

Preliminary Final Report for the year ended 31 July 2011



KEY POINTS

- Mark to market gain of \$14.6 million with respect to investments, reflecting increases in the market value of investees.
- The successful sale of LSG's interest in Havilah Resources for a \$5.7 million profit on the original investment of \$4.3 million. This sale returned a multiple on investment of 2.3 times.
- The successful sale of LSG's interest in Exco Resources for a \$4.4 million profit on the original investment of \$6.6 million.
- LSG is in investment mode, benefiting from increased deal flow due to reduced investment interest by global investors into early stage miners. Opportunity exists to make a multiple new investments at dominantly the pre-IPO stage at attractive prices.
- New investments made directly and via African Lion and Asian Lion Funds:

Direct investments	via African Lion Fund	via Asian Lion Fund
YTC Resources	Gulf Industrials	Pan Asia Resources
Sihayo Gold	Sama Resources	Sihayo Gold
Manas Resources	Celamin Holdings	Manas Resources
Doray Minerals	XTRA Gold Resources	Kentor Gold
Mithril Resources	Buccaneer Gold	
Mindoro Resources*	Toro Gold	
Auricup Resources	Kasbah Resources*	
Monomatapa Coal		

*Follow on opportunity from prior investment

- Lion Manager engaged to provide management services to LSG with respect to Australian investments.
- LSG Board restructure – Robin Widdup and Peter Maloney appointed to the LSG Board, with Howard Walker stepping down as Executive Director of LSG. LSG Managing Director, Craig Smyth, joined Lion Manager to assist in delivery on expanded scope of services provided to LSG.
- Strong balance sheet with no debt and \$35.9 million cash. USD commitments to AFL3 and Asian Lion of US\$12.3 million largely covered by USD bank account.

Full-Year ended 31 July	2011 \$000's	2010 \$000's	Change
Investments			
Mark to Market	14,612	16,299	(10%)
Dividend Income	250	3,634	(93%)
<i>Cash Inflows/Outflows</i>			
Proceeds from investments	25,080	31,789	(21%)
Payments for Investments	(29,499)	(3,958)	645%

Section 2A Preliminary Final Report

1. Company Details

LION SELECTION GROUP LIMITED		
ABN or equivalent company reference	Year ended (‘current period’)	Year ended (‘previous period’)
26 077 729 572	31 July 2011	31 July 2010

2. Results for announcement to the market

				A\$’000
2.1	Revenue	Down 59%	to	1,774
2.2	Profit (loss) for the year	Down 49%	to	11,627
2.3	Profit (loss) for the year attributable to members of the parent	Down 49%	to	11,627
Dividends		Current Period	Previous Corresponding Period	
2.4	Franking Rate Applicable	N/A	Nil	
Interim Dividend				
2.5	Amount per security	Nil	Nil	
	Franked amount per security	Nil	Nil	

2.6 Results and Review of Operations

This financial 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 Company’s investment portfolio in both the Statement of Comprehensive Income and the Statement of Financial Performance. 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 Company’s gain before tax for the year was \$12.2 million (2010 Gain: \$21.4 million). This includes realised profit from sale of investments and unrealised gains from mark to market of its investment portfolio as set out in the table below.

Gains/(Loss) attributable to movement in fair value of investments	2011 \$’000	2010 \$’000
Mark to Market adjustment for period – investments realised during period	10,063	18,044
Mark to Market adjustment for period – investments held at end of period	4,549	(1,745)
Gains/(Loss) attributable to movement in fair value of investments	14,612	16,299
Results of Investments Realised During Period		
Sales Proceeds	23,668	31,789
Historical Cost of sales	(12,550)	(12,445)
Gross profit measured at historical cost	11,118	19,344
Represented by:		

Mark to Market recognised in prior periods	1,055	1,300
Mark to Market recognised in current period	10,063	18,044
	11,118	19,344

Based on historical cost, the realised profit for the Company of \$11.1 million is primarily a result of the profitable sale of LSG's investments in Havilah Resources (profit \$5.7 million) and Exco Resources (profit \$4.4 million).

The unrealised mark to market gain of \$4.5 million in the portfolio value includes:

- Increase of \$2.7 million with respect of LSG's holdings in YTC Resources following strong copper results from the Nymagee Copper deposit (90% YTC), and greater confidence in the economics of YTC's wholly owned Hera deposit following an upgraded resource in June 2011;
- A increase in the value of the Asian Lion fund of \$2.0 million largely reflecting an increase in the value of its underlying investments in One Asia Corporation;
- An increase in the value of Doray Minerals of \$1.1 million reflecting high grade gold exploration results from Doray's Andy Well deposit;
- An increase of \$1.1 million with respect of LSG's indirect holdings in Kasbah Holdings as the company continues to define its Moroccan tin deposit, including an increased resource in August 2010 and on-going exploration success;
- A decrease of \$2.4 million with respect of LSG's direct and indirect holdings in an unlisted company, Copperbelt Minerals Limited ("Copperbelt") due to the decision to value Copperbelt at US\$16 per share (2010: \$US\$19 per share) following the expiry of an agreement to sell its Democratic Republic of Congo ("DRC") assets to the China Africa Development Fund ("CAD Fund"). Copperbelt has advised that going forward it is focused on developing its Deziwa project and remains in discussions with CAD Fund and other potential partners.

