Lion Selection Group

LION SELECTION GROUP LIMITED

(ABN 26 077 729 572)

Information Memorandum for admission to the official list of the ASX
8 February 2013

No offer of securities is being made pursuant to this Information Memorandum

This Information Memorandum is an important document and should be read in its entirety.

This Information Memorandum is not a Prospectus or an Offer Information Statement.

Status of document
This document is not a disclosure document required by Chapter 6D of the Corporations Act.

Forward looking statements
Certain statements in this document relate to the future, including forward looking statements relating to the financial position and strategy of Lion. These forward looking statements are generally based on stated or implied assumptions which may prove to be incorrect and involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Lion to be materially different from future results, performance or achievements expressed or implied by such statements. Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward looking statements include, among others, values of investee companies, levels of actual production during any period, levels of demand and market prices for commodities, the ability to produce and transport mine products profitably, the impact of foreign currency exchange rates on market prices and operating costs, construction and operational problems, general economic and financial conditions and actions by governmental authorities such as changes in taxation, environmental or other regulation.

None of Lion, any Directors nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

Subject to any continuing obligations under law or the Listing Rules, Lion and the Directors, disclaim any obligation or undertaking to disseminate after the date of this document any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based other than to comply with legal obligations or the Listing Rules.

Estimates
Unless otherwise indicated, all references to estimates and derivations of the same in this document are references to estimates by Lion management. Management estimates are based on views at the date of this document, and the actual facts or outcomes may be materially different from those estimates.

ASX
A copy of this document has been lodged with ASX. Neither ASX nor its officers take any responsibility for the contents of this document. The fact that ASX may grant official quotation of Lion's securities is not to be taken in any way as an indication of the merits of Lion.

Glossary, defined terms and interpretation
A number of terms used in this document have special meanings. These are listed in the Glossary at the back of this document.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this document. All numbers are rounded unless otherwise indicated.

Date This document is dated 8 February 2013.

CONTENT OF THIS INFORMATION MEMORANDUM

Section		Page
Corporate Directory		
Important Information		
1.	Chairman's Letter	2
2.	The Company	3
3.	Capital Structure	6
4.	Directors and Key Management	8
5.	Arrangements with Lion Manager	9
6.	Corporate Governance	12
7.	Risks Factors	12
8.	Additional Information	15
9.	Authorisation	20
10.	Glossary	20
Annexure A	Corporate Governance Report	
Annexure B	Annual Report	

CORPORATE DIRECTORY

Directors	Peter Maloney	(Chairman)
	Chris Melloy	(Non-Executive Director)
	Barry Sullivan	(Non-Executive Director)
	Robin Widdup	(Director)
Company Secretary	Jane Rose	
Registered Office	Level 4, 15-17 Queen Street, Melbourne VIC 3000 Telephone: +61 3 9614 8008 Facsimile: +61 3 9614 8009	
Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277 Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067 Australia Tel (within Australia): 1300 850 505 Tel (outside Australia): +61 3 9415 4000	
Lawyers	Herbert Geer Lawyers Level 20, 385 Bourke Street, Melbourne VIC 3000	
Auditors	PricewaterhouseCoopers Freshwater Place, Level 19, 2 Southbank Boulevard, Southbank VIC 3006 Australia	
Website	www.lionselection.com.au	

Note: The Share Registry, Lawyers and Auditors' details are provided as a matter of record only.

IMPORTANT INFORMATION

This Information Memorandum is dated 8 February 2013. The information in this Information Memorandum is in relation to **Lion Selection Group Limited** (the 'Company' or 'Lion') and contains information in respect of the listing of the Company on the official list of the ASX.

This Information Memorandum has been lodged simultaneously with a request for admission of the Company to the official list of the ASX. ASX does not take any responsibility for the contents of this Information Memorandum. The fact that ASX may admit the Company to its official list is not to be taken in any way as an indication of the merits of the Company.

Except as described in section 3.5 of this Information Memorandum with respect to exercised Options, the Company has not raised any capital in the three months before the date of this Information Memorandum and will not need to raise any capital for three months after the date of this Information Memorandum.

This document is not a prospectus and does not constitute an offer of Shares or an invitation to apply for the issue of Shares in any jurisdiction. However, this Information Memorandum does contain the information that would be required under section 710 of the Corporations Act if it were a prospectus offering for subscription the same number of securities for which quotation is sought.

The Company is not licensed to provide financial product advice in relation to its securities.

Investors should obtain independent advice before making any financial decisions. There is no cooling off period in relation to securities in the Company.

A supplementary information memorandum will be issued if the Company becomes aware of any of the following between the issue of the Information Memorandum and the date the Company's securities are quoted:

- A material statement in the Information Memorandum is misleading or deceptive.
- There is a material omission from the Information Memorandum.
- There has been a significant change affecting a matter included in the Information Memorandum.
- A significant new circumstance has arisen and it would have been required to be included in the Information Memorandum.

Additional copies of this Information Memorandum are available by contacting the Company Secretary on fax +61 3 9614 8009 or phone +61 3 9614 8008 or by visiting www.lionselection.com.au.

1. CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to be able to write to you in relation to the final element of the "Lion Plan", with Lion seeking to list on the ASX. In recent times Lion has traded at a discount to its net tangible asset backing. Although there is no guarantee that Lion's share price would be higher on the ASX, feedback from shareholders about ease to trade on the ASX and possible improvements to liquidity have prompted the Lion Board to seek a listing on the ASX.

The Lion Plan is the result of a wide ranging and thorough strategic review of Lion's activities, objectives, structure, management and competitive position aiming to reward shareholders for their loyalty, improve Lion's share price and set Lion up for the next phase of growth. The Lion Plan initiatives were overwhelmingly supported by Lion's shareholders at its recent Annual General Meeting, with the current status of key elements below:

Re-list on the ASX	Target first quarter 2013.
Issue Options – 1 for 6 at 80cps	Completed.
Distribution Policy Change	New policy adopted. Lion will seek to pay a sustainable, regular distribution upon the profitable exit from investments, subject always to the investment needs of the Company. Refer to section 3.4 of this Information Memorandum.
Lion Manager Arrangements	Lion Manager appointed exclusive Manager and will continue to provide services to the African and Asian Lion Funds. Further details on the new arrangements are outlined in section 5 of this Information Memorandum.
Lion Board Changes	Completed: Chairman – Peter Maloney Executive Director – Robin Widdup Non-Executive Director – Barry Sullivan Non-Executive Director – Chris Melloy CEO – Craig Smyth

Lion currently has its securities traded on the NSX, and if Lion's listing application is approved by ASX, the Company will withdraw its listing on the NSX.

Lion's investment model of focusing on direct investments in early stage mining and exploration remains unchanged and has been demonstrated to work over time since 1997. Lion is currently seeing a multitude of opportunities and the Directors believe that Lion's portfolio is well positioned to leverage improvements in this mining cycle.

P I Maloney

Peter Maloney (Chairman)

2. THE COMPANY

2.1 Company Background

The Company is a public company incorporated in Australia on 4 April 1997.

The Company was originally listed on the ASX as a Pooled Development Fund ("PDF") in 1997 raising $100 million. In 2007, the Company merged with AuSelect Limited to form Lion Selection Limited, with the Company and AuSelect Limited becoming wholly owned subsidiaries of Lion Selection Limited (PDF status was relinquished in this merger).

In December 2009, Lion Selection Limited spun off its investment assets by way of a demerger of the Company and merged its gold assets with Catalpa Resources Limited (now part of the Evolution Mining group of companies). Following the demerger of the Company from Lion Selection Limited, the Company was listed on the NSX. Shareholders of Lion Selection Limited also received a cash distribution. Prior to the above transactions, Lion Manager was responsible for the management of Lion Selection Limited's investment portfolio and gold assets under a management agreement. This management agreement was terminated, with Lion Manager being issued 5,923,757 shares in Lion Selection Limited in satisfaction of the termination fee payable to Lion Manager. At the date of this Information Memorandum, Lion Manager does not hold any Shares in the Company.

At the Company's latest Annual General Meeting on 5 December 2012, the shareholders of the Company passed a special resolution seeking to delist from the NSX and seek admission to the official list of the ASX.

2.2 Nature of the Company's Business and Activities

For information on the Company's business and activities, please refer to pages 14 to 19 of the Annual Report.

2.3 Financial Position

For information on the Company's financial position, please refer to the Company's Annual Financial Report for the financial year ended 31 July 2012, which is set out at pages 22 to 45 of the Annual Report.

2.4 Investments

Lion has a portfolio of carefully selected companies with robust management and projects that it expects to hold and manage to maximise value, providing what the Directors consider to be a balanced exposure to the high risk/high reward junior resource sector. Lion provides capital at an early stage to assist investees along the development curve and aims to exit following consideration of value after project development, and the timing of the investment cycle.

As part of its investment portfolio, Lion is committed to invest a further US$3.95 million in African Lion 3 Limited, an unlisted investment fund that is managed by Lion Manager, expected to be called progressively over the next two years. Cash calls from African Lion 3 Limited are binding on Lion and are expected to be met by Lion from Lion's available cash.

2.5 Overview of Investments

Please refer to pages 7 to 9 of the Annual Report, being an investment summary and overview of the Company's historical performance.

2.6 Net Tangible Assets as at 31 January 2013

	Commodity	Market Value A$M	% Portfolio
Australia			
YTC Resources	Gold/Base Metals	2.9	
Doray Minerals	Gold	5.5	
Auricup Resources	Gold	1.9	
Rum Jungle Resources	Phosphate	3.2	
Other Australia		0.6	**20%**
Africa			
Kasbah Resources	Tin	2.4	
Toro Gold	Gold	2.0	
Other Africa		4.4	
Cash dedicated to Africa[1]		4.6	**19%**
Asia			
One Asia Resources[2]	Gold	18.0	
Sihayo Gold	Gold	3.9	
Manas Resources	Gold	2.2	
Other Asia		3.6	**41%**
Americas	Iron Ore/Coal	1.8	**3%**
Uncommitted Net Cash		**11.6**	**17%**
Net Tangible Assets		**$68.6m**	**78c/ share**

[1] Committed cash of US$3.9m to African Lion 3 Limited.
[2] One Asia at a value of A$0.75/share.

Note: The above table aggregates investments held directly by Lion and the value to Lion of investments which are held by the Funds. The NTA represents the pre-tax net tangible assets determined in accordance with the Australian equivalents to International Financial Reporting Standards which includes the result of the "mark-to-market" of the investment portfolio. For listed investments (including the pro-rata share of listed investments held by funds), fair value is determined based on the closing bid price. Unlisted investments are valued based on either the market value of underlying investments or the last sale price if appropriate. Net cash represents cash and receivables less provision for taxation on realised investments and other liabilities. No provision or benefit is made for tax on unrealised investments or available tax losses.

One Asia Resources

All material investments of Lion and the Funds are listed, with the exception of the unlisted investment in One Asia Resources Limited (One Asia). One Asia is an unlisted gold exploration company focused on the development of two gold mines in Sulawesi, Indonesia. Lion has valued One Asia at 75c/share for the Net Tangible Asset (NTA) backing as at 31 January 2013 representing $18 million or 26% of Lion's NTA (including indirect holdings through Asian Lion Limited).

One Asia is currently drilling on its Pani project (One Asia: 90% economic interest) in Gorontalo Province, Sulawesi. This drilling is centered around the Pani ridge drilled by BHP and others in the 1990s which determined a Canadian NI 43-101 Resource of 0.5 million ounces of gold. The results to date indicate a significant oxide resource is in the process of being identified, extending to the west, east and south of the main ridge. In addition, results of initial metallurgical test work being undertaken in Australia have indicated excellent recoveries from low cost heap leach (HL) technology which is similar to the results BHP obtained in previous HL test work. A number of drill holes at Pani have been drilled which One Asia interpret to be high grade feeder structures, returning up to 125.7m@2.74 g/t Au including 44.3m@5.08 g/t Au. Free gold is commonly observed in higher grade portions of the deposit.

