Preliminary Final Report
for the year ended 31 July 2012

Lion Selection Group

KEY POINTS

- Mark to market loss of $28.8 million with respect to investments reflecting decrease in the market value of investees. This reduction in value is partially due to general market movements, with negative investor sentiment evident with the ASX Small Resources index reducing 39% during the year.
- Challenging times have historically provided some of the best opportunities for Lion, and we continue actively investing through the current uncertainty, applying our thorough and proven methodology.
- Lion has increased its exposure to One Asia Resources investing $5.0 million since 31 July 2012. One Asia is an unlisted exploration company focused on the exploration for gold resources and development of gold mines in Sulawesi, Indonesia.
- New investments made directly and via African Lion and Asian Lion Funds:

Direct investments	via African Lion Fund	via Asian Lion Fund
Auricup Resources*	Celamin Holdings*	Erdene Resources*
Centaurus Metals	Continental Nickel	One Asia Resources*
Doray Minerals*	Gulf Resources*	
Golden Phoenix Resources*	Kasbah Resources*	
Mindoro Resources*	Predictive Discovery	
One Asia Resources*	Rox Gold	
Rum Jungle	Sama Resources Inc*	
Sihayo Gold Limited*	Toro Gold*	

*Follow on opportunity from prior investment

- LSG Board restructure – Ewen Tyler retired as Non-Executive Chairman on 31st December 2011 and was replaced by Peter Maloney. Barry Sullivan was appointed to the LSG Board on 2nd December 2011 as Non-Executive Director.
- Strong balance sheet with no debt and $24.0 million cash.

Full-Year ended 31 July	**2012 $000's**	**2011 $000's**	**Change**
Investments			
Mark to Market	(28,990)	14,612	(298%)
Dividend Income	361	250	44%
Cash Inflows/Outflows			
Proceeds from investments	150	25,080	(99%)
Payments for Investments	(13,980)	(29,499)	52%

Lion Selection Group

Section 2A
Preliminary Final Report

1. Company Details

LION SELECTION GROUP LIMITED

ABN or equivalent company reference	Year ended ('current period')	Year ended ('previous period')
26 077 729 572	**31 July 2012**	**31 July 2011**

2. Results for announcement to the market

				A$'000
2.1	Revenue	Up 4%	to	1,851
2.2	Profit (loss) for the year	Down 336%	to	(27,498)
2.3	Profit (loss) for the year attributable to members of the parent	Down 336%	to	(27,498)

	Dividends	**Current Period**	**Previous Corresponding Period**
2.4	Franking Rate Applicable	N/A	Nil
	Interim Dividend		
2.5	Amount per security	Nil	Nil
	Franked amount per security	Nil	Nil

2.6 Results and Review of Operations

This financial report is prepared in accordance with Australian Accounting Standards 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 Position.

The Company's loss before tax for the year was $27.5 million (2011 gain: $12.2 million). This includes realised losses from the sale of investments and unrealised losses from mark to market movements in its investment portfolio recognised in the Statement of Comprehensive Income in the current period as set out in the table below.

Gains/(Loss) attributable to movement in fair value of investments	**2012 $'000**	**2011 $'000**
Mark to Market adjustment for period – investments realised during period	(188)	10,063
Mark to Market adjustment for period – investments held at end of period	(28,802)	4,549
Gains/(Loss) attributable to movement in fair value of investments	**(28,990)**	**14,612**

Results of Investments Realised During Period		
Sales Proceeds	150	23,668
Historical Cost of sales	(1,363)	(12,550)
Gross profit measured at historical cost	***(1,213)***	***11,118***
Represented by:		
Mark to Market recognised in prior periods	(1,025)	1,055
Mark to Market recognised in current period	(188)	10,063
	(1,213)	***11,118***

The result for the year reflects mark to market loss of $29.0 million with respect to investments. This includes an unrealised loss of $28.8 million (34% reduction compared with value of assets held at 31 July 2011). This reduction in value is partially due to general market movements, with negative investor sentiment evident with the ASX Small Resources index reducing 39% during the year. The unrealised mark to market loss of $28.8 million at 31 July 2012 in the portfolio value includes:

- A decrease in the value of LSG's direct holding in YTC Resources of $4.7 million with the YTC share price reflecting lower copper prices and investor sentiment;
- A decrease in the value of LSG's direct and indirect holding in One Asia of $4.3 million as a result of a distressed rights issue and investor sentiment, particularly concerning Indonesia;
- A reduction in the value of LSG's direct and indirect holdings in Copperbelt Minerals of $4.0 million as a result of a reduced valuation following on-going delays in the relevant DRC approvals to complete a corporate transaction;
- A decrease in the value of LSG's direct and indirect holding in Mindoro Resources of $3.7 million as a result of the reduction in the nickel price and investor sentiment;
- A general decrease in value across the other investments in LSG's portfolio broadly consistent with other small resource companies during the financial year.

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 financial year.

Based on historical cost, the realised loss for the Company of $1.2 million is largely a result of the partial sale of LSG's investment in African Lion Limited (AFL). AFL is being wound up after successfully investing in Africa since 1999 and returning more than USD$120 million to shareholders on an original investment of less than $34 million.

