

Lion Selection Group



2011
ANNUAL
REPORT

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Lion Selection Group Limited

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Chairman's Letter to Shareholders

Dear Shareholder

We are pleased to provide you with the annual report for the year ended 31 July 2011.

The year has seen Lion evolve with the successful sale of long term investments in Havilah Resources and Exco Resources allowing the company to recommence Australian investment.

Testament to the quality people and projects that Lion backs, this year a high proportion of Lion and fund investees have had a remarkable run of exploration success and achieved project milestones, although this hasn't always been reflected by the market. I remain confident that markets will recognise this in the fullness of time, but for now Lion remains a happy and long term investor in most investees, and will look for further opportunities where good people and projects go unrecognised.

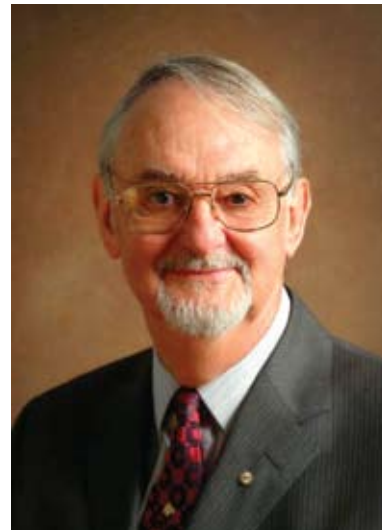
The current volatility in world equity markets and general market uncertainty mean that Lion is seeing multiple investment opportunities at realistic values, particularly in the pre-IPO space. The causes of this uncertainty are unlikely to be resolved in the short term and there is the distinct possibility that this phase will extend to provide even better value over the next 18 to 24 months. This prevalence of pre-IPO opportunities is reminiscent of the deal flow we saw early in Lion's corporate history with Lion investing in Indophil, Catalpa, East African Gold Mines, Mining Project Investments and Platmin in the unlisted space, some of our best performing investments in the years to follow. Lion's investment in One Asia (through the Asian Lion Fund) looks to be of similar ilk, and with more deal flow on the way, Lion is considering the best way to evolve further to leverage its visibility of these opportunities.

The increasing willingness of governments to change the playing field for mining projects is a worrying trend, undermining confidence for investors to make material long term investments in mining assets. Investors naturally shy away from both uncertainty and punitive regimes, and Lion's level of investment in Australia is currently below our portfolio norms, reflecting in part the uncertainty surrounding the Mining Tax and the proposed 2012 Carbon Tax. Labour scarcity, infrastructure shortages and power cost increases are exacerbating this investor malaise, surely driving investment offshore effectively forcing our trading partners to look elsewhere for the products Australia is unwilling or unable to provide.

I would like to take this opportunity to thank two long term Lion team members, Howard Walker and Chris Melloy. Chris has recently stepped back from executive duties within Lion Manager where he has been a key part of the team since 1997, but will remain involved as a non-executive director. Howard retired from Lion at the end of 2010, having been influential in Lion's corporate restructuring, successful listing and realisation of key legacy assets that now leave Lion in its current strong cash position. I have pleasure in welcoming Peter Maloney and Robin Widdup to the Lion Board. I would also like to thank management and staff for their efforts during the year.



Ewen W J Tyler, AM
Chairman



Lion Manager's Report

Outlook

Despite gloomy world equity markets, we remain cautiously optimistic. This is why:

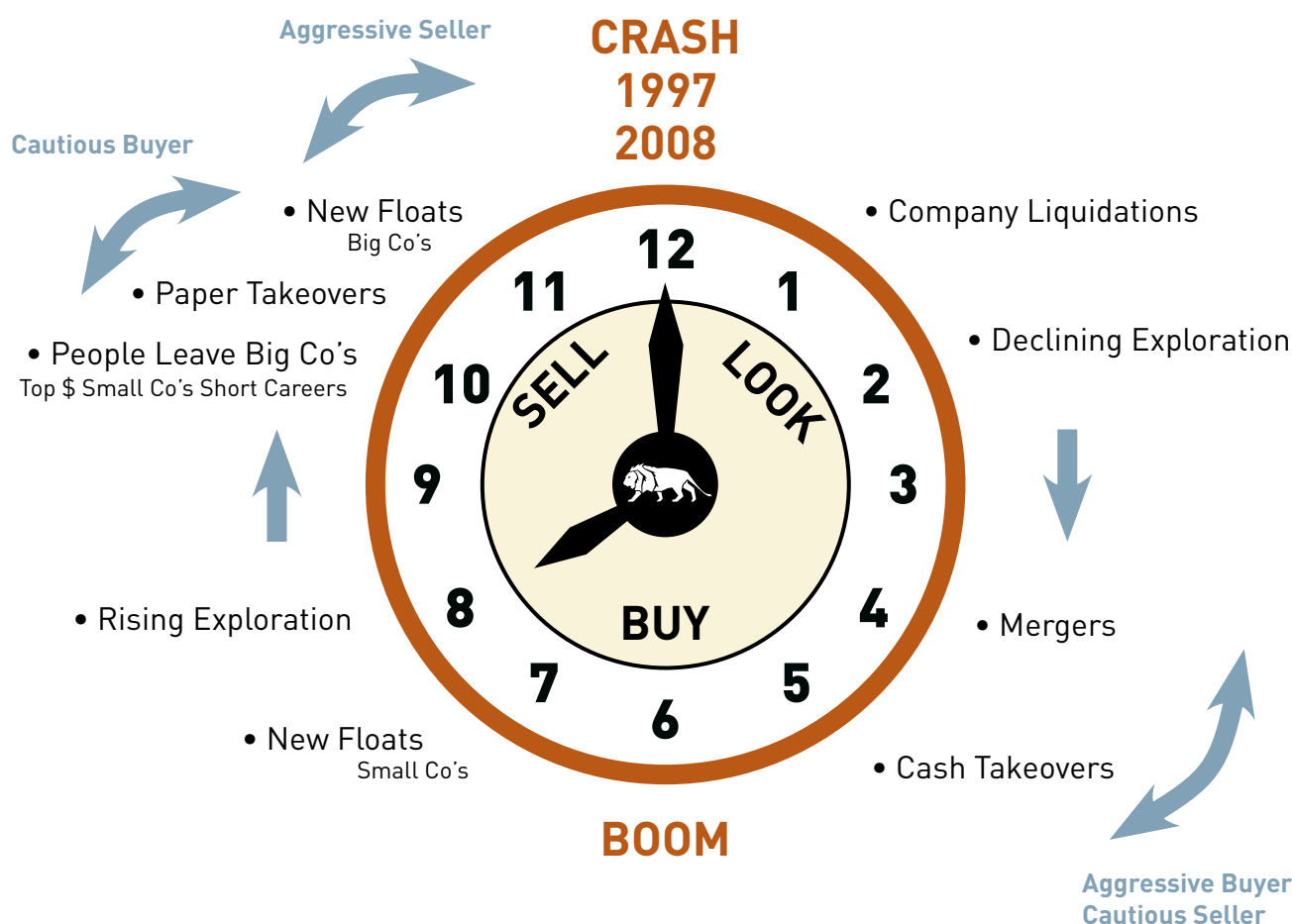
- 2011 has been a tough year for equity markets and commodities, with both down around 20%. While this is bad, it is not the same magnitude as the 2008 end of cycle crash where both halved. In 2008, the GFC was caused by banks and 'toxic' housing debts and in

2011 there is again a threat to the world financial system with some European governments possibly defaulting on gigantic debts. No simple solution is obvious and talk keeps returning to quantitative easing – printing more money – which will be good for gold.