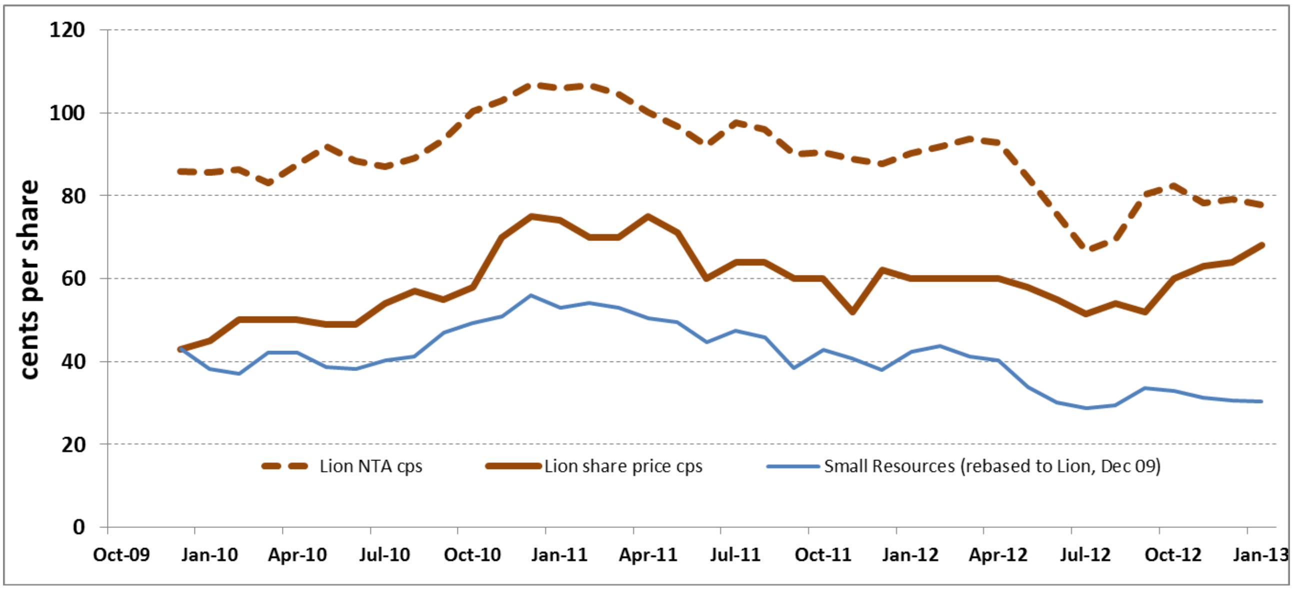
One Asia is targeting completion of an initial JORC Resource on the first 500m of Pani Ridge in the first quarter of 2013 utilising SRK Australasia as an Independent Consultant, with additional drilling to the west, east and south to test for extensions of mineralization ongoing during the first quarter 2013 to increase the resource base. Results of extension drilling have returned up to 164m@1.38 g/t Au from surface some 100m west of the main ridge. While the potential quantity and grade is conceptual in nature, ongoing drilling supports One Asia's exploration target[1] to define a resource of 1,000,000oz of oxide gold mineralisation at Pani. Subject to appropriate evaluation, One Asia believes the development of Pani Ridge as a mine has the potential to be at very low strip ratio using heap leach processes. Rights to the Pani project tenement are held under an Izin Usaha Pertambangan licence (IUP) by a local government entity, with One Asia holding its 90% economic interest in Pani through contractual arrangements with its local joint venture partner. One Asia has agreements in place to own a direct equity interest in the project and expects to complete these ownership changes in the first half of 2013 subject to government approvals.

In late 2012 One Asia completed a Pre-Feasibility Study (PFS) for its Awak Mas project held under a 7th Generation Contract of Work by One Asia's joint venture partner, with One Asia earning 80% by completing a feasibility study and receiving environmental approvals. Initial financial modelling undertaken by One Asia indicates Awak Mas (current JORC resource 2.14 m oz gold) has the capacity to produce approximately 150,000 ounces of gold annually, producing 1.15 million ounces over the life of the mine. In addition, One Asia believe that the positive results from the Salu Bulo prospect (including 27m@3.74 g/t Au, 35m@2.51 g/t Au) located 2 km SE from Awak Mas indicate this satellite deposit has the potential to add higher grade material, with the capacity to increase production to approximately 1.5 million ounces of gold over the life of mine and importantly providing higher grade material at the initial stages of the operation.

One Asia's PFS for Awak Mas has indicated a capital cost for the construction of the 3.5mtpa CIL plant of US$260 million and an operating cash cost of US$760 per ounce inclusive of all royalties based on the assumptions made in the Study. Completion of the PFS represents a key milestone for One Asia, and enables the company to progress the necessary permitting for moving towards construction. One Asia is in the process of completing initial resource modelling at the Salu Bulo prospect, targeting release in the first quarter of 2013. Further drilling will be required in 2013 to upgrade any resource prior to including this material in the Definitive Feasibility Study being completed in 2013.

2.7 Lion Share Price and Investment Performance

The chart below tracks Lion's share price and NTA since listing on the NSX.



[1] There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

3. CAPITAL STRUCTURE

3.1 Current Capital Structure

As at the date of this Information Memorandum, Lion has 88,030,963 Shares and 14,658,222 Options on issue. The Options to acquire Shares are exercisable at $0.80 per Option and have an expiry date of 12 December 2014. The rights and liabilities attaching to these Shares and Options are summarised at sections 8.5 and 8.6 of this Information Memorandum respectively.

It is possible that the Company will issue further Shares prior to the listing of the Company on the ASX if Options are exercised leading up to the Company's admission to the ASX. If this occurs, the Company will seek quotation of these additional Shares.

Movements in the capital structure since 31 July 2012, being the date of the Annual Report, are summarised below:

	Ordinary Shares	**Options**
Balance – 31 July 2012	88,029,353	Nil
Pro Rata Issue of Bonus Options	-	14,659,832
Exercise of Options prior to the date of this Information Memorandum	1,610	(1,610)
Capital Structure at the date of this Information Memorandum	**88,030,963**	**14,658,222**

3.2 Shares

Top 20 Shareholders

The following tables provide information about the shareholders of the Company as at 5 February 2013.

Rank	Name	No. of Shares	%
1.	BNP PARIBAS NOMS PTY LTD <MASTER CUST DRP>	14,402,049	16.36
2.	WWW MANAGEMENT PTY LTD <WIDDUP FAMILY A/C>	7,513,073	8.53
3.	NATIONAL NOMINEES LIMITED	4,549,835	5.17
4.	MR MARK GARETH CREASY	4,448,976	5.05
5.	GEMFIELD LAKE PTY LTD <MELLOY FAMILY A/C>	3,034,329	3.45
6.	MIKEJEN PTY LTD	2,621,870	2.98
7.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	2,392,101	2.72
8.	MR MICHAEL DAVID BROOK + MRS JENNY LEE BROOK <MD & JL BROOK SUPER FUND A/C>	2,009,257	2.28
9.	MR ROBIN ANTHONY WIDDUP + MRS JANET WIDDUP <WIDDUP SUPER FUND A/C>	1,756,317	2.00
10.	INCONSULTARE PTY LTD <MORRISON FAMILY S/F A/C>	1,550,000	1.76
11.	BNP PARIBAS NOMS PTY LTD <DRP>	1,230,259	1.40
12.	PRANJIP ROAD PTY LTD <MALONEY FAMILY A/C>	1,181,642	1.34
13.	MR CHRISTOPHER PAUL MELLOY + MRS ANNE CHRISTINE MELLOY <MELLOY SUPER FUND A/C>	968,780	1.10
14.	WAL ASSETS PTY LTD	830,693	0.94
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	820,181	0.93
16.	A & L WAIT SUPERANNUATION PTY LIMITED <A & L WAIT SUPER FUND A/C>	800,000	0.91
17.	MR DOMINIC PAUL MCCORMICK	695,413	0.79
18.	MR ALEXANDRE PETER SWANSON + MS LYNLEY MARIE SWANSON <ALEXANDRE SUPER FUND A/C>	600,006	0.68
19.	MRS PAMELA JULIAN SARGOOD	600,000	0.68
20.	GP SECURITIES PTY LTD	500,000	0.57
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		**52,504,781**	**59.64**
Total Remaining Holders Balance		**35,526,182**	**40.36**

Substantial Shareholder Notices

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

Name	No. of Shares	%
Select Asset Management Limited	15,424,669	17.52
Robin Anthony Widdup and Janet Widdup	9,269,390	10.53
Michael David Brook and Jenny Lee Brook	4,663,102	5.26
Mark Creasy	4,448,976	5.06

Distribution of Shareholdings

Range	Total holders	Units (Shares)	% of Issued Capital
1 - 1,000	292	152,158	0.17
1,001 - 5,000	1,371	3,467,936	3.94
5,001 - 10,000	538	3,790,246	4.31
10,001 - 100,000	642	17,590,783	19.98
100,001 - 9,999,999,999	74	63,029,840	71.60
Rounding			**0.00**
Total	**2,917**	**88,030,963**	**100.00**

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.68 per unit	736	184	49,715

3.3 Options

Top 20 Option Holders

The following tables provide information about the Option holders of the Company as at 5 February 2013.

Rank	Name	No. of Options	%
1.	BNP PARIBAS NOMS PTY LTD <MASTER CUST DRP>	2,400,342	16.38
2.	WWW MANAGEMENT PTY LTD <WIDDUP FAMILY A/C>	1,252,179	8.54
3.	NATIONAL NOMINEES LIMITED	766,640	5.23
4.	MR MARK GARETH CREASY	741,496	5.06
5.	GEMFIELD LAKE PTY LTD <MELLOY FAMILY A/C>	505,722	3.45
6.	MIKEJEN PTY LTD <BROOK FAMILY A/C>	436,979	2.98
7.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	398,684	2.72
8.	MR MICHAEL DAVID BROOK + MRS JENNY LEE BROOK <MD & JL BROOK SUPER FUND A/C>	334,877	2.28
9.	MR ROBIN ANTHONY WIDDUP + MRS JANET WIDDUP <WIDDUP SUPER FUND A/C>	292,720	2.00
10.	INCONSULTARE PTY LTD <MORRISON FAMILY S/F A/C>	258,334	1.76
11.	BNP PARIBAS NOMS PTY LTD <DRP>	205,043	1.40
12.	PRANJIP ROAD PTY LTD <MALONEY FAMILY A/C>	196,941	1.34
13.	MR CHRISTOPHER PAUL MELLOY + MRS ANNE CHRISTINE MELLOY <MELLOY SUPER FUND A/C>	161,464	1.10
14.	WAL ASSETS PTY LTD	138,449	0.94
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	136,699	0.93
16.	A & L WAIT SUPERANNUATION PTY LIMITED <A & L WAIT SUPER FUND A/C>	133,334	0.91
17.	MR DOMINIC PAUL MCCORMICK	115,903	0.79
18.	MR ALEXANDRE PETER SWANSON + MS LYNLEY MARIE SWANSON <ALEXANDRE SUPER FUND A/C>	100,001	0.68
19.	MRS PAMELA JULIAN SARGOOD	95,834	0.65
20.	GP SECURITIES PTY LTD	83,334	0.57
Totals: Top 20 holders of OPTIONS		**8,754,975**	**59.73**
Total Remaining Holders Balance		**5,903,247**	**40.27**

Distribution of Option Holdings

Range	Total holders	Units (Options)	% of Issued Capital
1 - 1,000	1,873	796,818	5.44
1,001 - 5,000	792	1,756,977	11.99
5,001 - 10,000	128	902,219	6.16
10,001 - 100,000	104	2,626,401	17.92
100,001 - 9,999,999,999	18	8,575,807	58.51
Rounding			-0.02
Total	**2,915**	**14,658,222**	**100.00**

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.03 per unit	16,667	2,830	3,925,308

3.4 Distribution Policy

Lion's distribution policy is to pay distributions on a sustainable basis as investment profits are realised, subject always to the investment opportunities and commitments of the Company. No distributions have been declared by Lion in the last three years. As at the date of this Information Memorandum, the Directors consider that Lion has an abundance of investment opportunities that make it unlikely that any distribution will be paid until a material investment is profitably realised.

3.5 Lion capital

Except as described below with respect to exercised Options, Lion has not raised any capital for the three months before the date of this Information Memorandum and will not need to raise any capital for three months after the date of this Information Memorandum.

The Company has received some capital in connection with the exercise of some of the Options issued in December 2012. However, the amount raised has been nominal. As at 6 February 2013, 1,610 of the Options had been exercised, resulting in $1,288.00 being paid to the Company. The Options expire on 12 December 2014, and were not issued with a view to raising capital in the short term. The Options were issued as part of the "Lion Plan" primarily to reward the loyalty of shareholders and in order to provide shareholders with a further opportunity to participate in the growth of the Company.

Lion has enough working capital to carry out its stated objectives.

4 DIRECTORS AND KEY MANAGEMENT

4.1 Directors – Experience of the Board

The Directors of the Company are:

Peter Maloney (Non-Executive Chairman), who was appointed a director on 14 December 2010 and appointed chairman on 1 January 2012.

Barry Sullivan (Non-Executive Director), who was appointed a director on 2 December 2011.

Chris Melloy (Non-Executive Director), who was appointed a director on 1 November 2012.

Robin Widdup (Director), who was appointed a director on 5 January 2011.

For further information on the Directors, please refer to page 18 of the Annual Report. Since the date of the Annual Report, Chris Melloy has been appointed Non-Executive Director, and Craig Smyth stepped down from being Managing Director to be Chief Executive Officer of the Company. Further detail is provided with respect to Chris Melloy's profile below.