Loss after tax attributable to members was $27.5 million and loss per share was 31.2¢.

During the year the company made new or follow on investments totaling $14.0 million as follows:

Purchases:

➢	African and Asian Lion funds	$6.3 million
➢	Auricup Resources Ltd	$1.3 million
➢	Centaurus Metals Ltd	$0.7 million
➢	Doray Minerals Ltd	$1.7 million
➢	Rum Jungle Resources Ltd	$2.6 million
➢	Sihayo Gold Ltd	$1.0 million
➢	Other Investments	$0.4 million
		$14.0 million

Sales:

➢	Other Investments	$0.15 million
		0.15 million

At 31 July 2012 the Company held investments valued at $34.5 million (31 July 2011: $49.6 million), and cash of $24.0 million (31 July 2011: $35.9 million).

3. Statement of Comprehensive Income for the year ended 31 July 2012

Refer to the attached Financial Statements.

4. Statement of Financial Position as at 31 July 2012

Refer to the attached Financial Statements.

5. Statement of Changes in Equity for the year ended 31 July 2012

Refer to the attached Financial Statements.

6. Statement of Cashflows for the year ended 31 July 2012

Refer to the attached Financial Statements.

7. Dividends

No dividend was declared or paid during the year (2011: Nil).

8. Dividend/distribution reinvestment plan

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

9. Statement of retained earnings

Refer to the attached Financial Statements.

10. Net tangible assets per ordinary security

Based on the attached Balance Sheet, the net tangible assets (NTA) per security based on the Net Assets of the Company at 31 July 2012 was $0.66. This NTA is based on the valuation of investments at fair value, as disclosed in the attached accounts, including a number of AIFRS related accounting adjustments. The NTA per security (adjusted for consolidation) for the comparative period was $0.98.

11. Controlled Entities

The Company did not control any entities during the period.

12. Associates

Company	Current Period % Held	Previous Corresponding Period % Held
AFL Management	38.0	45.8
African Lion Ltd	29.8	29.8
African Lion 2 Ltd	24.9	24.9
African Lion 3 Ltd	23.7	23.7
Asian Lion Ltd	62.9	62.8

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

13. Audit

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

For more information please refer to the attached Financial Statements.

Lion Selection Group

Lion Selection Group Limited

2012 Annual Financial Report

ABN: 26 077 729 572

Financial Report for the year ended 31 July 2012

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Lion Selection Group Limited
Directors' Report

The Directors of Lion Selection Group Limited ("LSG" or "the Company") submit their report on the operations of the Company for the financial year ended 31 July 2012.

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:

- Peter Maloney (Non-Executive Chairman)
- Craig Smyth (Managing Director);
- Barry Sullivan (Non-Executive Director) – appointed 2 December 2011
- Robin Widdup (Director)
- Ewen Tyler (Non-Executive Chairman) – retired 31 December 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 in accordance with Australian Accounting Standards 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 Position.

The Company's loss before tax for the year was $27.5 million (2011 gain: $12.2 million). This includes realised losses from the sale of investments and unrealised losses from mark to market movements in its investment portfolio recognised in the Statement of Comprehensive Income in the current period as set out in the table below.

Gain/(Loss) attributable to movement in fair value of investments	**2012 $'000**	**2011 $'000**
Mark to Market adjustment for period – investments realised during period	(188)	10,063
Mark to Market adjustment for period – investments held at end of period	(28,802)	4,549
Gain/(Loss) attributable to movement in fair value of investments	**(28,990)**	**14,612**

Gross (loss)/profit on investments realised during the period includes mark to market adjustments realised in the current period as well as mark to market adjustments recognised in the Statement of Comprehensive Income in prior periods as set out in the table below.

Results of Investments Realised During Period		
Sales Proceeds	150	23,668
Historical Cost of sales	(1,363)	(12,550)
Gross (loss)/profit measured at historical cost	***(1,213)***	***11,118***
Represented by:		
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- A decrease in the value of LSG's direct holding in YTC Resources of $4.7 million with the YTC share price reflecting lower copper prices (reduced 22% during the year) and investor sentiment;
- A decrease in the value of LSG's direct and indirect holding in One Asia of $4.3 million as a result of a distressed rights issue and investor sentiment, particularly concerning Indonesia;
- A reduction in the value of LSG's direct and indirect holdings in Copperbelt Minerals of $4.0 million as a result of a reduced valuation following on-going delays in the relevant DRC approvals to complete a corporate transaction;

- A decrease in the value of LSG's direct and indirect holding in Mindoro Resources of $3.7 million as a result of the reduction in the nickel price (reduced 35% during the year) and investor sentiment;
- A general decrease in value across the other investments in LSG's portfolio broadly consistent with other small resource companies during the financial year.

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 financial year.

Based on historical cost, the realised loss for the Company of $1.2 million is largely a result of the partial sale of LSG's investment in African Lion Limited (AFL). AFL is being wound up after successfully investing in Africa since 1999 and returning more than US$120 million to shareholders on an original investment of less than US$34 million.