Profit after tax attributable to members was \$11.6 million and profit per share of 13.2c

During the year the company made new or follow on investments totalling \$29.5 million as follows:

Purchases:

➤ African and Asian Lion funds	\$16.8 million
➤ YTC Resources	\$4.0 million
➤ Doray Minerals	\$2.0 million
➤ Sihayo Gold	\$2.0 million
➤ Mindoro Resources	\$1.3 million
➤ Manas Resources	\$1.0 million
➤ Mithril Resources	\$1.0 million
➤ Other Investments	\$1.4 million
	\$29.5 million

Sales:

➤ Exco Resources	\$11.0 million
➤ Havilah Resources	\$10.0 million
➤ Intrepid Mines	\$1.4 million
➤ Tectonic Resources	\$1.0 million
➤ Other Investments	\$0.3 million
	23.7 million

LSG also received distributions of \$1.7 million, including \$1.4 million from African Lion 3 Limited following the sale of its investment in Canaco Resources and \$0.3 million dividend received from African Lion 2 Limited.

At 31 July 2011 the Company held investments valued at \$49.6 million (31 July 2010: \$30.6 million), and cash of \$35.9 million (31 July 2010: \$43.3 million).

3. Statement of Comprehensive Income for the year ended 31 July 2011

Refer to the attached Financial Statements.

4. Statement of Financial Position as at 31 July 2011

Refer to the attached Financial Statements.

5. Statement of Changes in Equity for the year ended 31 July 2011

Refer to the attached Financial Statements.

6. Statement of Cashflows for the year ended 31 July 2011

Refer to the attached Financial Statements.

7. Dividends

No dividend was declared or paid during the year. There was no dividend declared or paid during the prior year.

8. Dividend/distribution reinvestment plan

LSG does not currently operate a dividend/distribution reinvestment plan.

9. Statement of retained earnings

Refer to the attached Financial Statements.

10. Net tangible assets per ordinary security

Based on the attached Balance Sheet, the net tangible assets (NTA) per security based on the Net Assets of the Company at 31 July 2011 was \$0.98. This NTA is based on the valuation of investments at fair value, as disclosed in the attached accounts, including a number of AIFRS related accounting adjustments. The NTA per security (adjusted for consolidation) for the comparative period was \$0.84.

11. Controlled Entities

The Company did not control any entities during the period.

12. Associates

	Current Period	Previous Corresponding Period
Company	% Held	% Held
AFL Management	45.8	45.8
African Lion Ltd	29.8	29.8
African Lion 2 Ltd	24.9	24.9
African Lion 3 Ltd	23.7	23.7
Asian Lion Ltd	62.8	34.3

LSG holds more than 20% of the above entities, hence it is considered as investment in associates. Equity accounting method is not applicable for the above investments as LSG is a venture capital organisation that accounts for investments at fair value through profit or loss in accordance with AASB128 paragraph 1 and AASB139.

13. Audit

The financial statements have been audited by the auditor PricewaterhouseCoopers and it continues as an auditor of the Company.

For more information please refer to the attached Financial Statements.



Lion Selection Group Limited
2011 Annual Financial Report
ABN: 26 077 729 572

Financial Report for the year ended 31 July 2011



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Lion Selection Group Limited

Directors' Report

The Directors of Lion Selection Group Limited ("LSG" or "the Company") submit their report on the operations of the Company for the end of the financial year ended 31 July 2011.

At the date of this report, LSG had 88,029,353 fully paid ordinary shares on issue.

Directors

The following persons were directors of LSG during the financial year and up to the date of this report:

- Ewen Tyler (Non-Executive Chairman);
- Craig Smyth (Managing Director);
- Howard Walker (Executive Director) – resigned 31 December 2010;
- Peter Maloney (Non-Executive Director) – appointed 14 December 2010;
- Robin Widdup (Director) – appointed 5 January 2011.

Principal Activities

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

Results and Review of Operations

This financial 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 Company's investment portfolio in both the Statement of Comprehensive Income and the Statement of Financial Performance. 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 Company's gain before tax for the year was \$12.2 million (2010 gain: \$21.4 million). This includes realised profit from sale of investments and unrealised gains from mark to market of its investment portfolio as set out in the table below.

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At 31 July 2011 the Company held investments valued at \$49.6 million (31 July 2010: \$30.6 million), and cash of \$35.9 million (31 July 2010: \$43.3 million).

Dividends

No dividend was declared or paid during the year (2010: Nil).

Compliance with Environmental Regulations

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 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 Changes in the State of Affairs

There were no significant changes in the State of Affairs of the Company.

Significant Events after Balance Date

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 Company, the results of those operations, or the state of affairs of the Company in future periods.

Proceedings on Behalf of the Company

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

Likely Developments and Future Results

The Company's future operating results will depend on the results of its investments. The Company's ability to sustain profits is dependent on future sales of investments which in turn are dependent on market opportunities and the performance of the Company's various investments, 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 the applicable principles of good corporate governance. The Company's corporate governance statement is contained in the annual report.

Employees

At 31 July 2011 there was 1 full time equivalent employee of the Company. This compares to 2 full time equivalent employees at 31 July 2010.

Effective 1 January 2011, LSG's Managing Director, Mr Craig Smyth, became an employee of Lion Manager in order to assist Lion Manager in delivering on the expanded scope of the services Lion Manager is providing to LSG. Accordingly, Mr Craig Smyth is no longer employed directly by LSG. As a result of this change the base remuneration previously associated with Mr Smyth's employment has been replaced by a corresponding increase in the management fees to Lion Manager. These changes represent a cost saving to LSG, as Lion Manager will be liable for Mr Smyth's full remuneration package including any incentive arrangements. Mr Smyth has acquired a small shareholding in Lion Manager as part of his new employment arrangements. Mr Smyth has agreed with LSG that he will continue to be Managing Director of LSG with overall responsibility for reporting to the LSG board on matters affecting the day-to-day management of LSG, for no additional remuneration or cost to LSG.