Chris Melloy

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

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

Mr Melloy was an executive director of Lion Manager from its inception in 1997 through to 2011, when he retired to non-executive director. In September 2012, Mr Melloy resigned from his non-executive director role with Lion Manager. Mr Melloy was also previously a non-executive director of a number of Lion's investees, including Catalpa Resources.

4.2 Key Management

For information on the Company's management team, please refer to pages 18 and 19 of the Annual Report.

4.3 Directors' remuneration

Please refer to pages 16 and 17 of the Annual Report.

The Constitution provides the following in respect of the remuneration of Lion's directors:

(a) The non-executive directors of Lion will be paid for their services as directors' remuneration not exceeding in aggregate $200,000. Future maximum sums will be fixed by Lion's shareholders at future general meetings. Remuneration payable by Lion to non-executive directors is not to be by commission on, or percentage of, profits or operating revenue.

(b) The remuneration of the executive directors of Lion is to be fixed by Lion's board of directors and may consist of salary, bonuses or any other elements, but must not be a commission on, or percentage of, profits or operating revenue.

4.4 Officers' indemnities

Pursuant to the terms of the Constitution, Lion provides an indemnity to every officer of Lion (and may indemnify any auditor of Lion) against any liability incurred by the person in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith.

Lion may also make payment in relation to legal costs incurred by these persons in defending an action for a liability, or resist or responding to action taken by a government agency or a liquidator.

5 ARRANGEMENTS WITH LION MANAGER

5.1 Management Agreement

The Company and Lion Manager have a strong and enduring connection dating back to Lion's original establishment in 1997 including the Company, Lion Selection Limited and the Funds. The Directors believe that Lion Manager's performance has been critical in the Company's investment returns historically, and is instrumental going forward.

Following shareholder approval, the Company on 5 December 2012 entered a revised contract with Lion Manager pursuant to which Lion Manager agreed to be the mutually exclusive provider of investment recommendations and portfolio management services with respect to the Company's direct investments in line with the Company's investment plan ("Management Agreement").

A summary of the key terms of the Management Agreement is set out below:

Management fee

Under the Management Agreement, Lion Manager is entitled to a monthly management fee of 0.125% (equivalent to an annual percentage of 1.5%) of the "Invested Capital". This initially will be the historic cost of direct investments on hand and uncommitted cash on 1 September 2012, approximately $43 million. The Invested Capital figure can change over time if the historic cost of investments and uncommitted cash varies by 25% or more from the most recent Invested Capital figure – ie. the new figure is adopted as the Invested Capital going forward. The minimum Invested Capital is $43 million, with this figure being capped at $200 million.

The management fee arrangements are to be reviewed by Lion Manager and the Company having regard to the workload involved in managing the portfolio on an annual basis, as well as if the Invested Capital reaches the $200 million cap.

Annual performance fee

In addition to the monthly management fee, the Management Agreement provides for Lion Manager to be paid an annual performance bonus fee of 15% of the highest amount (if any) by which the three month average market capitalisation of the Company (excluding the proportion of the market capitalisation attributable to the Funds) exceeds the three month average "Monthly Benchmark". The Monthly Benchmark is calculated as being the greater of:

(a) the most recent market capitalisation of the Company in respect of which an annual performance fee was paid (if any) ("High-water Mark"); and

(b) the initial Invested Capital escalated by 8% per annum.

Both the Monthly Benchmark and the High-water Mark are increased for new share issues and distributions received from the Funds, or decreased for distributions paid by the Company and commitments to any new Funds. Transfers to or from the Funds are adjusted for the prevailing NTA discount at the time to ensure that the change is neutral to the existing performance fee accrual (if any).

The objective of the performance fee is to reward Lion Manager for increasing the market capitalisation of the Company to the extent this relates to direct investments.

Subject to applicable regulatory requirements and compliance with the Listing Rules, the Company may require Lion Manager to accept 40% of the amount of any performance fee by the issue of shares in the Company calculated at a 30 day weighted average price as at the end of each financial year. If agreed to between the Company and Lion Manager, a higher percentage of the performance fee may be satisfied by the issue of shares to Lion Manager.

Shares issued with respect to the annual performance fee will be subject to a voluntary escrow, with 50% of the shares escrowed for 12 months and the remainder for 24 months. Transfers to beneficial owners of Lion Manager are permitted, provided the recipient enters matching escrow arrangements. If Shareholder approval is required in respect of the issue of shares, the Company must seek that approval as soon as practicable following the end of the financial year.

Discretions

The Management Agreement provides that Lion Manager must not make or dispose of any investment on behalf of the Company, except with the prior approval of the board of directors of the Company or in accordance with the terms of any investment authority given by the board to Lion Manager from time to time.

Notice of termination

Under the Management Agreement, either Lion Manager or the Company will be able to terminate the agreement by giving the other party 6 months' notice.

Termination events

The Management Agreement gives the Company the right to immediately terminate the agreement in certain prescribed circumstances, including on a change of control of Lion Manager or if a “Key Person Event” occurs. A Key Person Event will occur if:

(a) a ”Key Person” (being each of Robin Widdup, Craig Smyth, Michael Brook, Tim Markwell, Damon Rhodes or Hedley Widdup or any other person approved as a Key Person for the purposes of the Management Agreement) commits a criminal act;

(b) a Key Person is engaged in any corrupt activity; or

(c) less than four Key Persons are devoting substantially all of their business time to the affairs of Lion Manager and the Company does not approve one or more additional employees of Lion Manager as Key Persons such that four Key Persons are devoting substantially all of their business time to the affairs of Lion Manager.

The Management Agreement gives Lion Manager an immediate right of termination if the Company distributes more than 50% of its assets in any 12 month period as well as in other prescribed circumstances.

Termination fee

The Management Agreement provides for Lion Manager to be paid a termination fee equal to 12 months of the monthly management fee if the Management Agreement is terminated, except where the Company has exercised its rights to immediately terminate (including where Lion Manager has undergone a change of control) or if Lion Manager terminates the Management Agreement on 6 months’ notice.

Fixed term

The Management Agreement is not for any fixed term.

Related bodies corporate

The Management Agreement requires Lion Manager to disclose to the Company any fees or commissions received by it or any related body corporate in relation to its management of the Company’s portfolio. If a related body corporate of Lion Manager receives any fee (whether from the Company, an investee company or otherwise) for services of a kind specified in the Management Agreement to be performed by Lion Manager (however described), Lion Manager (or that related body corporate of Lion Manager) may retain such fees and is not obliged to account to the Company for them.

ASX Waiver

ASX has indicated that if Lion is admitted to its official list, Lion will be granted a waiver of Listing Rules 7.1 and 10.11 subject to certain conditions. These waivers will make it clear that Lion may issue Shares to Lion Manager in lieu of performance fees pursuant to the terms of the Management Agreement without having to seek shareholder approval before each issue.

5.2 Lion Manager Team

The Lion Manager team consists of the following people, all of whom hold a beneficial equity interest in Lion Manager.

Robin Widdup BSc (Hons), MAusIMM - Managing Director – Lion Manager

Robin Widdup is also a Director, with his biography detailed on page 18 of the Annual Report.

Mike Brook BSc (Mining Geology) (Hons), CEng, MIMMM, MAusIMM - Chairman – African Lion Funds; Executive Director – Lion Manager

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

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

Craig Smyth BCA, M App Fin, CA, CFO & Director – Lion Manager

Craig Smyth is the CEO and former Managing Director of Lion, with his biography detailed on page 18 of the Annual Report.

Tim Markwell BSc (Hons), F Fin- Manager – African Lion Funds

Tim Markwell graduated with an honours degree in geology from the University of Western Australia in 1993, and worked in senior technical roles for over 12 years with BHP Billiton, Golder Associates and Minara Resources. Tim specialised in resource assessment and was involved in feasibility studies for many resource projects in Australia.

Having completed a Graduate Diploma in Applied Finance and Investment with FINSIA in 2000, Tim worked as a Resource Analyst for a Perth-based broking firm where he completed numerous research reports on Australian mining and exploration companies. Prior to joining Lion Manager, Tim was a Senior Investment Analyst for the LinQ Resources Fund where he was responsible for making investment recommendations on behalf of the fund.

Tim joined Lion Manager in February 2007 to manage the African Lion Funds.

Damon Rhodes BSc (Honours), F Fin – Manager, African Lion Funds

Damon Rhodes is a geologist who graduated from the University of Technology, Sydney, in 1998. His career started at the BHP Billiton iron ore operations in the Pilbara where he held mine geology, quality control, and near mine exploration and development roles.

In 2004, Damon completed the Graduate Diploma in Applied Finance and Investment with FINSIA and has since been exploring for iron ore, coal and manganese across Australia, Africa and South America with BHP Billiton Minerals Exploration.

Damon joined the Lion Manager team in October 2007 to work with the African Lion Funds.

Hedley Widdup BSc (Hons) – Manager

Hedley Widdup graduated as a geologist with first class honours from the University of Melbourne in 2000. Upon finishing his degree, Hedley joined WMC Resources as a geologist working at the Mt Keith Nickel Mine. Hedley has extensive experience as a mine geologist having worked at Olympic Dam, Mt Isa (Black Star open cut mine) and the St Ives Gold Mine where he was Senior Mine Geologist of the combined open pits. Hedley joined the Lion Manager team in July 2007 as an analyst.

5.3 Lion Manager Arrangements with the Funds

Lion Manager provides services to African Lion 2 Limited, African Lion 3 Limited and Asian Lion Limited under separate management contracts. Lion is a minority shareholder in each of these funds, and all arrangements between Lion Manager and the relevant fund are on an arm's length basis. Those arrangements are contained in management contracts, the terms of which were approved by all shareholders of the funds, including Lion. The other shareholders in the funds include the European Investment Bank, PROPARCO (French Government), CDC Group plc (British Government) and the International Finance Corporation.

6. CORPORATE GOVERNANCE

Please refer to the Corporate Governance Report attached as **Annexure A**.

7. RISK FACTORS

The future performance of the Company and its securities may be influenced by a range of factors. Some of these factors can be mitigated by the Company's actions. However, many are outside the control of the Company and its Directors. Some of the more significant risks are highlighted below. However, the list may not be exhaustive and other less significant or less probable factors may also impact the financial performance, position or cash flow of the Company, which may in turn adversely affect the value of its securities.

The following is a summary of the more material matters to be considered and should be read in conjunction with specific matters referred to in the Company's announcements and reports. The summary is not exhaustive and you should examine the contents of this Information Memorandum in its entirety, rely on your own knowledge of the Company, and consult your professional advisor. Nothing in this Information Memorandum constitutes financial or investment advice.

7.1 Specific risks regarding the Company's interests

(a) Investment in resource companies

Lion makes investments in a range of resource companies whose exploration, development and mining activities are at varying stages. The value of Lion's investments in these companies, and in turn the financial performance of Lion itself, will continue to be influenced by a variety of factors, including:

- general investment, economic and market conditions, which can affect the investee's performance and share price;
- exploration is a speculative endeavour which may not result in investees finding economic deposits capable of being successfully exploited;
- the operations of an investee may be affected by various factors including failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment;
- government actions with respect to taxation and other charges;
- the Company holds investments in the Funds where other shareholders also participate. Due to the relevant shareholder agreements, the Company does not control the Funds, and accordingly cannot control the investment and divestment decisions of the Funds;
- depending on the location of its exploration and/ or mining activities, an investee may be subject to political and other uncertainties, including risk of civil rebellion, expropriation, nationalisation, renegotiation or nullification of existing contracts, mining licences and permits or other agreements;
- reliance on the performance of key management and personnel of investees;
- investees may enter into hedging transactions to fix the commodity price for a portion of production and there is a risk that the investee may not be able to deliver into these hedges if, for example, there is a production shortage at their mining operations, which could adversely affect the investees operating performance if the commodity price moves unfavourably;
- investees that borrow money are potentially exposed to adverse interest rate movements that may affect their cost of borrowing, which in turn would impact on their earnings and increase the financial risk inherent in their businesses;
- war or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region, which could impact adversely on the business, financial condition and financial performance of the investee;
- there is a risk that investees may lose title to mining tenements if conditions attached to licences are changed or not complied with;
- a form of native title reflecting the rights and entitlements of indigenous inhabitants to traditional lands may exist on investee's tenements, such that exploration and/or mining restrictions may be imposed or claims for compensation forthcoming; and
- the high initial funding requirements of emerging exploration and mining companies can result in a lack of liquidity, which may affect Lion's ability to invest or divest.

The underlying value of Lion's investments in these companies also may not be fully reflected in Lion's Share and Option prices.

