ASX Release

26 September 2008

Preliminary Final Report
Period ending 31 July 2008

Results for announcement to the market

The Directors of Lion Selection Limited ("Lion" or "the Company") submit their preliminary financial report on the operations of the Company and the entities it controlled ("the Consolidated Entity") for the financial year ended 31 July 2008. This report of the Consolidated Entity reflects the merger of Lion Selection Group Limited ("LSG") and AuSelect Limited ("AuSelect"), effective 16 April 2007. Comparative figures for the year to 31 July 2007 incorporate the results for LSG for the full year, together with results for AuSelect and Sedimentary Holdings Ltd and its controlled entities, Fernyside Pty Ltd and Sedgold Pty Ltd ("the Sedimentary Group") from 17 April 2007 to 31 July 2007, being the period since the merger.

Sale of Indophil

Shareholders may be aware that Lion on 5 September 2008 sold 70 million Indophil Resources NL ("Indophil") shares to Xstrata Queensland Limited ("Xstrata") at $1.17 per share. The sale to Xstrata has allowed Lion to realise $82 million in cash, which Lion will shortly seek to return to shareholders along with existing surplus cash reserves.

Indophil, in which Lion held 97 million shares, was the subject of conditional competing takeover offers from two parties, Xstrata and Stanhill Resources Pty Ltd ("Stanhill"), both offering $1.28 cash per Indophil share. Xstrata elected to allow its takeover offer to lapse without the conditions being met, and Lion had reason to believe that irrespective of Lion's actions, Xstrata intended to build a blocking stake of more than 10% in Indophil to prevent Stanhill acquiring 90% acceptance for its offer. In the event that Stanhill were unable to meet this offer condition and did not waive the condition, Indophil shareholders would not receive the Stanhill cash offer of $1.28 per share. The 90% acceptance threshold was an important condition for Stanhill's offer, with 90% also identified in the Bidders Statement as being a condition to obtain financing for its offer, and Lion understood that Stanhill did not intend to waive this condition. This belief was subsequently validated when the Stanhill takeover offer for Indophil closed without waiving its 90% acceptance condition.

Summary

The Consolidated Entity's loss before tax for the year was $24.5 million (2007 Profit: $62.2 million). This result includes realised profit from gold mining, sale of investments and unrealised loss from mark to market of its investment portfolio, including:

		2008 $000	2007 $000
Operations			
Lion sold all of its gold into the spot market during the year following the closure of its hedge arrangements in July 2007, achieving an average price of A$928/ oz (2007: A$664/ oz), compared with an average cash cost of A$474/ oz (2007: A$318/ oz). Depreciation was increased by $3.1 million during the period following an update of the key depreciation and amortisation assumptions, updating the reserves and resources position of the Cracow mine and capital cost assumptions.	Sales Revenue - Gold	31,568	9,099
	Cost of Gold Sales – excluding depreciation and amortisation	(14,609)	(3,958)
	Gross profit on gold sales before interest, income tax, depreciation and amortisation	**16,959**	**5,141**
	Depreciation and amortisation	(14,662)	(4,612)
Investments			
The unrealised loss of $54.2 million with respect to investments held at 31 July 2008 was due to a decline in the market value of investees following uncertainty in the global financial markets, lower commodity prices, the reduction in the value of Lion's investment in African Lion due largely to distributions to shareholders ($23.7 m) and partly to a decrease in the value of its underlying investments including Sphere Investments Limited and Albidon Limited, and the transition of Lion's investment in View Resources into administration. Partially offsetting these unrealised reductions was an increase in the value of Indophil Resources NL of $25.2 million, reflecting the competing take-over bids by Stanhill and Xstrata.	Mark to Market adjustment for period – investments held at end of period	(54,156)	67,472
Lion realised a profit measured on historic cost of $37.8 million on the sale of its investment in Allegiance Mining NL. This profit was offset by losses (measured on a historic cost basis) on the sale of Lafayette Mining Limited (loss $15.2 million) and Perseverance Corporation Limited ($5.0 million loss). Due to mark-to-market accounting, some of these profits and losses were partially recognised in other periods.	Gross profit on investments realised during the period measured at historical cost	16,045	6,601
	Less Mark to Market adjustment for previous periods – investments realised during period	(8,310)	(7,374)
	Gains/(loss) attributable to movement in fair value of investments	**(46,421)**	**66,699**
Receipt of $24 million dividend from African Lion funds, largely as a result of the sale of Platmin Limited.	Dividend income African Lion	23,732	-
	Interest/Other income	6,096	3,764
	Management fees	(2,862)	(2,783)
Costs associated with Lion's defence of Indophil's hostile takeover offer for Lion.	Defence costs	(3,505)	(140)
	Other costs	(3,831)	(5,849)
	Profit/(Loss) before income tax	**(24,494)**	**62,220**

Loss after tax was $18.5 million (2007: profit of $72.7 million) and loss per share of 9.7c (2007: earnings per share 59.1c).

Operations Results

Lion owns a 30% interest in the Cracow Gold Mine in Queensland with Newcrest Mining Limited owning the other 70% and managing the operation. Cracow is a low cost underground operation which produced 109,830 ounces of gold for the financial year. Lion's 30% share was 31,749 ounces and average cash cost for the financial year was A$474 per ounce. Revenue from gold sales was $31.6 million, with the Consolidated Entity selling all its gold at spot, achieving an average price received of $928 per ounce.

On 15 May 2008 Lion entered into a conditional Sale and Purchase agreement with Beadell Resources Limited to sell Lion's 30% interest in the Cracow Gold Mine. Lion shareholder approval was required because the sale was a "defeating condition" under the now lapsed Indophil takeover offer for Lion. Lion wrote to Indophil several times seeking that Indophil waive the condition in relation to the Cracow transaction, but the waiver was not forthcoming. That time delay proved to be unfortunate. On 23 June 2008, the Cracow sale was overwhelmingly approved by Lion shareholders at a general meeting. On 4 July 2008 Beadell announced that it would not be able to fulfil the conditions of the agreement due to an unsuccessful equity-raising. Newcrest Mining Limited has an option to acquire Lion's 30% for $80 million cash which expires 31 October 2008. Newcrest's public statements suggest they are unlikely to exercise the option. Lion is exploring further opportunities to sell its Cracow interest. The mine continues to be recorded as a fixed asset as it is uncertain when or if a sale will be completed.

During the period Lion has updated the key assumptions used in the depreciation and amortisation of mine development and related property plant and equipment to reflect the updated reserves and resources position of the Cracow mine and capital cost assumptions. The impact of this on the current period depreciation and amortisation charge is to increase the expense by $3,140,000.

Investments Results

Based on historic cost, the realised profit for the Consolidated Entity of $16.0 million is a result of a profitable exit from Lion's investment in Allegiance Mining NL (profit $37.8 million), offset by losses due to sale of Lion's shareholding in Lafayette Mining Limited (loss $15.2 million), the sale of Lion's holding in Perseverance Corporation Limited ($5.0 million loss) and partial sales of African Lion 2 Limited preference shares (loss $1.0 million) and View Resources Limited (loss $0.6 million).