Remuneration Report

All disclosures in this remuneration report have been audited. This remuneration report outlines the director and executive remuneration arrangements of the Company as required by section 308 (3C) of the Corporations Act 2001. For the purposes of this report key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director, and includes the executive in the Company 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 Company. The remuneration policy of the Company with respect to directors and other key management personnel provides for Director's & Officer's (D&O) Insurance cover, but does not provide options, shares, loans or any other non-monetary benefits.

Details of remuneration paid/payable to directors and the other key management personnel of the Company 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 Company – Remuneration for year to 31 July 2011

2011		Short Term Benefits		Termination	Allocation of	Post-	Total
		Salaries/ Fees	Cash Bonus	Benefits	D&O Insurance Premium	Employment Superannuation	
Name	Notes	\$	\$	\$	\$	\$	\$
Directors							
E W J Tyler	(a)	40,000	-	-	7,786	-	47,786
P J Maloney	(b)	20,325	-	-	7,786	1,829	29,940
C K Smyth	(c)	87,500	100,000	-	7,786	12,500	207,786
H G Walker	(d)	9,906	-	100,000	7,786	19,571	137,263
R A Widdup	(e)	-	-	-	7,786	-	7,786
Other Key Management Personnel							
J M Rose		83,660	50,000	-	7,786	11,212	152,658
Total		241,391	150,000	100,000	46,716	45,112	583,219

2010		Short Term Benefits		Termination	Allocation of	Post-	
		Salaries/ Fees	Cash Bonus	Benefits	D&O Insurance Premium	Employment Superannuation	Total
Name	Notes	\$	\$	\$	\$	\$	\$
Directors							
E W J Tyler	(a)	55,499	-	-	11,832	-	67,331
C K Smyth		179,583	-	-	11,832	25,000	216,415
H G Walker		63,889	-	-	11,832	50,000	125,721
Other Key Management Personnel							
J M Rose		126,999	-	-	11,832	8,220	147,051
Total		425,970	-	-	47,328	83,220	556,518

- (a) Excludes consultancy fees totalling \$13,267 (2010: \$13,267) paid to EWJ Tyler & Associates in which EWJ Tyler is a principal, as a retainer for consulting services.
- (b) P J Maloney was appointed on 14 December 2010
- (c) As noted above, C K Smyth ceased being an employee of the Company effective from 1 January 2011, becoming an employee of Lion Manager Pty Limited. Mr Smyth remains as Managing Director, but does not receive any salary or directors fees from the Company.
- (d) H G Walker resigned on 31 December 2010
- (e) R A Widdup was appointed on 5 January 2011. Mr Widdup is Managing Director of Lion Manager Pty Ltd, and does not receive any directors fees from the Company

Key Management Personnel Shareholdings

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

Shareholdings of Key Management Personnel of the Company				
Name	Balance 1 August 2010	Shares Issued as Remuneration	Net Change Other	Closing Balance 31 July 2011
Directors				
E W J Tyler	50,000	-		50,000
P J Maloney	-	-	1,347,489	1,347,489
C K Smyth	110,000	-		110,000
R A Widdup	-	-	17,453,178*	17,453,178*
Other Key Management Personnel				
J M Rose	58,000	-	-	58,000
Total	218,000	-	18,800,667	19,018,667

* Mr Widdup's shareholding reflects his relevant interest in the Company. This includes a number of shareholders who are associated with Mr Widdup due to an oral understanding reached on 13 May 2010 relation to their shares.

Information on Directors

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

Ewen Tyler, aged 83, 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.

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

Craig Smyth, aged 39, graduated 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. Craig's financial background includes Coopers and 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 as the Financial Controller in March 2005 and was appointed Company Secretary in August 2007. From 1 January 2011, Craig has been employed by Lion Manager Pty Limited, but continues in his role as Managing Director of the Company.

Peter Maloney BComm, MBA (Roch)

Peter Maloney has broad commercial, finance and management expertise and experience. He was previously Chief Financial Officer of Lion Selection Limited to December 2009, and an executive of Lion Manager Pty Ltd. 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 managed varied debt and equity financings, mergers, takeovers, acquisitions, divestments, joint venture negotiations, commodity sale agreements, commodity and currency hedging programs, gold and nickel sales, and has been involved in a number of IPOs. As an executive, he has led major corporate and management restructures.

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 became a non-executive director of LSG in December 2010.

Robin Widdup BSc (Hons), MAusIMM (Director)

Robin Widdup 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 and worked in both the copper and silver-lead-zinc mine areas.

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 Lion Manager. Robin is Managing Director of Lion Manager Pty Ltd.

Other Key Management Personnel**Jane Rose (Investor Relations Manager & Company Secretary)**

Jane Rose commenced work in 1983 as a legal administrative assistant. During the following 12 years, Jane held senior administrative positions with Phillips Fox and Corrs Chambers Westgarth in Melbourne and Nabarro Nathanson in London.

On returning to Australia, Jane worked as Executive Assistant to the Managing Director of Acacia Resources Limited and AngloGold Ashanti Limited where she was also responsible for the management of various corporate initiatives, including marketing and co-ordination of investor relations activities. From 2002 to 2006, Jane worked for several LSG investees, including MPI Mines Ltd, Leviathan Resources and Indophil Resources. Jane worked with LSG in early 2007 to assist with the merger, and she subsequently joined the company in July 2007 as Corporate Relations Manager.

In November 2008 Jane was appointed Investor Relations Manager and Company Secretary.

Directors' Meetings

During the year and up until the date of this report, the Company held six directors' meetings. The names of the directors are set out above.

The table below reflects attendances of the directors at meetings of LSG's Board.