(b) Reliance on key personnel

A number of key management and personnel will be important to attaining the business goals of Lion. One or more of Lion's or Lion Manager's key employees could leave their employment, and this may adversely affect the ability of Lion to conduct its business and, accordingly, affect the financial performance of Lion and its share price. Further, the success of Lion in part depends on its and Lion Manager's ability to attract and retain additional highly qualified management and personnel.

(c) Growth

Lion will continue to seek to grow both organically and through new investment opportunities. There are always risks that the benefits, synergies or efficiencies expected from such investments or growth may take longer than expected to be achieved or may not be achieved at all. Growth also brings substantial demands on management. The directors of Lion and Lion Manager will apply their experience to the evaluation and financing of new opportunities to determine whether the expected risks and rewards of these opportunities meets Lion's requirements and its strategies for diversification of risk and for capital and income growth. The operating results of Lion will largely depend on the ability of Lion and Lion Manager to make sound investments.

(d) Legislation

Changes to legislation or government policy in Australia or overseas could be detrimental to participants or investors in the resource industry and may have a negative impact on Lion.

(e) Management

The success and profitability of the Company in part depends on the ability of its manager to invest in well-managed companies which have the ability to increase in value over time.

(f) Taxation laws

Any variation of taxation laws could materially affect operating results.

(g) Foreign exchange rates

Any variation of foreign exchange rates could materially affect operating results.

(h) Commodity prices

Any variation in commodity prices could materially affect operating results.

(i) Investment prices

The price of investments that the Company has purchased can rise as well as fall.

(j) Past performance

The past performance of funds managed by Lion Manager and persons associated with Lion Manager are not necessarily a guide to future performance of the Company.

(k) Portfolio

The Company's portfolio may be less diversified than other listed investment companies.

(l) AFSL

The ability of Lion Manager to continue to manage the Company's portfolio is dependent on the maintenance of Lion Manager's Australian Financial Services Licence ("AFSL") and its continued solvency. Maintenance of the AFSL depends, among other things, on Lion Manager continuing to comply with the licence conditions of the Corporations Act.

(m) Performance fee

The performance fee paid by the Company to Lion Manager may create an incentive for Lion Manager to make investments that are riskier or more speculative than would be the case in the absence of a fee based on performance.

(n) Sale of Shares and Options

If a significant number of sellers of Shares and Options arise, it may have an adverse impact on the price and volatility of the Share and Option prices. These factors may result in the Share price and derived Option price being below the underlying level of net tangible assets per Share.

7.2 Risks affecting the general economy and share market

The performance of Lion and the price at which its Shares and Options may trade on ASX may be impacted by a range of factors including movements in inflation, interest rates, exchange rates, general economic conditions and outlooks, changes in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities and acts of terrorism. Certain of these factors could affect the trading price of the Options and Shares, regardless of its operating performance. Lion will attempt to mitigate these factors by implementing appropriate safeguards and commercial actions but these factors are largely beyond the control of Lion.

7.3 Speculative nature of investment

An investment in the Company should be considered speculative because of the nature of the Company's business. There are numerous risk factors involved. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which Shares or Options will trade.

7.4 Commitments

The Company entered into a legally binding agreement in June 2008 to commit US$18.75 million in African Lion 3 Limited, of which $3.95 million remains undrawn as at the date of this Information Memorandum. In addition, under the arrangements associated with the 2009 demerger of the Company from its previous holding company, Lion Selection Limited, the Company 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 and management fee liabilities prior to the demerger. The Company is not aware of any amount payable associated with this indemnity as at the date of this Information Memorandum.

8. ADDITIONAL INFORMATION

8.1 Interests of Directors and Chief Executive Officer in the Company

The following table sets out the number of Shares and Options held by each Director and the Chief Executive Officer of the Company as at the date of this Information Memorandum.

Name	Number of Shares	Number of Options
Directors		
P J Maloney	1,347,489	224,583
C P Melloy	4,245,967	707,663
B J Sullivan	60,000	10,000
R A Widdup	9,269,390	1,544,899
Chief Executive Officer		
C K Smyth	271,316	45,221

8.2 Continuous disclosure and documents available for inspection

In deciding what information should be included in this Information Memorandum, the Directors have had regard to, amongst other things, the matters which investors (or their professional advisers) may reasonably be expected to know. The Company is a "disclosing entity" for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. As a listed company, the Company is subject to the Listing Rules which require it to immediately notify NSX or ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Shares, subject to certain exceptions.

Copies of documents lodged with ASIC in relation to the Company may be obtained, or inspected at, an office of ASIC.

The Company will provide to any person, on request and free of charge, a copy of each of the following documents:

(a) the Annual Report; and

(b) any documents used to notify NSX of information relating to the Company in the period from lodgement of the Annual Report.

The Company has lodged the following announcements with NSX since the lodgement of the Annual Report:

06/02/2013	Net Tangible Asset Backing as at 31 January 2012
05/02/2013	Application for quotation of additional securities
14/01/2013	Copperbelt Minerals Update
10/01/2013	Net Tangible Asset Backing as at 31 December 2012
20/12/2012	One Asia: Good Progress at Awak Mas & Pani
17/12/2012	Notice of Initial Substantial Holder – Rum Jungle
13/12/2012	Change of Directors Interest Notice – C P Melloy
13/12/2012	Change of Directors Interest Notice – R A Widdup
13/12/2012	Change of Directors Interest Notice – B J Sullivan
13/12/2012	Change of Directors Interest Notice – P J Maloney
12/12/2012	Bonus Option Issue – Top 20 and Range of Units
11/12/2012	Revised Application for Quotation of Additional Securities – Option Issue
10/12/2012	New Constitution
05/12/2012	AGM Presentation 2012
05/12/2012	Results of Annual General Meeting held 5 December 2012
05/12/2012	Chairman's Address AGM 5 December 2012
04/12/2012	Net Tangible Asset Backing as at 30 November 2012
30/11/2012	Quarterly Report for 3 months ended 31 October 2012
29/11/2012	Application for Quotation of Additional Securities – Option Issue
29/11/2012	Option Issue Prospectus
14/11/2012	Net Tangible Asset Backing as at 31 October 2012
08/11/2012	Change in Director's Interest Notice – R A Widdup
02/11/2012	Notice of Annual General Meeting
02/11/2012	Annual Report
01/11/2012	Director's Declaration and Undertaking
31/10/2012	Final Director's Interest Notice

31/10/2012	Initial Director’s Interest Notice
31/10/2012	Notice of Initial Substantial Holder
31/10/2012	Notice of Initial Substantial Holder
31/10/2012	Lion Manager Ownership of Lion Selection Group Limited
31/10/2012	Lion’s Strategic Plan
15/10/2012	Net Tangible Asset Backing as at 30 September 2012
07/09/2012	Net Tangible Asset Backing as at 31 August 2012

NSX maintains files containing publicly available information for all listed companies. The Company’s file is available for inspection at NSX during normal office hours, or is available on the NSX website at www.nsxa.com.au, using the Company’s code LGP.

8.3 Legal proceedings relating to Lion

The Lion Directors are not aware of any litigation within the last five years of a material nature pending or threatened which may significantly affect the business of Lion.

8.4 Registers

Lion will operate an electronic issuer sponsored subregister and an electronic CHESS subregister. The two subregisters combined will comprise the register of members that Lion is required to maintain pursuant to the provisions of the Corporations Act.

8.5 Rights and liabilities attaching to Shares

The rights and liabilities attaching to the Shares are set out in the Constitution, and, in certain circumstances, are regulated by the Corporations Act, the Listing Rules and general law.

The following is a summary of the principal rights, privileges and restrictions which are attached to the Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Lion's shareholders.

(i) **Meetings of Lion’s shareholders**

Each shareholder of Lion is entitled to receive notice of, attend, and vote at, general meetings of Lion and to receive all notices, accounts and other documents required to be sent to Lion’s shareholders under the Constitution, the Corporations Act and the Listing Rules.

(ii) **Voting**

Subject to the Constitution and any restriction affecting any class of shares, at a meeting of the shareholders of the Company, every shareholder who is present in person or represented by an attorney, corporate representative or proxy is entitled to:

(a) on a show of hands, one vote; and

(b) on a poll:

(i) one vote for every fully paid Share held; and

(ii) in respect of each partly paid Share held, a fraction of a vote equal to the proportion which the amount paid bears to the total price of the Share.

(iii) **Dividends**

Subject to the Constitution and the Corporations Act, the board of directors of Lion may from time to time resolve to pay any dividends it thinks appropriate and may fix the amount, time and method for payment of any such dividend. Subject to the terms of the shares, Lion may pay a dividend on one class of shares to the exclusion of another class.

Each share of a class on which the Lion board resolves to pay a dividend carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding an amount paid in advance of calls) bears to the total price of the share.

Lion's board of directors may resolve to pay a dividend in cash or satisfy it by the distribution of specific assets (including shares or securities of any other corporation), the issue of shares or the grant of options. Where Lion satisfies a dividend by way of distribution of specific assets, being shares or other securities in another corporation, each shareholder of Lion is taken to have agreed to become a member of that corporation and to have agreed to be bound by the constitution of that corporation.

(iv) **Transfer of Shares**

Shares may be transferred by a written transfer in compliance with the Constitution, a proper SCH regulated transfer effected in accordance with the Corporations Act and the ASTC Settlement Rules or by any other electronic system established or recognised by the Corporations Act, the Listing Rules or the ASTC Settlement Rules.

The Lion directors may only refuse to register a transfer of Shares if that refusal would not result in a contravention of the Listing Rules or the ASTC Settlement Rules. If the Lion board refuses to register a transfer, Lion must give the lodging party notice of the refusal and the reasons for it within 5 business days after the date on which the transfer was delivered to Lion. Lion must not register a transfer of Lion Shares if the Corporations Act, Listing Rules or the ASTC Settlement Rules forbid registration.

(v) **Winding up**

Subject to the terms of the Shares, if Lion is wound up, Lion's shareholders will be entitled to participate in any surplus assets of Lion in proportion to the number of fully paid Shares held by them.

(vi) **Unmarketable parcels**

In certain circumstances, Lion may give written notice to Lion's shareholders holding unmarketable parcels of Shares that it proposes to sell the Shares. The notice must set a period of at least six weeks within which the shareholder can notify Lion that they wish to retain the Shares. If the shareholder does not do that, Lion may sell the shareholder's Shares and distribute the proceeds of sale to the shareholder.

(vii) **Variation of class rights**

Subject to the Corporations Act, Lion may vary or cancel rights attached to a class of its shares by a special resolution passed at a separate meeting of Lion's shareholders holding shares in that class or with the written consent of the holders of 75% of the shares in that class.

8.6 Rights and Liabilities Attaching to Options

The Options are subject to the following terms and conditions:

(a) Each Option entitles the holder to subscribe for one Share in the Company at a subscription price of $0.80 per Share.

(b) The Options are exercisable at any time on or before 5.00 pm (Melbourne time) on 12 December 2014 ("Expiry Date") by completing an option exercise form and delivering it to the Company's share registry together with payment for the number of Shares in respect of which the Options are exercised and the holding statement for those Options.

(c) The Options may be exercisable in whole or in part. If the Options are exercised in part, each notice of exercise must be for not less than 1,000 Shares and thereafter in multiples of 1,000 Shares.

(d) Options not exercised by the Expiry Date shall automatically lapse.

(e) Shares issued upon exercise of the Options will rank equally in all respects with the Company's then existing Shares. The Company will apply to NSX or ASX (as applicable) for the Shares issued upon exercise of the Options to be admitted to quotation.

(f) Subject to the Listing Rules, the Options are freely transferable in whole or part at any time prior to the Expiry Date.

(g) There are no participating rights or entitlements inherent in the Options to participate in any new issues of securities which may be made or offered by the Company to its shareholders from time to time prior to the Expiry Date unless and until the Options are exercised.

(h) In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder shall be reconstructed in accordance with the Listing Rules.

(i) If between the date of issue and the date of exercise of an Option the Company makes one or more rights issues (being a pro rata issue of Shares that is not a bonus issue), the exercise price of Options on issue will be reduced in respect of each rights issue according to the following formula:

$$Ne = Oe - E[P - (S + D)] / (N + 1)$$

Where:

Ne is the new exercise price of the Option;

Oe is the old exercise price of the Option;

E is the number of underlying Shares into which one Option is exercisable;

P is the average market price per Share (weighted by reference to volume) recorded on the stock market of the NSX or ASX as applicable during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);

S is the subscription price for a Share under the rights issue;

D is the dividend due but not yet paid on each Share at the relevant time (except those Shares to be issued under the pro rata issue); and

N is the number of Shares that must be held to entitle holders to receive a new Share in the rights issue.

If there is a bonus issue to the holders of Shares, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

The Company will apply for quotation of the Options on the ASX, but there is no guarantee quotation will be granted, unless the conditions for quotation are satisfied. If the Options do not satisfy the quotation conditions, the Options will be issued and allotted but will be unlisted Options that cannot be traded on the ASX or the NSX.