- China and India, the two most populous countries in the world, are going through industrial revolution, urbanisation and rapidly building infrastructure – which are expected to give

a decade or decades of boom conditions for metals and energy. 'China Inc', seeking long term supply, certainty has continued to buy Australian and international mines throughout the 2011 downturn, underlying a positive outlook.

With so much volatility, it is hard to confidently see the time on the Lion clock. We believe it is 8 o'clock and conditions are set up for a positive 2012 with the critical assumption that government debt gets refinanced.



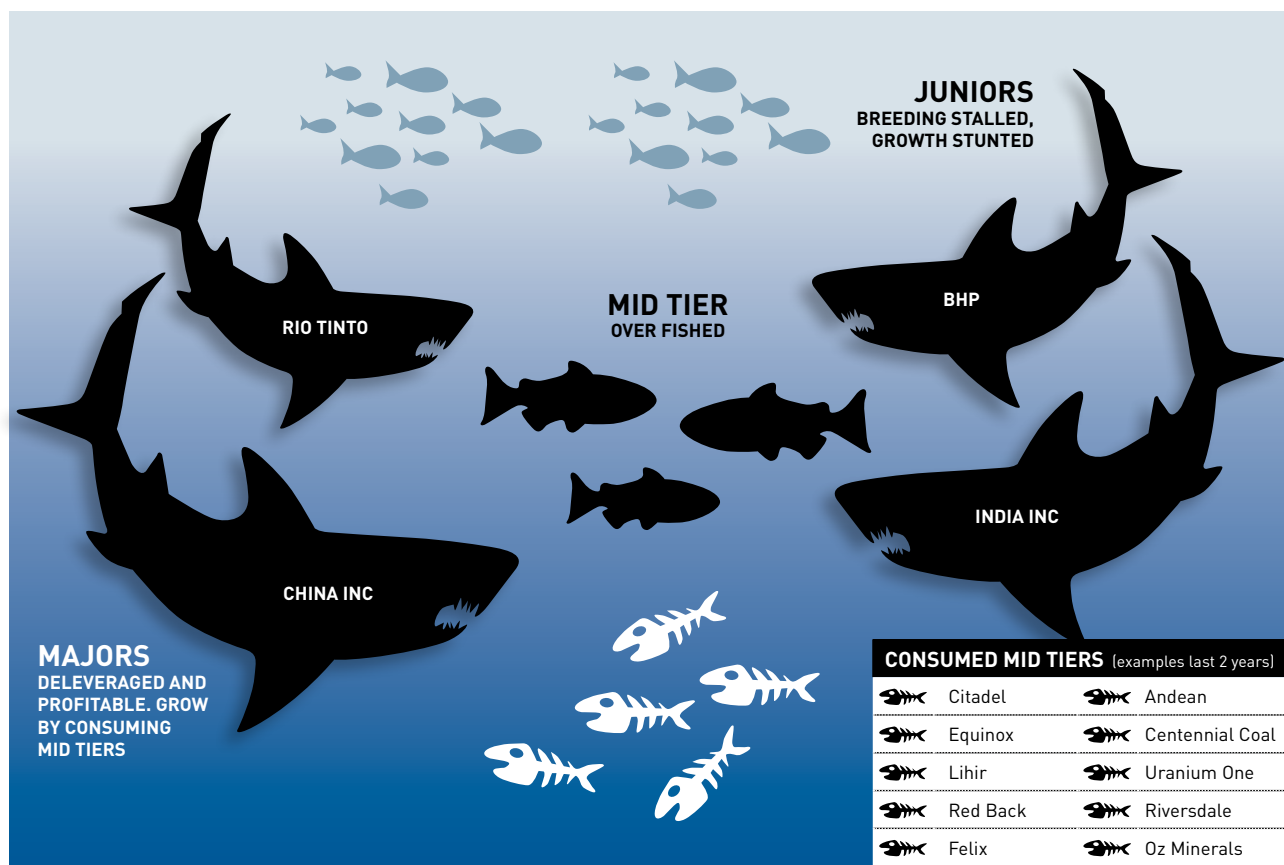
The Sector

The investment team for some years now has seen around 1,000 opportunities annually. This involves regular office meetings, field visits and travel to international mining finance centres. A system is in place to filter the best opportunities, prioritise and then conduct detailed diligence, valuation and risk assessment.

Some observations from this work are:

- Australia remains a centre of exploration excellence and the area of activity has shifted from a partly Australian focus in 1997 when Lion started to dominantly global in 2011. Australian explorers are everywhere, giving Australian investors diverse opportunities, not forgetting country risk assessment.
- International investors are concerned about the strong A\$ and fear uncertainty on minerals policy and tax in Australia.
- Australian based costs are typically 3 to 5 times more expensive per unit of activity or person than Chinese or South East Asian costs. Chinese ball mills, Filipino geologists, Chinese steel etc will displace Australian units.
- Chinese mining companies are far more likely to be in dialogue with junior miners than are traditional western mining majors who seem more focused on each other.
- The world is changing.

Resource sector food chain



Lion Manager's Report

Manager's interest in Lion

The Manager has increased its shareholding in Lion over the last year from 10% to 20%, buying in windows and when large blocks became available. A succession planning process has been underway within the Manager over the last two years. Four new owners have been introduced; Craig Smyth, Tim Markwell, Hedley Widdup and Damon Rhodes, and this group has progressively taken up more senior roles in the decision making process. Chris Melloy retired from day to day employment but remains a director and owner of the Manager.

Out of the 'old boys', Robin Widdup and Mike Brook have no plans to step down or slow down – effectively increasing the Manager's owner team from 4 to 6.

Lion Model

Over the year to July 2011, Lion's NTA increased from 84cps to 98cps and contains a healthy \$36m cash. The model is unchanged – investment in emerging miners early in the cycle, selling at the top and returning profits to shareholders as dividends.

Attribution Statement

Lion Selection Group Limited is a mining investment company and relies on the Resource and ore Reserve statements compiled by the companies in which it invests. Any resource estimates and drilling intersections within this Annual Report were sourced from relevant investee company reports and announcements. Unless otherwise stated all Resource and Reserve reporting complies with the standards outlined in the JORC Code. Resources quoted in this report equal 100% of the Resource (ignoring any minority joint venture partner share) and do not represent Lion's equity share.

