float in 1997 and reinvested distributions along the way would have an investment worth \$84,000 today ignoring any taxes. This stands alongside the best fund managers in Australia and well above our comparative indices. We believe this performance provides support that Lion's investment model works, and that this performance should be attractive to investors who share our long term view.

Robin Widdup will make a presentation at the end of the meeting which will cover, among other things, the outlook for the sector we invest in. Recent times have not been easy for many participants in the sector, and we seem to be going through a period where the wheat is being sorted from the chaff. While individual commodities will have their own cycles, and some, particularly iron ore and coal, are having a tough period, good people and good projects will continue to provide good returns. The outlook for gold in particular, remains very positive with ongoing Central Bank buying and widespread quantitative easing in the USA, Europe, the UK and Japan risking the value of those currencies. This period provides patient, knowledgeable and diligent investors like Lion with great opportunity.

With respect to encouraging future performance, the Lion Plan includes changes to the management agreement with Lion Manager to ensure that the Lion Manager has appropriate remuneration and incentives. The revised contract is in line with industry practice, and although shareholder approval is not required for these changes, we are seeking this to ensure that shareholders are able to have their say on what are important arrangements for Lion. Naturally, members of Lion Manager will not be voting their shares on this matter.

The Lion Board is cognizant that the costs of its activities are well managed and competitive. The common way that fund managers track costs is by the Management Expense Ratio or MER, which compares the expenses of the fund with its funds under management. Different types of funds have different MER's generally dependent on both the size and the style of investment undertaken. Based on the new arrangements with Lion Manager, Lion's estimated MER is around 2.9%. The Lion Board believes that the company's costs are well managed and appropriate given the size of the company and acknowledging that Lion's investment model requires a very active manager, with its investment process requiring regular travel, close monitoring and in some cases board representation. Over time Lion is targeting to reduce

its MER to around 2% through growing the business and maintaining cost discipline. The Lion Board is firmly of the view that overall performance remains the key focus, with costs representing one element of this.

As a shareholder in Lion, it is vital that you are rewarded for the underlying performance of the company. Lion currently trades at a discount to its net tangible asset backing, meaning that some of the underlying value is unrecognised. This discount is present in a number of listed investment companies, and is generally put down to a variety of factors including size, liquidity and control over the underlying assets. The Lion Plan aims to close this gap over time. Although there is no certainty that any element of the Lion Plan will reduce this discount, we believe in combination the Lion Plan is a positive strategy to do so. The Lion Plan aims to make Lion a more attractive proposition for investors, targeting better liquidity by listing on the ASX, seeking to reward shareholders with dividends, and aiming to grow Lion. Other capital management tools will also be considered as appropriate.

The Lion Plan is in the process of being implemented, with today's meeting seeking your approval for Lion to re-list on the ASX and changes to the management arrangements with Lion Manager. Subject

to a variety of regulatory details, we are aiming to list on ASX in late February 2013. In addition, shareholders will soon receive documentation for the bonus option issue. This will see eligible shareholders receiving one option for each six shares they hold, with no action required on your part at this time.

In conclusion, your directors have a strong belief in the future of Lion's investment model, and the ability of the management team to continue to identify outstanding opportunities. The Lion investment model that has stood the test of time, and we are aiming to ensure that Lion continues to be attractive proposition for investors seeking exposure to emerging miners.