8.7 Interests in the promotion of Lion

Except as disclosed in this Information Memorandum, no Director holds or held at any time during the 2 years before the date of this document any interest in the promotion of Lion or the property acquired or proposed to be acquired by Lion.

Directors of Lion are not required under the Constitution to hold any shares in Lion.

8.8 Further information

Further information on Lion can be found on the Company's website: http://www.lionselection.com.au.

8.9 Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of Lion:

a) this Information Memorandum; and

b) the Constitution.

9. AUTHORISATION

In accordance with the resolution of the board of directors of the Company dated 8 February 2013, this Information Memorandum is signed for and on behalf of every Director on the date of this Information Memorandum.

Peter J Maloney

Dated this 8th day of February 2013

10. GLOSSARY

In this Information Memorandum (excluding the Annexures), unless the context requires otherwise:

Annual Report means the Company's Annual Report for the year ended 31 July 2012, which forms part of this Information Memorandum and is attached as Annexure B;

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires;

Company or **Lion** means Lion Selection Group Limited ACN 077 729 572;

Constitution means the constitution of the Company;

Corporations Act means the *Corporations Act 2001* (Cth) as amended from time to time;

Directors means the Company's directors as detailed in section 4.1 of this Information Memorandum;

Funds means African Lion 2 Limited (a company incorporated in Mauritius), African Lion 3 Limited (a company incorporated in Mauritius), Asian Lion Limited (a company incorporated in Mauritius) and any follow on funds managed by Lion Manager where the Company is an investor;

Lion Manager means Lion Manager Pty Ltd ACN 078 018 934;

Listing Rules means either the official listing rules of the ASX or the official listing rules of the NSX, as the context requires;

Management Agreement means the management agreement dated 5 December 2012 between Lion Manager and the Company;

NSX means National Stock Exchange of Australia Limited ACN 000 902 063 or the National Stock Exchange of Australia, as the context requires;

Option means an option to subscribe for one Share, exercisable at $0.80 on or before 5:00 pm (Melbourne time) on 12 December 2014 and otherwise having the terms set out in section 8.6 of this Information Memorandum; and

Share means a fully paid ordinary share in the capital of the Company.

ANNEXURE A - Corporate Governance Report

Lion Selection Group Limited
Corporate Governance Statement

Update January 2013

Lion Selection Group Limited
Corporate Governance Statement

CONTENTS

COMPOSITION OF THE BOARD 2

CODE OF CONDUCT 4

SECURITIES TRADING POLICY 4

DIVERSITY 8

LOCAL INDIGENOUS COMMUNITIES 8

ENVIRONMENT 9

STATEMENT OF SOCIAL GOVERNANCE 9

CHARTER OF THE LION AUDIT COMMITTEE 9

CONTINUOUS DISCLOSURE POLICY 12

SHAREHOLDER COMMUNICATIONS STRATEGY 13

BUSINESS RISKS 14

COMPENSATION ARRANGEMENTS AND REMUNERATION COMMITTEE 15

Corporate Governance Statement

ASX PRINCIPLE 1 – Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

The Board of directors monitors the progress and performance of Lion Selection Group Limited (Lion or the Company) on behalf of its shareholders, by whom it is elected and to whom it is accountable. The Board Charter (set out below) seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

Board Charter

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 fulfil 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 Chief Executive Officer and to Lion Manager Pty Ltd (the Manager), who provides investment management services to the Company. Through monitoring the performance of these parties at least annually by way of performance evaluations, the Board ensures that Lion is appropriately administered and managed.
Lion's investments are managed by the Manager. Lion's Board reviews the Manager's performance internally through the Manager's reports, processes and presentations. The Board monitors the Manager's staffing and processes.

The Board has established and oversees an Audit Committee. In addition, 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, key performance indicators and financial and other reporting.

Role of the Manager

The Manager has been appointed by Lion to implement its investment strategy and manage its investments. This includes all steps of the investment selection process and the making of recommendations to the Board.

A Management Agreement has been established to formalise the relationship between the Company and the Manager.

> The Manager, under this agreement, undertakes to act as investment manager for Lion. 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, Lion's Board retains the power to make the final investment decision on the basis of this information and advice. This retention of final investment decision allows the Board to effectively review the function and proficiency of the Manager and of the investment selection processes.

Further information on performance evaluations can be found under ASX Principle 8.

The information required by ASX Principle 1: Recommendation 1.3 will be included in the next Annual Report.

ASX PRINCIPLE 2 – Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

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. As a matter of policy, the Board is comprised of a majority of independent non-executive directors. At present, the Company has four directors – three independent non-executive directors, being Peter Maloney who is also the Chairman), Chris Melloy and Barry Sullivan, and an executive director, being Robin Widdup. The relevant skills, experience and expertise of each director as well as the period of office held by each director are described at section 4.1 of the Information Memorandum and page 18 of the 2012 Annual Report.

Independence

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

Non-executive director Chris Melloy is considered by the Board to meet the definition of independent as noted above. Mr Melloy has never been an executive of Lion, but until August 2011 was an executive of Lion Manager. Notwithstanding Mr Melloy's prior position with the Manager, the Lion Board has determined that it considers Mr Melloy to be independent as he is free of any business or other relationship that could materially interfere with, or be perceived to materially interfere with, the independent exercise of his judgment.

The present executive director, Robin Widdup, is also a director of the Manager, which manages Lion's portfolio. To avoid any conflict of interest and in keeping with the Corporations Act, Mr Widdup is not present during any deliberations concerning Lion's relationship with the Manager, nor does he vote in relation to such matters.

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

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

The Manager has been appointed by the shareholders of these funds to implement the respective funds' 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.

Corporate Governance

The Board will at least annually review Lion's corporate governance policies and practices and seek assurance from the Chief Executive Officer that the policies and practices are being observed, and that they are consistent with the Principles and Recommendations of the ASX Corporate Governance Council.

Nomination Committee

Lion recognises that Recommendation 2.4 of the Principles and Recommendations of the ASX Corporate Governance Council 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 Nomination Committee, and there is no need to further subdivide it. As such, a Nomination 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

In the discharge of their duties, directors have the right to seek independent professional advice at the expense of the Company subject to the prior approval of the Chairman.

Please see comments under ASX Principle 8 with respect to the performance evaluation of the board, its committees and individual directors.
The information required by ASX Principle 2: Recommendation 2.6 will be included in the next Annual Report.

ASX Principle 3 – Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making

The Company's code of conduct is as follows:

Code of Conduct

The highest standards of corporate governance practice and ethical conduct must be upheld by all directors and employees of both the Company and the Manager.

All directors and employees of the Company must, and the directors must ensure that the Manager and its employees, preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. All such individuals are to be mindful and respectful of relevant policies and responsibilities, must avoid all conflicts of interest or, where a conflict is able to be managed, must speak with the Chairman about how the conflict should be managed (who will consult with the board of directors if necessary). Where there is uncertainty about whether a conflict exists, all directors and employees are encouraged to discuss the relevant circumstances with the Chairman. All concerns about a breach of this code are to be reported to the Chairman (who will in turn consult with the board).

The Company's practices are to be stringently monitored by the Board, while the Board itself must adhere to the principles of its charter and uphold 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, which collectively form a solid ethical foundation for company practices, must be complied with at all times.

Securities Trading Policy

The Company's securities trading policy is as follows:

Introduction

As a result of the nature of the business of Lion and the Manager, directors, officers and other employees of Lion and the Manager 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.

- The Manager has management contracts with Lion, the African Lion funds and Asian Lion.
- Lion and the Manager will continue to be in the possession of information on a variety of small companies which at times may be insider information.
- The Manager maintains a parallel Securities Trading Policy which applies to all employees and directors of the Manager.

- Office space is shared by Lion and the Manager.

1. The Policy and Procedures are designed to prevent the possibility of any actual or perceived:

- conflict of interest between the Manager and Lion; and
- insider trading by the directors and employees (and related parties) of Lion. The policy extends to include investments for, or on behalf of the relevant director or employee, spouse, an associated company or trust, or any other related person, company or entity (related parties).

2. Summary of the insider trading prohibitions in the Corporations Act

Meaning of insider and inside information

For the purposes of the insider trading provisions of the Corporations Act, a person is an "insider" if the person possesses information that is not generally available but, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities ("inside information") and the person knows, or ought reasonably to know that the information is inside information.

Information is taken to be generally available if it:

- consists of readily observable matter; or
- has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in securities of a kind whose prices might be affected by the information and since it was so made known, a reasonable period for it to be disseminated among such persons has elapsed; or
- consists of deductions, conclusions or inferences made or drawn from such information.

A reasonable person is taken to expect information to have a material effect in the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the relevant securities.

What activities are prohibited under the Corporations Act?

The Corporations Act prohibits an insider from "trading" or "procuring" another person to trade in relevant securities and from "tipping" another person in relation to the relevant securities, whether as principal or agent.

(a) **Trading** means to subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell any such relevant securities;

(b) **Procuring** includes to incite, induce or encourage another person to trade in the relevant securities; and

(c) **Tipping** means to communicate directly or indirectly inside information (or to cause the inside information to be communicated) to another person where the insider knows, or ought reasonably to know, that the other person would or would be likely to trade or procure a third person to trade in the relevant securities .

3. Supervisory Procedures

To assist in the adherence to this policy, the Lion Board will:

- ensure all directors, officers and employees of Lion are familiar with these policies and procedures;
- review on a regular basis and update as necessary, these policies and procedures;
- seek declarations of interests at each regular Board meeting; and
- review the trading activity of each director and employee from time to time, including trading for or on behalf of the relevant director or employee, a family member (spouse or minors only), company or trust, or any other person, company or entity, and whether directly, or through a stockbroker or other intermediary.

Each director, officer and employee of Lion will annually provide the Company Secretary with a statement that they are aware of this policy (or update), and have adhered to it for the prior 12 month period.

4 Compliance Procedures

The compliance procedures are as follows:

(a) Directors and employees of Lion (and their related parties) are not to invest in or otherwise trade in the securities of:

- small and medium sized exploration and mining companies, (other than Lion);
- any company in which Lion, or any funds managed by the Manager, may have a material business transaction or association with or where such a transaction or association is being contemplated;
- any Investee Company of Lion, or any funds managed by the Manager.

For the purposes of this policy:

- a small and medium company is defined as one with a market capitalisation of less than A$250 million at the time of investment;

- material transaction or association means one which may be reasonably expected to have a material financial effect;

- Investee Company means any company in which Lion, or any funds managed by the Manager has, or is, contemplating an interest;

- additionally, all employees of Lion, prior to making a transaction in the resource sector, must make reasonable enquiries to ensure they are in compliance with this policy.

(b) Directors and employees of Lion must submit to the Lion Board a list of the names of resource companies with a market capitalisation below A$250 million (at time of purchase or have subsequently become) which were existing investments of that individual or a related party before the Compliance Procedures were enacted or in which the individual or related party held shares prior to becoming an employee of Lion.

(c) The sale of investments which apply to 4(b) above must be approved in advance by the other Lion Directors.

(d) In special circumstances:

(i) following approval by the other Lion Directors, directors or employees of Lion may acquire new shares in Investee Companies (e.g. floats, rights issues and placements) but not existing shares;

(ii) following approval by the other Lion Directors, directors or employees of Lion may acquire shares through rights issues or placements on a pro-rata basis, in small and medium sized exploration and mining companies (normally only if that individual has a pre-existing interest);

and

(iii) in the case of 4(d) above, individuals can sell following approval of the other Lion Directors.

If there is a Lion employee or director on the Board of the Investee Company each sale must follow the approval of that Board member.

(e) (i) With respect to the purchase and sale of shares in Lion by Lion employees or directors, transactions must only be in windows (as defined below) following quarterly reports, half yearly and full yearly financial results announcements, and the Annual General Meeting provided always that the person is not in receipt of inside information. Approval for Lion employees or directors to buy or sell shares in Lion to be given by one of the Directors of Lion.

For this purpose, a window is defined as commencing the day after each relevant event or announcement, and ending 20 business days after that date.

(ii) With respect to the purchase and sale of shares in Lion by Lion directors or employees outside the windows defined in 4(e)(i), prior approval to be given by the Lion Board.

5. Notification Requirements

All details of transactions above must be immediately submitted to the Lion Board and recorded in the register. The register is to be updated by the Lion Company Secretary.

6. Securities Trading Policy – Voluntary 3 Month Rule

The following proposal is an addition to the existing Policy but is a voluntary section not requiring notification or record keeping with the Lion Company Secretary.

- 3 Month Rule
  - All listed investments must be held for a minimum of 3 months.
- Philosophy
  - Lion has an investment culture not a trading culture and should look to buy and hold for a medium to long term.
  - Individuals should not be active in non-Lion trading activities, during work time.