Lion Selection Group Investment Summary

AS AT 31 JULY 2011

	Commodity	Holding	Investment A\$m	Market Value A\$m
Direct Investments				
Copperbelt Minerals ³	DRC – Copper	2.0%	2.6	2.9
Doray Minerals	Gold	3.3%	2.0	3.1
Manas Resources	Kyrgyz – Gold	2.8%	1.0	1.0
Mithril Resources	Copper/Gold/Nickel	3.8%	1.0	0.8
Mindoro Resources	Philippines – Gold & Nickel	6.6%	2.5	2.5
Sihayo Gold	Indonesia – Gold	1.9%	2.0	1.6
YTC Resources	Gold/base metals	4.1%	4.0	6.7
Other – investments less than 2% of Net Assets			2.2	2.4
Total Direct Investments			17.3	21.0
African & Asian Lion				
African Lion Funds		23.3%	7.3	9.7
• Copperbelt Minerals ³	DRC – Copper	6.9%	2.2	2.4
• Kasbah Resources	Morocco – Tin	12.7%	1.4	2.6
• Other including cash				4.7
Asian Lion Fund		62.8%	19.5	18.9
• Asian Mineral Resources	Vietnam – Nickel/Copper	11.5%	3.0	1.8
• Erdene Resources	Mongolia – Coal/Base Metals	3.6%	0.6	1.5
• Kentor Gold	Kyrgyz – Gold	2.2%	1.5	1.5
• Manas Resources	Kyrgyz – Gold	7.7%	1.7	1.8
• Mindoro Resources	Philippines – Nickel	8.5%	3.7	2.0
• One Asia Resources Corp ⁴	Indonesia – Gold	23.9%	2.6	6.5
• Sihayo Gold	Indonesia – Gold	4.3%	3.5	2.4
• Other including cash				1.5
Total African & Asian Lion				28.6
Committed Cash – to African Lion 3 and Asian Lion				11.3¹
Net Cash				25.1
Net Tangible Assets – before tax				86.0
NTA per share before tax				\$0.98²
NTA per share after tax				\$0.98²

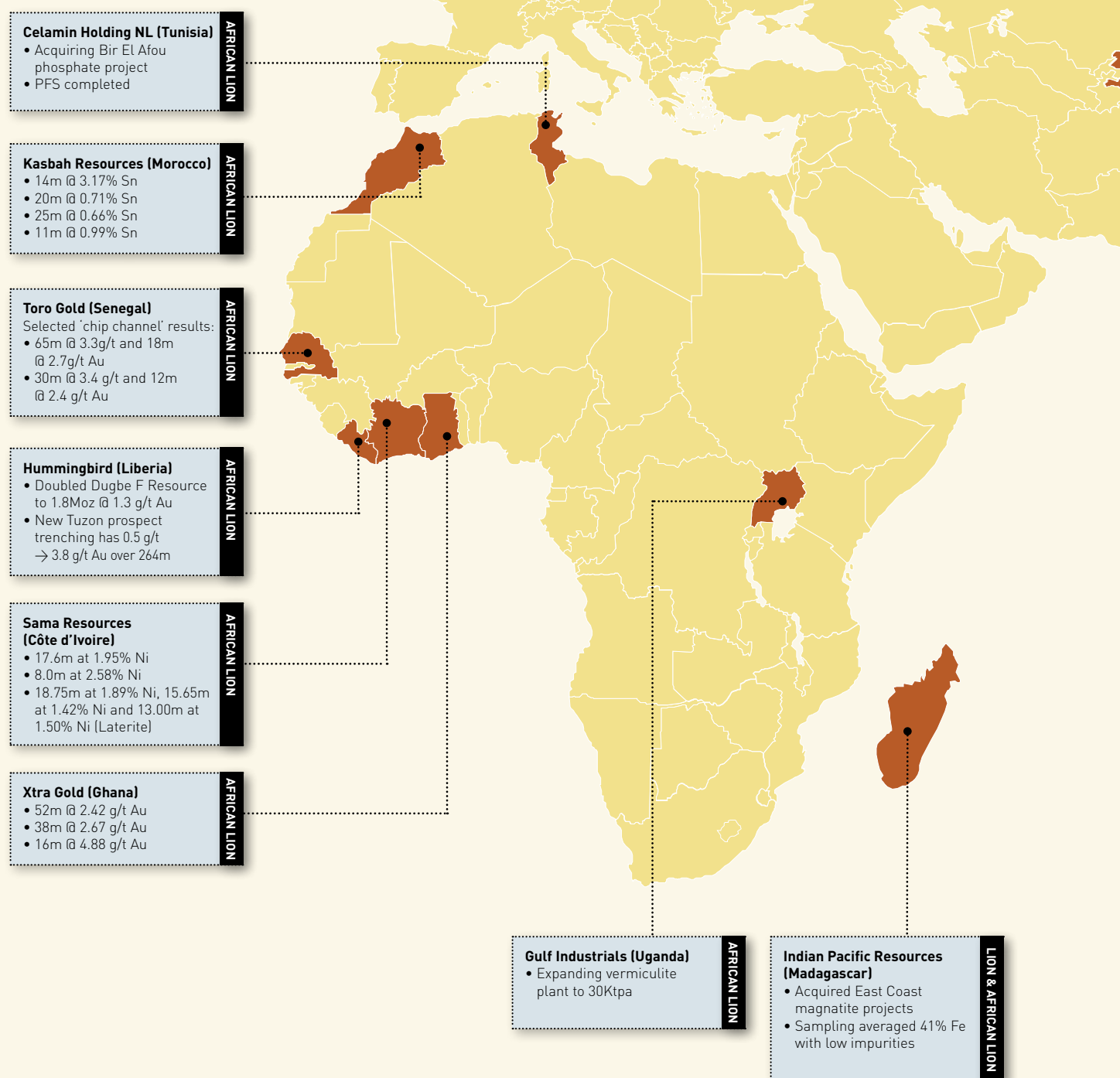
1 Committed cash of US\$12.4m to AFL3 and Asian Lion. Lion holds US\$7.2 million cash as part of its hedging policy.

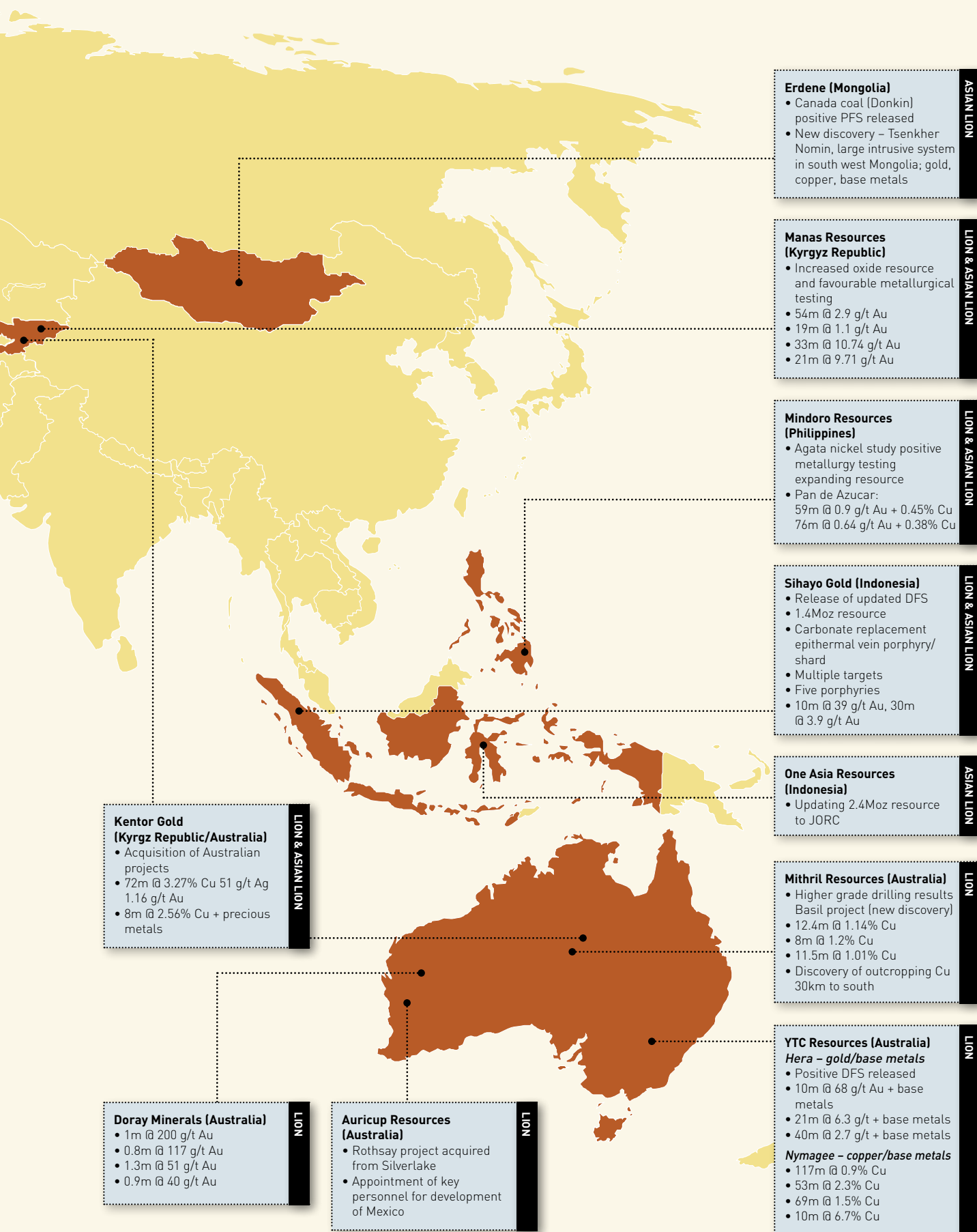
2 The NTA from a theoretical disposal of Lion's investment portfolio at market prices based on accounting carrying value was \$0.98 per share prior to estimated tax on gains, and \$0.98 per share after estimated tax on gains from such disposal.