<i>Board of Directors</i>		
	<i>Attended</i>	<i>Max. possible attended</i>
E W J Tyler	6	6
P J Maloney	2	2
C K Smyth	6	6
R A Widdup	2	2
H G Walker	4	4

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 Company or a related body corporate, by reason of a contract made by the Company or 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.

Indemnification of Directors, Officers and Auditors

An indemnity agreement has been entered into between LSG and each of the Company's directors named earlier in this report and with the Company Secretary. Under the agreement, the Company 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 \$46,716 in respect of a contract insuring each of the directors, previous directors of the Company, 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.

Auditor Independence

We have obtained an independence declaration from our auditors, PricewaterhouseCoopers, as required under section 307 of the Corporations Act 2001. A copy can be found on page 7 of this financial report.

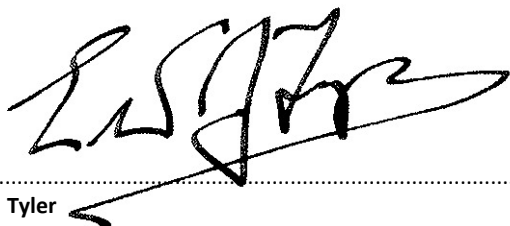
Non-Audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2011. 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.


Rounding of Amounts

The Company is of a kind specified in Australian Securities and Investments Commission Class Order 98/100. In accordance with that class order, amounts in the financial report and the Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

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



.....
E W J Tyler
Chairman
Melbourne
29 September 2011



.....
C K Smyth
Managing Director



Auditor's Independent Declaration

As lead auditor for the audit of Lion Selection Group Limited for the year ended 31 July 2011, 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 during the year.

A handwritten signature in blue ink, appearing to read "Chris Dodd", written over a light blue circular stamp.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
29 September 2011

Lion Selection Group Limited

Statement of Comprehensive Income for the Year ended 31 July 2011

	Notes	2011 \$'000	2010 \$'000
Gain /(loss) attributable to movement in fair value	4	14,612	16,299
Dividend Income		250	3,634
Interest Income	4	1,524	661
Debt forgiveness	4	-	5,949
Foreign Exchange Gain/(Loss)	4	(2,950)	411
Management fees		(273)	(1,404)
Employee benefits		(529)	(727)
Other expenses	4	(403)	(3,396)
Profit/(loss) before income tax		12,231	21,427
Income tax (expense)/benefit	5	(604)	1,249
Net profit/(loss) after tax		11,627	22,676
Other Comprehensive Income		-	-
Other Comprehensive Income (net of tax)		-	-
Total Comprehensive Income for the year		11,627	22,676
Attributable to:			
Non-controlling interest		-	-
Members		11,627	22,676
		Cents per share	Cents per share
Basic earnings per share		13.2	25.8
Diluted earnings per share		13.2	25.8

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

Lion Selection Group Limited

Statement of Financial Position

as at 31 July 2011

	Notes	2011 \$'000	2010 \$'000
Current Assets			
Cash and cash equivalents	12	35,919	43,327
Trade and other Receivables	6	544	72
<i>Total Current Assets</i>		<i>36,463</i>	<i>43,399</i>
Non-Current Assets			
Financial Assets	7	49,633	30,603
Deferred tax assets	5	-	748
<i>Total Non-Current Assets</i>		<i>49,633</i>	<i>31,351</i>
<i>Total Assets</i>		<i>86,096</i>	<i>74,750</i>
Current Liabilities			
Trade and Other Payables	8	61	185
Provisions	9	-	13
<i>Total Current Liabilities</i>		<i>61</i>	<i>198</i>
Non-Current Liabilities			
Deferred tax liabilities	5	-	144
<i>Total Non Current Liabilities</i>		<i>-</i>	<i>144</i>
<i>Total Liabilities</i>		<i>61</i>	<i>342</i>
Net Assets		<i>86,035</i>	<i>74,408</i>
Equity			
Contributed equity	11	100,109	100,109
Retained profits/(accumulated losses)	10	(14,074)	(25,701)
Total Equity		<i>86,035</i>	<i>74,408</i>

The above statement of financial position should be read in conjunction with the accompanying notes.

Lion Selection Group Limited

Statement of Cash Flows for the Year ended 31 July 2011

	2011 \$'000	2010 \$'000
Cash flows from operating activities		
Dividends Received	249	3,634
Interest received	1,066	596
Payments to suppliers and employees (including GST)	(1,354)	(5,131)
<i>Net operating cash flows</i>	<i>(39)</i>	<i>(901)</i>
Cash flows from investing activities		
Payments for investments	(29,499)	(3,958)
Capital returns from investments	1,412	-
Proceeds from investment sales	23,668	31,789
<i>Net investing cash flows</i>	<i>(4,419)</i>	<i>27,831</i>
Cash flows from financing activities		
Receipt from related parties	-	6,976
Payments for related parties	-	(615)
Exchange rate variations on foreign cash balances	(2,950)	411
<i>Net financing cash flows</i>	<i>(2,950)</i>	<i>6,772</i>
Net increase/(decrease) in cash and cash equivalents held	<i>(7,408)</i>	<i>33,702</i>
Cash and cash equivalents at beginning of financial period	43,327	9,625
Cash and cash equivalents at end of financial period	35,919	43,327

The above statements of cash flows should be read in conjunction with the accompanying notes.