The unrealised loss of $54.2 million (2007 Profit: $67.5 million) with respect to investments held at 31 July 2008 was primarily due to a decline in the market value of investees following uncertainty in the global financial markets, lower commodity prices, the reduction in the value of Lion's investment in African Lion due to the realisation of cash dividends, and the transition of two of Lion's investments into Administration. Specifically, the net decrease in the portfolio value includes;

- An increase in the value of Indophil Resources NL of $25.2 million, reflecting the competing take-over bids by Stanhill Resources Pty Ltd and Xstrata Queensland Limited for Indophil. Subsequent to year-end Lion sold 70 million shares for $82 million, equating to $1.17 per Indophil share – see note 30 in the financial statements for further details.
- A decrease in the value of Havilah Resources NL of $18.4 million reflecting lower copper prices, industry wide development cost escalations and delays in its Portia project.
- A decrease in the value of African Lion funds of $33.2 million reflecting realisation of investment by way of distributions to shareholders ($23.7 million) as a result of selling its investment in Platmin and a decrease in the value of its underlying investments, including Sphere Investments Limited and Albidon Limited.

- A decrease in the value of View Resources Limited of $11.5 million due to operational and financing difficulties, which resulted in the company entering administration.
- A decrease in the value of Westonia Mines NL (recently renamed Catalpa Resources Limited) of $4.4 million after a decision to delay development of the Westonia project due to cost pressures.
- A decrease in the value of Arc Exploration Limited of $4.4 million due to cost over runs and delays at the Cibaliung project.
- A decrease in the value of Asian Lion Limited of $3.0 million primarily resulting from the underlying reduction in the market value of that fund's investments including Asian Mineral Resources and Mindoro Resources.

During the year, the Consolidated Entity made new or follow-on investments totalling $10.8 million in the following investees:

➢ African Lion 2 Limited	$0.6 million
➢ African Lion 3 Limited	$1.5 million
➢ Exco Resources NL	$1.2 million
➢ Mindoro Resources Limited	$0.6 million
➢ Copperbelt Minerals Limited	$1.0 million
➢ Asian Lion Limited	$2.5 million
➢ View Resources	$0.9 million
➢ Tectonic Resource Limited	$0.9 million
➢ Other	$1.6 million

The Lion Plan

On 19 May 2008, Lion announced The Lion Plan, which consisted of a proposed sale of Lion's key investments in Indophil and Cracow together with the receipt of anticipated dividends from the African Lion funds, and a subsequent major cash return of approximately $267 million to Lion's shareholders. The Lion Plan was prepared as an alternative to a hostile takeover received for Lion during the year from one of its investee companies, Indophil Resources Limited. Lion's shareholders met at a general meeting on 23 June 2008 approving the Lion Plan, and triggering defeating conditions of Indophil's bid for Lion. Indophil's bid subsequently lapsed without meeting the conditions of the offer on 7 July 2008. Indophil was itself the subject of conditional competing takeover offers from two competing parties, Xstrata Queensland Limited and Stanhill Resources Pty Ltd, both priced at $1.28 per Indophil share.

At the time the Lion Plan was put to shareholders, the Board determined that at least $267 million of the Company's potential cash resources would be allocated to the cash return. This would still leave up to $40 million cash available for working capital requirements, to support the Company's existing investments, and to take advantage of prevailing market conditions.

Update on the Lion Plan

On 5 September Lion sold 70.1 million Indophil shares at $1.17 per share realising approximately $82 million in cash. Lion holds a further 26.8 million Indophil shares. The Stanhill takeover offer for Indophil closed without meeting its respective condition of 90% acceptance. Lion was unable to sell Cracow during the year due to Beadell being unable to raise equity in difficult market conditions. Lion also did not receive funds from African Lion's proposed sale of Albidon as anticipated. The funds received from the partial sale of the Indophil shares along with the unallocated funds of $68 million held by Lion total approximately $150 million available for distribution to shareholders.

Buy-back Program

On 7 July 2008, Lion announced an on-market buy-back program ("Existing On-Market Program") under which it could purchase up to 10% of the company's shares on market. The board set a limit of $10 million for the on market buyback which represented approximately 3% of the company's shares, well below the 10% limit. The Existing On-Market Program is still in operation and as at 24 September 2008, 4.7 million shares (or 2.5% of issued capital) have been bought back under that program. The average buyback price achieved was $1.49 (exc. Brokerage) to date.

Lion has also announced on 25 September 2008 a proposed Off Market Buy-back of $150 million. An offer to buy shares at a discount of no more than 5% to the Net Tangible Assets (NTA) backing will be made to all shareholders, and is expected to be implemented in November. The buy-back is subject to relevant approvals including shareholder approval, and may be expanded to up to 75% of Lion's capital by way of either off-market or on-market program, or a combination of both.

Performance Incentive Payment

As at 31 July 2008 no incentive fee was payable or has subsequently accrued to Lion Manager Pty Ltd ("the Manager") (2007: $0.9 million).

Dividends

During the financial year the Consolidated Entity paid a fully franked dividend to members of 3.0 cents per share (totalling $5.7 million) on 22 February 2008. In the prior period, dividends of 37.7 cents per share (totalling $37.7 million) were paid by LSG.

Net Tangible Assets

The net tangible assets (NTA) per security based on the Net Assets of the company as set out in the attached report at 31 July 2008 was $1.92 per share. This is after the consolidated group paid dividends of 3 cents per share during the previous twelve months. The NTA at 31 July 2007 was $2.06.

The NTA per share at 31 July 2008 reflects the following accounting related adjustments as follows:

- A reduction in the NTA for a notional deferred tax liability of $10.0 million, recognised in the accounts with respect to the revaluation of Cracow assets. This reflects that tax depreciation will not be available on the fair value uplift and will unwind over the life of the Cracow Gold Mine.

The NTA impact per share is $0.05.

Financial Statements & Information

		Change $000		***2008 $000***	***% Change***
Income	Down	64,587	to	14,975	(81%)
Profit/(loss) from ordinary activities after tax attributable to members	Down	91,232	to	(18,506)	(125%)
Net profit attributable to members	Down	91,232	to	(18,506)	(125%)
Earnings per share (cents per share)	Down	68.8	to	(9.7)	(116%)

Material Investments

At 31 July 2008 the Consolidated Entity had investments valued at $210.2 million (31 July 2007: $299.9 million), and cash of $103.7 million (2007: $46.7 million). The company has an interest (that is material to it) in the following entities:

	Carrying Amount		Consolidated Entity Ownership	
	2008 $'000	2007 $'000	2008 %	2007 %
African Lion Ltd	18,521	43,823	30	30
African Lion 2 Ltd	15,362	28,722	25	24
Allegiance Mining NL	-	26,818	-	5
Asian Lion Ltd	3,020	3,498	32	32
Arc Exploration Limited	751	5,198	4	15
De Grey Mining Ltd	994	1,512	7	7
Exco Resources NL	7,416	8,213	11	11
Havilah Resources NL	17,517	35,837	17	19
Indophil Resources NL	128,456	103,250	25	26
Intrepid Mines Ltd	2,390	3,789	5	6
Lafayette Mining Limited	-	7,488	-	18
Perseverance Corporation Ltd	-	2,598	-	2
Tasman Goldfields Ltd	945	-	15	-
View Resources Ltd	-	11,859	7	9
Westonia Mines Ltd	7,413	11,790	44	44

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Lion Selection Limited

2008 Annual Financial Report

ABN: 53 123 217 112

Financial Report for the year ended 31 July 2008

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Lion Selection Limited
Directors' Report

The Directors of Lion Selection Limited ("Lion" or "the Company") submit their report on the operations of the Company and the entities it controlled ("the Consolidated Entity") for the financial year ended 31 July 2008.