Diversity

While the Company does not have a gender diversity policy at present, the Company promotes a culture of equal opportunity and has the principles of equality, fairness and contribution to commercial success at all levels within the Company. Lion recognizes and values the blend of skills, perspectives, styles and attitudes available to the Company through a diverse workforce. Different perspectives in the investment selection process and stronger problem-solving capabilities flow from a diverse workforce.

Workplace diversity in this context includes, but is not limited to, gender, age, ethnicity and cultural background.

Workplace flexibility involves developing people management strategies that accommodate differences in background, perspectives and family responsibilities of staff.

The information required by ASX Principle 3: Recommendations 3.3, 3.4 and 3.5 will be included in the next Annual Report.

Lion's policies on indigenous communities, the environment and social governance are as follows:

Local Indigenous Communities

Lion's policy is that developments of investees are not exploitative of local and indigenous communities and must assist local communities such through symbiotic project development. Investees are to have a focus on health, education and employment of indigenous people near to investee companies' development projects.

Environment

Lion's policy is that the environmental impact of developments be in line with country/international standards and not adversely impact local communities geology/economy.

Statement of Social Governance

It is the Company's objective to achieve sustainable economic and social benefits to the communities in which mineral activity takes place by:

- recognising local realities and concerns;
- promoting dialogue and participation;
- building social and economic capital; and
- integrating activities locally and regionally.

To achieve its social governance objectives, the Company considers the following areas of activity:

- Exploration/access to land and resources.
- Project development and governance of mining and processing activity.
- Rent (royalty, tax etc) capture and distribution.
- Stewardship of water, biodiversity and energy use.
- Waste management.
- Social and environmental aspects of mine closure.

Subsequent stages of metals trade, smelting and refining may often be beyond the influence of the Company.

ASX PRINCIPLE 4 – Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The Company's audit committee charter is as follows:

Charter of the Lion Audit Committee

Scope and Authority

The primary function of the Lion Audit Committee is to assist the Board of directors in fulfilling their responsibilities by reviewing:

- the financial information that will be provided to shareholders and the public;
- the systems of internal controls that the Board and management have established; and
- the Company's auditing, accounting and financial reporting processes.

In carrying out its responsibilities the Committee has full authority to investigate all matters that fall within the terms of reference of this Charter. Accordingly, the Committee may:

- obtain independent professional advice in the satisfaction of its duties at the cost of the Company; and
- have such direct access to the resources of the Company as it may reasonably require, including the external auditors.

Composition

- The Audit Committee shall comprise three non-executive directors. The Board will determine each director’s independence having regard to any past and present relationships which, in the opinion of the Board, could influence the director's judgment.
- The chair of the Audit Committee will be an independent non-executive director who is not chair of the Board.
- All members of the Committee shall have a working knowledge of basic finance and accounting practices. At least one member of the Committee will have accounting or related financial management expertise, as determined by the Board.
- A quorum will comprise any two Committee members.
- The Committee may invite the external auditor and members of the management team and Board of directors to attend the meetings and to provide information as necessary.

Meetings

- The Committee shall meet not less than two times a year or more frequently as circumstances require. Audit Committee minutes will be approved by members of the Committee at the following meeting of the Committee and tabled as soon as practicable at a meeting of the Board.
- The Company’s senior financial management and external auditors shall be available to attend all meetings.
- As part of its responsibility to foster open communication, the Committee should meet separately with management and the external auditors, at least annually, to discuss any matters that are best dealt with privately. The Committee should be available to meet with the external auditor if required.

Responsibilities

The Board and the external auditors are accountable to shareholders. The Audit Committee is accountable to the Board.

To fulfil its responsibilities the Committee shall:

Review of Charter

- Review and, if appropriate, recommend to the Board updates to this Charter at least annually.

Financial Reporting

- Review with management and the external auditors the financial statements and ASX releases in respect of each half year and full year financial result, and make recommendations to the Board in relation to such financial statements and ASX releases.

- Review with management and the external auditors the accounting policies and practices adopted by the Company and their compliance with accounting standards, ASX listing rules and relevant legislation, and recommend to the Board any appropriate changes to the accounting policies and practices.

- Discuss with management and the external auditors management's choice of accounting principles and material judgments, including whether they are aggressive or conservative and whether they are common or minority practices and make recommendations to the Board in relation to such accounting principles and judgments as appropriate.

- Recommend to the Board that the annual financial statements reviewed by the Committee be included in the Company's annual report.

Internal Financial Controls

- Review any reports prepared by the external auditor including the effectiveness of the Company's internal financial controls.

- Assess management's programs and policies which deal with the adequacy and effectiveness of internal controls over the Company's business processes.

- Approve changes to the Company's formal accounting policies and monitor their implementation.

- Review jointly with management, the external auditors and if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, which could have a material effect on the financial position or operating results of the Company.

- Review and assess compliance monitoring programs in place within the Company, in relation to financial controls.

External Audit

- Recommend to the Board the external auditor to be proposed to shareholders.

- Review with the external auditor the planned scope of their audit and subsequently their audit findings including any internal control recommendations.

- Periodically consult with the external auditor out of the presence of management about the quality of the Company's accounting principles, material judgments and any other matters that the Committee deems appropriate.

- Review the performance of the external auditor.

- Review and recommend the fees and other compensation to be paid to the external auditors.

- Ensure that the external auditor submits a written statement outlining all of its professional relationships with the Lion Group including the provision of services that may affect their objectivity or independence. Review and discuss with the external auditors all significant relationships they have with the Company to determine their independence and its investees.

Risk Management

- Assess the adequacy of the Company's insurance program.

- Review the Company's internal controls in relation to financial risk.

Other Matters

- The Committee shall also perform any other activities consistent with this Charter that the Committee or Board deems appropriate.

The current members of the Audit Committee are Peter Maloney, Chris Melloy and Barry Sullivan with Barry Sullivan being the chair. Details of the number of meetings of the Audit Committee held during the year and the attendees at those meetings will be included in each Annual Report.

The information required by Principle 4: Recommendation 4.4 will be included in the next Annual Report.

ASX PRINCIPLE 5 – Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

The Company's continuous disclosure policy is as follows:

Continuous Disclosure Policy

Lion and the Manager are 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 ASX 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 Rule 3.1A of the ASX Listing Rules and which a reasonable person would expect to have a material effect on the price or value of Lion's securities.

The Chief Executive Officer and the Company Secretary of Lion (together, 'Management'), are responsible for the regular review of Lion's affairs to ensure that any relevant information is promptly announced to the ASX. Management is well aware of its legal responsibilities regarding continuous disclosure under the ASX 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 ASX is conducted by Lion's Company Secretary. Where the ASX contacts Lion, for example in the event of unusual share price fluctuations, communications are managed by the Company Secretary.

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

ASX PRINCIPLE 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Company's shareholder communications strategy is as follows:

Shareholder Communications Strategy

Lion places great importance on the communication of accurate and timely information to its shareholders and market participants. Lion recognises that efficient and continuous contact between the Company and the interested public, and particularly with shareholders and their representatives, is an essential part of earning the trust and loyalty of shareholders, building shareholder value and allowing shareholders to make informed decisions regarding their investment in Lion. Lion encourages shareholder participation at general meetings and welcomes regular contact with its shareholders.

www.lsg.com.au

ASX announcements, quarterly reports, presentations, notices of meetings and explanatory material are posted to Lion's website regularly. Other information on the site includes details of Lion's investment portfolio, Lion's share price, information from the Annual General Meeting and regular updates to investors as well as links to the share registry and other sites of interest.

Share Registry

Lion's register of shareholders is maintained by Computershare Investor Services Pty Limited.

Lion shareholders with internet access can view and update their holding, change their address details or elect to receive company communications by logging on to the Computershare website and accessing the Investor Centre. Alternatively, the Registrar for Lion at Computershare can be contacted by mail, phone or fax.

ASX PRINCIPLE 7 – Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

Business Risks

Lion is a specialist investor in listed and unlisted mining and exploration companies and assets and its major business risk is the performance of these companies and assets.

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 Chief Executive Officer 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.

Under the guidance of the Lion board, the Manager has established procedures relating to investment and divestment decisions, and management of investments. All material decisions regarding investment are made by the Lion board. The Manager reports through monthly reports and at Board meetings on Lion's investments and related risk.

The Board aims to reduce investment risk through diversifying investments geographically and avoid over dependence on a single commodity, investee company or country. In certain circumstances the Board may elect to have higher concentrations of the Company's portfolio in a particular commodity, investee company or country if the anticipated rewards merit this approach.

The information required by Principle 7: Recommendation 7.3 and 7.4 will be included in the next Annual Report.

ASX PRINCIPLE 8 – Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Compensation Arrangements and Remuneration Committee

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

Neither the Executive Director nor Chief Executive Officer receives any remuneration from the Company, but is paid by the Manager, which receives fees from the Company as per the Management Agreement. Additionally, remuneration matters for the Company predominantly relate to the remuneration paid to the Manager, something which is addressed by a set formula in the Management Agreement. Added to the small size of the Board and the fact that remuneration matters are monitored by the Board in its entirety, the Board believes a separate Remuneration Committee is unnecessary and inappropriate.

Lion's Constitution stipulates that the aggregate remuneration available for division amongst the non-executive directors is determined by the shareholders in general meeting. With shareholder approval, the aggregate was increased to $200,000 per annum commencing 1 August 2011. 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 $132,000 excluding consultancy arrangements.

D&O Insurance and Indemnity

The Company maintains a Directors and Officers and Company Reimbursement Insurance Policy.

An indemnity agreement has been entered into between Lion and each of the directors of the Company and with the Chief Executive Officer and 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.

Performance Evaluation

The small scale of the Board and the nature of the Company's activities make the formal establishment of a performance evaluation strategy unnecessary. Performance evaluation is managed by the Chairman. The Chairman assesses each Board member's performance and the performance of management (including the Chief Executive Officer), the Board as a whole and its committees on an annual basis. This process includes one-on-one and collective meetings.

ANNEXURE B - Annual Report

Lion Selection Group

2012 ANNUAL REPORT

Directors believe that Lion has a portfolio of emerging miners capable of strong growth and markets will recognise value in the fullness of time, but for now Lion will look for further opportunities where good people and projects go unrecognised.

Contents

02 Chairman's Letter to Shareholders
04 Lion Manager's Report
07 Lion Selection Group Investment Summary
08 Lion Performance
10 Corporate Governance Statement
14 Director's Report
20 Auditor's Independent Declaration
21 Lion Selection Group Limited Director's Declaration
22 Financial Statements
22 Statement of Comprehensive Income for the Year ended 31 July 2012
23 Statement of Financial Position as at 31 July 2012
24 Statement of Cash Flows for the Year ended 31 July 2012
25 Statement of Changes in Equity for the Year ended 31 July 2012
26 Notes to the Financial Statements for the Year ended 31 July 2012
44 Independent Auditor's Report
46 Shareholder Information
47 Lion Selection Group Limited Registry
48 Corporate Directory

Lion Selection Group Limited
ABN 26 077 729 572
Level 4, 15 Queen Street
Melbourne Vic 3000
Tel: +61 3 9614 8008
www.lionselection.com.au

Chairman's Letter to Shareholders

Dear Shareholder

Your directors are pleased to provide you with the annual report for the year ended 31 July 2012.

Lion's financial result for the year reflected the state of the small resources sector with a largely unrealised mark to market loss on investments of $29.0 million. This result partly reflected writedowns in the portfolio value of two significant investments; Copperbelt Minerals experiencing significant in-country issues, where rectification is a work in progress and One Asia Resources where the value was written down to be consistent with the latest capital raising, but where actual value may turn out to be much greater. The book value of both investments has subsequently been marked up. Directors remain confident that Lion has a portfolio of emerging miners capable of strong growth and markets will recognise value in the fullness of time, but for now Lion will look for further opportunities where good people and projects go unrecognised.

During the year Lion has actively invested, even as other investors have pulled back. Importantly the value of quality projects is often not reflected by the market, representing both the investment opportunity and the challenge with respect to low portfolio values.

Lion directors and Lion Manager also have devoted significant time into a wide ranging and thorough strategic review of Lion's activities, objectives, structure, management and competitive position. This has resulted in the preparation of the Lion Plan, key outcomes of which are discussed below.

Lion continues to evolve since demerging its major gold assets to form Catalpa Resources (now Evolution Mining) and listing on the National Stock Exchange of Australia in December 2009. This transaction secured Lion's financial security and allowed re-launching of its investment business in the current cycle. Lion is seeking to implement a number of initiatives identified in the Lion Plan that are intended to reward shareholders for their loyalty, improve Lion's share price and set Lion up for the next phase of growth:

- Lion intends to re-list on the Australian Stock Exchange in early 2013, subject to shareholder and regulatory approval. Although there is no guarantee that Lion's share price would be higher on the ASX, feedback from shareholders about ease to trade on ASX and possible improvements to liquidity have prompted the Lion Board to seek a listing on the ASX.
- Lion intends to make an issue of Bonus Options to reward the loyalty of shareholders, the details of which will be announced prior to the 2012 Annual General Meeting. Lion's share price is not reflective of the value of the assets it holds directly and indirectly. The Directors have decided to make the bonus issue for no consideration in order to provide qualifying shareholders with a further opportunity to participate in the growth of the company. Any funds raised by the exercise of the Bonus Options will be used to fund additional investments by Lion.