3 Includes Copperbelt Minerals at a value of US\$16/share.

4 Includes One Asia at a value of A\$0.75/share (formerly Pan Asia).

Recent News Flow





Lion Direct Investments

Havilah Resources NL

SOLD – LION HELD 18.6%

AUSTRALIA – COPPER / GOLD / URANIUM

Havilah Resources NL is an Australian listed company holding a strategic ground position in the Curnamona Province in South Australia. In addition, Havilah holds cornerstone equity positions in two ASX listed South Australian focused exploration companies: Curnamona Energy Ltd and Geothermal Resources Ltd.

During the year Lion sold its investment in Havilah for \$10m compared with its original investment of \$4.3m. This sale returned a multiple of 2.3 times.

Copperbelt Minerals

LION 2.0%, AFL 0.1%,

AFL2 3.9%, AFL3 2.8%

DEMOCRATIC REPUBLIC OF CONGO (DRC) – COPPER / COBALT

Copperbelt has a 68% interest in the Deziwa Copper Project (Gécamines 32%), the third largest copper oxide deposit in the DRC. Copperbelt completed a positive definitive feasibility study on the Project in January 2009 reviewing development options for a SX-EW operation, producing 80ktpa of copper.

In September 2010, Lion received correspondence from Copperbelt Minerals stating that it had entered a conditional sale and purchase agreement with China Africa Development Fund (CAD Fund) for the sale of substantially all of its assets to CAD Fund. The value of the conditional offer was approximately US\$282 million, or an equivalent of approximately US\$24 per Copperbelt share (which included various costs associated with the deal and some dilution from a proposed bridging equity issue). This proposed

transaction expired on 31 May 2011 with the necessary DRC approvals not being forthcoming. As at 31 July 2011 the company was valued at US\$16/share reflecting the ongoing delays with the transaction.

On 6 October 2011 Copperbelt advised shareholders that it was undertaking a 1 for 15 rights issue at \$8 per share with two free attaching warrants at US\$21.50/share. For the month ended 30 September 2011 Lion valued its stake at US\$12/share. Copperbelt has advised that it remains in discussions with potential partners to invest in the company subject to certain conditions at what is expected to be a higher price. One key condition is completing successful negotiations with Gécamines on addressing outstanding issues on their Deziwa Joint Venture agreement, which remains a key hurdle to the project going forward.

Doray Minerals Limited

LION 3.7%

AUSTRALIA – GOLD

Doray Minerals Limited (Doray) is a minerals exploration company which listed on the ASX in February 2010 with the aim of acquiring and developing highly prospective mineral properties. Doray has an excellent portfolio of exploration properties within Western Australia and South Australia, each presenting Doray with multiple discovery opportunities.

Doray's Andy Well gold project (Doray 80%) is located approximately 45km north of Meekatharra in the Murchison region of Western Australia. In February 2011, Doray announced a maiden high-grade JORC-compliant gold resource for the Wilber Lode of 311,000t @ 17.5 g/t for a total of 174,000 contained ounces. This initial resource, which remains open at

depth and along strike, includes the high grade Wilber quartz lode resource (211,000 @ 25.4 g/t for 172,000 contained ounces) along with additional shallow low-grade oxide material.

Recent diamond drilling at Andy Well has extended the high-grade Wilber Lode to over 600m, a 200% increase in the strike length when compared with the current resource. In addition, a number of holes from the current drilling program have returned very significant high-grade gold intersections.

Doray is committed to advancing the Andy Well project towards production as quickly as possible and has commenced a number of activities as part of its development timeline.

YTC Resources Limited

LION 4.1%

AUSTRALIA – GOLD / BASE METALS

ASX listed YTC Resources Limited owns 100% of the high grade Hera Gold Project and a 90% interest in the adjacent Nymagee Joint Venture located approximately 100km south-east of Cobar in central New South Wales.

Through the year YTC raised a total of \$35m to fund an expanded drilling program and definitive feasibility study (DFS) at the Nymagee Copper Project and Hera Gold Project. Lion participated in YTC's capital raisings and also purchased additional YTC shares on-market taking Lion's total investment to \$4m at an average cost of 39cps.

YTC has seen excellent drilling results at Nymagee which confirm the presence of substantial widths of strong copper mineralization at open-pit depths in the shallow part of the southern footwall zone, and add

confidence to grade and volume of the underground lode.

Subsequent to 31 July 2011, YTC released the results of its DFS on Stage 1 of the development of its Hera-Nymagee Project confirming the technical and financial viability of the development of the Hera deposit.

Stage 1 plans will develop the Hera Mine and processing facility at the Hera site. YTC will progress feasibility studies on Stage 2 to evaluate the integration of the Nymagee deposit utilising Stage 1 infrastructure.

YTC has undertaken a two-stage approach to developing the Hera-Nymagee Project in order to accelerate gold revenue and to establish mining and process infrastructure with a view to self-funding the development and integration of the larger Nymagee deposit.

Meanwhile, YTC's ongoing drilling program at the Nymagee Copper Deposit has extended mineralization to the north and south.

Mithril Resources Limited

LION 3.8%

AUSTRALIA – COPPER/GOLD/NICKEL

Mithril Resources Limited is an Australian resources company whose aim is growth through the discovery and development of mineral deposits. The company has an extensive land holding in the Northern Territory and Western Australia with its primary focus at Huckitta in the Northern Territory. Field work in 2010 identified a number of targets with anomalies of copper, nickel, PGE, gold and tungsten.