At this date there were 190,877,542 fully paid ordinary shares on issue along with 5,664,414 options

Directors

The following persons were directors of Lion Selection Limited during the whole of the financial year and up to the date of this report:

Ewen Tyler (Non-Executive Chairman)
Robin Widdup (Managing Director)
Graham Freestone (Non-Executive Director)
John O'Reilly (Non-Executive Director)

Principal Activities

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

Results and Review of Operations

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

The Consolidated Entity's loss before tax for the year was $24.5 million (2007 Profit: $62.2 million). This includes realised profit from gold mining, sale of investments and unrealised loss from mark to market of its investment portfolio as set out in the table below.

This report of the Consolidated Entity reflects the merger of Lion Selection Group Limited ("LSG") and AuSelect Limited ("AuSelect"), effective 16 April 2007. Comparative figures for the year to 31 July 2007 incorporate the results for LSG for the full year, together with results for AuSelect and Sedimentary Holdings Ltd and its controlled entities, Fernyside Pty Ltd and Sedgold Pty Ltd ("the Sedimentary Group") from 17 April 2007 to 31 July 2007, being the period since the merger.

	2008	2007
Results of Gold Mining Activities	$000	$000
Sales Revenue - Gold	31,568	9,099
Cost of Gold Sales	(25,593)	(7,434)
Gross Profit/(loss)	**5,975**	**1,665**
Gains/(loss) attributable to movement in fair value of investments		
Mark to Market adjustment for period – investments realised during period	7,735	(773)
Mark to Market adjustment for period – investments held at end of period	(54,156)	67,472
Gains/(loss) attributable to movement in fair value of investments	**(46,421)**	**66,699**
Results of Investments Realised During Period		
Sales Proceeds	53,358	28,494
Historical Cost of sales	(37,313)	(21,893)
Gross profit measured at historical cost	***16,045***	***6,601***
Represented by:		
Mark to Market recognised in prior periods	8,310	7,374
Mark to Market recognised in current period	7,735	(773)
	16,045	6,601

Operations

Lion owns a 30% interest in the Cracow Gold Mine in Queensland with Newcrest Mining Limited owning the other 70% and managing the operation. Cracow is a low cost underground operation which produced 109,830 ounces of gold for the financial year. Lion's 30% share was 31,749 ounces and average cash cost for the financial year was A$474 per ounce. Revenue from gold sales was $31.6 million, with the Consolidated Entity selling all its gold at spot, achieving an average price received of $928 per ounce.

On 15 May 2008 Lion entered into a conditional Sale and Purchase agreement with Beadell Resources Limited to sell Lion's 30% interest in the Cracow Gold Mine. Lion shareholder approval was required because the sale was a "defeating condition" under the now lapsed Indophil takeover offer for Lion. Lion wrote to Indophil several times seeking that Indophil waive the condition in relation to the Cracow transaction, but the waiver was not forthcoming. That time delay proved to be unfortunate. On 23 June 2008, the Cracow sale was overwhelmingly approved by Lion shareholders at a general meeting. On 4 July 2008 Beadell announced that it would not be able to fulfil the conditions of the agreement due to an unsuccessful equity-raising. Newcrest Mining Limited has an option to acquire Lion's 30% for $80 million cash which expires 31 October 2008. Newcrest's public statements suggest they are unlikely to exercise the option. Lion is exploring further opportunities to sell its Cracow interest. The mine continues to be recorded as a fixed asset as it is uncertain when or if a sale will be completed.

During the period Lion has updated the key assumptions used in the depreciation and amortisation of mine development and related property plant and equipment to reflect the updated reserves and resources position of the Cracow mine and capital cost assumptions. The impact of this on the current period depreciation and amortisation charge is to increase the expense by $3,140,000.

Investments

Based on historic cost, the realised profit for the Consolidated Entity of $16.0 million is a result of a profitable exit from Lion's investment in Allegiance Mining NL (profit $37.8 million), offset by losses due to sale of Lion's shareholding in Lafayette Mining Limited (loss $15.2 million), the sale of Lion's holding in Perseverance Corporation Limited ($5.0 million loss) and partial sales of African Lion 2 Limited preference shares (loss $1.0 million) and View Resources Limited (loss $0.6 million).

The unrealised loss of $54.2 million (2007 Profit: $67.5 million) with respect to investments held at 31 July 2008 was primarily due to a decline in the market value of investees following uncertainty in the global financial markets, lower commodity prices, the reduction in the value of Lion's investment in African Lion due to the realisation of cash dividends, and the transition of two of Lion's investments into Administration. Specifically, the net decrease in the portfolio value includes;

- An increase in the value of Indophil Resources NL of $25.2 million, reflecting the competing take-over bids by Stanhill Resources Pty Ltd and Xstrata Queensland Limited for Indophil. Subsequent to year-end Lion sold 70 million shares for $82 million, equating to $1.17 per Indophil share – see note 30 in the financial statements for further details.
- A decrease in the value of Havilah Resources NL of $18.4 million reflecting lower copper prices, industry wide development cost escalations and delays in its Portia project.
- A decrease in the value of African Lion funds of $33.2 million reflecting realisation of investment by way of distributions to shareholders ($23.7 million) as a result of selling its investment in Platmin and a decrease in the value of its underlying investments, including Sphere Investments Limited and Albidon Limited.
- A decrease in the value of View Resources Limited of $11.5 million due to operational and financing difficulties, which resulted in the company entering administration.
- A decrease in the value of Westonia Mines NL (renamed Catalpa Resources Limited) of $4.4 million after a decision to delay development of the Westonia project due to cost pressures.
- A decrease in the value of Arc Exploration Limited of $4.4 million due to cost over runs and delays at the Cibaliung project.
- A decrease in the value of Asian Lion Limited of $3.0 million primarily resulting from the underlying reduction in the market value of that fund's investments including Asian Mineral Resources and Mindoro Resources.

Loss after tax was $18.5 million (2007: profit of $72.7 million) and loss per share of (9.7c) (2007: earnings per share 59.1c).

As at 31 July 2008 no incentive fee was payable or has subsequently accrued to Lion Manager Pty Ltd ("the Manager") (2007: $0.9 million).

Results and Review of Operations (continued)

During the year, the Consolidated Entity made new or follow-on investments totalling $10.8 million in the following investees:

- African Lion 2 Limited $0.6 million
- African Lion 3 Limited $1.5 million
- Exco Resources NL $1.2 million
- Mindoro Resources Limited $0.6 million
- Copperbelt Minerals Limited $1.0 million
- Asian Lion Limited $2.5 million
- View Resources $0.9 million
- Tectonic Resource Limited $0.9 million
- Other $1.6 million

At 31 July 2008 the Consolidated Entity had investments valued at $210.2 million (31 July 2007: $299.9 million), and cash of $103.7 million (2007: $46.7 million).

The Lion Plan

On 19 May 2008, Lion announced The Lion Plan, which consisted of a proposed sale of Lion's key investments in Indophil and Cracow together with the receipt of anticipated dividends from the African Lion funds, and a subsequent major cash return of approximately $267 million to Lion's shareholders. The Lion Plan was prepared as an alternative to a hostile takeover received for Lion during the year from one of its investee companies, Indophil Resources Limited. Lion's shareholders met at a general meeting on 23 June 2008 approving the Lion Plan, and triggering defeating conditions of Indophil's bid for Lion. Indophil's bid subsequently lapsed without meeting the conditions of the offer on 7 July 2008.

At the time the Lion Plan was put to shareholders, the Board determined that at least $267 million of the Company's potential cash resources would be allocated to the cash return. This would still leave up to $40 million cash available for working capital requirements, to support the Company's existing investments, and to take advantage of prevailing market conditions.