Lion Board l–r: Robin Widdup, Jane Rose, Peter Maloney, Craig Smyth, Barry Sullivan

- Longstanding shareholders will be aware of the significant cash returns Lion has made through its history. Lion remains committed to being a dividend payer as returns from investments are realised, subject always to the investment opportunities and commitments of the company. Lion will seek to pay a sustainable dividend to shareholders as it realises investments. In addition, Lion will consider other tools as part of its capital management strategy, which may include an ongoing on-market buy-back seeking to narrow the gap between the share price and NTA backing per share.

The Lion investment model focusing on direct investments in early stage mining and exploration remains unchanged and has been demonstrated to work over time since 1997.

I would like to take this opportunity to thank our recently retired Chairman Mr Ewen Tyler who was Chairman of Lion since inception in 1997. I would also like to thank Lion Manager for the very strong contribution its staff has made to Lion with little return during the year, and Lion staff for their efforts during the year.

Finally, on behalf of directors and management, I would like to record our appreciation for the outstanding contribution of Chris Melloy, a member of the Lion team since its inception, who retired from Lion Manager during the year.

P J Maloney

Peter Maloney
Chairman

Lion Manager's Report

+107.3% since November 08 **+19.9%** since February 11 **-7.3%** 12 mths to August 12

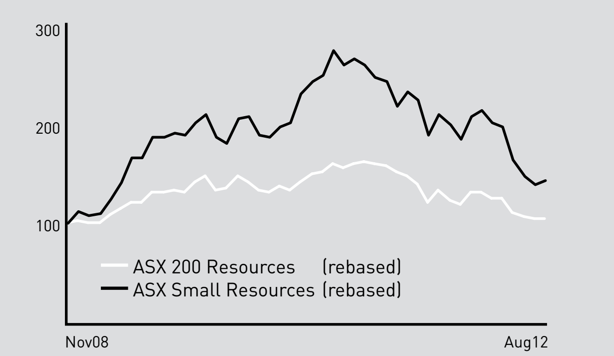
+111.6% since November 08 **-23.1%** since February 11 **-17.6%** 12 mths to August 12

Outlook

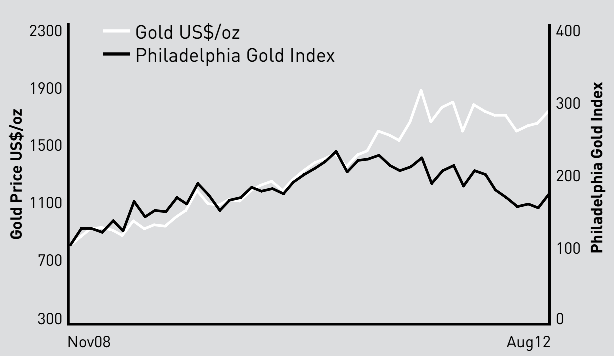
The prices of many commodities have pulled back in 2012, although these movements have not been uniform reflecting the different demand and supply fundamentals. In the Lion Manager's view, it is reasonable to expect divergent performance across the different commodities going forward. The performance of selected commodities is charted above.

Financial markets generally have been muted, with low levels of liquidity and limited appetite for risk. However project finance (both debt and equity) remains available for good projects. Mining equity prices have reacted to the decline in commodity prices by declining themselves. As is often the case, the greatest declines have been experienced by the smaller stocks reflecting lower liquidity and prospects for cash flow. Below is a comparison of key resource equity indices over the same period as commodity charts used above.

Gold is unique as a commodity in that at times it does not trade on supply/demand fundamentals as production represents an immaterial contribution to stockpiles. Gold price reflects investor sentiment, being in some ways like a currency. Historically, there has been a strong correlation between gold price and gold equities, however since the Global Financial Crisis, this correlation has weakened. Time will tell if this is an opportunity or a risk.



Source: IRESS Data

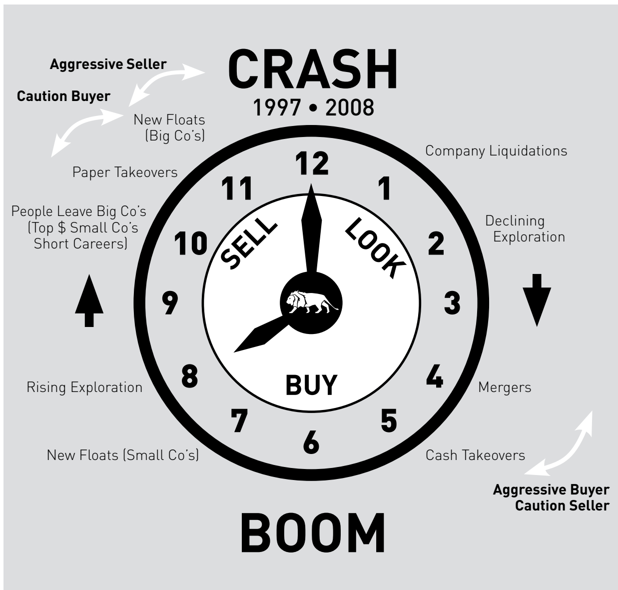


Source: IRESS Data

+77.3% since November 08 **-42.4%** since February 11 **-39.3%** 12 mths to August 12

+57.7% since November 08 **+1.3%** since February 11 **-3.5%** 12 mths to August 12

With so much volatility and uncertainty, it is difficult to confidently identify the time on the Lion clock. We believe, however, it is still 8 o'clock with the best of this cycle ahead of us.



Despite gloomy world equity markets, we remain cautiously optimistic about the outlook for our investment sphere. Our opinion is that the mining boom is still intact. In particular, Lion Manager is of the view that:

- Mining equities have pulled back in line with sentiment.
- Good projects are still being financed via both equity and debt.
- Commodity prices remain above historical levels and are high enough to support new projects.
- Some commodities will be better supported than others – for example gold for its implied quality as a non-deflatable currency, copper for its scarcity. The expanded global production of iron ore may mean continued weakness in iron ore.
- Forecasting commodity prices is fraught with danger. The more important aspects of investment are the quality of people and projects.
- Good projects make money in most markets. Good people will develop good projects.

Lion Manager's view of the current opportunity:

- The greatest casualty of the market has been sentiment: 'There's a dead bull in the China shop' (*The Financial Times*, 5 September 2012).
- The market herd has stampeded away from mining investment, abandoning good and bad alike.
- History has taught us that markets tend to overshoot driven by sentiment, with attractive valuations prevailing.
- Opportunistic acquirers will take advantage of weaknesses in the market – we expect to see mergers and acquisitions, especially as foreign acquirers attempt to secure access to future metal production at the current equity and project values.
- Now is the time to be greedy when others are fearful.

Lion Model

Lion aims to provide investors with a portfolio exposure to the junior resources sector, targeting the best people and projects in a market segment that is very difficult for most investors. 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.

Deal Flow

Lion's investment team sees up to 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.

More recent observations from this work are:

- Australia appears to have strengthened its position as a global leader in exploration and development of mining projects.
- Investors seem to be concerned about long term commodity prices and resource nationalism.
- Australian based costs appear to remain high and labour relatively inflexible.
- Chinese mining companies seem to be far more likely to be in dialogue with junior miners than are traditional western mining majors.
- The world is changing and the process may be painful for many players.

The current negative sentiment in world equity markets and general market uncertainty mean that Lion is seeing multiple investment opportunities at what the Board considers to be realistic values.

Manager's interest in Lion

The Lion Manager Group now holds more than 20% of Lion, having bought in trading windows on market and when large blocks became available.

After being a key member of the senior team with Lion Manager since its inception, and with a significant contribution to Lion's success over that period, Chris Melloy has retired as a director and owner of Lion Manager. However, Chris remains a significant Lion shareholder.

A succession planning process has been underway within the Lion Manager and 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, with Craig Smyth, Tim Markwell and Hedley Widdup becoming directors of Lion Manager in mid-September 2012.

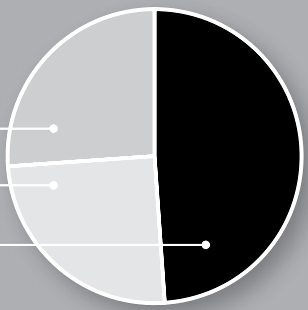
Long term executives, Robin Widdup and Mike Brook have no plans to step down or slow down. These changes have effectively increased the Manager's ownership team from 4 to 6.

Lion Manager team

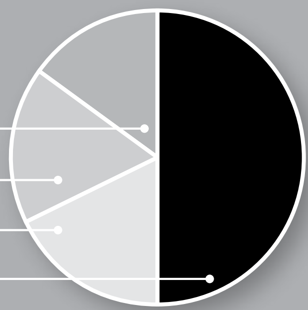
l–r: Robin Widdup, Carmel Barnes, Mike Brook, Damon Rhodes, Tim Markwell, Hedley Widdup, Laura Scott, Craig Smyth

Lion Selection Group Investment Summary

By Region
Funds Invested



By Commodity
Funds Invested



AS AT 31 JULY 2012			
	COMMODITY	MARKET VALUE A$M	PORTFOLIO %
Australia			
YTC Resources	Gold/Base Metals	1.9	
Doray Minerals	Gold	3.4	
Auricup Resources	Gold	1.9	
Rum Jungle Resources	Phosphate	1.8	
Other Australia		0.4	**16%**
African			
Copperbelt Minerals[2]	Copper	1.2	
Kasbah Resources	Tin	2.8	
Toro Gold	Gold	1.9	
Other Africa		3.3	
Cash dedicated to Africa[1]		6.0	**26%**
Asia			
One Asia Resources[3]	Gold	4.1	
Sihayo Gold	Gold	5.2	
Mindoro Resources	Gold & Nickel	1.3	
Other Asia		4.8	**26%**
South America			
Centaurus Metals[4]	Iron Ore	0.5	**1%**
Uncommitted Net Cash		**18.1**	**31%**
Net Tangible Assets		**$58.5m**	**66c/share**

1 Committed cash of US$6.0m to AFL3. Lion holds US$2.5 million cash as part of its hedging policy.
2 Copperbelt Minerals at a value of US$3.50/share , being the pricing of the most recent rights issue.
3 One Asia at a value of A$0.40/share following the recent rights issue announced on 31 July 2012.
4 Commitment to purchase $1.3m worth of Centaurus shares subject to Centaurus shareholder approval.
Note: The above table includes investments held directly by Lion and the value to Lion of investments which are held by African and Asian Lion Funds.

Lion Performance

Since the original inception of Lion in 1997, Lion and its connected entities have witnessed one full resource cycle and the beginning of a new one, as an industrial revolution took place most importantly in China, but also in many other emerging economies.

The urbanisation of enormous populations is still taking place, alongside longer term themes such as energy efficiency and alternative energies. This has meant a rapid appreciation of commodity prices, driven by huge demand for building cities, roads, mobile phones and electric cars. And on the back of that, the birth of thousands of junior resource companies with aspirations of feeding the insatiable global appetite.

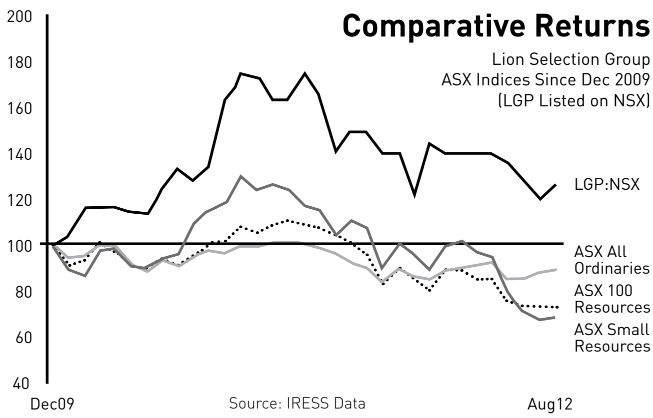
Lion benefitted from +A$180m profits on two investments at the peak of the boom:

- Platmin (TSX listed South African focused platinum company) for a 10.2x return and A$90.2m pre-tax profit in November 2007 held by African Lion.
- Indophil (ASX listed Philippines focused copper company) for a 4.9x return and A$91.6m pre-tax profit.

