



Lion Selection Group Limited
2009 Annual Financial Report

ABN: 26 077 729 572

Financial Report for the year ended 31 July 2009



CONTENTS

Page

Directors' Report	1
Income Statement	9
Balance Sheet	10
Statement of Cash Flows	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13
Directors' Declaration	35



Lion Selection Group Limited

Directors' Report

The Directors of Lion Selection Group Limited ("LSG") submit their report on the operations of LSG and the entities it controlled ("the Consolidated Entity") for the financial year ended 31 July 2009.

On 10 December 2008 LSG obtained control of one of its investees, Catalpa Resources Limited ("Catalpa"). LSG ceased to control Catalpa on 2 April 2009 following the issue of shares to parties other than LSG, and on 30 June 2009 transferred its interests to a related party, AuSelect Limited. Accordingly these financial statements include consolidated results for Catalpa from the date of acquisition through to the date LSG ceased to control Catalpa. Movements in the value of LSG's investment in Catalpa up until 10 December 2008, and from 2 April 2009 to 30 June 2009 (including comparative figures) have been "marked to market" and recognised in the income statement in accordance with LSG's investment accounting policy.

At the date of this report, LSG had 100,108,905 fully paid ordinary shares on issue.

Directors

The following persons were directors of LSG during the financial year:

- Ewen Tyler (Non-Executive Chairman) – Appointed 16 July 2009;
- Craig Smyth (Managing Director) – Appointed 16 July 2009;
- Howard Walker (Executive Director) – Appointed 16 July 2009;
- Robin Widdup (Managing Director) - Resigned 31 July 2009
- Christopher Melloy (Non-Executive Director) – Resigned 31 July 2009;
- Michael Brook (Non-Executive Director) – Resigned 31 July 2009; and
- Peter Maloney (Non-Executive Director) – Resigned 31 July 2009.

Principal Activities

During the financial year the principal continuing activities of the Consolidated Entity were investment in mining and exploration companies.

Results and Review of Operations

This annual report is prepared using the Australian equivalents to International Financial Reporting Standards ("AIFRS"), and therefore includes the result of the "mark-to-market" of the Consolidated Entity's investment portfolio in both the Income Statement and Balance Sheet. LSG's directors believe it is important for shareholders that its financial statements and this report explain both the effect of realisation of its investments and mark to market of its investments on its results for the year.

The Consolidated Entity's loss before tax for the year was \$78.1 million. This includes realised profit from sale of investments and unrealised loss from mark to market of its investment portfolio as set out in the table below.

	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
Gain/(loss) attributable to movement in fair value of investments			
Mark to Market adjustment for period – investments realised during period	23,706	22,556	9,399
Mark to Market adjustment for period – investments held at end of period	(7,989)	(7,989)	(24,266)
Gain/(loss) attributable to movement in fair value of investments as recorded in the income statement	15,716	14,567	(14,867)
Results of Investments Realised During Period			
Proceeds from sale of shares	136,863	136,863	46,025
Historical Cost of investments sales	(59,448)	(60,598)	(24,395)
<i>Gross profit on investments realised</i>	<i>77,415</i>	<i>76,265</i>	<i>21,630</i>
Represented by:			
Mark to Market recognised in prior periods (including on acquisition)	53,709	53,709	12,231
Mark to Market recognised in current period	23,706	22,556	9,399
	<i>77,415</i>	<i>76,265</i>	<i>21,630</i>



Investments

Based on historic cost, the realised profit for the Consolidated Entity of \$77.4 million is a result of a profitable exits from LSG's investments in Indophil Resource NL (profit \$64.3 million) and Catalpa Resources Limited to related body corporate AuSelect Limited (profit \$27.1 million), offset by losses due to sale of LSG's shareholding in Arc Exploration Ltd (loss \$10.8 million) and the sale of LSG's holding in De Grey Mining Ltd (\$2.7 million loss).

The unrealised loss of \$8.0 million with respect to investments held at 31 July 2009 was primarily due to uncertainty in global markets. Specifically, the net decrease in the portfolio value includes;

- An increase in the value of African Lion funds of \$2.0 million primarily reflecting an increase in the value of its investment in Sphere Investments
- A decrease in the value of Havilah Resources NL of \$9.1 million due to volatility in the global financial markets and lower copper prices.
- A decrease in the value of Exco Resources Limited of \$1.3 million.

Loss after tax attributable to members was \$79.5 million and loss per share of 79.4c.

During the year, the Consolidated Entity made new or follow-on investments totalling \$19.3 million, largely in relation to Catalpa Resources Limited. In addition, during the year, the Consolidated Entity transferred assets with its related body corporate, AuSelect Limited as a prelude to being restructured.

Purchases:

- | | |
|------------------------------|----------------|
| ➤ Indophil Resource NL | \$12.5 million |
| ➤ African & Asian Lion funds | \$8.4 million |
| ➤ Other Investments | \$2.7 million |

Sales:

- | | |
|-----------------------------|----------------|
| ➤ Catalpa Resources Limited | \$59.7 million |
|-----------------------------|----------------|

At 31 July 2009 the Consolidated Entity had investments valued at \$42.1 million, and cash of \$9.6 million.

Lion Selection Limited Restructure

LSG a wholly owned subsidiary of Lion Selection Limited ("LST").. LST on 24 June 2009 announced a restructure of the company whereby LST agreed to merge its gold assets (30% Cracow interest and 47% shareholding in Catalpa) with Catalpa to create a new Australian mid tier gold producer. This restructuring was approved by the shareholders of Lion Selection and Catalpa respectively on 17 November 2009, and is scheduled to be approved by the court on the 27th of November 2009 subject to certain conditions being met or waived.

LST shareholders will receive 1 share in Catalpa for each LST share they own, on the basis that Catalpa undertake an 11 for 1 share consolidation prior to the merger.

At the same time LST intends to demerge its subsidiary, LSG, which holds all of the remaining investments. LST shareholders will receive 1 LSG share for each LST share held. LSG shares will be listed on the National Stock Exchange of Australia (NSX). In addition, in conjunction with E.L & C Baillieu Stockbroking, LSG shareholders are expected to be provided the opportunity to tender shares for sale or offer to purchase more shares in a matching facility, on a best endeavours basis.

LST shareholders will also receive a 10 cent per share cash distribution.

As part of the restructure, LST has given notice to Lion Manager to terminate the agreement under which Lion Manager provides management services to LST, subject to certain conditions. LST and LSG have determined that, if the transactions proceed, they will no longer require the management services of Lion Manager. Following shareholder approval, Lion Manager was issued with LST Shares in satisfaction of the Termination Fee payable under the Management Agreement.

In preparation for the demerger from LST, LSG undertook a share consolidation reducing the number of shares on issue from 100,108,905 shares to 88,029,353 shares on 31 August 2009.

Dividends

An unfranked dividend of \$65.0 million (\$0.649/ share) was declared and paid in the financial year.



Significant Changes in the State of Affairs

There were no significant changes in the State of Affairs of the consolidated entity other than as reflected in the outline of the Buy Back Program and the intended LST Restructure as set out in the "Results and Review of Operations" section of this report.

Compliance with Environmental Regulation

LSG has a policy that environmental impacts of developments of investees are in line with country/international standards and do not adversely impact local communities. LSG is subject to environmental regulation in respect to its exploration and mining activities at Cracow. During the period there were no major incidents of non-compliance with environmental regulations that caused any environmental damage.

LSG has not been notified by any investee of any environmental breach by any government or other agency, and is not aware of any such breach.