Update on the Lion Plan

Lion on 5 September 2008 sold 70 million Indophil shares to Xstrata Queensland Limited ("Xstrata") at $1.17 per share. The sale to Xstrata has allowed Lion to realise $82 million in cash, which Lion will shortly seek to return to shareholders along with existing surplus cash reserves.

Indophil was the subject of conditional competing takeover offers from two parties, Xstrata and Stanhill Resources Pty Ltd ("Stanhill"), both offering $1.28 cash per Indophil share. Xstrata elected to allow its takeover offer to lapse without the conditions being met, and Lion had reason to believe that irrespective of Lion's actions, Xstrata intended to build a blocking stake of more than 10% in Indophil to prevent Stanhill acquiring 90% acceptance for its offer. In the event that Stanhill were unable to meet this offer condition and did not waive the condition, Indophil shareholders would not receive the Stanhill cash offer of $1.28 per share. The 90% acceptance threshold was an important condition for Stanhill's offer, with 90% also identified in the Bidders Statement as being a condition to obtain financing for its offer, and Lion understood that Stanhill did not intend to waive this condition. This belief was subsequently validated when the Stanhill takeover offer for Indophil closed without waiving its 90% acceptance condition.

Lion was unable to sell Cracow during the year due to Beadell being unable to raise equity in difficult market conditions. Lion also did not receive funds from African Lion's proposed sale of Albidon Limited as anticipated. The funds received from the partial sale of the Indophil shares along with the unallocated funds of $69 million held by Lion total approximately $150 million available for distribution to shareholders.

Buy-back Program

On 7 July 2008, Lion announced an on-market buy-back program ("Existing On-Market Program") under which it could purchase up to 10% of the company's shares on market. The board set a limit of $10 million for the on market buyback which represented approximately 3% of the company's shares, well below the 10% limit. The Existing On-Market Program is still in operation and as at 24 September 2008, 4.7 million shares (or 2.5% of issued capital) have been bought back under that program. The average buyback price achieved was $1.49 (exc. Brokerage) to date.

Lion has also announced on 25 September 2008 a proposed Off Market Buy-back of $150 million. An offer to buy shares at a discount of no more than 5% to the Net Tangible Assets (NTA) backing will be made to all shareholders, and is expected to be implemented in November. The buy-back is subject to relevant approvals including shareholder approval, and may be expanded to up to 75% of Lion's capital by way of either off-market or on-market program, or a combination of both.

Dividends

During the financial year the Consolidated Entity paid a fully franked dividend to members at 3.0 cents per share (totalling $5.7 million). In the prior period, dividends of 37.7 cents per share (totalling $37.7 million) were paid.

Compliance with Environmental Regulation

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

Lion 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 Consolidated Entity other than as reflected in the outline of the intended Lion Plan as set out in the "Results and Review of Operations" section of this report.

Significant Events After Balance Date

On 5 September 2008 Lion sold 70,094,711 Indophil shares to Xstrata Queensland Limited (Xstrata) for $1.17 per share. The book value of the shares sold as at 31 July 2008 was $92.9 million. The sale to Xstrata has allowed Lion to realise $82 million in cash. Lion retains 26,853,206 shares in Indophil. This sale is below the market value of these shares at 31 July 2008 of $1.325, resulting in $10.9m less than book value being received. Lion sold their shares to Xstrata because it believed Xstrata intended to build a blocking stake irrespective of Lion's actions. In addition, as a result of takeover offers for Indophil not proceeding the Indophil share price has subsequently fallen further. Other than the above there has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future periods.

Proceedings On Behalf Of The 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*.

Shares and Share Options

Lion's capital structure was formulated as a result of the merger between Lion Selection Group ("LSG") and AuSelect affected on 16 April 2007, when shares and options were issued to participating LSG and AuSelect shareholders. At the time of merger there were 190,714,181 fully paid ordinary shares on issue along with 6,106,975 options with an exercise price of $1.51 and an expiry date of 26 April 2009. On 21 July 2008 Lion began its on-market share buy-back program. As at 31 July 2008 Lion had bought back 493,594 shares, and of these, cancelled 279,200. During the financial year 177,812 options were exercised and as at 31 July 2008 there were 190,877,542 fully paid ordinary shares and 5,664,414 options on issue.

Likely Developments and Future Results

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

There are a wide variety of risks associated with the mining and exploration industry including market conditions, exploration, operational and political risk, tenure of tenements, liquidity and native title issues. Because of the vagaries of the mining and exploration industry and the long term nature of most of Lion'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 Lion support and have adhered to the applicable principles of good corporate governance. The Consolidated Entity's corporate governance statement is contained in the annual report.

Employees

At 31 July 2008 there were 5 full time equivalent employees of the Consolidated Entity. This compares to 4 full time equivalent employees at 31 July 2007.

Rounding of Amounts

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

Remuneration Report

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

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

Mr. Widdup and Mr Maloney are remunerated by Lion Manager Pty Ltd (the Manager) of which they are both a director and shareholder (refer to related parties Note 26 in the financial statements). Accordingly, the Manager is responsible for Mr. Widdup and Mr Maloney, determining their remuneration arrangements.

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

Key Management Personnel of the Consolidated Entity – Remuneration for year to 31 July 2008

2008		*Short Term Benefits Salaries/Fees*	*Allocation of D&O Insurance Premium*	*Post-Employment Superannuation (b)*	*Total*
Name	***Notes***	***$***	***$***	***$***	***$***
Directors					
E W J Tyler	(a)	118,980	22,205	-	**141,185**
J F O'Reilly		91,000	22,205	-	**113,205**
G R Freestone		25,000	22,205	66,000	**113,205**
R A Widdup	(c)	-	22,205	-	**22,205**
Other Key Management Personnel					
P J Maloney	(c)	-	22,205	-	**22,205**
C K Smyth		132,631	22,205	39,869	**194,705**
Total		**367,611**	**133,230**	**105,869**	**606,710**

2007		*Short Term Benefits Salaries/Fees*	*Allocation of D&O Insurance Premium*	*Post-Employment Superannuation (b)*	*Total*
Name	***Notes***	***$***	***$***	***$***	***$***
Directors					
E W J Tyler	(a)	102,000	12,454	-	**114,454**
J F O'Reilly		78,000	12,454	-	**90,454**
G R Freestone		71,535	12,454	6,465	**90,454**
R A Widdup	(c)	-	12,454	-	**12,454**
Other Key Management Personnel					
P J Maloney		120,000	12,454	45,833	**178,287**
C K Smyth		96,479	-	27,896	**124,375**
Total		**468,014**	**62,270**	**80,194**	**610,478**

(a) *Includes fees totalling $13,980 (2007: 12,000) paid to EWJ Tyler & Associates, a firm in which EWJ Tyler is a principal, as a retainer for consulting services.*

(b) *Other than the director's entitlement to receive some of their remuneration in superannuation, no other retirement plan or benefits are in place.*

(c) *Mr Widdup and Mr Maloney are remunerated by the Manager, of which they are both a director and shareholder (refer Related Parties Note 26(c)). As detailed below, the Manager is paid a fee by the Company for management and investment services. There is no direct nexus between the management fee and the salary paid to Mr Widdup and Mr Maloney by the Manager and details of Mr Widdup and Mr Maloney's salary remain confidential to the Manager. Neither Mr Widdup or Mr Maloney are entitled to any termination payments from Lion in the event that their position is terminated.*

Remuneration Report (continued)

Mr Smyth and Mr Maloney are the only other key management personnel of the Company and Consolidated Entity during 2008, based on an assessment of influence on the affairs of the Company. Mr Maloney was Company Secretary of the Company up until 1 August 2007, and remains as Chief Financial Officer. On 1 August 2007 Mr Smyth was appointed Company Secretary in addition to his Financial Controller role. Mr Smyth received a salary & superannuation totalling $172,500. Mr Smyth's employment contract includes a termination payment in the event that Lion is subject to a change of control. Aside from the benefits identified above, no remuneration was received from the Consolidated Entity.