An additional highlight for Lion over these 15 years has been involvement in the formative stages of a number of now successful groups:

- Independence Group (3.2x multiple on original investment)
- Equinox (2.8x)
- Resolute Mining (2.6x)
- Red Back Mining (3.1x)
- Consolidated Minerals (2.8x)
- Catalpa Resources / Evolution Mining (2.6x)
- and an unlisted company called East African Gold Mines (3.6x) that became a part of what is now Africa Barrick Gold.

The chart opposite highlights Lion's performance since listing on the National Stock Exchange of Australia in December 2009.



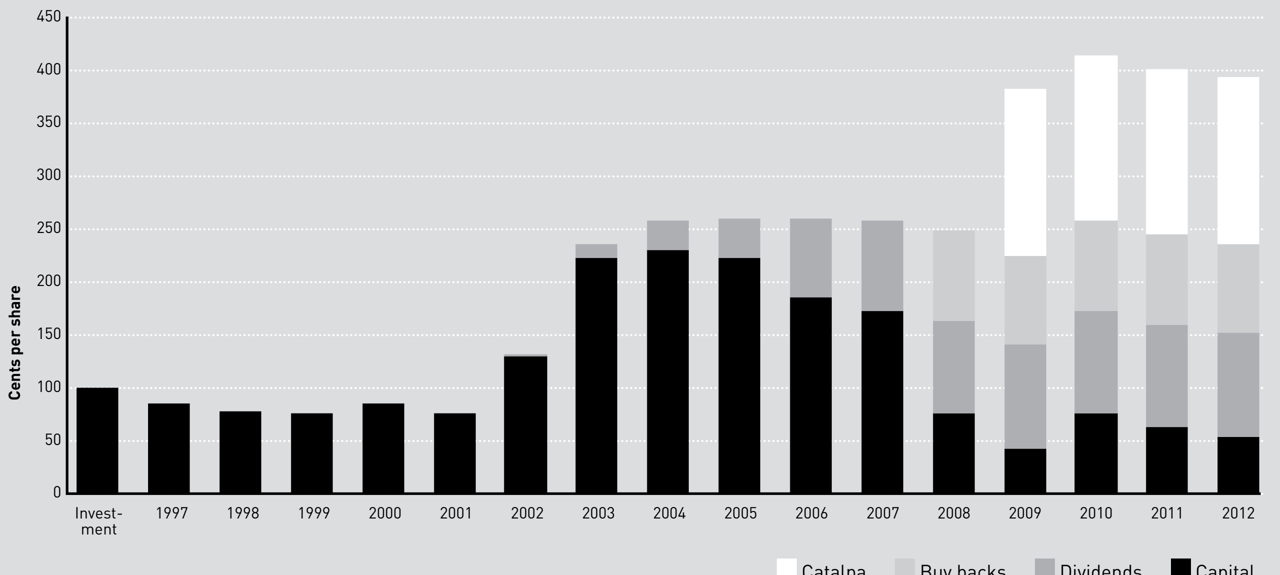
Lion Performance

Over its history, one Lion share has attracted 96.7cps as cash (dividends and cash return), 83.7cps as buy-backs and also one share in Catalpa (now Evolution: EVN) which was A$1.55/share when received by Lion shareholders.

- Long term outperformed the performance of the closest index, main market indices and investments in gold.
- Substantial returns to shareholders on top of capital gains (dividends, capital returns and corporate distributions – Catalpa).

Cumulative Value per Share

The chart below shows value attributed to a share in Lion, assuming investment in the IPO in 1997.



Source: Lion Manager and IRESS Data

Notes: Lion comprised the three consecutive entities – Lion Selection Group Limited (ASX:LSG, 1997-2007), Lion Selection Limited (ASX:LST 2007-2009) and Lion Selection Group Limited (NSX:LGP, 2009 to present).

Capital = Price per share of Lion (closing price).
Dividends = All cash dividends and returns of cash (including distribution of Auselect shares in December 2006).
Buybacks = Total of $160m converts to a per share figure for comparison purposes based on the number of shares on issue prior to buy-backs commencing.
Catalpa = Based on the closing price of Catalpa on the first day that shares issued to Lion shareholders were able to be traded.

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 company.

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 2 Limited (AFL2), African Lion 3 Limited (AFL3) and Asian Lion Limited (ALF)
Under the terms of the Shareholder Agreements for 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, an 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. With shareholder approval, the aggregate was increased to $200,000 per annum commencing 1 August 2011. 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 $92,000, 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 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.

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.

The result for the year reflects a 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 (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;

	2012 $'000	2011 $'000
Gains/(Loss) attributable to movement in fair value of investments		
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**

- 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.

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 totalling $14.0 million as follows:

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

Sales:	
Other Investments	$0.15
	$0.15

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

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*
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.

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.

Director's Report

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 numbe 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.

Director's Report

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 following table 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, 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 $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 20 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

C K Smyth
Managing Director

Melbourne

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

5 September 2012

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001, DX 77
T: +61 3 8603 0000, F: +61 3 8603 1999, www.pwc.com.au

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 22 to 43 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 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

P J Maloney
Chairman

C K Smyth
Managing Director

Melbourne
Date: 5 September 2012

Financial Statements

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.

Financial Statements

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.

Statement of Cash Flows for the Year ended 31 July 2012

	NOTES	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

Financial Statements

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**
Balance at 1 August 2010	100,109	(25,701)	**74,408**
Total comprehensive loss	-	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.

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 setout 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.

(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.

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;

(l) Derecognition of financial assets and financial liabilities (continued)

- 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.

(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.

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

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.

(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.

2012	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON INTEREST BEARING $'000	TOTAL $'000	AVERAGE INTEREST RATE	
					FLOATING %	FIXED %
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.

(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.

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
At 31 July 2012				
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				
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**

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

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

	2012 $'000	2011 $'000
Investments – Level 3		
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**

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		
Investor Relations	**61**	71
D & O Insurance	**42**	47
Legal Expenses	**8**	41
Other corporate overheads	**243**	244
Total other expenses	**354**	403

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

NOTE 5. INCOME TAX EXPENSE

(a) Statement of Comprehensive Income

	2012 $'000	2011 $'000
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	**-**	**-**

(b) Deferred Income Tax

	2012 $'000	2011 $'000
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	-	-

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

NOTE 5. INCOME TAX EXPENSE

(b) Deferred Income Tax (continued)	2012 $'000	2011 $'000
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	**-**	-

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.

		2012	2011
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	2011
Accrued interest	**126**	527
Sundry Debtors	**6**	17
Total current receivables, net	**132**	544

NOTE 7. FINANCIAL ASSETS

	2012	2011
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.

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

NOTE 8. PAYABLES (CURRENT)

	2012 $'000	2011 $'000
Sundry creditors and accruals	**50**	61
Total current payables	**50**	**61**

NOTE 9. RETAINED PROFITS & RESERVES

Movements in retained earnings were as follows:

	2012 $'000	2011 $'000
(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:

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

(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).

NOTE 14. COMMITMENTS (continued)

(b) *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 and 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 $'000	2011 $'000
(a) Audit Services		
Audit and review of financial reports	**69,000**	75,000
Total remuneration for audit services	**69,000**	75,000

(a) 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.

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

(c) Key Management Personnel Remuneration

	2012 $'000	2011 $'000
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	
	2012 $'000	2011 $'000	2012 %	2011 %
The Company had direct ownership of the following material investments at year end:				
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 on the following page.

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

NOTE 18. SEGMENT INFORMATION (continued)

2012	AUSTRALIA $'000	AFRICA $'000	ASIA $'000	AMERICA $'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.

pwc

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*.

pwc

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

Melbourne
05 September 2012

Shareholder Information

Top 20 holders of ordinary fully paid shares – 30 September 2012

RANK	NAME	NO. OF SHARES	% OF UNITS
1	BNP Paribas Noms Pty Ltd ‹ Master Cust Drp ›	14,402,049	16.36
2	WWW Management Pty Ltd ‹ Widdup Family A/C ›	7,513,073	8.53
3	National Nominees Limited	4,599,835	5.23
4	Mr Mark Gareth Creasy	4,448,976	5.05
5	Gemfield Lake Pty Ltd ‹ Melloy Family A/C ›	3,034,329	3.45
6	Mikejen Pty Ltd	2,621,870	2.98
7	Mr Michael David Brook + Mrs Jenny Lee Brook ‹ MD & JL Brook Super Fund A/C ›	2,009,257	2.28
8	Mr Robin Anthony Widdup + Mrs Janet Widdup ‹ Widdup Super Fund A/C ›	1,756,317	2.00
9	Inconsultare Pty Ltd ‹ Morrison Family S/F A/C ›	1,550,000	1.76
10	BNP Paribas Noms Pty Ltd ‹ DRP ›	1,230,259	1.40
11	Pranjip Road Pty Ltd ‹ Maloney Family A/C ›	1,181,642	1.34
12	JP Morgan Nominees Australia Limited ‹ Cash Income A/C ›	1,143,646	1.30
13	Mr Christopher Paul Melloy + Mrs Anne Christine Melloy ‹ Melloy Super Fund A/C ›	968,780	1.10
14	Mr Andrin Bachmann + Mr Edouard Mercier	900,000	1.02
15	HSBC Custody Nominees (Australia) Limited	858,722	0.98
16	Wal Assets Pty Ltd	830,693	0.94
17	A & L Wait Superannuation Pty Limited ‹ A & L Wait Super Fund A/C ›	800,000	0.91
18	Mr Dominic Paul McCormick	695,413	0.79
19	Mr Alexandre Peter Swanson + Ms Lynley Marie Swanson ‹ Alexandre Super Fund A/C ›	600,006	0.68
20	GP Securities Pty Ltd	500,000	0.57
Total Top 20 holders of ORDINARY FULLY PAID SHARES		**51,644,867**	**58.67**
Total Remaining Holders Balance		**36,384,486**	**41.33**

Distribution of Shareholdings as at 30 September 2012

SIZE OF HOLDING (ORDINARY FULLY PAID SHARES)	NO. OF SHAREHOLDERS
1 – 1,000	292
1,001 – 5,000	1,387
5,001 –10,000	550
10,001 – 100,000	645
100,001 and over	75
Total Shareholders	**2,949**
Number of ordinary shareholders with less than a marketable parcel	222

Voting Rights

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

Substantial Shareholders as at 30 September 2012

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

NAME	NO. OF ORDINARY SHARES
Lion Manager Group	20.73%
Select Asset Management	17.52%
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 access 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 Online	www.investorcentre.com/contact

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.investorcentre.com**

STEP 2 Select 'Access a single holding' under the non Member Access heading

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.

Alternatively, manage your portfolio by registering as a member of Investor Centre:

STEP 1 Go to **www.investorcentre.com**

STEP 2 Enter **User ID** and **Password/PIN** and login or click on the 'Register now' link to become a member

STEP 3 Follow the prompts to register. For security purposes, Computershare will generate a PIN and mail it to your registered address.

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

- Peter Maloney
  Non-Executive Chairman
- Barry Sullivan
  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 Online	www.investorcentre.com/contact
Website:	www.computershare.com

FRONT AND BACK COVER IMAGES FROM:

DE RE METALLICA

BY GEORGIUS AGRICOLA

Translated by
Herbert Clark Hoover
and Lou Henry Hoover

Originally published in 1556, Agricola's *De Re Metallica* was the first book on mining to be based on field research and observation – what today would be called the 'scientific approach'. It was therefore the first book to offer detailed technical drawings to illustrate the various specialized techniques of the many branches of mining, and the first to provide a realistic history of mining from antiquity to its day.

For almost 200 years, Agricola remained the only authoritative work in this area and by modern times it had become one of the most highly respected scientific classics of all time. A book more often referred to in literature on mining and metallurgy than any other, its Latin text prevented it from being as widely used as it might have been.

In 1912, the book was translated by former President Herbert Clark Hoover and his wife. Printed in a limited edition, the work was quickly bought up by book collectors, historians, and medievalists, who had found that there was much to be learned from its pages.

The book contains an unprecedented wealth of material on alluvial mining, alchemy, silver refining, smelting, surveying, timbering, nitric acid making, and hundreds of other phases of the medieval art of metallurgy. The text even covers the legal aspects of mining – the use of boundary stones, forfeitures of titles, the specific safety requirements of tunnel-building in the 1500's, and so on.

But the plates, perhaps more than anything else, are what is responsible for Agricola's continued importance. Brilliantly executed drawings, richly detailed, reveal a whole medieval world of machinery, industrial technique, tools, even costume and architecture. All 289 of the original drawings are reproduced in the reprint of the 1912 edition, offering students of the period, commercial artists, engineers, metallurgists, and even curious general readers an unforgettable picture of the first age of technology.

Dover Publications, Inc., New York

Lion Selection Group Limited
ABN 26 077 729 572
Level 4, 15 Queen Street
Melbourne Vic 3000
Tel: +61 3 9614 8008
Fax: +61 3 9614 8009
www.lionselection.com.au