Significant Events After Balance Date

Other than disclosed in this Directors Report, there has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future periods.

Proceedings On Behalf Of The Consolidated Entity

No proceedings have been brought or intervened in or on behalf of the Consolidated Entity with leave of the court under section 237 of the *Corporations Act 2001*.

Likely Developments and Future Results

The Consolidated Entity's future operating results will depend on the results of its investments activities. LSG's ability to sustain profits is dependent on future profitable sales of investments which in turn are dependent on market opportunities and the performance of the Consolidated Entity's various investments and the proposed restructuring, both of which are difficult to predict.

There are a wide variety of risks associated with the mining and exploration industry including market conditions, exploration, operational and political risk, tenure of tenements, liquidity and native title issues. Because of the vagaries of the mining and exploration industry and the long term nature of most of LSG's investments, the directors are unable to predict future results.

Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of LSG support and have adhered to the applicable principles of good corporate governance. The Consolidated Entity's corporate governance statement is contained in the annual report.

Employees

At 31 July 2009 there were 4 full time equivalent employees of the Consolidated Entity. This compares to 4 full time equivalent employees at 31 July 2008.

Rounding of Amounts

The Consolidated Entity is of the kind specified in Australian Securities and Investment Commission class order 98/100, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Remuneration Report

All disclosures in this remuneration report have been audited. This remuneration report outlines the director and executive remuneration arrangements of the company and the Consolidated Entity as required by section 308 (3C) of the Corporations Act 2001. For the purposes of this report key management personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the Consolidated Entity, directly or indirectly, including any director of the parent company, and includes the executive in the parent and the Consolidated Entity receiving the highest remuneration.

Emoluments of Board members and other key management personnel are determined on the basis of market conditions and the level of responsibility associated with their position. The emoluments are not specifically related to company performance. The remuneration policy in relation to directors is determined by the full Board. Remuneration of other key management personnel is determined by the directors of the Consolidated Entity. The remuneration policy of the Consolidated Entity with respect to directors and other key management personnel provides for Director's & Officer's (D&O) Insurance cover, but does not provide bonuses, options, shares, loans or any other non-monetary benefits.



Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook are remunerated by Lion Manager of which they are both a director and shareholder (refer to related parties Note 20 in the financial statements). Accordingly, Lion Manager is responsible determining their remuneration arrangements.

Details of remuneration paid/payable to directors and the other key management personnel of the Consolidated Entity and the Consolidated Entity are detailed in the table below. The benefits provided to Key Management Personnel are fixed with no at-risk components of remuneration.

Key Management Personnel of the Consolidated Entity – Remuneration for year to 31 July 2009

2009		Short Term Benefits Salaries/Fees*	Allocation of D&O Insurance Premium*	Post-Employment Superannuation*(b)	Total
Name	Notes	\$	\$	\$	\$
Directors					
E W J Tyler	(a, e)	118,151	14,561	-	132,712
C K Smyth	(e)	122,856	14,561	49,644	187,061
H G Walker	(e)	-	-	-	-
J Rose	(e)	-	-	-	-
R A Widdup	(c, d)	-	14,561	-	14,561
C Melloy	(c, d)	-	-	-	-
M Brook	(c, d)	-	-	-	-
P Maloney	(c, d)	-	14,561	-	14,561
Total		241,007	58,365	49,644	348,895

* includes remuneration paid by LSG on behalf of LST.

- (a) Includes fees totalling \$13,151 paid to EWJ Tyler & Associates in which EWJ Tyler is a principal, as a retainer for consulting services.
- (b) Other than the director's entitlement to receive some of their remuneration in superannuation, no other retirement plan or benefits are in place.
- (c) Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook are remunerated by the Lion Manager, of which they are both a director and shareholder (refer Related Parties Note 19(c)). As detailed below, the Manager is paid a fee by LSG's ultimate parent entity (LST) for management and investment services. There is no direct nexus between the management fee and the salary paid to Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook by the Manager and details of Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook salaries remain confidential to the Manager. Neither Mr Widdup, Mr Maloney, Mr Melloy nor Mr Brook are entitled to any termination payments from LSG in the event that their position is terminated.
- (d) Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook resigned 31 July 2009.
- (e) Mr Tyler, Mr Smyth and Mr Walker were appointed as directors 16 July 2009. Ms Rose was appointed company secretary on 16 July 2009.

2008		Short Term Benefits Salaries/Fees*	Allocation of D&O Insurance Premium*	Post-Employment Superannuation*(a)	Total
Name	Notes	\$	\$	\$	\$
Directors					
R A Widdup	(b)	-	22,205	-	22,205
C Melloy	(b)	-	-	-	-
M Brook	(b)	-	-	-	-
P Maloney	(b)	-	22,205	-	22,205
Other Key Management Personnel					
C K Smyth (c)		132,631	22,205	39,869	194,705
Total		132,631	66,615	39,869	239,115

* includes remuneration paid by LSG on behalf of LST.

- (a) Other than the director's entitlement to receive some of their remuneration in superannuation, no other retirement plan or benefits are in place.
- (b) Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook are remunerated by the Lion Manager, of which they are both a director and shareholder (refer Related Parties Note 19(c)). As detailed below, the Manager is paid a fee by LSG's ultimate parent entity (LST) for management and investment services. There is no direct nexus between the management fee and the salary paid to Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook by the Manager and details of Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook salaries remain confidential to the Manager. Neither Mr Widdup, Mr Maloney, Mr Melloy nor Mr Brook are entitled to any termination payments from LSG in the event that their position is terminated.
- (c) Mr Smyth was appointed company secretary on 1 August 2007.



Key Management Personnel Shareholdings

At the date of this report there are no direct or indirect interests of directors and other key management personnel in the ordinary shares and options of LSG. No shares or options were issued as remuneration.

Information on Directors

The names and details of the directors in office during the financial year and up until the date of this report are as follows.

Ewen W J Tyler AM BSc (Hons) FAusIMM FAIM MIMMM CEng (Non Executive Chairman)

Ewen Tyler, aged 81, completed his degree in Geology at the University of Western Australia in 1949 and was involved in exploration and mining in Africa during the 1950s. In the following decade he worked in mining finance and exploration in London and on returning to Australia in 1969 initiated the exploration which led to the discovery of the Argyle Diamond Mine.

Ewen was a founding director of Ashton Mining Limited and remained an executive director until his retirement in 1990.

During the past three years Mr Tyler has held the following listed company directorships:

- North Australian Diamonds Limited. (retired 22 November, 2006);
- Lion Selection Group Limited (resigned 7 December 2007), (reappointed 16 July 2009); and
- AuSelect Limited (resigned 7 December 2007).

Craig Smyth (Managing Director, 37) BCA (Acctg), M App Fin, CA

Craig Smyth has a background in finance, graduating from the Victoria University of Wellington with a Bachelor of Commerce and Administration, and has completed his Master of Applied Finance at the University of Melbourne.

In addition to the last four years with LST and its predecessor companies, Craig's background includes Coopers Lybrand, Credit Suisse First Boston (London) and ANZ Investment Bank. Craig is a member of the Institute of Chartered Accountants of Australia. Craig joined LSG in March 2005, and was appointed Managing Director in July 2009, and prior to this Company Secretary.

Howard Walker (Executive Director, 56) BSc, ARSM, MAusIMM

Howard Walker graduated as a Mining Engineer from the Royal School of Mines in London in 1975. He worked for General Mining in South Africa for five years, prior to joining Mount Isa Mines in Queensland as a mine planning engineer in the copper and lead/zinc areas. In 1983 Howard joined stockbroker J B Were & Son as precious metals analyst, specialising in the Australian gold sector. He became an associate director of the firm in 1986, and was appointed Manager of the Resources Research team in 1987.