Lion Selection Group Limited
Statement of Changes in Equity
for the Year ended 31 July 2011

	Issued Capital \$'000	Retained Profits / (Accumulated Losses) \$'000	Total \$'000
Balance at 1 August 2010	100,109	(25,701)	74,408
Total comprehensive income	-	11,627	11,627
Transactions with owners in their capacity as owners			
Balance at 31 July 2011	100,109	(14,074)	86,035

	Issued Capital \$'000	Retained Profits / (Accumulated Losses) \$'000	Total \$'000
Balance at 1 August 2009	100,109	(48,377)	51,732
Total comprehensive income	-	22,676	22,676
Transactions with owners in their capacity as owners			
Balance at 31 July 2010	100,109	(25,701)	74,408

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

Lion Selection Group Limited

Notes to the Financial Statements for the Year ended 31 July 2011

NOTE 1. CORPORATE INFORMATION

The financial report of Lion Selection Group Limited (LSG) for the year ended 31 July 2011 was authorised for issue in accordance with a resolution of the directors on 29 September 2011. 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 Company are described in the Directors' Report.

NOTE 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. Comparative information is reclassified where appropriate to enhance comparability.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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

LSG has elected not to early adopt any standards.

(b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ending 31 July 2011 as follows.

(i) **AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB9 (December 2010) (effective from 1 January 2013)**

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and may affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is yet to assess its full impact. However, initial indications are that assets currently held as fair value through profit and loss will continue to be carried at fair value with all fair value gains/losses being recognised in profit and loss. The company has not yet decided when to adopt AASB 9.

(ii) **Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)**

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 July 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the amended standard from 1 August 2011. The two standards will have no impact on the financial statements of the Company.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iii) AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2011/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Company will apply the amendments from 1 August 2011. Management continue to assess the impact of AASB 2010-3 and AASB 2010-4 and does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iv) AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Company's disclosures.

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) 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.

(ii) Fair value of investments and other financial assets

The fair value of investments and other financial assets that are not traded in an active market is determined using the Company's judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that sufficient future taxable amounts will be available to utilise those temporary differences and losses. This involves judgement regarding the future financial performance and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

(d) 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) 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.

(ii) Dividends

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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.

(f) 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 Company will not be able to collect the debts. Bad debts are written off when identified.

(g) Foreign currency translation

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

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(h) 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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 Company 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 at reporting date. Unlisted investments are valued based on either the market value of underlying investments or the last sale price. Where there is no recent sales price, market value for unlisted investments is determined using a discounted cash flow analysis. The price assumptions and discount rate included in this analysis are based on market data as well as other relevant data. 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 Company 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 Company 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 Company 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 Company prior to the end of the financial year that are unpaid and arise when the Company 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) **Provision**

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 long service leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service long 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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

Operating segments are reported in a manner consistent with the internal reporting. All investments have similar characteristics. The company invests only in small and medium mining and exploration companies with gold and base metal activities in Australia, Africa and South East Asia. As a result there is only one reportable segment.

(u) Business combinations

All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement.

Acquisition-related costs are expensed as incurred.

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 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.

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 Company.

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:

	2011 \$'000	2010 \$'000
Financial assets		
Cash	7,637	25,027
Bank bills and deposits receivable – six months or less	28,282	18,300
Investment in securities	49,633	30,603
Financial liabilities		
Trade and other creditors	61	185

(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 USD denominated bank account of US\$7.2M and obligations to African Lion 3 and Asian Lion of US\$11.6M and US\$0.7M respectively (see note 16(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 has available and the amount it is obligated to invest in African Lion 3 and Asian Lion. To mitigate the Company's exposure to foreign exchange risk, non-Australian dollar cash flows are closely monitored.

NOTE 3 FINANCIAL RISK MANAGEMENT (CONT'D)

Based on the financial instruments held at end of the period, had the Australian dollar strengthened/weakened by 10% against the U.S. dollar with all other variables held constant, the Company's post-tax profit and equity for the year would have been \$456,931 lower/higher (2010: \$1,449,407 lower/higher), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

The Company's post-tax profit is less sensitive to movements in the Australian dollar/US dollar exchange rate in the current year due to an decrease in US dollar cash holdings.

(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 Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company. The majority of the Company's equity investments are publicly traded. LSG does not hedge its equities 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.

The main risks arising from the Company'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.

(iii) 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 Company. No decision has been made regarding the timing of this realisation.

	<i>Floating Interest Rate \$'000</i>	<i>Fixed Interest Rate \$'000</i>	<i>Non Interest Bearing \$'000</i>	<i>Total \$'000</i>	<i>Average Interest Rate</i>	
					<i>Floating %</i>	<i>Fixed %</i>
2010						
Financial Assets:						
Cash – AUD	207	-	-	207	1.11	-
Cash – USD	24,820	-	-	24,820	0.14	-
Bank bills and deposits receivable – one month or less	18,300	-	-	18,300	3.85	-
Other receivables	-	-	69	69	-	-
Investment in securities	-	-	30,603	30,603	-	-
Financial Liabilities:						
Trade and other creditors	-	-	185	185		
2011						
Financial Assets:						
Cash – AUD	1,109	-	-	1,109	2.50	-
Cash – USD	6,528	-	-	6,528	0.15	-
Bank bills and deposits receivable – six months or less	28,282	-	-	28,282	5.88	-
Other receivables			527	527	-	-
Investment in securities			49,633	49,633	-	-
Financial Liabilities:						
Trade and other creditors			61	61	-	

NOTE 3 FINANCIAL RISK MANAGEMENT (CONT'D)

(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. The maximum exposure to credit risk approximates the carrying values as disclosed above.

(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 measurements

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 Company 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) 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. Where there is no recent sales price, market value for unlisted investments is determined using a discounted cash flow analysis.

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

LSG has adopted the amendment to *AASB 7 Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted priced (unadjusted) in active markets for identical assets of liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Company's assets and liabilities measured and recognised at fair value at 31 July 2011.