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During the year the company made new or follow on investments totalling $14.0 million as follows:

Purchases:

➢ African and Asian Lion funds	$6.3 million
➢ Auricup Resources Ltd	$1.3 million
➢ Centaurus Metals Ltd	$0.7 million
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➢ Sihayo Gold Ltd	$1.0 million
➢ Other Investments	$0.4 million
	$14.0 million

Sales:

➢ Other Investments	$0.15 million
	$0.15 million

At 31 July 2012 the Company held investments valued at $34.5 million (31 July 2011: $49.6 million), and cash of $24.0 million (31 July 2011: $35.9 million).

Dividends

No dividend was declared or paid during the year (2011: 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

Subsequent to the end of the financial year, one of Lion's investee companies One Asia Resources Limited completed a rights issue. LSG had committed to partly underwrite the rights issue, with a commitment of $5 million. Due to a shortfall in the rights issue LSG's underwriting was called upon with LSG investing the full $5 million. In addition in August 2012, LSG had provided a short term loan of $1 million which was repaid out of the proceeds of the rights issue.

In August 2012 LSG received correspondence confirming that its investee Copperbelt Minerals (Copperbelt) had signed a conditional Settlement Agreement with its joint venture partner Gécamines to exit its joint venture for deferred compensation. The Settlement Agreement is subject to a number of conditions which need to be met before it can be closed, including Copperbelt shareholder approval, with closure of the Agreement prior to March 2013.

Other than the items above, there has not arisen in the interval between the end of the year 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 on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

Likely Developments and Future Results

The Company's future operating results will depend on the results of its investments. The Company's ability to sustain profits is dependent on future sales of investments which in turn are dependent on market opportunities and the performance of the Company's various investments, which are difficult to predict.

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

Corporate Governance Statement

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

Employees

At 31 July 2012 there was 1 full time equivalent employee of the Company (2011: 1 FTE).

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 employed by the Company considered to meet the definition of key management personnel.

Key Management Personnel Remuneration Framework

Emoluments of individual 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 and there are no long-term or short-term performance-related incentives provided to key management personnel. Remuneration and other terms of employment for key management personnel are formalised in either service agreements or employment contracts.

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. Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. As approved by shareholders at the Annual General Meeting held on 1 December 2011, the maximum aggregate amount, including superannuation contribution, that may be paid to directors of the Company as remuneration for their services is $200,000 for any financial year.

Other key management personnel receive a base salary and superannuation contributions in accordance with Australian superannuation guarantee legislation.

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.

Voting and Comments at the Company's 2011 Annual General Meeting

The Company received more than 81% of "yes" votes on its Remuneration Report for the previous financial year. The Company did not receive any specific feedback at the Company's 2011 Annual General Meeting on its remuneration practices.

Details of Remuneration

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

Key Management Personnel of the Company – Remuneration for year to 31 July 2012

2012		*Short Term Benefits*		*Termination Benefits*	*Allocation of D&O Insurance Premium*	*Post-Employment Superannuation*	*Total*
		Salaries/ Fees	*Cash Bonus*				
Name	*Notes*	*$*	*$*	*$*	*$*	*$*	*$*
Directors							
E W J Tyler	(a)	16,667	-	-	4,905	-	**21,572**
P J Maloney		28,135	-	-	8,409	19,865	**56,409**
B J K Sullivan	(b)	24,465	-	-	3,504	2,202	**30,171**
R A Widdup	(c)	-	-	-	8,409	-	**8,409**
C K Smyth	(d)	-	-	-	8,409	-	**8,409**
Other Key Management Personnel							
J M Rose		86,450	-	-	8,409	7,781	**102,640**
Total		**155,717**	-	-	**42,045**	**30,124**	**227,610**

2011		*Short Term Benefits*		*Termination Benefits*	*Allocation of D&O Insurance Premium*	*Post-Employment Superannuation*	*Total*
		Salaries/ Fees	*Cash Bonus*				
Name	*Notes*	*$*	*$*	*$*	*$*	*$*	*$*
Directors							
E W J Tyler		40,000	-	-	7,786	-	**47,786**
P J Maloney		20,325	-	-	7,786	1,829	**29,940**
C K Smyth		87,500	100,000	-	7,786	12,500	**207,786**
H G Walker		9,906	-	100,000	7,786	19,571	**137,263**
R A Widdup		-	-	-	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**

(a) *Excludes consultancy fees totalling $12,526.36 (2011: $13,267) paid to EWJ Tyler & Associates in which EWJ Tyler is a principal, as a retainer for consulting services. Mr Tyler resigned on 31 December 2011.*

(b) *B K J Sullivan was appointed on 2 December 2011*

(c) *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*

(d) *From 1 January 2011 C K Smyth has been employed by Lion Manager Pty Ltd, and does not receive any directors fees from the Company*

Key Management Personnel Shareholdings

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

Shareholdings of Key Management Personnel of the Company

Name	**Balance 1 August 2011**	**Shares Issued as Remuneration**	**Net Change Other**	**Closing Balance 31 July 2012**
Directors				
E W J Tyler	50,000	-	-	50,000
P J Maloney	1,347,489	-	-	1,347,489
C K Smyth	110,000	-	161,316	271,316
R A Widdup	17,453,178*	-	803,045	18,256,223*
B J Sullivan	-	-	60,000	60,000
Other Key Management Personnel				
J M Rose	58,000	-	-	58,000
Total	**19,018,667**	**-**	**1,024,361**	**20,043,028**

* 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.