Howard joined J B Were Corporate Services Limited as a director in 1990 and was closely involved in numerous capital raisings for resource companies such as BHP Gold, Asarco Australia, Plutonic Resources Limited, Acacia Resources Limited, Lihir Gold Limited, North Flinders Mines Limited and Homestake Gold of Australia. Howard was a director of Highlake Resources NL from 1996 to 1997.

Howard was an executive director of Lion Manager from 1997 before retiring in 2007, and is Executive Chairman of Altitude Investments, an investor in Asian Lion.

Robin A Widdup BSc (Hons) MAusIMM (former Managing Director, resigned 31 July 2009)

Robin Widdup, aged 57, graduated from the University of Leeds (UK) with an Honours Degree in Geology in 1975. He worked in the Zambian copper belt gaining experience in mine geology at major copper-cobalt deposits, returning to the United Kingdom in 1978 to work for the National Coal Board in open-cast coal exploration activities. In 1980, Robin joined Mount Isa Mines Limited in Queensland as a project geologist in copper/silver, lead and zinc mining, progressing to become the senior geologist.

Robin moved to stockbroker J B Were & Son as base metals analyst in 1986, before his subsequent appointments as gold analyst and manager of J B Were's Resource Research team. During his time at J B Were, Robin established himself as one of Australia's leading resource analysts, and the Resource Research team under his management was held in the same regard.

Robin resigned from J B Were & Son in early 1997 to establish LSG and was the Managing Director from that time until the merger with AuSelect Limited in April 2008. Robin has continued as the Managing Director of the merged company, LST. He is also an executive director of Lion Manager Pty Limited. Robin does not receive any director's fees or other remuneration from LSG.

During the past three years Mr Widdup has held the following listed company directorships:

- AuSelect Limited (resigned 7 December 2007)
- Lafayette Mining Limited (resigned 12 June 2009)
- Lion Selection Group Limited (resigned 31 July 2009)



Peter Maloney BComm, MBA (Roch)

Peter Maloney, aged 59, has broad commercial, finance and management expertise and experience. In a long career with WMC Resources, he held the positions of Treasurer, Executive Vice President Americas and Manager Commercial and Marketing – WA. He has also been Executive General Manager, Finance at Santos and Chief Financial Officer at FH Faulding. Peter has also been a director of several companies and organisations, including Indophil Resources and Barra Resources and was chairman of Southern Health, the largest healthcare provider in Victoria, during a period of improvement in management and financial performance.

Peter holds a Bachelor of Commerce from the University of Melbourne and an MBA from University of Rochester. He has also completed the Advanced Management Program at Harvard Business School.

Peter joined LSG in October 2003, resigning as an employee and Company Secretary of LST on 1 August 2007 to join Lion Manager. Peter maintains his position as Chief Financial Officer of LST, but is not remunerated by LSG.

Chris Melloy BE(Mining) (Hons), MEngSc, MAusIMM, F Fin

Chris Melloy completed an Honours Degree in Mining Engineering at the University of Queensland in 1976. He joined Mount Isa Mines in 1977, working underground and holding a number of engineering appointments in the mining area. During this period, Chris gained his professional qualification of Registered Mine Manager and a Masters Degree in Engineering Science.

Chris held a number of management positions in the planning and operating areas of MIM's Mining Division, culminating with responsibility for the copper mine. He joined J B Were & Son in 1987 to research the base metals sector and CRA Limited. He gained his Graduate Diploma of Applied Finance and Investment in 1990 and from 1992 was consistently ranked as a leading resource analyst in independent surveys.

Chris has been an executive director of Lion Manager since its inception in 1997 and was previously a non-executive director of a number of LST investees, including Catalpa.

During the past three years Mr Melloy has held the following listed company directorships:

- Catalpa Resources Limited (resigned 12 December 2008)

Mike Brook BSc (Mining Geology) (Hons), CEng, MIMMM, MAusIMM

Mike Brook graduated with a Bachelor of Science in Mining Geology from the University of Wales in 1981. He joined MIM Holdings Limited in Queensland in 1983 as a mine geologist in the copper and lead-zinc-silver operations, progressing to become Chief Geologist for the copper mining operation.

Mike joined J B Were & Son in 1993 as a resource analyst specialising in emerging resource companies in the gold, base metals and mineral sands sectors. His research was recognised by the industry with an award from the Australian Gold Council for best junior company research in Australia in 2000. Mike joined Lion Manager in 2001 as Manager African Funds. Mike became an executive director of Lion Manager in August 2004 and is now Chairman of African Lion Funds.

Directors' Meetings

During the year and up until the date of this report, the Consolidated Entity held two directors' meetings. The names of the directors and members of Board committees are set out above. The table below reflects attendances of the directors at meetings of LSG's Board

Board of Directors		
	Attended	Max. possible attended
E W J Tyler	2	2
C K Smyth	2	2
H G Walker	2	2
R A Widdup	-	-
C Melloy	-	-
M Brook	-	-
P Maloney	-	-



Directors' Benefits

Since the end of the preceding financial year, no director has received or become entitled to receive a benefit, other than benefits disclosed in this report as emoluments or the fixed salary of a full-time employee of the Consolidated Entity or a related body corporate, by reason of a contract made by the Consolidated Entity or a related body corporate with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest, except as follows:

The Manager, of which Mr Widdup is a shareholder and director, is paid management fees in accordance with a Management Agreement executed by the Consolidated Entity in 2008 and a previous Management Agreement between LSG and The Manager. During the year ended 31 July 2009, these fees amounted to \$1,401,740 with no performance fee payable. The fees are considered to be in the ordinary course of business and on commercial terms. Senior members of the Manager's staff are Robin Widdup, Mike Brook (former geologists), Chris Melloy (former mining engineer) and since 1 August 2007, Peter Maloney (Financial).

Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook do not receive any other remuneration from LSG, other than an allocation of D&O insurance. Directors fees receivable from investees are payable directly to the Manager.

Indemnification of Directors, Officers and Auditor

An indemnity agreement has been entered into between LSG and each of the Consolidated Entity's directors named earlier in this report and with the Consolidated Entity Secretary. Under the agreement, the Consolidated Entity has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

LSG has paid an insurance premium of \$87,365 in respect of a contract insuring each of the directors, previous directors of companies within the Consolidated Entity, and other key management personnel, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

LSG also indemnifies members of the Manager who represent LSG on the boards of various investees to the extent that they are not already indemnified by the investee. The indemnification has the same limitations as for the directors of the Consolidated Entity.

The Auditor is indemnified by the Consolidated Entity against claims from third parties arising from the provision of audit services except where prohibited by the *Corporations Act 2001*, or due to negligence, fraudulent conduct, dishonesty or breach of trust by the auditor.

Auditors' Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, PricewaterhouseCoopers, to provide the directors of the Consolidated Entity with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 11 and forms part of this Directors' Report for the year ended 31 July 2009.

Non-Audit Services

Fees for non-audit services, including non-audit fees paid by LSG on behalf of LST, were paid/ payable to the external auditors during the year ended 31 July 2009 amounted to \$441,354 with respect to taxation advice and agreed-upon procedures in relation to the Catalpa transaction. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

This report has been made in accordance with a resolution of directors.