Manager Performance Incentive

Mr Widdup is a shareholder and a director of the Manager. Since the Company was incorporated in January 2007, it has had a Management Agreement with the Manager, under which the Manager provides the Company with management and investment services. Under the Management Agreement, the Company pays the Manager a monthly management fee of $230,000 plus GST ($2.76 million per annum plus GST) plus a further amount equal to 0.083% plus GST (1% per annum plus GST) of any new capital of Lion.

Under the Management Agreement, the Manager is also entitled to an annual performance incentive payment, payable in arrears within 21 days of the end of each Financial Year, equal to 10% of the highest amount (if any) which the Total Market Value of the company in respect of any 60 Business Day Period which ends on or after the First Trading Date during the relevant Financial Year, exceeds the higher of:

(i) the Benchmark Amount; and

(ii) the High Water Mark.

In each case in respect of the same 60 Business Day Period, where the Benchmark Amount in respect of a 60 Business Day Period means the average Daily Benchmark Amount for each Business Day during the relevant 60 Business Day Period. Benchmark Rate for a Business Day means the lower of:

(i) 150% of the Ten Year Bond Rates for that Business Day expressed as a percentage per annum; and

(ii) 15% per annum.

The amount payable at 31 July 2008 under these performance incentive arrangements was Nil (2007: $936,000). As at the date of this report, the High Water Mark is the higher hurdle rate at $337 million. It is not possible to quantify the future financial effect of this potential commitment as it is dependent upon market conditions which will be affected by both future interest rates and the Company's share price.

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 Lion Selection Limited are detailed below. No shares or options were issued as remuneration. The options held by Key Management Personnel were granted to them as shareholders.

Shareholdings of Key Management Personnel of the Consolidated Entity

Name Notes	*Beginning Balance 1 August 2007*	*Shares Issued as Remuneration*	*Net Change Other*	*Closing Balance 31 July 2008*
Directors				
E W J Tyler	31,927	-	-	**31,927**
J F O'Reilly	94,980	-	-	**94,980**
G R Freestone	15,941	-	-	**15,941**
R A Widdup	1,462,316	-	38,000	**1,500,316**
Other Key Management Personnel				
P J Maloney	137,331	-	60,000	**197,331**
C K Smyth	44,180	-	(7,180)	**37,000**
Total	**1,786,675**	**-**	**90,820**	**1,877,495**

Remuneration Report (continued)

Option Holdings of Key Management Personnel of the Consolidated Entity				
Name Notes	***Beginning Balance 1 August 2007***	***Options Issued as Remuneration***	***Net Change Other***	***Closing Balance 31 July 2008***
Directors				
E W J Tyler	1,220	-	-	1,220
J F O'Reilly	3,660	-	-	3,660
G R Freestone	-	-	-	-
R A Widdup	25,102	-	-	25,102
Other Key Management Personnel				
P J Maloney	2,257	-	-	2,257
C K Smyth	1,737	-	(1,737)	-
Total	**33,976**	**-**	**(1,737)**	**32,239**

The directors have no interests in the Company's related body corporates.

Information on Directors

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

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

Ewen Tyler, aged 80, 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.

Mr Tyler is a member of the Audit Committee.

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

- North Australian Diamonds Limited. (retired 22 November, 2006)
- Lion Selection Group Limited (resigned 7 December 2007)
- AuSelect Limited (resigned 7 December 2007)

Robin A Widdup BSc (Hons) MAusIMM (Managing Director)

Robin Widdup, aged 56, graduated from the University of Leeds (UK) with an Honours Degree in Geology in 1975. He worked in the Zambian copper belt gaining experience in mine geology at major copper-cobalt deposits, returning to the United Kingdom in 1978 to work for the National Coal Board in open-cast coal exploration activities. In 1980, Robin joined Mount Isa Mines Limited in Queensland as a project geologist in copper/silver, lead and zinc mining, progressing to become the senior geologist.

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

Robin resigned from J B Were & Son in early 1997 to establish Lion Selection Group and was the Managing Director from that time until the merger with AuSelect Limited in April 2007. Robin has continued as the Managing Director of the merged company, Lion Selection Limited. He is also an executive director of Lion Manager Pty Limited. Robin does not receive any director's fees or other remuneration from Lion.

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

- AuSelect Limited (resigned 7 December 2007)
- Lafayette Mining Limited
- Lion Selection Group Limited (resigned December 2007)

Information on Directors (continued)

John F O'Reilly MSc DIC BSc (Eng) ARSM FIMMM (Non Executive Director)

John O'Reilly , aged 63, is a metallurgical engineer with over 40 years experience in the international mining industry. He spent 18 years with Rio Tinto Plc, with his position prior to retirement in 2005 being Head of Technology and he was previously Head of Gold and Other Minerals. Prior to joining Rio Tinto plc in 1987, he held senior operating positions in Oman, Iran, Botswana and Zambia. He has a wealth of project development experience worldwide.

John is a former director and Chief Executive Officer of Lihir Gold Limited, and was responsible for the construction and operations of the Lihir Gold Project from 1993 to 1998.

John joined the Board of Lion as a non executive director in May 2001. John is also a non executive director of Cambrian Mining plc, Polymetal OJSC, Ausenco Limited and Nautilus Minerals NL, and is a former director of Indophil.

Mr O'Reilly is a member of the Audit Committee.

During the past three years Mr O'Reilly has held the following listed company directorships:

- Lihir Gold Limited (retired 31 December, 2006)
- AuSelect Limited (resigned 7 December 2007)
- Indophil Resources NL (resigned 31 December 2007)
- Cambrian Mining PLC
- Lion Selection Group Limited (resigned December 2007)
- Ausenco Limited
- Polymetals OJSC
- Nautilus Minerals NL

Graham R Freestone BEc (Hons) (Non Executive Director)

Graham Freestone, aged 61, has over 30 years experience in the finance and natural resources industry in Australia and internationally. He has a broad based finance, corporate and commercial background obtained from various senior finance positions with the Shell Group, Acacia Resources and AngloGold.

Graham was comprehensively involved in the float of the Shell Group's mineral interests through Acacia Resources Limited. He was Chief Financial Officer and Company Secretary of Acacia from its IPO in 1994, with responsibility for treasury, gold hedging, IT, legal, accounting, tax, company secretarial and business services. Following AngloGold's acquisition of Acacia in 2000, Graham was responsible for Acacia's integration into the AngloGold Group and its relocation to Perth in 2001.

Graham joined the Board of Lion as a non executive director in July 2001.

Mr Freestone is Chairman of the Audit Committee.

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

- AuSelect Limited (resigned 7 December 2007)
- Lion Selection Group Limited (resigned 7 December 2007)

Other Key Management Personnel

Peter Maloney BComm, MBA (Roch) - Chief Financial Officer

Peter Maloney, aged 58, has broad commercial, finance and management expertise and experience. In a long career with WMC Resources, he held the positions of Treasurer, Executive Vice President Americas and Manager Commercial and Marketing – WA. He has also been Executive General Manager, Finance at Santos and Chief Financial Officer at FH Faulding. Peter has managed varied debt and equity financings, mergers, takeovers, acquisitions, divestments, joint venture negotiations, commodity sale agreements, commodity and currency hedging programs, gold and nickel sales, and has been involved in a number of IPOs. As an executive, he has led major corporate and management restructures.