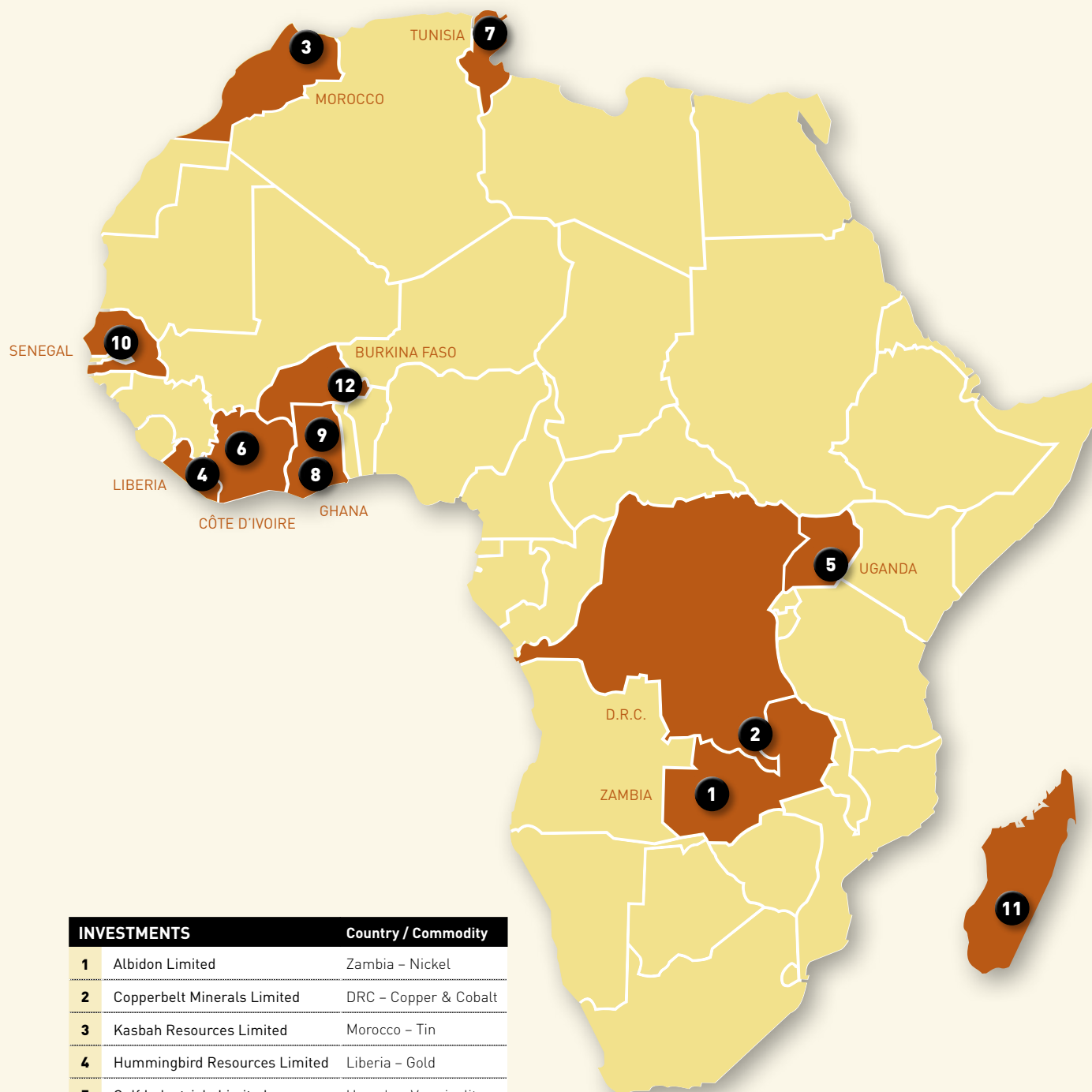
Lion invested \$1m at 12cps as part of Mithril's \$12m raising conducted during the year.

Mithril is undertaking an aggressive exploration program focusing on its core project, Huckitta.

MITHRIL RESOURCES DRILLING AT HUCKITTA ON THE BASIL TREND



African Lion Investments



INVESTMENTS		Country / Commodity
1	Albidon Limited	Zambia – Nickel
2	Copperbelt Minerals Limited	DRC – Copper & Cobalt
3	Kasbah Resources Limited	Morocco – Tin
4	Hummingbird Resources Limited	Liberia – Gold
5	Gulf Industrials Limited	Uganda – Vermiculite
6	Sama Resources Limited	Côte d'Ivoire – Nickel
7	Celamin Holdings NL	Tunisia – Phosphate
8	Xtra-Gold Resources Corp	Ghana – Gold
9	Buccaneer Gold Corp	Ghana – Gold
10	Toro Gold Limited	Senegal – Gold
11	Indian Pacific Resources Limited	Madagascar – Iron Ore
12	Predictive Discovery Limited	Burkina Faso – Gold



African Lion

	AFL – LION 29.8%	AFL2 – LION 24.9%	AFL3 – LION 22.5%
Total fund value at 31/07/11:	A\$0.6 million	A\$11.4 million	A\$30.1 million
Total investment by Lion at 31/07/11:	A\$11.4 million	A\$7.1 million	A\$7.5 million
Returns to Lion:	A\$37.4 million	A\$11.0 million	A\$1.4 million
Remaining value to Lion:	A\$0.2 million	A\$2.8 million	A\$6.7 million
Date of initial investment:	May 1999	September 2004	July 2008

African Lion (three unlisted investment funds – AFL, AFL2 and AFL3) is managed by Lion Manager.

Lion is a shareholder in each of the three African funds and from inception, an aggregate investment by Lion in the African Lion funds of A\$26.2 million has returned A\$49.8 million with additional remaining portfolio value attributable to Lion of A\$9.7 million at 31 July 2011.

The aim of African Lion is to identify investments solely in Africa. Lion is able to co-invest and benefit from the political risk and funding advantages delivered by the large commercial and development banks which are Lion's co-shareholders in African Lion. These co-shareholders include the European Investment Bank (European Union), Proparco (French Government), CDC (British Government) and South Africa's Investec and RMB Banks.

The African Lion funds have performed strongly. The first fund, African Lion (AFL), is nearing the end of its divestment phase. The second fund, African Lion 2 (AFL2) is fully invested. The third African fund, AFL3, was established in June 2008 with the majority of shareholders in AFL and AFL2 continuing in AFL3 highlighting their confidence in continued success. During the year, AFL3 made new investments in seven companies, investing a further US\$13.3 million.

African Lion

Kasbah Resources Limited

AFL2 – 4.9%, AFL3 – 8.1%
MOROCCO – TIN

Following the release in August 2010 of its JORC compliant resource upgrade at the Achmmach Tin Project to 7mt at 8.0% tin, Kasbah Resources Limited (Kasbah) successfully completed a \$30m capital raising in October 2010 to accelerate its work program at Achmmach. The raising was heavily over-subscribed, however AFL3's participation in the raising maintained a combined AFL2/AFL3 holding of 12.7% in Kasbah.

Kasbah completed the Achmmach Scoping Study during the year and has now commenced a prefeasibility study into an underground mine at Achmmach and a full environmental impact assessment program has been initiated.

In August 2011, the Moroccan Ministry of Energy, Mines, Water and Environment approved the assignment of 100% of the Achmmach Tin Project to Kasbah's wholly owned subsidiary, demonstrating the government's support of the mining sector in Morocco.

Kasbah has recently commenced an aggressive drilling program, with five diamond rigs on site, aimed at rapidly advancing the project.

Hummingbird Resources Limited

AFL3 – 2.4%
LIBERIA – GOLD

Listed on London's Alternative Investments Market in December 2010, Hummingbird Resources Limited (Hummingbird) is the largest holder of mineral exploration licences in the eastern part of Liberia, a previously unexplored region of Birimian age geology – a province that is known to be highly prospective for the discovery of large scale gold (and associated mineral) deposits.

Hummingbird has a pipeline of projects at various stages of development, with five significant gold anomalies identified to date.