E W J Tyler
Chairman

C K Smyth
Managing Director

Melbourne
20 November 2009



PRICEWATERHOUSECOOPERS 

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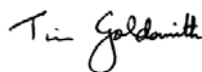
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Auditor's Independence Declaration

As lead auditor for the audit of Lion Selection Group Limited for the year ended 31 July 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lion Selection Group Limited and the entities it controlled during the period.



Tim Goldsmith
Partner
PricewaterhouseCoopers

Melbourne
20 November 2009

Liability limited by a scheme approved under Professional Standards Legislation



Lion Selection Group Limited
Income Statement
for the Year Ended 31 July 2009

	Notes	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
Gain /(loss) attributable to movement in fair value of investments	4	15,716	14,567	(14,867)
Dividend income		-	-	-
Other revenue	4	3,614	3,578	3,810
Management fees		(1,402)	(1,402)	(1,419)
Employee benefits		(1,101)	(756)	(872)
Debt forgiveness	4	(90,911)	(90,911)	-
Other expenses	4	(4,039)	(2,108)	(2,705)
Profit/(loss) before income tax		(78,123)	(77,032)	(16,053)
Income tax (expense)/benefit	5	(2,448)	(2,448)	(332)
Net profit after tax		(80,571)	(79,480)	(16,385)
Attributable to:				
Minority interest		(1,091)	-	-
Members of the parent		(79,480)	(79,480)	(16,385)
Earnings per Share		Cents	Cents	Cents
Basic earnings per share	15	(79.4)	(79.4)	(16.4)
Diluted earnings per share	15	(79.4)	(79.4)	(16.4)

The above income statements should be read in conjunction with the accompanying notes.

No comparatives are shown for the consolidated entity in 2008 as the parent did not control any entities at any time during this year.



Lion Selection Group Limited
Balance Sheet
as at 31 July 2009

	Notes	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
Current Assets				
Cash and cash equivalents	18(a)	9,625	9,625	61,256
Trade and other Receivables	6	902	902	1,428
Other Financial Assets	7	-	-	85,890
Total Current Assets		10,527	10,527	148,574
Non Current Assets				
Intercompany receivables		-	-	12,282
Other Financial assets	7	42,135	42,135	35,703
Deferred tax assets	5	150	150	96
Total Non Current Assets		42,285	42,285	47,640
Total Assets		52,812	52,812	196,655
Current Liabilities				
Trade and Other Payables	8	683	683	261
Intercompany liabilities		380	380	-
Provisions	9	16	16	22
Total Current Liabilities		1,079	1,079	283
Non Current Liabilities				
Deferred tax liabilities	5	1	1	160
Total Non Current Liabilities		1	1	160
Total Liabilities		1,080	1,080	443
Net Assets		51,732	51,732	196,212
Equity				
Contributed equity	11	100,109	100,109	100,109
Retained profits/(accumulated losses)	10(a)	(48,377)	(48,377)	96,103
Total Entity interest		51,732	51,732	196,212
Total minority interest		-	-	-
Total Equity		51,732	51,732	196,212

The above balance sheets should be read in conjunction with the accompanying notes.

No comparatives are shown for the consolidated entity in 2008 as the parent did not control any entities at any time during this year.



Lion Selection Group Limited
Statement of Cash Flows
for the Year Ended 31 July 2009

	Notes	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
Cash flows from operating activities				
Interest received		3,699	3,699	2,710
Payments to suppliers and employees (including GST)		(5,143)	(4,038)	(6,058)
Income taxes paid		-	-	(1,686)
Net operating cash flows	13(b)	(1,444)	(339)	(5,034)
Cash flows from investing activities				
Payments for investments		(19,353)	(19,353)	(3,988)
Proceeds from investment sales		77,357	77,357	49,098
Cash acquired on gain of control of Catalpa		3,935	-	-
Cash disposed on loss of control of Catalpa		(2,830)	-	-
Net investing cash flows		59,109	58,004	45,110
Cash flows from financing activities				
Payments for borrowings to related parties		(44,296)	(44,296)	-
Dividends paid to related parties		(65,000)	(65,000)	(6,000)
Net financing cash flows		(109,296)	(109,296)	(6,000)
Net increase/(decrease) in cash held		(51,631)	(51,631)	34,075
Cash at beginning of the financial period		61,256	61,256	27,181
Cash at end of the financial period	13(a)	9,625	9,625	61,256

*The above statement of cash flows should be read in conjunction with the accompanying notes.
No comparatives are shown for the consolidated entity in 2008 as the parent did not control any entities at any time during this year.*



Lion Selection Group Limited
Statement of Changes in Equity
For the Year ended 31 July 2009

CONSOLIDATED	Issued Capital \$'000	Retained Earnings \$'000	Minority Interest \$'000	Total \$'000
At 1 August 2008	100,109	96,103	-	196,212
Profit for the period	-	(79,480)	(1,091)	(80,571)
<i>Total recognised income and (expense) for the period</i>	-	(79,480)	(1,091)	(80,571)
Change in ownership	-	-	1,091	1,091
Dividends paid	-	(65,000)	-	(65,000)
At 31 July 2009	100,109	(48,377)	-	51,732

PARENT	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
At 1 August 2007	100,109	118,488	218,597
Profit for the period	-	(16,385)	(16,385)
<i>Total recognised income and (expense) for the period</i>	-	(16,385)	(16,385)
Dividends Paid or Payable	-	(6,000)	(6,000)
At 31 July 2008	100,109	96,103	196,212
At 1 August 2008	100,109	96,103	196,212
Profit for the period	-	(79,480)	(79,480)
<i>Total recognised income and (expense) for the period</i>	-	(79,480)	(79,480)
Dividends paid	-	(65,000)	(65,000)
At 31 July 2009	100,109	(48,377)	51,732

The above statement of changes in equity should be read in conjunction with the accompanying notes.

No comparatives are shown for the consolidated entity in 2008 as the parent did not control any entities at any time during this year.



Lion Selection Group Limited

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of Lion Selection Group Limited (LSG) and its subsidiaries (the Consolidated Entity) for the year ended 31 July 2009 was authorised for issue in accordance with a resolution of the directors on 5 November 2009. The directors have the power to amend and reissue the financial report.

LSG is a company limited by shares incorporated in Australia.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Boards and the Urgent Issues Group Interpretations. The financial report has been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to LSG under ASIC Class Order 98/100. LSG is an entity to which the class order applies.

Early adoption of standards

Lion Selection Group Ltd has elected to apply the following pronouncements to the annual reporting period beginning 1 August 2008:

- Revised AASB 3 *Business Combinations*
- Revised AASB 127 *Consolidated and Separate Financial Statements*

(b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the annual reporting period ending 31 July 2009.

These are outlined in the table below.

Ref	Title	Summary	Application date of standard	Impact on Entity financial report	Application date for Entity
AASB 101 (revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Consolidated Entity has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 August 2009



(b) Statement of compliance (continued)

Ref	Title	Summary	Application date of standard	Impact on Entity financial report	Application date for Entity
AASB 2008 - 7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>This Amending Standard:</p> <ul style="list-style-type: none"> amends AASB 127 <i>Consolidated and Separate Financial Statements</i> to remove the definition of the 'cost method' and to require the separate financial statements of a new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation removes from AASB 118 <i>Revenue</i> the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. Therefore, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income implements consequential amendments to AASB 136 <i>Impairment of Assets</i>, introducing a new indicator of impairment for investments in subsidiaries, jointly controlled entities and associates where a dividend has been recognised allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous GAAP to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. 	1 January 2009	The standard applies the rules prospectively so any impact will depend on transactions after the application date. All dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the Group's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations and the new parent accounts for its investment in the original parent at cost, it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.	1 August 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 will result in a change in the approach to segment reporting, as it requires adopting a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. This standard will primarily result in changes to disclosures only.	1 August 2009



(b) Statement of compliance (continued)

Ref	Title	Summary	Application date of standard	Impact on Entity financial report	Application date for Entity
AASB 2008-5 and AASB 2008-6	Improvements to Australian Accounting Standards	Number of amendments to existing to existing Australian Accounting Standards	1 January 2009	The Consolidated Entity does not expect that any adjustments will be necessary as a result of applying the revised rules.	1 August 2009

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(c) Principles of Consolidation - Subsidiaries

AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Consolidated Entity's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the Consolidated Entity.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in profit or loss. This is consistent with the entity's previous accounting policy.