Peter has also been a director of several companies and organisations, including Indophil Resources and Barra Resources and was chairman of Southern Health, the largest healthcare provider in Victoria, during a period of improvement in management and financial performance.

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

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

Other Key Management Personnel (continued)

Craig Smyth BCA (Acctg), M App Fin, CA (Company Secretary & Financial Controller – appointed 1 August 2007)

Craig Smyth, aged 36, 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 Lion as the Financial Controller in March 2005 and was appointed Company Secretary in August 2007.

Directors' Meetings

During the year and up until the date of this report, the Company held twenty three directors' meetings. The names of the directors and members of Board committees are set out above. At the date of this report the Company had an Audit Committee of the Board which met three times during the year and up until the date of this report.

The table below reflects attendances of the directors at meetings of Lion's Board and its Audit Committee.

	Board of Directors		***Audit Committee***	
	Attended	***Max. possible attended***	***Attended***	***Max. possible attended***
E W J Tyler	23	23	3	3
R A Widdup	21	23	N/A	N/A
J F O'Reilly	21	23	1	3
G R Freestone	23	23	3	3

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 a related body corporate with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest, except as follows:

The Manager, of which Mr Widdup is a shareholder and director, is paid management fees in accordance with a Management Agreement executed by the Company in 2007 and a previous Management Agreement between LSG and The Manager. During the year ended 31 July 2008, these fees amounted to $2,860,000 (2007 - $1,910,526) with no performance fee payable (2007 - $936,000). The fees are considered to be in the ordinary course of business and on commercial terms. Senior members of the Manager's staff are Robin Widdup, Mike Brook (former geologists), Chris Melloy (former mining engineer) and since 1 August 2007, Peter Maloney (Financial).

Mr Widdup does not receive any other remuneration from Lion, other than an allocation of D&O insurance. Directors fees receivable from investees are payable directly to the Manager.

Indemnification of Directors, Officers and Auditor

An indemnity agreement has been entered into between Lion 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.

Lion has paid an insurance premium of $133,230 in respect of a contract insuring each of the directors, previous directors of companies within the Consolidated Entity, and other key management personnel, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

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

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

Auditors' Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, PricewaterhouseCoopers, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 11 and forms part of this Directors' Report for the year ended 31 July 2008.

Non-Audit Services

Fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2008 amounted to $256,628 with respect to taxation advice. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

E W J Tyler
Chairman

R A Widdup
Managing Director

Melbourne
26 September 2008

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Lion Selection Limited for the year ended 31 July 2008, 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 Limited and the entities it controlled during the period.

Tim Goldsmith

Tim Goldsmith
Partner
PricewaterhouseCoopers

Melbourne
26 September 2008

Liability limited by a scheme approved under Professional Standards Legislation

Lion Selection Limited

Income Statement
for the Year Ended 31 July 2008

	Notes	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT 2008 $'000	PARENT 2007 $'000
Gold Sales Revenue		31,568	9,099	-	-
Changes in inventories of finished goods and work in progress (cost of gold sales)	4	272	(625)	-	-
Raw materials and consumables used (cost of gold sales)	4	(25,865)	(6,809)	-	-
		5,975	**1,665**	**-**	**-**
Gain /(loss) attributable to movement in fair value	4	(46,421)	66,699	-	-
Dividend income		23,732	-	6,000	-
Other revenue	4	6,096	3,764	4,715	2,203
Management fees		(2,862)	(2,783)	(2,860)	(1,750)
Exploration and evaluation		(183)	(3,629)	-	-
Depreciation and amortisation		(3,678)	(1,136)	-	-
Employee benefits		(999)	(733)	(221)	(83)
Finance costs		(619)	(329)	-	-
Other expenses	4	(5,535)	(1,298)	(3,949)	(221)
Profit/(loss) before income tax		**(24,494)**	**62,220**	**3,685**	**149**
Income tax (expense)/benefit	5	5,984	10,503	3,896	(45)
Net profit after tax		**(18,510)**	**72,723**	**7,581**	**104**
Attributable to:					
Minority interest		(4)	(3)	-	-
Members of the parent		(18,506)	72,726	7,581	104

		Cents		Cents	
Basic earnings per share	22	(9.7)	59.1	4.0	-
Diluted earnings per share	22	(9.7)	59.0	4.0	-

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

Lion Selection Limited
Balance Sheet
as at 31 July 2008

	Notes	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT 2008 $'000	PARENT 2007 $'000
Current Assets					
Cash and cash equivalents	20(a)	103,743	46,683	407	399
Trade and other Receivables	6	2,452	3,988	129	-
Financial assets	12	128,456	-	-	-
Inventories	7	1,877	1,568	-	-
Other Current Assets	8	2,222	2,752	-	200
Total Current Assets		238,750	54,991	536	599
Non Current Assets					
Inventories	9	-	16	-	-
Property, Plant and Equipment	10	7,950	10,106	-	-
Mine Development	11	49,721	56,817	-	-
Financial assets	12	81,777	299,929	316,586	316,586
Deferred tax assets	5	6,475	3,850	5,041	2,636
Total Non Current Assets		145,923	370,718	321,627	319,222
Total Assets		384,673	425,709	322,163	319,821
Current Liabilities					
Trade and Other Payables	13	4,090	2,950	3,389	2,732
Interest bearing liabilities	15	-	9,000	-	-
Current tax liabilities	5	-	1,572	-	-
Provisions	14	630	408	-	-
Total Current Liabilities		4,720	13,930	3,389	2,732
Non Current Liabilities					
Interest bearing liabilities	15	-	2,078	-	-
Provisions	16	700	773	-	-
Deferred tax liabilities	5	11,753	15,853	-	-
Total Non Current Liabilities		12,453	18,704	-	-
Total Liabilities		17,173	32,633	3,389	2,732
Net Assets		367,500	393,076	318,774	317,089
Equity					
Contributed equity	18	250,748	250,913	316,820	316,985
Reserves	17(b)	1,958	3,128	-	-
Retained profits/(accumulated losses)	17(a)	114,792	139,029	1,954	104
Total parent entity interest		367,498	393,070	318,774	317,089
Total minority interest		2	6	-	-
Total Equity		367,500	393,076	318,774	317,089

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

Lion Selection Limited
Statement of Cash Flows
for the Year Ended 31 July 2008

	Notes	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT 2008 $'000	PARENT 2007 $'000
Cash flows from operating activities					
Receipts from customers		29,565	7,232	-	-
Dividend received		23,732	-	6,000	-
Interest received		5,370	3,901	33	-
Interest paid		(614)	(288)	-	-
Payments to suppliers and employees (including GST)		(22,909)	(11,134)	-	-
Income taxes paid		(1,651)	(5,447)	-	-
Net operating cash flows	20(b)	33,493	(5,736)	6,033	-
Cash flows from investing activities					
Closure of hedge arrangements and purchase of gold put options		-	(9,712)	-	-
Payments for investments		(10,278)	(12,695)	-	-
Acquisition transaction costs		-	(139)	-	-
Acquisition of cash – subsidiary		-	17,693	-	-
Payments for property plant & equipment		(400)	(763)	-	-
Payments for mine development		(5,159)	(1,084)	-	-
Proceeds from investment sales		56,564	7,495	-	-
Net investing cash flows		40,727	795	-	-
Cash flows from financing activities					
Proceeds from issues of shares		158	399	158	399
Share Buy Back		(452)	-	(452)	-
Payments of external borrowings		(11,135)	(2,200)	-	-
Dividends paid		(5,731)	(20,021)	(5,731)	-
Net financing cash flows		(17,160)	(21,822)	(6,025)	399
Net increase/(decrease) in cash held		57,060	(26,763)	8	399
Cash at beginning of the financial period		46,683	73,446	399	-
Cash at end of the financial period	20(a)	103,743	46,683	407	399