Information on Directors

Ewen W J Tyler AM BSc (Hons) FAusIMM FAIM MIMMM CEng (Non-Executive Chairman) – Retired 31 December 2011

Ewen Tyler, aged 84, 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.

Peter Maloney BComm, MBA (Roch) (Chairman)

Peter Maloney has broad commercial, financial and management expertise and experience. He was previously Chief Financial Officer of LSG 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. He was Chairman of Catalpa Resources from December 2009 to its merger with Conquest Mining Limited to form Evolution Mining Limited in October 2011.

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 and replaced Ewen Tyler as Chairman from 1 January 2012.

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

Craig Smyth, aged 40, 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.

Barry Sullivan (BSc (Min), ARSM, FAusIMM, MAICD (Non-Executive Director)

Barry Sullivan is an experienced and successful mining engineer with a career spanning 40 years in the mining industry. His initial mining experience was gained in the South African gold mining industry, followed by more than 20 years with Mount Isa Mines. In the final five years of his tenure with MIM, Barry was Executive General Manager responsible for the extensive Mount Isa and Hilton operations.

Barry is currently a non-executive Director and Chairman of Exco Resources, and was previously a non-executive Director of Catalpa Resources, Sedimentary Holdings and Allegiance Mining. He was also a non-executive director of LSG's predecessor company, Lion Selection Limited.

Barry joined LSG in December 2011.

Robin Widdup BSc (Hons), MAusIMM (Director)

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

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

Robin resigned from J B Were & Son in early 1997 to establish LSG and Lion Manager. Robin is Managing Director of Lion Manager Pty Ltd.

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

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

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

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

Directors' Meetings

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

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

	Board of Directors	
	Attended	***Max. possible attended***
E W J Tyler	2	2
P J Maloney	6	6
C K Smyth	5	6
R A Widdup	6	6
B J K Sullivan	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 and Officers

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 $42,045 in respect of a contract insuring each of the directors, previous directors of the Company, and other key management personnel, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

Auditor Independence

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

Non-Audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2012. 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.

P J Maloney

....

P J Maloney
Chairman
Melbourne

....

C K Smyth
Managing Director

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Lion Selection Group Limited for the year ended 31 July 2012, 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 period.

Chris Dodd
Partner
PricewaterhouseCoopers

05 September 2012

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Lion Selection Group Limited

Statement of Comprehensive Income
for the Year ended 31 July 2012

	Notes	2012 $'000	2011 $'000
(Loss)/Gain attributable to movement in fair value	4	(28,990)	14,612
Dividend Income		361	250
Interest Income		1,490	1,524
Foreign Exchange Gain/(Loss)		541	(2,950)
Management fees		(357)	(273)
Employee benefits		(189)	(529)
Other expenses	4	(354)	(403)
Loss/(profit) before income tax		***(27,498)***	***12,231***
Income tax (expense)/benefit	5	-	(604)
Net (loss)/profit after tax		***(27,498)***	***11,627***
Other Comprehensive Income		-	-
Total Comprehensive (Loss)/Income for the year		***(27,498)***	***11,627***
Attributable to:			
Non-controlling interest		-	-
Members		***(27,498)***	11,627
		Cents per share	**Cents per share**
Basic (loss)/earnings per share		(31.2)	13.2
Diluted (loss)/earnings per share		(31.2)	13.2

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

Lion Selection Group Limited
Statement of Financial Position
as at 31 July 2012

	Notes	2012 $'000	2011 $'000
Current Assets			
Cash and cash equivalents	11	23,981	35,919
Trade and other Receivables	6	132	544
Total Current Assets		*24,113*	*36,463*
Non-Current Assets			
Financial Assets	7	34,474	49,633
Total Non-Current Assets		*34,474*	*49,633*
Total Assets		***58,587***	***86,096***
Current Liabilities			
Trade and Other Payables	8	50	61
Total Current Liabilities		*50*	*61*
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
Total Liabilities		*50*	*61*
Net Assets		***58,537***	***86,035***
Equity			
Contributed equity	10	100,109	100,109
(Accumulated losses)	9	(41,572)	(14,074)
Total Equity		***58,537***	***86,035***

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

Lion Selection Group Limited

Statement of Cash Flows
for the Year ended 31 July 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Dividends received		361	249
Interest received		1,890	1,066
Payments to suppliers and employees (including GST)		(900)	(1,354)
Net operating cash flows	11(b)	*1,351*	*(39)*
Cash flows from investing activities			
Payments for investments		(13,980)	(29,499)
Capital returns from investments		-	1,412
Proceeds from investment sales		150	23,668
Net investing cash flows		*(13,830)*	*(4,419)*
Cash flows from financing activities			
Net financing cash flows		-	-
Exchange rate variations on foreign cash balances		541	(2,950)
Net (decrease/increase) in cash and cash equivalents held		*(11,938)*	*(7,408)*
Cash and cash equivalents at beginning of financial period		35,919	43,327
Cash and cash equivalents at end of financial period		*23,981*	*35,919*