The Consolidated Entity will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

The changes were implemented prospectively from 1 August 2008. There has been no impact on the current period as none of the non-controlling interests have a deficit balance. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity and no transactions with non-controlling interests.

(d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have an impact on the carrying amounts of certain assets and liabilities are:

(i) Income taxes

LSG is subject to income taxes in Australia. Significant judgment is required in determining the provision for income taxes and deferred taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. LSG recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.



(e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to LSG and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Sale of Investments

Revenue from sale of investments is not recognised separately as revenue in the Income Statement, as the Income Statement includes movements in fair value of investments up to the date of sale.

(ii) Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the fair value of the financial asset.

(iii) Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(f) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(g) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the debts. Bad debts are written off when identified.

(h) Impairment of financial assets

LSG measures financial assets at fair value through the profit and loss, assessing the fair value at each balance sheet date. Accordingly, any impairment is reflected in the fair value of the asset, and recognised in the Income Statement.

(i) Foreign currency translation

Both the functional and presentation currency of LSG is Australian dollars (AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the financial report are taken to the Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.



(j) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

LSG and other wholly-owned Australian entities of Lion Selection Limited ("LST"), LSG's ultimate parent entity, have implemented the tax consolidation legislation, effective from 16 April 2007.

LSG and the other entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group is a separate taxpayer within the group. LSG does not recognise current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits to the extent that these amounts are transferred from controlled entities in the tax consolidated group to LST (the head entity).

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.



The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Investments, Other Financial Assets and Investment in Associates

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. LSG is a venture capital organisation, and designates its investments as being fair value through profit or loss. The scope of AASB 128 Investments in Associates allows this treatment for venture capital organisations even though the Consolidated Entity may have significant influence in an investee. After initial recognition, investments are measured at fair value, with gains or losses on fair value of investments being recognised in the income statement. The fair value of assets is re-measured at each reporting date. This recognition is more relevant to shareholders and consistent with internal investment evaluation.

For listed investments, fair value is determined based on the closing bid price. Unlisted investments are valued based on either the market value of underlying investments or the last sale price. For unlisted options over listed equities, the valuation will be calculated using the Black-Scholes method, having regard to the volatility of the underlying equity based on observable market data and the time to expiry of the relevant options.

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Consolidated Entity commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(l) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Consolidated Entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(m) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).



(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless LSG has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Payables

Payables are carried at amortised cost and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions

Provisions are recognised when LSG has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When LSG expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

(q) Employee leave benefits - Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, long service leave and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, for example, as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(s) Earnings per share

Basic earnings per share is calculated as net profit, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.



(t) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(u) Business combinations

AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the Consolidated Entity's previous policy, payments to purchase a business were recorded at cost and contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

If the Consolidated Entity recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Consolidated Entity net profit after tax.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets. The changes were implemented prospectively from 1 August 2008 and affected the accounting for the acquisition of Catalpa Resources Limited disclosed in note 8.



NOTE 3 FINANCIAL RISK MANAGEMENT

LSG's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. LSG's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity.

Risk management is carried out under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas.

LSG holds the following financial instruments:

	2009 \$'000	2008 \$'000
Financial assets		
Cash	1,625	156
Bank bills and deposits receivable – one month or less	8,000	61,100
Investment in securities	42,135	121,593
Amounts due from related entity	-	12,282
Financial liabilities		
Trade and other creditors	683	261
Amounts payable to related entity	380	-

(a) Market risk

(i) Currency Risk

LSG operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. LSG's obligations to African Lion 3 and Asian Lion of US\$17M and US\$7M respectively (see note 17(b)) could also expose LSG to foreign exchange risk, as movements in the United States dollar will impact the amount of Australian dollars that LSG is obligated to invest in African Lion 3 and Asian Lion. Such movements do not have a material impact on LSG's Income Statement or Balance Sheet as at 31 July 2009.

(ii) Price risk

LSG is exposed to equity securities price risk. This arises from investments held by LSG and classified on the balance sheet as at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Consolidated Entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Consolidated Entity. The majority of the Consolidated Entity's equity investments are publicly traded. LSG does not hedge its equity securities price risk.

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. LSG's investments have a low correlation to market indices and therefore no sensitivity analysis has been performed.

(b) Credit risk

LSG is exposed to credit risk. Credit risk arises from cash and cash equivalents and deposits with banks as well as credit exposures to counter parties, including outstanding receivables and committed transactions. LSG has a policy of maintaining its cash and cash equivalents with the "top 4" Australian Banks. For other counter parties, if there is no independent rating, management assesses the credit quality of the party, taking into account its financial position, past experience and other factors.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. LSG manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.



(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives or investments in unlisted subsidiaries) is determined using valuation techniques. LSG uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of the option contracts are determined using a Black Scholes valuation at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.



	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
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NOTE 4 INCOME AND EXPENSES

Gain/(loss) attributable to movement in fair value of investments

Mark to Market adjustment for period – investments realised during period	23,706	22,556	9,399
Mark to Market adjustment for period – investments held at end of period	(7,989)	(7,989)	(24,266)
Gain/(loss) attributable to movement in fair value of investments as recorded in the income statement	15,716	14,567	(14,867)

Results of Investments Realised During Period

Proceeds from sale of shares	136,863	136,863	46,025
Historical Cost of investments sales	(59,448)	(60,598)	(24,395)
<i>Gross profit on investments realised</i>	<i>77,415</i>	<i>76,265</i>	<i>21,630</i>
Represented by:			
Mark to Market recognised in prior periods (including on acquisition)	53,709	53,709	12,231
Mark to Market recognised in current period	23,706	22,556	9,399
	<i>77,415</i>	<i>76,265</i>	<i>21,630</i>

The unrealised loss for the year includes a gain of \$17 million that was recognised on the loss of Control of Catalpa as disclosed in Note 22.

Debt forgiveness	(90,911)	(90,911)	-
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Prior to the demerger of LSG from the LST group, any existing intercompany balances between LSG and the other entities within the LST Group were forgiven, giving rise to a debt forgiveness expense.