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

Lion Selection Limited

Statement of Changes in Equity
For the Year ended 31 July 2008

CONSOLIDATED	Issued Capital $'000	Retained Earnings $'000	Hedge Reserve $'000	Minority Interest $'000	Total $'000
At 1 August 2006	**100,109**	**104,051**	**-**	**-**	**204,160**
Minority Interest Acquired in Acquisition	-	-	-	9	9
Increase in value of fair value of effective gold cash flow hedges	-	-	3,128	-	3,128
Total income (expense) recognised directly in equity	-	-	*3,128*	*9*	*3,137*
Issue of Shares	150,804	-	-	-	150,804
Profit for the period	-	72,726	-	(3)	72,723
Total recognised income and (expense) for the period	*150,804*	*72,726*	*3,128*	*6*	*226,664*
Dividends Paid or Payable	-	(37,748)	-	-	(37,748)
At 31 July 2007	**250,913**	**139,029**	**3,128**	**6**	**393,076**
At 1 August 2007	**250,913**	**139,029**	**3,128**	**6**	**393,076**
Decrease in value of fair value of effective gold cash flow hedges	-	-	(1,170)	-	(1,170)
Total income (expense) recognised directly in equity	-	-	*(1,170)*	-	*(1,170)*
Profit for the period	-	(18,506)	-	(4)	(18,510)
Total recognised income and (expense) for the period	-	*(18,506)*	-	*(4)*	*(18,510)*
Issue of Shares	287	-	-	-	287
Shares bought back	(452)	-	-	-	(452)
Dividends Paid or Payable	-	(5,731)	-	-	(5,731)
At 31 July 2008	**250,748**	**114,792**	**1,958**	**2**	**367,500**

Statement of Changes in Equity (continued)

PARENT	Issued Capital $'000	Retained Earnings $'000	Total $'000
At 1 August 2006	**-**	**-**	**-**
Total income (expense) recognised directly in equity	-	-	-
Issue of Shares	316,985	-	316,985
Profit for the period	-	104	104
Total recognised income and (expense) for the period	316,985	104	317,089
Dividends Paid or Payable	-	-	-
At 31 July 2007	316,985	104	317,089
At 1 August 2007	316,985	104	317,089
Total income (expense) recognised directly in equity	-	-	-
Profit for the period	-	7,581	7,581
Total recognised income and (expense) for the period	-	7,581	7,581
Issue of Shares	287	-	287
Share buy back	(452)	-	(452)
Dividends Paid or Payable	-	(5,731)	(5,731)
At 31 July 2008	316,820	1,954	318,774

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

Lion Selection Limited
Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of Lion Selection Limited (the Company) for the year ended 31 July 2008 was authorised for issue in accordance with a resolution of the directors on 25 September 2008. The directors have the power to amend and reissue the financial report.

Lion Selection Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange as LST.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Lion Selection Limited as an individual entity and the Consolidated Entity consisting of Lion Selection Limited and its subsidiaries.

(a) Basis of Preparation

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

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

Comparative figures for the year to 31 July 2007 incorporate the results for LSG for the full year, together with results for AuSelect and Sedimentary Holdings Ltd and its controlled entities, Fernyside Pty Ltd and Sedgold Pty Ltd ("the Sedimentary Group") from 17 April 2007 to 31 July 2007, being the period since the merger. The comparative period figures for the parent represents Lion's results from incorporation on 9 January 2007 to 31 July 2007 as the holding entity.

(b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the annual reporting period ending 31 July 2008.

These are outlined in the table below.

Ref	Title	Summary	Application date of standard	Impact on Consolidated Entity financial report	Application date for Consolidated Entity
AASB 101	Presentation of Financial Statements	Requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity.	1 January 2009	Impacts disclosures, but will not affect any of the amounts recognised in the financial statements.	1 August 2009

(b) Statement of compliance (continued)

Ref	Title	Summary	Application date of standard	Impact on Consolidated Entity financial report	Application date for Consolidated Entity
AASB 2008-7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	All dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.	1 January 2009	The standard applies the revised rules prospectively, so any impact will depend on transactions after the application date.	1 August 2009
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments*.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Consolidated Entities financial statements. However the new standard is expected to have an impact on the Consolidated Entity's segment disclosures as segment information based on management reports are more detailed than those currently reported under AASB 114.	1 August 2009
AASB 2008-3	Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements	New rules in relation to Business Combinations and Consolidated and Separate Financial Statements. Generally apply only prospectively to transactions that occur after the application date of the standard.	1 July 2009	The Consolidated Entity has not yet decided when it will apply the revised standards. Their impact will therefore depend on whether the Consolidated Entity will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.	1 August 2009
AASB 8	*Operating Segments*	This new standard will replace AASB 114 *Segment Reporting* and adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 August 2009
IAS 39	*Financial Instruments: Recognition and Measurement: Eligible hedged items*	IAS 39 has been amended to prohibit designating inflation as a hedgeable component of fixed rate debt and to prohibit including time value in hedge risk when designating options as hedges.	1 July 2009	The Consolidated Entity does not expect that any adjustments will be necessary as the result of applying the revised rules.	1 August 2009
AASB 2008-5 and AASB 2008-6	*Improvements to Australian Accounting Standards*	Number of amendments to existing Australian Accounting Standards.	1 January 2009	The Consolidated Entity does not expect that any adjustments will be necessary as the result of applying the revised rules.	1 August 2009

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

(c) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the parent entity, Lion Selection Limited, and its controlled entities, referred to collectively throughout these financial statements as the "Consolidated Entity". The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Subsidiaries are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Lion has control.

Minority interests represent the interests in AFL Management Limited, not held by the Consolidated Entity.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Lion Selection Limited.

(ii) Joint ventures (jointly controlled)

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(d) Significant accounting estimates and assumptions

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

(i) Estimated impairment of mine development

The Consolidated Entity tests annually whether the investment in mine development has suffered any impairment, in accordance with the accounting policy stated in this note. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions in relation to underlying mine physicals, future costs, gold price and discount rates.

The Consolidated Entity is required to estimate the level of depreciation and amortisation as a participant in the Cracow Mining Joint Venture. The key assumptions used to determine the depreciation and amortisation expense are the quantity of reserves and resources and future capital expenditure with respect to the Cracow Mining Joint Venture. The reserves and resources included in the model are derived from the Life of Mine plan. Estimated future capital expenditure is calculated based on the forecast costs to exploit these reserves and resources.

(ii) Income taxes

The Consolidated Entity is subject to income taxes in Australia. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity 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.

(iii) Rehabilitation

The Consolidated Entity as a participant in the Cracow Mining Joint Venture is liable for its participating share of the costs of rehabilitation of the area of the Cracow Gold Mine on cessation of mining. The costs have been calculated for the joint venture in accordance with this note using an inflation estimate of 3% and a discount rate of 6.5%. The estimates of cost, interest rate and inflation are reviewed annually.

e) Revenue

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

(e) Revenue (continued)

(i) Sale of goods

Sale of Investments

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

Gold Sales

Sales revenue is brought to account when control of the gold has passed to the buyer and selling prices are known or can be reasonably estimated.