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

Lion Selection Group Limited

Statement of Changes in Equity
for the Year ended 31 July 2012

	Issued Capital $'000	Accumulated Losses $'000	Total $'000
Balance at 1 August 2011	**100,109**	**(14,074)**	**86,035**
Total comprehensive loss	-	(27,498)	(27,498)
Balance at 31 July 2012	**100,109**	**(41,572)**	**58,537**

	Issued Capital $'000	Accumulated Losses $'000	Total $'000
Balance at 1 August 2010	**100,109**	**(25,701)**	**74,408**
Total comprehensive income	-	11,627	11,627
Balance at 31 July 2011	**100,109**	**(14,074)**	**86,035**

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

Lion Selection Group Limited

Notes to the Financial Statements for the Year ended 31 July 2012

NOTE 1. CORPORATE INFORMATION

The financial report of Lion Selection Group Limited ("LSG") for the year ended 31 July 2012 was authorised for issue in accordance with a resolution of the directors on 5 September 2012. 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. The registered address of LSG is Level 4, 15 Queen Street, Melbourne.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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 and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. LSG is a for-profit entity for the purpose of preparing the financial statements.

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2012 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(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 AASB 9 (December 2010) (effective from 1 January 2013*)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. 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.

In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Company has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 July 2014.

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

(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.

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 judgment 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.

(ii) Fair value of investments and other financial assets

The Company carries its investments at fair value with changes in the fair values recognised in profit or loss. The fair value of investments and other financial assets that are not traded in an active market is determined based on either the last sale price, or where not available, the market value of underlying investments. Determination of market value involves the Company's judgment to select a variety of methods and in making assumptions that are mainly based on market conditions existing at each balance sheet date. The key assumptions used in this determination are set out in note 2(k).

(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.

(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 or 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.

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 Statement of Comprehensive Income.

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.

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

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 Investments 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 Statement of Comprehensive Income. 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.

(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 Statement of Comprehensive Income 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.

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

(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) Provisions

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

When LSG expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income 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 recognised 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 leave that are 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 for which LSG has an unconditional right to defer settlement for at least 12 months after the balance sheet date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(r) Contributed equity

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

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

(s) Earnings per share

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

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

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

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Board.

Investments have similar characteristics and so segments are determined on a geographical basis. The company invests only in small and medium mining and exploration companies with gold and base metal activities in Australia, Africa, South East Asia and the Americas.

NOTE 3 FINANCIAL RISK MANAGEMENT

LSG's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. LSG's overall risk management program is carried out under policies approved by the Board of Directors, and focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Board provides written principles for overall risk management, as well as policies covering specific areas. 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.

LSG holds the following financial instruments:

	2012 $'000	2011 $'000
Financial assets		
Cash	5,886	7,637
Bank bills and deposits receivable	18,095	28,282
Investments in securities	34,474	49,633
Trade and other receivables	132	544
	58,587	85,696
Financial liabilities		
Trade and other creditors	50	61
	50	61

(a) Market risk

(i) Foreign Currency Risk

LSG operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar (USD).

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. LSG's USD denominated bank account of US$1.4M and commitments to African Lion 3 of US$6.0M (see note 14(b)) could also expose LSG to foreign exchange risk, as movements in the USD will impact the amount of Australian dollars (AUD) that LSG has available and the amount it is obligated to invest in African Lion 3. To mitigate the Company's exposure to foreign exchange risk, non-AUD cash flows are closely monitored.

Based on the financial instruments held at the end of the period, had the AUD strengthened/weakened by 10% against the USD with all other variables held constant, the Company's post-tax profit and equity for the year would have been $110,214 lower/$160,570 higher (2011: $456,931 lower/higher) as a result of foreign exchange gains/losses on translation of USD denominated financial instruments as detailed in the above table.

The Company's post-tax profit is less sensitive to movements in the AUD/USD exchange rate in the current year than in the prior year, partly due to a decrease in USD 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 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.

Based on the financial instruments held at the end of the period, if the value of equity securities had increased by 10%/decreased by 10% with all other variables held constant, the Company's post-tax profit for the year would have been $3,447,324 higher/lower (2011: $4,963,323 higher/lower) as a result of gains/losses on equity securities classified as fair value through profit or loss.

NOTE 3 FINANCIAL RISK MANAGEMENT (CONT'D)

(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.

	Floating Interest Rate $'000	***Fixed Interest Rate $'000***	***Non Interest Bearing $'000***	***Total $'000***	***Average Interest Rate***	
					Floating %	***Fixed %***
2012						
Financial Assets:						
Cash – AUD	4,546	-	-	4,546	2.79	-
Cash – USD	-	-	1,340	1,340	-	-
Bank bills and deposits receivable	-	18,095	-	18,095	-	5.16
Other receivables	-	-	132	132	-	-
Investment in securities	-	-	34,474	34,474	-	-
Financial Liabilities:						
Trade and other creditors	-	-	50	50	-	-
2011						
Financial Assets:						
Cash – AUD	1,109	-	-	1,109	2.50	-
Cash – USD	6,528	-	-	6,528	0.15	
Bank bills and deposits receivable – one month 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		-

At 31 July 2012, if floating interest rates had increased/ decreased by 1.0% p.a. from the year end rates with all other variables held constant, post-tax profit for the year would have been $45,460 higher/$45,460 lower (2011: $359,190 higher/$293,910 lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

(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.