Other income

Interest income	3,396	3,359	3,810
Sundry income	218	218	-
Other income	3,614	3,578	3,810

The profit/loss is after charging the following other expenses

Investor Relations	368	359	440
D&O Insurance	87	87	-
Legal Expenses	169	64	52
Corporate transaction costs	984	984	1,389
Mine exploration and development – Edna May	1,817	-	-
Other corporate overheads	614	614	824
Total other expenses	4,039	2,108	2,705



	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
NOTE 5 INCOME TAX EXPENSE			
Income Statement			
Current Income Tax			
Current Income Tax Charge	2,661	2,661	(383)
Adjustments in respect of current income tax of previous years	-	-	65
Deferred Income Tax			
Relating to origination and reversal of temporary differences	(213)	(213)	(14)
Income Tax Expense/ (benefit) reported in the Income Statement	2,448	2,448	(332)
Reconciliation of Income tax expense			
Profit/(loss) before income tax	(78,123)	(77,032)	(16,053)
Prima facie tax thereon at 30%	(23,437)	(23,110)	(4,816)
Tax effect of permanent and other differences			
Non-deductible expenses	683	-	-
Non assessable income	(97)	(97)	-
Non deductible debt forgiveness income	27,273	27,273	-
Non assessable/ deductible movement in fair value	(2,059)	(1,703)	4,460
Other previously unrecognised deferred tax assets	85	85	(41)
Amount underprovided/(overprovided) in prior years	-	-	65
Total income tax (benefit)/expense	2,448	2,448	(332)
Current tax payable/(refund due)	-	-	
Deferred Income Tax			
Movements - Deferred tax liabilities			
Opening deferred tax liabilities	160	160	84
Charged/ (credited) to the income statement	(159)	(159)	76
Closing Deferred tax liabilities	1	1	160
Deferred tax liability – expected to be recovered within 12 months	1	1	160
Deferred tax liability – expected to be recovered beyond 12 months	-	-	-
Deferred tax liability	1	1	160
<i>Deferred tax liabilities at 31 July relates to the following:</i>			
Accrued Interest/ Other temporary differences	1	1	160
	1	1	160



NOTE 5	INCOME TAX EXPENSE (continued)	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
Movements - Deferred tax assets				
	Opening deferred tax assets	96	96	6
	(Charged)/ credited to the income statement	54	54	90
	Closing deferred tax assets	150	150	96
	Deferred tax asset – expected to be recovered within 12 months	115	115	26
	Deferred tax asset – expected to be recovered beyond 12 months	35	35	70
	Deferred tax asset	150	150	96
<i>Deferred tax assets at 31 July relates to the following:</i>				
	Accrued Expenses/Other temporary differences	150	150	96
	Deferred tax assets	150	150	96
NOTE 6	RECEIVABLES (CURRENT)	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
	Accrued interest	4	4	530
	Other receivables	898	898	898
	Total current receivables, net	902	902	1,428
NOTE 7	FINANCIAL ASSETS	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
	Listed investments (at fair value)	-	-	85,890
	Total current financial assets	-	-	85,890
	Listed investments (at fair value)	29,293	29,293	35,184
	Unlisted investments (at fair value)	12,842	12,842	519
	Total non-current financial assets	42,135	42,135	35,703
	Total financial assets*	42,135	42,135	121,593
<i>Listed shares are readily saleable with no fixed terms</i>				
NOTE 8	PAYABLES (CURRENT)	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
	Sundry creditors and accruals	549	549	111
	Amounts payable to director related entities	134	134	150
	Total current payables	683	683	261
NOTE 9	PROVISIONS (CURRENT)	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
	Employee benefits	16	16	22
	Total current provisions	16	16	22



NOTE 10	RETAINED PROFITS & RESERVES	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
	Movements in retained earnings were as follows:			
	Retained profits/(losses) at the beginning of the financial year	96,103	96,103	118,488
	Net profit for period	(78,480)	(79,480)	(16,835)
	Dividends paid/payable	(65,000)	(65,000)	(6,000)
	Retained profits/(losses) of the end of the financial year	(48,377)	(48,377)	96,103

NOTE 11	CONTRIBUTED EQUITY	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
	Issued and paid up capital (fully paid)			
	Opening Balance	100,109	100,109	100,109
	Issued and paid up capital (fully paid)	100,109	100,109	100,109
	Share Capital	Consolidated 2009 Shares	Parent 2009 Shares	Parent 2008 Shares
	Issued and paid up capital (fully paid)			
	Opening Balance	100,108,905	100,108,905	100,108,905
	Issued and paid up capital (fully paid)	100,108,905	100,108,905	100,108,905

Capital Risk Management

LSG's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders. In order to maintain or adjust the capital structure, LSG may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

NOTE 12	DIVIDENDS PAID	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
(a)	Dividends declared and paid during the year			
	2009: unfranked dividend of \$0.649/ share	65,000	65,000	6,000
	(2008: unfranked dividend of \$0.06/share)			
	Total dividends paid or provided	65,000	65,000	6,000
(b)	Franking credit balance			
	The amount of franking credits available for the subsequent financial year are:	-	-	-
	▪ franking credit balance as at the end of the financial year	-	-	-
	▪ franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-	-
		-	-	-



NOTE 13 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purpose of the Balance Sheet and Statement of Cash Flows, cash includes cash on hand and in banks, term deposits, cash managed by third parties and other bank securities which can be liquidated at short notice, net of outstanding bank overdrafts if applicable.

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related item in the Balance Sheet as follows:

	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
Cash on hand	1,625	1,625	156
Bank bills and deposits	8,000	8,000	61,100
Closing cash balance	9,625	9,625	61,256

(b) Reconciliation of Net Profit/(Loss) after Income Tax to Net Cash Provided by Operating Activities

Net profit/(loss) after income tax	(80,571)	(79,480)	(16,385)
Adjustments for non cash income and expense items			
Non cash net expenses of former subsidiary	1,135	-	-
Movement in fair value of investments (increase)/decrease in assets	(15,716)	(14,567)	14,867
Debt forgiveness income	90,911	90,911	
Other non-cash income received	(123)	(123)	(6)
Expenses paid through intercompany loan	2,148	2,148	(1,766)
Movement in provision for:			
▪ Income tax payable			(1,621)
(Increase)/decrease in assets:			
▪ Deferred income tax asset	(54)	(54)	548
▪ Other receivables	568	568	(196)
▪ Other current assets	-	-	206
(Decrease)/increase in liabilities:			
▪ Deferred income tax liability	(159)	(159)	160
▪ Payables	423	423	(848)
▪ Employee entitlements	(6)	(6)	7
Net cash flow from operating activities	(1,444)	(339)	(5,034)

(c) Non-cash investing and financing activities

During the period under review assets were transferred between companies within the broader accounting group of companies, with LST being the ultimate parent entity. Such transfers are generally conducted at market value, with an intra-group loan recognised between the transacting parties. Non-cash transfers by way of intra-group are as follows:

	Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
Acquisition of financial assets from related party	23,573	23,573	-
Sale of financial assets to related party	59,675	59,675	-



NOTE 14 CONTINGENT LIABILITIES

LSG does not have any contingent liabilities as at 31 July 2009.

NOTE 15 EARNINGS PER SHARE

		Consolidated 2009 \$'000	Parent 2009 \$'000	Parent 2008 \$'000
(a)	Earnings used in calculating earnings per share – basic and diluted	(79,480)	(79,480)	(16,385)
		2009 Consolidated Shares	2009 Parent Shares	2008 Parent Shares
(b)	Weighted average number of shares			
	Weighted average number of ordinary shares for basic earnings per share	100,108,905	100,108,905	100,108,905
	Effect of dilution for options over ordinary shares	-	-	-
	Weighted average number of ordinary shares for diluted earnings per share	100,108,905	100,108,905	100,108,905

The calculation of weighted average number for the diluted earnings per share does not include any potential ordinary shares with respect to dilutive options as these have expired by year end.

NOTE 16 FINANCIAL INSTRUMENTS

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. LSG also monitors the market price risk arising from all financial instruments.