At 31 July 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Investments	16,136	28,234	5,263	49,633
Total Assets	16,136	28,234	5,263	49,633
At 31 July 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Investments	15,574	4,486	10,543	30,603
Total Assets	15,574	4,486	10,543	30,603

NOTE 3 FINANCIAL RISK MANAGEMENT (CONT'D)

The following table presents the changes in level 3 instruments for the year ended 31 July 2011.

Investments – Level 3	2011 \$'000	2010 \$'000
Opening Balance (1 August 2010)	10,543	8,715
Transfers into Level 3	-	-
Transfer out of Level 3	(2,830)	-
Other increases	-	-
Gains recognised in other comprehensive income	-	-
Gains recognised in profit or loss	(2,450)	1,828
Closing balance	5,263	10,543

	2011 \$'000	2010 \$'000
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	10,063	18,044
Mark to Market adjustment for period – investments held at end of period	4,549	(1,745)
Gain/(loss) attributable to movement in fair value of investments as recorded in the income statement	14,612	16,299
Results of Investments Realised During Period		
Proceeds from sale of shares	23,668	31,789
Historical Cost of investments sales	(12,550)	(12,445)
<i>Gross profit on investments realised</i>	<i>11,118</i>	<i>19,344</i>
Represented by:		
Mark to Market recognised in prior periods (including on acquisition)	1,055	1,300
Mark to Market recognised in current period	10,063	18,044
	<i>11,118</i>	<i>19,344</i>
Debt forgiveness	-	5,949

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/gain.

NOTE 4 INCOME AND EXPENSES (CONT'D)

The profit/loss is after charging the following other expenses	2011 \$'000	2010 \$'000
Investor Relations	71	272
D & O Insurance	47	240
Legal Expenses	41	16
Corporate transaction costs	-	1,310
Other corporate overheads	244	1,558
Total other expenses	403	3,396

NOTE 5 INCOME TAX EXPENSE**Income Statement**

Current Income Tax		
Current Income Tax Charge	-	(1,111)
Adjustments in respect of current income tax of previous years	-	-
Deferred Income Tax		
Relating to origination and reversal of temporary differences	604	(138)
Income Tax Expense/ (benefit) reported in the Income Statement	604	(1,249)

Reconciliation of Income tax expense

Profit/(loss) before income tax	12,231	21,427
Prima facie tax thereon at 30%	3,670	6,428
Tax effect of permanent and other differences		
Non-deductible expenses	888	272
Non assessable dividend income	(213)	(1,091)
Non assessable debt forgiveness gain	-	(1,784)
Non assessable increase fair value of investments	(4,384)	(4,809)
Deductible business related capital expenditure under Section 40-880	(286)	(265)
Amount underprovided/(overprovided) in prior years	-	-
Tax Benefit not recognised for accounting purposes	325	-
Total income tax (benefit)/expense	-	(1,249)

Deferred Income Tax**Movements - Deferred tax liabilities**

Opening deferred tax liabilities	144	1
Charged/ (credited) to the income statement	-	143
Set off of declared tax liabilities	(144)	-
Closing Deferred tax liabilities	-	144
Deferred tax liability – expected to be recovered within 12 months	-	144
Deferred tax liability – expected to be recovered beyond 12 months	-	-
Deferred tax liability	-	144

	2011 \$'000	2010 \$'000	
NOTE 5 INCOME TAX EXPENSE (CONT'D)			
Deferred tax liabilities at 31 July relates to the following:			
Unrealised foreign exchange gains	123	123	
Accrued Interest/ Other temporary differences	21	21	
Total deferred tax liabilities	144	144	
Set-off of deferred tax liabilities	(144)	-	
Net deferred tax liabilities	-	144	
Movements - Deferred tax assets			
Opening deferred tax assets	748	150	
Set-off of deferred tax liabilities	(144)	-	
(Charged)/ credited to the income statement	(604)	281	
Recognition of current year losses	-	317	
Closing deferred tax assets	-	748	
Deferred tax asset – expected to be recovered within 12 months			
	-	748	
Deferred tax asset – expected to be recovered beyond 12 months	-	-	
Deferred tax asset	-	748	
Deferred tax assets at 31 July relates to the following:			
Tax losses available	583	583	
Accrued Expenses/Other temporary differences	165	165	
Total deferred tax assets	748	748	
Set off of deferred tax liabilities	(144)	-	
Reversal of the net deferred tax assets previously recognised	(604)	-	
Net deferred tax assets	-	748	
Unrecognised temporary differences			
Unrecognised temporary differences at 31 July relates to the following:			
Tax losses available – revenue account	Note (a)	2,141	-
Tax losses available – capital account	Note (b)	25,446	-
Temporary Difference – unrealised investments	Note (c)	40,839	79,746
Accrued Expenses/Other temporary differences		3,540	1,947
Unrecognised temporary differences at 31 July		71,966	81,693
Potential Tax Benefit @ 30%		20,590	24,508

Note (a) – Revenue tax losses available

It comprises (1) tax losses of \$1,059,000 carried forward from prior years; and (2) tax losses of \$1,082,000 incurred in current year.

Note (b) – Capital tax losses available

It comprises (1) capital tax losses of \$884,000 carried forward from prior years; and (2) capital tax losses of \$24,562,000 incurred upon sales of investments during the current year.

Note (c) – Temporary difference – unrealised investments

Temporary difference – unrealised investments arises from the difference between the fair value and taxable value of the investments. The decrease compared with last year is mainly contributed by the realisation of capital tax losses through the disposal of investments (see Note (b) above) and the increase in the fair value of investments during the current year.