At the Dugbe F Project in south eastern Liberia, Hummingbird has recently announced a major gold resource upgrade to 1.8 million ounces from 0.8 million ounces. Hummingbird has also commenced drilling the Tuzon prospect where it recently announced its best trenching results to date.

Celamin Holdings NL

AFL3 – 14.6%
TUNISIA – PHOSPHATE

Celamin Holdings NL (Celamin) is an exploration company focused on the exploration and development of resource projects in North Africa, initially in Tunisia and Algeria. Celamin's main focus is the Bir El Afou Phosphate Project which it holds in partnership with Tunisian Mining Services SA (TMS).

In October 2010, Celamin commenced a prefeasibility study at Bir El Afou targeted on a high grade, low cost Stage 1 mine development. The results of the prefeasibility study are expected to be released by the end of October 2011. The company has currently targeted first mine production by the end of 2013.



DRILLING AT KASBAH RESOURCES'
ACHMMACH TIN PROJECT
MOROCCO



Asian Lion

Asian Lion Limited (Asian Lion), formed in July 2006, is a private equity fund that provides capital for development projects, feasibility studies and advanced exploration in junior mining companies active in Asia.

Asian Lion is modelled on the successful African Lion Funds, in which Lion has also invested. The fund is managed by the Lion Manager. The capital committed to the Asian Lion fund by its shareholders is US\$34.2 million. Lion's interest in Asian Lion is 63%. At 31 July 2011, Lion's US\$18.9 million investment in Asian Lion had an NTA of US\$19.5 million.

Asian Lion has now completed its active investment stage and will continue to manage its existing portfolio.

One Asia Resources Limited

ASIAN LION – 23.3%
INDONESIA – GOLD

One Asia Resources Limited (One Asia) is an unlisted exploration company focused on the exploration for gold resources and development of gold mines in South East Asia.

One Asia currently has two projects located in Indonesia:

- **Awak Mas**

Located in the Luwu Regency of South Sulawesi Province, Awak Mas is a two million ounce gold resource which One Asia holds in joint venture with American-based Vista Gold Corp (One Asia earning 80%). One Asia is currently undertaking a prefeasibility

study of Awak Mas which is due to be released in the first quarter of 2012.

- **Pani Gold Project**

One Asia has a 90% interest in the Pani gold project, located in Pohuwatu Regency, Gorontalo Province of Northern Sulawesi. The Pani gold project currently hosts 530,000 ounces of oxide gold mineralization with metallurgical testing to date indicating excellent recoveries. One Asia intends to develop this project into an open pit heap leach operation with production expected to commence in 2014.

Recognising One Asia's early stage gold opportunities and its experienced management team with excellent local knowledge, Asian Lion has made a total investment of A\$5m in One Asia taking its holding in One Asia to 23.3%.

In August 2011 One Asia conducted a pre-IPO raising at A\$0.75/share (of which Asian Lion was a participant) and is planning an initial public offering in late 2011.

Manas Resources Limited

ASIAN LION – 7.7%; LION 2.8%
KYRGYZ REPUBLIC – GOLD

Manas Resources Limited (Manas) is an Australian-based gold explorer in the Kyrgyz Republic with substantial resources, high grade drill targets and a large highly prospective land holding in the world class Tien Shan gold belt.

In December 2010 Manas conducted a placement to fund the feasibility study and development of its small but high-grade, high-margin Shambesai Gold Project as well as accelerating the exploration strategy throughout Manas' exploration portfolio which covers 4,200km².

Both Lion and Asian Lion participated in this fund raising (\$1m and \$1.7m respectively).

Focusing on its 100%-owned Shambesai Gold Project, Manas has continued to achieve excellent results from its Shambesai drill program and is currently working on a resource update for Shambesai which is expected to significantly increase the current 645,000 ounce gold Mineral Resource. Manas is on schedule to complete its feasibility study in the December quarter of 2011.

Sihayo Gold Limited

ASIAN LION – 4.3%; LION 1.9%
INDONESIA – GOLD

Sihayo Gold Limited (Sihayo) is a mineral exploration company with gold exploration projects in Indonesia. Sihayo is focused on developing its Sihayo Pungkut Gold Project located in North Sumatra, Indonesia.

Asian Lion's total investment in Sihayo is A\$5.6m at an average cost of 19cps. Lion has a co-investment in Sihayo of A\$2.0m at 16cps.

Sihayo has been advancing its definitive feasibility study on the Sihayo Pungkut Gold Project. Although completion the definitive feasibility study has been slower than originally anticipated due to the need for additional metallurgical testwork, Sihayo has reported that results to date have clearly demonstrated that its gold project is both technically feasible and economically attractive, producing up to 90,000 ounces of gold per annum over a minimum seven year mine life. Cash operating costs over the life of mine are estimated to be in the range of US\$650-\$700/ounce.

Asian Lion Investments



INVESTMENTS		Country / Commodity
1	Asian Mineral Resources Limited	Vietnam – Nickel
2	Golden Phoenix Resources Limited	China – Gold
3	Mindoro Resources Limited	Philippines – Nickel & Gold
4	Erdene Resource Development Corporation	Mongolia – Coal
5	Kentor Gold Limited	Kyrgyz Republic – Gold & Copper
6	Sihayo Gold Limited	Indonesia – Gold
7	Manas Resources Limited	Kyrgyz Republic – Gold
8	One Asia Resources Limited	Indonesia – Gold



Corporate Governance Statement

The Board of Directors of Lion is committed to high standards of corporate governance. This statement summarises the Company's corporate governance framework. Full documentation may be viewed on Lion's website, www.lionselection.com.au.

Board Responsibilities

The Board's primary responsibility is to satisfy the expectations and be a custodian for the interests of its shareholders. In addition, the Board seeks to fulfill its broader ethical and statutory obligations, and ensure that Lion operates in accordance with these standards. The Board is also responsible for identifying areas of risk and opportunity, and responding appropriately.

Responsibility for the administration and functioning of Lion is delegated by the Board to the Managing Director. Through monitoring the performance of the Managing Director, the Board ensures that Lion is appropriately administered and managed.

The Board guides strategic planning and ensures it adheres to the interests and expectations of Lion's shareholders, manages risks and opportunities, and monitors company progress, expenditure, significant business investments and transactions and key performance indicators.

Composition of the Board

It is a policy of Lion that the Board comprises individuals with a range of knowledge, skills and experience which are appropriate to its objectives.

Lion's Constitution provides that the number of directors is to be determined by the Board but shall not be less than three. Due to the small size of Lion, the Board may

not be comprised of a majority of non executive directors, although the Chairman is a non executive director. At present, the company has four directors – two non executive directors (including the Chairman) and two executive directors (including the Managing Director).

Independence

The independent and objective judgment of Lion's directors is of paramount importance to the effective operation of the Board and the consolidated entity.

Independence is defined for the purposes of the director as he/she being independent of any business relations, whether managerial or otherwise, with Lion or its subsidiaries or its actual or potential investments which might interfere with their ability to make sound, unfettered, objective judgments, and act in the best interest of Lion and its shareholders.

The directors' independence is regularly assessed by the Board.

Relationship with African Lion Limited (AFL), African Lion 2 Limited (AFL2), African Lion 3 Limited (AFL3) and Asian Lion Limited (ALF)

Under the terms of the Shareholder Agreements for AFL, AFL2, AFL3 and ALF, all shareholders in certain circumstances, will refer investments contemplated under the investment policy to the fund. Shareholders have the right to co-invest with the fund in certain circumstances.