(a) Interest Rate Risk Exposures

LSG is exposed to interest rate risk through its primary financial assets and liabilities. The interest rate risk exposures together with the effective interest rate for each class of financial assets and financial liabilities at balance date are summarised below. All assets and liabilities are current, maturing within one year, with the exception of investments in securities, the value of which will be realised at the discretion of the Consolidated Entity. No decision has been made regarding the timing of this realisation.

	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000	Average Interest Rate	
PARENT					Floating %	Fixed %
2008						
Financial Assets:						
Cash	156	-	-	156	4.81	
Bank bills and deposits receivable – one month or less	-	61,100	-	61,100	-	7.38
Other receivables			1,428	1,428	-	-
Intercompany assets	12,282	-	-	12,282	8.24	-
Investment in securities	-	-	121,593	121,593	-	-
Financial Liabilities:						
Trade and other creditors	-	-	261	261		



NOTE 16 FINANCIAL INSTRUMENTS (CONTINUED)

	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000	<i>Average Interest Rate</i>	
PARENT					<i>Floating %</i>	<i>Floating %</i>
2009						
Financial Assets:						
Cash	1,625	-	-	1,625	1.00	
Bank bills and deposits receivable – one month or less	-	8,000	-	8,000	-	2.90
Other receivables			902	902	-	-
Investment in securities	-	-	42,135	42,135	-	-
Financial Liabilities:						
Trade and other creditors	-	-	683	683		
Intercompany liabilities	380	-	-	380	3.39	

(b) Fair Value of Financial Assets and Liabilities

LSG carries all financial assets and financial liabilities at their estimated fair values. The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs. For listed investments, fair value is determined based on the closing bid price. For unlisted options over listed equities, the valuation is calculated using the Black-Scholes method, having regard to the volatility of the underlying equity based on observable market data and the time to expiry of the relevant options.

NOTE 17 COMMITMENTS

(a) Superannuation Commitments

LSG does not have its own superannuation plan. The only commitment to superannuation is with respect to statutory commitments. At balance date, the Consolidated Entity was contributing to various approved superannuation funds at the choice of employees at a minimum rate of 9% of salaries paid. Employees are able to make additional contributions to their chosen superannuation funds by way of salary sacrifice up to the age based deductible limits for taxation purposes.

(b) Investment Commitment

AFL3 and Asian Lion

LSG entered into an agreement in June 2008 to commit US\$18.75 million in African Lion 3 Limited (AFL3), of which US\$17M remains undrawn at 31 July 2009. AFL3 is a follow-on investment fund from the companies existing investment in African Lion Limited (AFL) and African Lion 2 Limited (AFL2).

LSG also previously entered into an agreement to commit US\$11.0 million in Asian Lion Limited of which US\$7M remains undrawn at 31 July 2009.



NOTE 18	REMUNERATION OF AUDITORS	CONSOLIDATED		PARENT
		2009	2009	2008
		\$	\$	\$
(a)	Audit Services(including payments by LSG on behalf of LST)			
	Audit and review of financial reports	104,891	104,891	28,850
	Total remuneration for audit services	104,891	104,891	28,850
(b)	Non-audit services (including payments by LSG on behalf of LST)			
	Agreed upon procedures – Catalpa acquisition	31,595	31,595	-
	Tax compliance services	-	-	57,615
	Tax advice – Off-market buyback	133,650	133,650	-
	Tax advice – Restructuring	270,059	270,059	
	Tax advice – Corporate Matters	6,050	6,050	199,013
	Total remuneration non-audit services	441,354	441,354	256,628

NOTE 19 RELATED PARTY DISCLOSURES

(a) Directors & Key Management Personnel

The directors in office during the financial year and up until the date of this report are as follows.

Ewen Tyler (Non-Executive Chairman) – Appointed 16 July 2009;
 Craig Smyth (Managing Director) – Appointed 16 July 2009;
 Howard Walker (Executive Director) – Appointed 16 July 2009;
 Robin Widdup (Former Managing Director) - Resigned 31 July 2009
 Christopher Melloy (Non-Executive Director) – Resigned 31 July 2009;
 Michael Brook (Non-Executive Director) – Resigned 31 July 2009; and
 Peter Maloney (Non-Executive Director) – Resigned 31 July 2009;

(b) Lion Manager Pty Ltd Contract

LSG's ultimate parent entity LST has a Management Agreement with Lion Manager, under which Lion Manager provides LST with management and investment services, including with respect to LSG. Under the Management Agreement, LST pays the Manager a monthly management fee of \$230,000 plus GST (\$2.76 million per annum plus GST) and a further amount equal to 0.083% plus GST (1% per annum plus GST). LSG has paid a proportion of these management fees on behalf of LST, as set out below.



NOTE 19	RELATED PARTY DISCLOSURES (CONTINUED)	2009	2008
(c)	Director Related Entity and Other Related Party Transactions	\$'000	\$'000
<i>Recipient</i>	<i>Payer</i>	<i>Nature of Payment</i>	
AuSelect	LSG	Asset transfers by intra-group	(59,675) -
LSG	AuSelect	Asset transfers by intra-group	23,573 -
LST	LSG	Intra-group loan transfers	(55,649) 1,545
LSG	AuSelect	Intra-group loan transfers	2,827 -
LSG	Lion Mining Limited	Intra-group loan transfers	10,674 -
Lion Mining Limited	LSG	Intra-group loan transfers	- (10,711)
LST	LSG	Forgiveness of Intra-group loan prior to demerger of LSG	(57,611) -
AuSelect	LSG	Forgiveness of Intra-group loan prior to demerger of LSG*	(33,330) -
Lion Manager	LSG	Management Fee	1,402 1,419
Lion Manager	LSG	Reimbursement of costs (GST incl.)	129 275
Outstanding balances as at 31 July between LSG and LST		(416)	1,545
Outstanding balances as at 31 July between LSG and AuSelect		-	26
Outstanding balances as at 31 July between LSG and Lion Mining Ltd		36	10,711
Outstanding balances as at 31 July from LSG to Lion Manager Pty Ltd		134	152

*the following transactions occurred as steps to affect the demerger of LSG from LST as described in note 23.

(d)	Key Management Personnel Remuneration (including payments on behalf of LST)	2009	2008
		\$	\$
Short term employee benefits		241,007	132,631
D&O Insurance		58,244	66,615
Post-employment benefits		49,644	39,869
		348,895	239,115

NOTE 20	MATERIAL INVESTMENTS	Carrying Amount		Consolidated Entity Ownership	
		2009	2008	2009	2008
		\$'000	\$'000	%	%
The Consolidated Entity had the following material investments at year end:					
African Lion Ltd		1,914	-	30	-
African Lion 2 Ltd		5,343	-	25	-
African Lion 3 Ltd		968	-	25	-
Asian Lion Ltd		2,121	-	32	-
Catalpa Resources Ltd (formerly Westonia Mines Ltd)*		-	7,351	-	44
Exco Resources NL		6,092	7,416	9	11
Havilah Resources NL		8,422	17,517	19	17
Indophil Resources NL		13,292	85,890	7	16

Each of the above companies is involved in the mining and exploration industry.

*Catalpa was a subsidiary of LSG from 3 December 2008 to 2 April 2009.



NOTE 21 SEGMENT INFORMATION

LSG's operates in one industry sector and three geographical segments. LSG invests in mining and exploration companies, providing patient equity capital to carefully selected small and medium enterprises. LSG invests in mining and exploration companies with activities in Australia, Africa and Asia. Segment accounting policies are the same as the Consolidated Entity's policies described in Note 2.