NOTE 6	RECEIVABLES (CURRENT)	2011 \$'000	2010 \$'000
	Accrued interest	527	72
	Sundry Debtors	17	-
	Total current receivables, net	544	72

NOTE 7	FINANCIAL ASSETS	2011 \$'000	2010 \$'000
	Listed investments (at fair value)	16,636	15,607
	Unlisted investments (at fair value)	32,997	14,996
	Total non-current financial assets	49,633	30,603

Listed shares are readily saleable with no fixed terms

During the year LSG increased its ownership and economic interest in Asian Lion Ltd ("Asian Lion") to 62.8%. The directors have determined that LSG has not gained control of Asian Lion as the Asian Lion Subscription and Shareholders Agreement ("SSA") restricts the ability of LSG to influence and direct the financial and operating decisions of Asian Lion. The SSA restricts LSG's voting power such that it is not commensurate with its ownership interest and it is unable to control the appointment or removal of directors or of members of the investment committee to which investment decisions have been delegated.

LSG continues to carry its investment in Asian Lion as a financial asset at fair value through profit and loss.

NOTE 8	PAYABLES (CURRENT)	2011 \$'000	2010 \$'000
	Sundry creditors and accruals	61	185
	Total current payables	61	185

NOTE 9	PROVISIONS (CURRENT)	2011 \$'000	2010 \$'000
	Employee benefits	-	13
	Total current provisions	-	13

NOTE 10	RETAINED PROFITS & RESERVES	2011 \$'000	2010 \$'000
	Movements in retained earnings were as follows:		
	Retained profits/(losses) at the beginning of the financial year	(25,701)	(48,377)
	Net profit for period	11,627	22,676
	Retained profits/(losses) of the end of the financial year	(14,074)	(25,701)

NOTE 11	CONTRIBUTED EQUITY	2011 \$'000	2010 \$'000
	Issued and paid up capital (fully paid)		
	Opening Balance	100,109	100,109
	Issued and paid up capital (fully paid)	100,109	100,109

Share Capital	2011 Shares	2010 Shares
Issued and paid up capital (fully paid)		
Opening Balance	88,029,353	100,108,905
Share Consolidation	-	(12,079,552)
Issued and paid up capital (fully paid)	88,029,353	88,029,353

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 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:

	2011	2010
	\$'000	\$'000
Cash on hand	7,637	25,027
Bank bills and deposits	28,282	18,300
<i>Closing cash balance</i>	35,919	43,327

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

Net profit/(loss) after income tax	11,627	22,676
<i>Adjustments for non cash income and expense items</i>		
Movement in fair value of investments (increase)/decrease in assets	(14,612)	(16,299)
Debt forgiveness income	-	(5,949)
Other non-cash income / expense	2,951	(380)
Expenses paid through intercompany loan	-	(380)
(Increase)/decrease in assets:		
▪ Deferred income tax asset	748	-
▪ Other receivables	(472)	(68)
(Decrease)/increase in liabilities:		
▪ Deferred income tax liability	(144)	-
▪ Payables	(137)	(498)
▪ Employee entitlements	-	(3)
<i>Net cash flow from operating activities</i>	(39)	(901)

(c) Non-cash investing and financing activities

During 2010 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.

	2011	2010
	\$'000	\$'000
Debt forgiveness	-	5,949

NOTE 13 CONTINGENT LIABILITIES

LSG does not have any contingent liabilities as at 31 July 2011.

NOTE 14 EARNINGS PER SHARE

	2011	2010
	\$'000	\$'000
(a) Earnings used in calculating earnings per share – basic and diluted	11,627	22,676
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	88,029,353	88,029,353
Weighted average number of ordinary shares for diluted earnings per share	88,029,353	88,029,353

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 there are no options on issue

NOTE 15 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 Company 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\$11.6M remains undrawn at 31 July 2011. LSG also previously entered into an agreement to commit US\$14.6 million in Asian Lion Limited of which US\$0.7M remains undrawn at 31 July 2011.

NOTE 16 REMUNERATION OF AUDITORS

	2011	2010
	\$	\$
(a) Audit Services		
Audit and review of financial reports	75,000	75,000
Total remuneration for audit services	75,000	75,000
(b) Non-audit services		
Tax compliance services	-	-
Tax advice – Restructuring	-	-
Tax advice – Corporate Matters	-	248,305
Total remuneration non-audit services	-	248,305

NOTE 17 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)
 Craig Smyth (Managing Director)
 Peter Maloney (Non-Executive Director) – Appointed 14 December 2010
 Howard Walker (Executive Director) – Resigned 31 December 2010
 Robin Widdup (Director) – Appointed 5 January 2011

(b) Lion Manager Pty Ltd Contract

During the year ended 31 July 2011, LSG entered into a Management Agreement with Lion Manager Pty Ltd (Lion Manager), under which Lion Manager provides the company with management and investment services. Under the Management Agreement, the arrangements with Lion Manager are on an agreed cost recovery basis, being \$360,000 per annum + GST. LSG's expenses are not anticipated to rise as a consequence of these new arrangements, and there is no termination fee or incentive applicable to these arrangements.

LSG agreed that it is appropriate for its existing Managing Director, Mr Craig Smyth, to transfer employment to Lion Manager in order to assist Lion Manager in delivering on the expanded scope of the services Lion Manager is providing to LSG. Mr Smyth has agreed with LSG that he will continue to be Managing Director of LSG with overall responsibility for reporting to the LSG board on matters affecting the day-to-day management of LSG, for no additional remuneration or cost to LSG.

(c) Director Related Entity and Other Related Party Transactions**2011****2010****\$'000****\$'000**

Debt forgiveness

-

5,949

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.