The Manager (Lion Manager Pty Ltd) has been appointed by the shareholders of these funds to implement its investment strategy and manage their investments. This includes all steps of the investment selection process and the making of recommendations to the Investment Committee of each fund.

Management Agreements have been established to formalise the relationship between the funds and the Manager.

The Manager, under these agreements, undertakes to act as investment manager for the funds. The Manager is at liberty to engage specialists and consultants as appropriate to assist in the assessment process and provides a regular flow of information to Lion's directors.

However, the investment committee including Lion's representative retains the power to make the final investment decision on the basis of this information and advice. This retention of final investment decisions allows the investment committee to effectively review the function and proficiency of the Manager and of the investment selection processes.

Corporate Governance

The Board will at least annually review Lion's corporate governance policies and practices and seek assurance that the policies and practices are being observed, and that subject to size constraints, they are consistent with contents and format of the corporate governance statement required by the Australian Stock Exchange (ASX) and National Stock Exchange of Australia (NSX).

Audit Committee

Lion recognises that Recommendation 4.2, 4.3 & 4.4 of the Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" suggests the establishment of an Audit Committee and associated Charter. However, in view of the small size of Lion's Board, the Board in its entirety acts, effectively, as the Audit Committee, and there is no need to further subdivide it. As such, a Audit Committee is an unnecessary measure for Lion.

Corporate Governance Statement

Nomination Committee

Lion recognises that Recommendation 2.4 of the Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" suggests the establishment of a Nomination Committee and associated Charter. However, in view of the small size of Lion's Board, the Board in its entirety acts, effectively, as a Nominations Committee, and there is no need to further subdivide it. As such, a Nominations Committee is an unnecessary measure for Lion.

Nomination, Appointment and Retirement of Directors

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional director, the Board selects a panel of candidates with appropriate expertise and experience and, after assessment, appoints the most suitable candidate.

Lion's Constitution requires that directors appointed by the Board submit themselves for re-election at the first meeting of shareholders following their appointment. Whilst directors are not appointed for a fixed term, under the Constitution, one-third of the directors (excluding the Managing Director) must retire by rotation each year and submit themselves for re-election by shareholders.

Directors' Access to Professional Advice

The remuneration of the directors of the company is reviewed by the full Board.

Lion's Constitution stipulates that the aggregate remuneration available for division amongst the non executive directors is determined by the shareholders in general meeting. The aggregate was initially fixed at \$100,000. This amount, or some part of it, is divided among the non

executive directors as determined by the Board. At present the aggregate annual remuneration paid to non executive directors is \$80,000, excluding consultancy arrangements.

Performance Evaluation

The small scale of the Board and the exceptional nature of the company's activities make the formal establishment of a performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board. The Board will annually meet to assess performance of management, directors and the Board as a whole.

Business Risks

The Board aims to reduce investment risk through a policy of diversification of investments geographically and avoid over dependence on a single commodity, investee company or country.

Risks associated with the exploration and mining industry include geological, technical, political, title and commodity pricing risks.

The main areas of business risk to the company arise from:

- failure of an investee company due to one or a number of the above causes;
- downturn in the stock market; and
- changes to the law – corporations/ taxation legislation.

Individual investments each have their own risks which relate to the mining industry generally. These risks are regularly considered by the Lion Board.

The Managing Director also provides monthly status reports to the Board which identifies potential areas of business risk arising from changes in the technical, legal, financial or economic circumstances of any investee company or its operating environment.

Code of Conduct

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors and employees of both the company and the Manager.

The directors of Lion, all company employees, directors and employees of the Manager, undertake to preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. These individuals are mindful and respectful of relevant policies and responsibilities.

Company practices are stringently monitored by the Board, while the Board itself is subject to the principles of its charter, which requires a high standard of independence, objectivity and openness in its dealings and relationship with shareholders and the management team. The Shareholder Communications Strategy, the Securities Trading Policy, and the Continuous Disclosure Policy collectively form a solid ethical foundation for company practices.

Securities Trading Policy

Lion has an established Securities Trading Policy. This policy is summarised below.

As a result of the nature of the business of Lion (together with any subsidiaries, referred to as the Lion Group), directors, officers and other employees of the Lion Group will be in possession of information regarding a wide range of small and medium sized exploration and mineral production companies. From time to time some of this information may be classified as "inside" information. They may also be aware of potential transactions between small and medium sized exploration companies and other companies.

Corporate Governance Statement

Lion has adopted a policy and procedure designed to prevent the possibility of any actual or perceived conflict of interest between the interests of the Lion Group and its directors, officers and employees. They are also designed to prevent any insider trading by any director, officer or employee of Lion in the securities of Lion, investee companies and other companies where they may be in possession of insider information.

Supervisory and Compliance Procedures

Lion has procedures to ensure all directors, officers and employees of Lion are familiar with these policies, that they are reviewed on a regular basis and updated as necessary.

The trading activity of each director, officer and employee is reviewed from time to time.

Compliance procedures are in place which restrict trading by directors, officers and employees in securities of small and medium sized exploration and mining companies, and companies where a potential conflict of interest may occur.

Continuous Disclosure Policy

Lion is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. The practices of Lion are fully compliant with the NSX listing rules, including in particular those regarding continuous disclosure.

Lion will immediately notify the market of any information concerning itself which is not subject to the exceptions in the NSX Listing Rules and which a reasonable person would expect to have a material effect on the price or value of Lion's securities.

The Managing Director and the Company Secretary of Lion (Management) is responsible for the regular review of Lion's affairs to ensure that any relevant information is promptly announced to the NSX. Management is well aware of its legal responsibilities regarding continuous disclosure under the NSX Listing Rules. Management ensures that the processes governing the review and release of material information ensures compliance with these obligations, and that information is released in an efficient and consistent fashion. Where there is any disagreement or ambiguity as to the release of particular information, members of management will consult the full Board. Events such as trading halts, if they occur, will be arranged by the Management.

Release of material information to the NSX is conducted by Lion's Company Secretary. Where the NSX contacts Lion, for example in the event of unusual share price fluctuations, communications are managed by the Company Secretary.

The Company expects investee companies to adopt and adhere to the same standards of continuous disclosures.

Lion's Other Corporate Governance Policies

Local Indigenous Communities

Lion has a policy that developments of Investees are not exploitative of local and indigenous communities and to assist such communities through symbiotic project development. This assistance is likely to focus on health, education and employment of indigenous people near to Investee companies' development projects.

Environment

Lion has a policy that environmental impact of developments is in line with country/international standards and does not adversely impact local communities.



Director's 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.

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;

	2011 \$'000	2010 \$'000
Gains/(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)
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

Director's Report

- 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 13.2¢.

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

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

Sales:

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

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).

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.

Director's 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.

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.

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 opposite. The benefits provided to Key Management Personnel are fixed with no at-risk components of remuneration.

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 in relation to their shares.

Director's Report

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-	TOTAL
		SALARIES/ FEES	CASH BONUS	BENEFITS	D&O INSURANCE PREMIUM	EMPLOYMENT SUPERANNUATION	
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.

Director's Report

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.

Director's Report

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.