NOTE 3 FINANCIAL RISK MANAGEMENT (CONT'D)

(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. Where there is no recent sales price available, the fair value for unlisted investments is determined using a discounted cash flow analysis. The fair value of the option contracts is determined using a Black Scholes valuation at the reporting date.

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

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 for the years ended 31 July 2012 and 31 July 2011.

At 31 July 2012	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Financial assets at fair value through profit or loss				
Investments	11,621	22,853	-	**34,474**
Total Assets	**11,621**	**22,853**	**-**	**34,474**

At 31 July 2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Financial assets at fair value through profit or loss				
Investments	16,136	28,234	5,263	**49,633**
Total Assets	**16,136**	**28,234**	**5,263**	**49,633**

The following table presents the changes in level 3 instruments for the years ended 31 July 2012 and 31 July 2011.

Investments – Level 3	**2012 $'000**	**2011 $'000**
Opening Balance	5,263	10,543
	-	-
Transfers into Level 3		
Transfers out of Level 3	(5,263)	(2,830)
Other increases	-	-
(Losses)/gains recognised in profit or loss	-	(2,450)
Closing balance	**-**	**5,263**

	2012 $'000	2011 $'000
NOTE 4 INCOME AND EXPENSES		

(Loss)/gain attributable to movement in fair value of investments		
Mark to Market adjustment for year – investments realised during year	(188)	10,063
Mark to Market adjustment for year – investments held at end of year	(28,802)	4,549
(Loss)/gain attributable to movement in fair value of investments as recorded in the Statement of Comprehensive Income	(28,990)	14,612

Gross (loss)/profit on investments realised during the year includes mark to market adjustments realised in the current year as well as mark to market adjustments recognised in the Statement of Comprehensive Income in prior years as set out in the table below.

Results of Investments Realised During Year		
Proceeds from sale of shares	150	23,668
Historical Cost of investment sales	(1,363)	(12,550)
Gross (loss)/profit on investments realised	(1,213)	*11,118*
Represented by:		
Mark to Market recognised in prior periods (including on acquisition)	(1,025)	1,055
Mark to Market recognised in current year	(188)	10,063
	(1,213)	*11,118*

The total comprehensive (loss)/profit is after charging the following other expenses	**2012 $'000**	**2011 $'000**
Investor Relations	61	71
D & O Insurance	42	47
Legal Expenses	8	41
Other corporate overheads	243	244
Total other expenses	*354*	*403*

	2012 $'000	2011 $'000
NOTE 5 INCOME TAX EXPENSE		
(a) Statement of Comprehensive Income		
Current income tax	-	-
Deferred income tax	-	604
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	-	**604**
Reconciliation of income tax expense		
(Loss)/profit before income tax	(27,498)	12,231
Prima facie tax thereon at 30%	(8,249)	3,670
Tax effect of permanent and other differences:		
Non-deductible expenses	139	888
Non assessable dividend income	(108)	(213)
Unrealised mark to market increase in the fair value of investments	8,333	(4,384)
Deductible business related capital expenditure under Section 40-880	(224)	(286)
Amount underprovided/(overprovided) in prior years	-	-
Tax benefit not recognised for accounting purposes	109)	325
Total current income tax (benefit)/expense	**-**	**-**

	2012 $'000	2011 $'000
(b) Deferred Income Tax		
Movements - Deferred tax liabilities		
Opening deferred tax liabilities	-	144
Charged/(credited) to the Statement of Comprehensive Income	-	-
Set off of declared tax liabilities	-	(144)
Closing deferred tax liabilities	**-**	**-**
Deferred tax liabilities at 31 July relate to the following:		
Unrealised foreign exchange gains	-	123
Accrued interest/other temporary differences	-	21
Total deferred tax liabilities	-	144
Set-off of deferred tax liabilities	-	(144)
Net deferred tax liabilities	**-**	**-**
Movements - Deferred tax assets		
Opening deferred tax assets	-	748
Set-off of deferred tax liabilities	-	(144)
(Charged)/credited to the Statement of Comprehensive Income	-	(604)
Recognition of current year losses	-	-
Closing deferred tax assets	**-**	**-**
Deferred tax assets at 31 July relate to the following:		
Tax losses available	-	583
Accrued Expenses/Other temporary differences	-	165
Total deferred tax assets	-	748
Set off of deferred tax liabilities	-	(144)
Reversal of the net deferred tax assets previously recognised	-	(604)
Net deferred tax assets	**-**	**-**

NOTE 5 INCOME TAX EXPENSE (CONT'D)

Unrecognised temporary differences

A deferred tax asset has not been recognised in the Statement of Financial Position as the benefits will only be realised if the conditions for deductibility set out in Note 2(h) occur.