2009	Australia \$'000	Africa \$'000	Asia \$'000	Unallocated \$'000	Consolidated \$'000
Segment Revenue	218	-	-	3,396	3,614
Mark to Market adjustment	13,513	2,012	191	-	15,716
Segment Income	13,731	2,012	191	3,396	19,330
Segment Expense	-	-	-	(97,453)	(97,453)
Segment Result Before Tax	13,731	2,012	191	(94,057)	(78,123)
Segment Assets	15,689	10,654	15,792	10,677	52,812
Segment Liabilities	-	-	-	1,080	1,080
Other Segment Information					
Assets Acquired	19,457	8,764	14,965	-	43,186
Cash Flow Information					
Net Cash inflow from operating activities	-	-	-	(339)	(339)
Net Cash inflow from investing activities	57,864	(24)	164	-	58,004
Net Cash inflow from financing activities	-	-	-	(109,296)	(109,296)

2008	Australia \$'000	Africa \$'000	Asia \$'000	Unallocated \$'000	Parent \$'000
Segment Revenue	-	-	-	3,810	3,810
Mark to Market adjustment	(22,117)	-	7,250	-	(14,867)
Segment Income	(22,117)	-	7,250	3,810	(11,057)
Segment Expense	-	-	-	(4,996)	(4,996)
Segment Result Before Tax	(22,117)	-	7,250	(1,186)	(16,053)
Segment Assets	35,004	-	86,589	75,062	196,655
Segment Liabilities	-	-	-	443	443
Other Segment Information					
Assets Acquired	3,200	-	788	-	3,988
Cash Flow Information					
Net Cash inflow from operating activities	-	-	-	(5,034)	(5,034)
Net Cash inflow from investing activities	45,898	-	(788)	-	45,110
Net Cash inflow from financing activities	-	-	-	(6,000)	(6,000)



NOTE 22 ACQUIRED OPERATIONS

On 3 December 2008 Catalpa concluded a rights issue. As part of that rights issue LSG invested a further \$2.2 million. The total funds raised of \$3.5 million were used to further develop the Edna May Gold Project. As a result of the equity raising, on 10 December 2008 LSG moved to 51% ownership of the issued share capital of Catalpa and control of that company for accounting purposes. LSG consolidated Catalpa on 10 December 2008. LSG ceased to control Catalpa on 2 April 2009 following the issue of shares to parties other than LSG as part of a placement and share purchase plan to finance development of the Edna May Gold Project. From 2 April 2009 LSG has carried its investment in Catalpa as a financial asset at fair value through profit and loss.

Catalpa is a Western Australia based company with a number of wholly-owned tenements, the primary asset being the Edna May Gold Project. Catalpa has announced the Reserve at Edna May and the adjacent Greenfinch deposit is 817,000 ounces of gold at a cut-off of 0.5 g/t.

The acquired business contributed revenues of \$36,428 and net loss of \$2,241,350 to the Consolidated Entity for the period from 10 December 2008 to 2 April 2009.

For the period from 1 August 2008 to 10 December 2008, and from 2 April 2009 onwards Catalpa had a Mark to Market income of \$34.1 million, \$17 million of this gain was recognised on 2 April 2009 when LSG lost control. This amount is recorded in 'Gain/(Loss) attributable to movement in fair value' in the Income Statement.

The following table sets out purchase consideration incurred by LSG on 10 December 2008.

Purchase consideration	\$'000
Fair value of equity securities previously held	4,115
Cash paid	2,248
Purchase Consideration	6,363

The following table details the fair values of the net assets acquired.

	Acquiree's carrying value \$'000	Fair value \$'000
Current Assets		
Cash and cash equivalents	3,935	3,935
Trade and other Receivables	23	23
Other	37	37
<i>Total Current Assets</i>	<i>3,995</i>	<i>3,995</i>
Non-Current Assets		
Property, Plant and Equipment	3,591	3,591
Mine Development	-	5,568
<i>Total Non-Current Assets</i>	<i>3,591</i>	<i>9,159</i>
<i>Total Assets</i>	<i>7,586</i>	<i>13,154</i>
Current Liabilities		
Trade and Other Payables	345	345
Provisions	407	407
<i>Total Liabilities</i>	<i>752</i>	<i>752</i>
Net Assets	6,834	12,402
<i>Non-controlling interest</i>		<i>(6,039)</i>
Net Identifiable assets acquired		6,363



NOTE 23 EVENTS AFTER BALANCE DATE

LSG's ultimate parent entity, LST on 24 June 2009 announced a restructure of the company whereby LST agreed to merge its gold assets (30% Cracow interest and 47% shareholding in Catalpa) with Catalpa to create a new Australian mid tier gold producer. This restructuring was approved by the shareholders of Lion Selection and Catalpa respectively on 17 November 2009, and is scheduled to be approved by the court on the 27th of November 2009 subject to certain conditions being met or waived.

LST shareholders will receive 1 share in Catalpa for each LST share they own, on the basis that Catalpa undertake an 11 for 1 share consolidation prior to the merger.

At the same time LST intends to demerge its subsidiary, LSG, which holds all of the remaining investments. LST shareholders will receive 1 LSG share for each LST share held. LSG shares will be listed on the National Stock Exchange of Australia (NSX). In addition, in conjunction with E.L & C Baillieu Stockbroking, LSG shareholders are expected to be provided the opportunity to tender shares for sale or offer to purchase more shares in a matching facility, on a best endeavours basis.

As part of the restructure, LST has given notice to Lion Manager to terminate the agreement under which Lion Manager provides management services to LST, subject to certain conditions. LST and LSG have determined that, if the transactions proceed, they will no longer require the management services of Lion Manager. On 17 November 2009 shareholders of Catalpa Resources Ltd and Lion Selection Ltd approved the proposed merger of the parties. Approval for the merger will be sought from the Supreme Court of Victoria on 27 November 2009. On the basis of approval being ordered by the Court at this hearing and subject to all conditions of the Merger Implementation Agreement being satisfied or waived, the last day Lion shares trade on ASX with an entitlement to participate in the demerger, the cash distribution and the merger with Catalpa will be 30 November 2009.

In preparation for the demerger from LST, LSG undertook a share consolidation reducing the number of shares on issue from 100,108,905 shares to 88,029,353 shares on 31 August 2009. In addition, prior to the demerger, assets were exchanged between LSG and its fellow subsidiary, AuSelect Limited so that LSG held all non-gold investment assets. Also prior to the demerger of LSG from the LST group, any existing intercompany balances between LSG and the other entities within the LST Group were forgiven.



Lion Selection Group Limited Directors' Declaration

In accordance with a resolution of the directors of Lion Selection Group Limited, we state that:

1. In the opinion of the directors:

- (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 July 2009 and of the performance for the year ended on that date.
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 July 2009.

On behalf of the Board

E W J Tyler
Chairman

C K Smyth
Managing Director

Melbourne
20 November 2009



Independent auditor's report to the members of Lion Selection Group Limited

Report on the financial report

We have audited the accompanying financial report of Lion Selection Group Limited (the company), which comprise the balance sheet as at 31 July 2009, the income statement, statement of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Lion Selection Group Limited and the Lion Selection Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Liability limited by a scheme approved under Professional Standards Legislation



PRICEWATERHOUSECOOPERS 

**Independent auditor's report to the members of
Lion Selection Group Limited (continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Lion Selection Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 3 to 4 of the directors' report for the year ended 31 July 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Lion Selection Group Limited for the year ended 31 July 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Tim Goldsmith

Tim Goldsmith
Partner

Melbourne
20 November 2009