BOARD OF DIRECTORS		
	ATTENDED	MAX. POSSIBLE ATTENDED
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 26 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



C K Smyth
Managing Director

Melbourne
29 September 2011



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'.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
29 September 2011

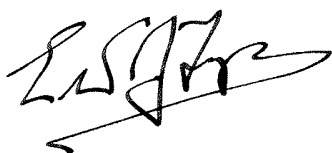
Lion Selection Group Limited

Director's Declaration

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

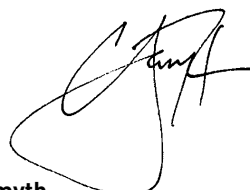
1. In the opinion of the directors:
 - (a) the financial statements, notes set out on pages 28 to 47 are in accordance with the Corporations Act 2001 and other mandatory reporting requirements, including:
 - (i) complying with the Accounting Standards, the Corporations Regulations 2001 and other mandatory 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

Financial Statements

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.

Financial Statements

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		86,035	74,408
Equity			
Contributed equity	11	100,109	100,109
Retained profits/(accumulated losses)	10	(14,074)	(25,701)
Total Equity		86,035	74,408

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

Financial Statements

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	(7,408)	33,702
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.

Financial Statements

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.

Financial Statements

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.

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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.

Financial Statements

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.

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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.

Financial Statements

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.

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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.

Financial Statements

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	-	

Financial Statements

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

Financial Statements

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.

Financial Statements

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
	2011 \$'000	2010 \$'000

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

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	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.

Financial Statements

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)		
	Employee benefits	-	13
	Total current provisions	-	13

NOTE 10	RETAINED PROFITS & RESERVES		
	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		
	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.

Financial Statements

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 \$'000	2010 \$'000
Cash on hand	7,637	25,027
Bank bills and deposits	28,282	18,300
Closing cash balance	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
Adjustments for non cash income and expense items		
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)
Net cash flow from operating activities	(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 \$'000	2010 \$'000
Debt forgiveness	-	5,949

NOTE 13 CONTINGENT LIABILITIES

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

Financial Statements

NOTE 14 EARNINGS PER SHARE

	2011 \$'000	2010 \$'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

Financial Statements

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 \$'000	2010 \$'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 \$'000	2010 \$'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.

Financial Statements

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 OCCURING 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.



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.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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DX 77 Melbourne, Australia

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Liability limited by a scheme approved under Professional Standards Legislation.



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

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 22 to 23 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*.

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.



PricewaterhouseCoopers



Chris Dodd
Partner

Melbourne
29 September 2011

Shareholder Information

Top 20 holders of ordinary fully paid shares – 30 September 2011

RANK	NAME	NO. OF SHARES	% OF UNITS
1	Cogent Nominees Pty Limited	13,902,705	15.79
2	WWW Management Pty Ltd < Widdup Family A/C >	7,513,073	8.53
3	Mr Mark Gareth Creasy	4,448,976	5.05
4	National Nominees Limited	4,082,126	4.64
5	Gemfield Lake Pty Ltd < Melloy Family A/C >	3,435,187	3.90
6	Mikejen Pty Ltd < Brook Family A/C >	3,246,870	3.69
7	HSBC Custody Nominees (Australia) Limited	2,338,045	2.66
8	Inconsultare Pty Ltd < Morrison Family S/F A/C >	1,550,000	1.76
9	Robin Anthony Widdup & Janet Widdup < Widdup Super Fund A/C >	1,304,793	1.48
10	JP Morgan Nominees Australia Limited < Cash Income A/C >	1,287,279	1.46
11	Pranjip Road Pty Ltd < Maloney Family A/C >	1,181,642	1.34
12	Michael David Brook & Jenny Lee Brook < MD & JL Brook Super Fund A/C >	932,736	1.06
13	Andrin Bachmann & Edouard Mercier	900,000	1.02
14	WAL Assets Pty Ltd	830,693	0.94
15	Christopher Paul Melloy & Anne Christine Melloy < Melloy Super Fund A/C >	810,780	0.92
16	A & L Wait Superannuation Pty Ltd < A & L Wait Super Fund A/C >	800,000	0.91
17	Kathryn Margaret Evans	719,082	0.82
18	Dominic Paul McCormick	695,413	0.79
19	Alexandre Peter Swanson & Lynley Marie Swanson < Alexandre Super Fund A/C >	600,006	0.68
20	Yukari Burgess	587,241	0.67
Total Top 20 holders of ORDINARY FULLY PAID SHARES		51,166,647	58.12
Total Remaining Holders Balance		36,862,706	41.88

Distribution of Shareholdings as at 30 September 2011

SIZE OF HOLDING (ORDINARY FULLY PAID SHARES)	NO. OF SHAREHOLDERS
1 – 1,000	289
1,001 – 5,000	1,427
5,001 – 10,000	586
10,001 – 100,000	684
100,000 and over	78
Total Shareholders	3,064
Number of ordinary shareholders with less than a marketable parcel	193

Voting Rights

All ordinary shares issued by Lion Selection Group Limited carry one vote per share without restriction.

Substantial Shareholders as at 30 September 2011

The following information is extracted from notices received by the company.

NAME	NO. OF ORDINARY SHARES
Lion Manager Group	19.83%
Select Asset Management	16.49%
Mark Creasy	5.06%

Lion Selection Group Limited Registry

You can gain access to your security holding information in a number of ways. The details are managed via our registrar, Computershare Investor Services, and can be accessed as outlined below.

Computershare Investor Services Pty Limited

Enquiries within Australia	1300 850 505
Enquiries outside Australia	+61 3 9415 4000
Investor Enquiries Facsimile	+61 3 9473 2500
Investor Enquiries Email	web.queries@computershare.com.au

INVESTORPHONE

InvestorPhone provides telephone access 24 hours a day 7 days a week.

- STEP 1** Call **1300 850 505** (within Australia) or **61 3 9415 4000** (outside Australia)
- STEP 2** Say '**Lion Selection Group Limited**'
- STEP 3** Follow the prompts to gain secure, immediate access to your holding details, registration details and payment information.

INTERNET ACCOUNT ACCESS VIA INVESTOR CENTRE

Securityholders can view their details online via Investor Centre:

- STEP 1** Go to **www.computershare.com/au/investors**
- STEP 2** Select 'Holding Enquiry'
- STEP 3** Enter **LGP** or **Lion Selection Group Limited**
- STEP 4** Enter Securityholder Reference Number (SRN) or Holder Identification Number (HIN), postcode or country if outside Australia.
- STEP 5** Enter the security code displayed, agree to the terms and conditions and submit.

Alternatively, update your details and/or manage your portfolio by registering as a member of Investor Centre:

- STEP 1** Go to **www.computershare.com/au/investors**
- STEP 2** Click on 'Register' to become a member
- STEP 3** Complete the 'Account Validation' details and follow the prompts to register.

Corporate Directory

Registered and Principal Office

Level 4
15 Queen Street
Melbourne Vic 3000

Tel: +61 3 9614 8008
Fax: +61 3 9614 8009
Email: info@lsg.com.au
Website: www.lionselection.com.au

Directors

- Ewen W J Tyler AM,
Non-Executive Chairman
- Peter Maloney,
Non-Executive Director
- Robin Widdup,
Director
- Craig Smyth,
Managing Director

Company Secretary

Jane Rose

Auditors

PricewaterhouseCoopers

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067
Postal Address – GPO Box 2975 Melbourne Vic 3001

Enquiries within Australia	1300 850 505
Enquiries outside Australia	+61 3 9415 4000
Investor Enquiries Facsimile	+61 3 9473 2500
Investor Enquiries Email	web.queries@computershare.com.au
Website:	www.computershare.com



COMMUNITY EVENT, SHINEJINST, MONGOLIA
PHOTOGRAPHY BY CRAIG SMYTH

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