Unrecognised temporary differences at 31 July relate to the following:

Tax losses available – revenue account		3,628	2,141
Tax losses available – capital account		59,105	25,446
Temporary Difference – unrealised investments	Note (a)	34,300	40,839
Accrued Expenses/Other temporary differences		624	3,540
Unrecognised tax losses and temporary differences at 31 July		**97,657**	**71,966**
Potential Tax Benefit @ 30%		**29,297**	**20,590**

Note (a) – Temporary difference – unrealised investments

Temporary difference – unrealised investments arises from the difference between the fair value and taxable value of the investment

NOTE 6 RECEIVABLES (CURRENT)	**2012 $'000**	**2011 $'000**
Accrued interest	126	527
Sundry Debtors	6	17
Total current receivables, net	132	544

NOTE 7 FINANCIAL ASSETS	**2012 $'000**	**2011 $'000**
Listed investments (at fair value)	11,621	16,636
Unlisted investments (at fair value)	22,853	32,997
Total non-current financial assets	**34,474**	**49,633**

Listed shares are readily saleable with no fixed terms

LSG's ownership and economic interest in Asian Lion Ltd ("Asian Lion") is 62.8%. The directors have determined that LSG does not control 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)	**2012 $'000**	**2011 $'000**
Sundry creditors and accruals	50	61
Total current payables	**50**	**61**

NOTE 9 RETAINED PROFITS & RESERVES	**2012 $'000**	**2011 $'000**
Movements in retained earnings were as follows:		
(Accumulated losses) at the beginning of the financial year	(14,074)	(25,701)
Net (loss)/profit for period	(27,498)	11,627
(Accumulated losses) at the end of the financial year	**(41,572)**	**(14,074)**

NOTE 10 CONTRIBUTED EQUITY	2012 $'000	2011 $'000
Issued and paid up capital (fully paid)		
Opening Balance	100,109	100,109
Issued and paid up capital (fully paid)	**100,109**	**100,109**

Share Capital	**2012 Shares**	**2011 Shares**
Issued and paid up capital (fully paid)		
Opening Balance	88,029,353	88,029,353
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 its ability to continue as a going concern, so that it can continue to provide returns for shareholders. In order to maintain or adjust the capital structure, LSG may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

NOTE 11 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purpose of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents 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 Statement of Financial Position as follows:

	2012 $'000	2011 $'000
Cash on hand and at bank	5,886	7,637
Bank bills and deposits	18,095	28,282
Closing cash balance	**23,981**	**35,919**

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

	2012 $'000	2011 $'000
Net (loss)/profit after income tax	(27,498)	11,627
Adjustments for non cash income and expense items:		
Movement in fair value of investments (increase)/decrease in assets	28,990	(14,612)
Other non-cash (income)/expense	(541)	2,951
(Increase)/decrease in assets:		
▪ Deferred income tax asset	-	748
▪ Other receivables	411	(472)
(Decrease)/increase in liabilities:		
▪ Deferred income tax liability	-	(144)
▪ Payables	(11)	(137)
Net cash flow from operating activities	**1,351**	**(39)**

NOTE 12 CONTINGENT LIABILITIES

Centaurus Metals Limited (Centaurus)

In July 2012, LSG applied to participate in a share placement for its investee Centaurus. At 31 July 2012 part of the placement was pending approval by Centaurus shareholders which was received on 31 August 2012. LSG's net commitment to this share placement is $1.3m.

NOTE 13	EARNINGS PER SHARE		
		2012 $'000	2011 $'000
(a)	(Loss)/earnings used in calculating earnings per share – basic and diluted	(27,498)	11,627
(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 14 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 Commitments

African Lion 3 Limited (AFL3)

LSG entered into an agreement in June 2008 to commit US$18.75 million in AFL3, of which US$6.0M remains undrawn at 31 July 2012 (Australian Dollar equivalent of $5.7 million).

One Asia Resources Limited (One Asia)

One Asia is an unlisted exploration company focused on the exploration for gold resources and development of gold mines in Sulawesi, Indonesia. LSG has agreed to partly underwrite a rights issue for its investee One Asia. The rights issue was seeking to raise up to $10 million at $0.40/share. As at 31 July 2012, LSG has valued One Asia at this share price.

LSG has committed to take up Asian Lion's share of the rights issue ($2.4 million) and underwrite for a further $3.3 million, including $0.7 million on behalf of another shareholder in Asian Lion. LSG's net commitment to this rights issue is $5.0 million which was subsequently fully drawn upon (see Note 19 Events Occurring after the Reporting Period).

Lion Selection Limited

Under the arrangements associated with the 2009 demerger of LSG from its previous holding company, Lion Selection Limited, LSG provided an indemnity to Lion Selection Limited and its subsidiaries in respect of certain liabilities that pre-date the arrangements. This includes any tax liabilities of Lion Selection Limited and its subsidiaries for the period before 31 July 2009 and any employee & management fee liabilities prior to the demerger. LSG is not aware of any amount payable associated with this indemnity as at 31 July 2012.