(d) Key Management Personnel Remuneration**2011****2010****\$****\$**

Short term employee benefits

391,391

466,601

Termination benefits

100,000

-

D&O Insurance

46,716

47,328

Post-employment benefits

45,112

83,178

583,219**597,107****NOTE 18 MATERIAL INVESTMENTS****Carrying Amount****Entity Ownership**

The Company had the following material investments at year end:

2011**2010****\$'000****\$'000****2011****2010****%****%**

African Lion 2 Ltd

2,832

2,950

25

25

African Lion 3 Ltd

6,739

3,393

22

24

Asian Lion Ltd

18,892

4,227

63

43

Copperbelt Minerals NL

2,894

4,200

2

2

Doray Minerals Ltd

3,062

-

3

-

Exco Resources NL

-

7,151

-

8

Havilah Resources NL

-

5,346

-

19

Mindoro Resources Ltd

2,477

1,970

7

5

Sihayo Gold Ltd

1,625

-

2

-

YTC Resources Ltd

6,661

-

4

-

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

NOTE 19 **SEGMENT INFORMATION**

Management has determined that the Company has only one operating segment based on reporting reviewed by the board to make strategic decisions. The Company provides patient equity capital to carefully selected small and medium mining enterprises. LSG invests only in mining and exploration companies and projects with gold and base metal activities in Australia, Africa and South East Asia. Information with respect to Geographical Segments is set out below.

2011	Australia \$'000	Africa \$'000	Asia \$'000	Unallocated \$'000	Total \$'000
Segment Revenue	-	250	-	1,524	1,774
Mark to Market adjustment	12,576	(812)	2,848	-	14,612
Segment Income	12,576	(562)	2,848	1,524	16,386
Segment Expense	-	-	-	(4,155)	(4,155)
Segment Result Before Tax	12,576	(562)	2,848	(2,631)	12,231
Segment Assets	11,060	13,242	25,332	36,462	86,096
Segment Liabilities	-	-	-	61	61
Other Segment Information					
Assets Acquired	7,512	4,709	17,278	-	29,499
Cash Flow Information					
Net Cash inflow from operating activities	-	249	-	(288)	(39)
Net Cash inflow from investing activities	14,639	(3,297)	(15,761)	-	(4,419)
Net Cash inflow from financing activities	-	-	-	(2,950)	(2,950)
2010	Australia \$'000	Africa \$'000	Asia \$'000	Unallocated \$'000	Total \$'000
Segment Revenue	-	3,634	-	7,021	10,655
Mark to Market adjustment	(2,230)	(1,233)	19,762	-	16,299
Segment Income	(2,230)	2,401	19,762	7,021	26,954
Segment Expense	-	-	-	(5,527)	(5,527)
Segment Result Before Tax	(2,230)	2,401	19,762	1,494	21,427
Segment Assets	13,604	10,769	6,231	44,146	74,750
Segment Liabilities	-	-	-	342	342
Other Segment Information					
Assets Acquired	126	1,348	2,484	-	3,958
Cash Flow Information					
Net Cash inflow from operating activities	-	3,634	-	(4,535)	(901)
Net Cash inflow from investing activities	116	(1,348)	29,063	-	27,831
Net Cash inflow from financing activities	-	-	-	6,772	6,772

NOTE 20 **EVENTS OCCURRING AFTER THE REPORTING PERIOD**

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 Company, the results of those operations, or the state of affairs of the Company in future periods.

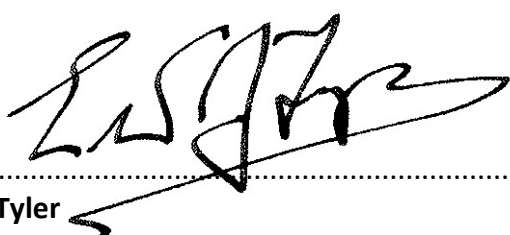
LION SELECTION GROUP LIMITED

Directors' Declaration

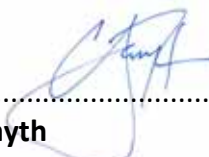
In accordance with a resolution of the directors of Lion Selection Group Limited, we declare that:

1. In the opinion of the directors:
 - (a) the financial statements, notes set out on pages 8 to 27 are in accordance with the Corporations Act 2001 and other mandatory reporting requirements, including:
 - (i) complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company's position as at 31 July 2011 and its performance for the year ended on that date; and
 - (b) there are reasonable grounds to believe that the Company 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 year ended 31 July 2011.

On behalf of the Board



E W J Tyler
Chairman



C K Smyth
Managing Director

Melbourne
Date: 29 September 2011



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

Report of the financial report

We have audited the accompanying financial report of Lion Selection Group Limited ("the company"), which comprises the statement of financial position as at 31 July 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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.

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

PricewaterhouseCoopers, ABN 52 780 433 757
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Independent auditor's report to the members of Lion Selection Group Limited (Continued)

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 financial position as at 31 July 2011 and of its 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 company's financial report 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 2011. 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

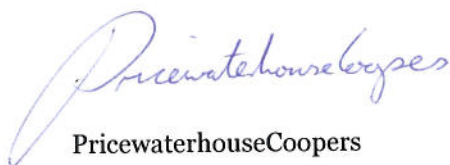
In our opinion, the remuneration report of Lion Selection Group Limited for the year ended 31 July 2011, complies with section 300A of the *Corporations Act 2001*.



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

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Lion Selection Group Limited for the year ended 31 July 2011 included on the Lion Selection Group Limited's web site. The company's directors are responsible for the integrity of Lion Selection Group Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

A stylized, handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A stylized, handwritten signature in blue ink that reads 'Chris Dodd'.

Chris Dodd
Partner

Melbourne
29 September 2011