NOTE 15	REMUNERATION OF AUDITORS	2012 $	2011 $
(a)	**Audit Services**		
	Audit and review of financial reports	69,000	75,000
	Total remuneration for audit services	69,000	75,000

(b) Non-audit services

No fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2012.

NOTE 16 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) – Retired 31 December 2011
Craig Smyth (Managing Director)
Peter Maloney (Non-Executive chairman)
Barry Sullivan (Executive Director) – Appointed 2 December 2011
Robin Widdup (Director)

(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. There is currently 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) Key Management Personnel Remuneration	**2012 $**	**2011 $**
Short term employee benefits	155,717	391,391
Termination benefits	-	100,000
D&O Insurance	42,045	46,716
Post-employment benefits	29,848	45,112
	227,610	**583,219**

NOTE 17 MATERIAL INVESTMENTS	**Carrying Amount**		**Entity Ownership**	
The Company had direct ownership of the following material investments at year end:	**2012 $'000**	**2011 $'000**	**2012 %**	**2011 %**
African Lion 2 Ltd	1,263	2,832	25	25
African Lion 3 Ltd	7,425	6,739	24	22
Asian Lion Ltd	10,425	18,892	63	63
Auricup Resources Ltd	1,905	500	20	5
Copperbelt Minerals NL	663	2,894	2	2
Doray Minerals Ltd	3,396	3,062	6	3
Mindoro Resources Ltd	670	2,477	7	7
Rum Jungle Resources Ltd	1,799	-	5	-
Sihayo Gold Ltd	2,655	1,625	2	2
YTC Resources Ltd	1,932	6,661	4	4

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

NOTE 18 SEGMENT INFORMATION

Management has determined the Company's segments based on the internal reporting reviewed by the Board to make strategic decisions. The Company provides patient equity capital to carefully selected small and medium mining enterprises. Investments have similar characteristics and so segments are determined on a geographical basis. LSG invests only in mining and exploration companies and projects with gold and base metal activities in Australia, Africa, South East Asia and the Americas. Information with respect to Geographical Segments is set out below.

2012	**Australia $'000**	**Africa $'000**	**Asia $'000**	**Americas $'000**	**Unallocated $'000**	**Total $'000**
Segment Revenue	-	361	-	-	2,009	2,370
Mark to Market adjustment	(7,295)	(9,240)	(12,091)	(364)	-	(28,990)
Segment Income	**(7,295)**	**(8,879)**	**(12,091)**	**(364)**	**2,009**	**(26,620)**
Segment Expense	-	-	-		(900)	(900)
Segment Result Before Tax	**(7,295)**	**(8,879)**	**(12,091)**	**(364)**	**1,109**	**(27,520)**
Segment Assets	9,338	9,577	15,254	305	24,113	58,587
Segment Liabilities	-	-	-	-	50	50
Other Segment Information						
Assets Acquired during the period	5,574	5,587	2,151	668	-	13,980
Cash Flow Information						
Net Cash inflow from operating activities	-	361	-	-	990	1,351
Net Cash inflow from investing activities	(5,574)	(5,575)	(2,012)	(668)	-	(13,830)
Net Cash inflow from financing activities	-	-	-	-	-	-

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 during the period	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)

NOTE 19 EVENTS OCCURING AFTER THE REPORTING PERIOD

Subsequent to the end of the financial year, one of Lion's investee companies One Asia Resources Limited completed a rights issue. LSG had committed to partly underwrite the rights issue, with a commitment of $5 million. Due to a shortfall in the rights issue LSG's underwriting was called upon with LSG investing the full $5 million. In addition in August 2012, LSG had provided a short term loan of $1 million which was repaid out of the proceeds of the rights issue.

In August 2012 LSG received correspondence confirming that its investee Copperbelt Minerals (Copperbelt) had signed a conditional Settlement Agreement with its joint venture partner Gécamines to exit its joint venture for deferred compensation. The Settlement Agreement is subject to a number of conditions which need to be met before it can be closed, including Copperbelt shareholder approval, with closure of the Agreement prior to March 2013.

Other than the items above, there has not arisen in the interval between the end of the year and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods

LION SELECTION GROUP LIMITED

Directors' Declaration

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

1. In the opinion of the directors:

(a) the financial statements, notes set out on pages 8 to 27 are in accordance with the Corporations Act 2001 and other mandatory reporting requirements, including:

(i) complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the financial position of the Company as at 31 July 2012 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. Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3. 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 2012.

4. The directors have been given the declarations by the Managing Director - The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

On behalf of the Board

P J Maloney

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P J Maloney | **C K Smyth**
Chairman | Managing Director

Melbourne
Date: 5 September 2012

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

Report on the financial report

We have audited the accompanying financial report of Lion Selection Group Limited ('the company'), which comprises the balance sheet as at 31 July 2012, the statement of comprehensive income, the 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 opinions.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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 2012 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 financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 3 to 4 of the directors' report for the year ended 31 July 2012. 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 2012, 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 and remuneration report of Lion Selection Group Limited (the company) for the year ended 31 July 2012 included on Lion Selection Group Limited's web site. The company's directors are responsible for the integrity of the Lion Selection Group Limited 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 and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration 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 and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Dodd

Partner

05 September 2012