(ii) Interest

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

(iii) Dividends

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

f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Cash includes cash held by the Cracow Mining Joint Venture in which the Consolidated Entity is a participant.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

g) Trade and other receivables

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

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

h) Impairment of financial assets

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

i) Foreign currency translation

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

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

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

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

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

The functional currency of the overseas subsidiary (AFL Management Limited) is United States dollars (US$).

As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Lion at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

j) Income tax

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

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

Tax consolidation legislation
Lion Selection Limited and its wholly-owned Australia controlled entities have implemented the tax consolidation legislation, effective from 16 April 2007.

The parent entity, Lion Selection Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group is a separate tax payer within the Consolidated Entity.

In addition to its own current and deferred tax amounts, Lion Selection Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(k) 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

(k) Other taxes (continued)

- 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.

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

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

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

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

(m) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

(ii) Financial liabilities

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

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

(n) Inventories

Gold in solution form, ore on ROM pad, work in progress and finished goods are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct costs and a portion of fixed and variable direct overhead expenditure including depreciation and amortisation. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Property, plant and equipment

Cost

Land and buildings, and property, plant and equipment are carried at cost less depreciation. Financial costs incurred directly in relation to major capital works are capitalised up to the time of commissioning the asset. The carrying value of property, plant and equipment is reviewed annually by Directors to ensure that it is not in excess of the recoverable amount. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated or amortised over their estimated useful lives. Either the unit of production or straight line methods may be used. The unit of production basis results in a depreciation or amortisation charge proportional to the depletion of the anticipated economically recoverable mineral resources including measured, indicated and inferred. The depreciation or amortisation charged includes a provision for expected future costs of capital development associated with that recoverable mineral resource. Each item's economic life has due regard to both its physical life limitations and to present assessment of the economically recoverable anticipated economically recoverable mineral resources including measured, indicated and inferred of the mine property, and to the possible future variations to those assessments.

The expected useful lives of plant and equipment are the shorter of the mine life and 3 to 5 years, depending on the nature of the asset.

Assets are depreciated or amortised from the date of acquisition, or, in respect of internally constructed assets from the time the asset is completed and held ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) Exploration and evaluation expenditure

Exploration and evaluation expenditure is generally written off in the year in which it is incurred. Exception is made for exploration and evaluation expenditure incurred on projects that have reached a stage at which there is confidence in their viability. In this situation expenditure is carried forward and amortised over the life of the project on a units of production basis. If a project subsequently does not prove viable, all irrecoverable costs are written off. Viability of projects will generally be determined following completion of pre-feasibility studies or at the time a development decision is made. Subsequent to a decision to develop, costs are transferred to mine development.

(q) Mine development

Development expenditure for the initial establishment of access to anticipated economically recoverable mineral resources including measured, indicated and inferred, together with capitalised exploration and evaluation expenditure and any financing charges in respect of the project, are carried forward as part of the cost of mine development. Subsequent development expenditure is charged against profit as incurred except when such expenditure results in future benefits. Amortisation of costs are provided on the unit-of-production method resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources including measured, indicated and inferred. Amortisation charge includes a provision for expected future costs of capital development associated with that recoverable mineral resource.

(r) Deferred mining expenditure

A portion of operating mining costs at each mine level incurred prior to ore extraction, together with the cost of mining waste material, are carried forward as deferred mining expenditure in the balance sheet. These costs are expensed against the stoping activity on a mining level basis.

(s) 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).

(t) Borrowings

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

(u) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges). The Consolidated Entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(I) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

(ii) Cash flow hedge (continued)

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a hedging instrument expires or is sold or terminated, any asset or liability will be derecognised from the balance sheet. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(v) Maintenance and repairs

Costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated where applicable in accordance with note 1(o).

(w) Restoration, rehabilitation and environmental expenditure

The joint venturers are required to rehabilitate the area of the Cracow Gold Mine upon cessation of mining operations. Closedown and restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning the removal of residual material and the remediation of disturbed areas. Closedown and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. The costs are estimated on the basis of a closure model. The cost estimates are calculated annually during the life of the operation to reflect known developments, and are subject to reviews. The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the profit and loss account in each accounting period. The amortisation of the discount is shown as a financing item.

(w) **Restoration, rehabilitation and environmental expenditure (continued)**

Other movements in the provisions for closedown and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to lives of operations and revisions to discount rates are capitalised within fixed assets. These costs are then depreciated over the lives of the assets to which they relate.

(x) **Payables**

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

(y) **Provisions**

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

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

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

(z) **Share-based payment transactions**

Under the Lion Manager Agreement, the Manager is entitled to an annual performance incentive if certain conditions are met. The performance incentive conditions are outlined in note 26.

The performance incentive represents a cash settled share based payment. The fair value of the performance incentive for the period is recognised as an expense with a corresponding liability also recognised. The fair value is measured at the beginning of the period using a binomial valuation model and recognised over the period in which the Manager becomes unconditionally entitled to the payment. The fair value is re-measured at each reporting date and changes in the liability are recognised in profit or loss for the period

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

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

(ab) **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.

(ac) **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.

(ad) Segment reporting

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

(ae) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill (refer to note 29).

If the cost of acquisition is less than the Consolidated Entity's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

3. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated entity. The Consolidated entity uses derivative financial instruments to partially hedge commodity price risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments.

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

The Consolidated entity and the parent entity hold the following financial instruments:

	CONSOLIDATED		PARENT ENTITY	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash	5,893	8,583	407	399
Bank bills and deposits receivable – one month or less	97,850	38,100	-	-
Other receivables	2,362	3,988	129	-
Put Options – less than one year	90	27	-	-
Interest Rate Swap – less than one year	-	111	-	-
Convertible note between four years and five years	398	971	-	-
Put Options – between one and two years	-	178	-	-
Interest Rate Swap – between one and two years	-	21	-	-
Investment in securities	210,233	298,759	-	-
Investment in subsidiaries	-	-	316,586	316,586
Financial liabilities				
Loans – within one year	-	9,000	-	-
Loans – between one & two years	-	2,078	-	-
Trade and other creditors	2,083	2,950	52	51
Amounts payable to controlled entity	-	-	1,330	45

(a) Market risk

(i) Currency Risk

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

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Consolidated Entity does not hedge its foreign currency risk.

The Consolidated Entity's exposure to foreign currency risk at the reporting date was as follows:

CONSOLIDATED

	2008 US$'000	**2007 US$'000**	**2008 AUD'000**	**2007 AUD'000**
Cash	53	76	56	89
Receivables/ other assets	6	3	7	3
Payables	59	66	62	77

The parent entity is not exposed to foreign currency risk.

(ii) Price risk

The Consolidated Entity (but not the parent entity) is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified on the balance sheet as at fair value through profit or loss. The Consolidated Entity (but not the parent entity) is also exposed to commodity price risk due to exposure to gold production. The Consolidated Entity holds gold put options to partially hedge this exposure. These options do not meet the AIFRS requirements for hedge accounting.

To manage its price risk arising from investments in equity securities, the Consolidated Entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Consolidated Entity.

The majority of the Consolidated Entity's and the parent entity's equity investments are publicly traded. The Consolidated Entity does not hedge its equities securities price risk.

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

(b) Credit risk

The Consolidated Entity 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. The Consolidated Entity has a policy of maintaining its cash and cash equivalents with the "top 4" Australian Banks. For other counter parties, if there is no independent rating, management assesses the credit quality of the party, taking into account its financial position, past experience and other factors.

(c) Liquidity risk

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

(d) Fair value estimation

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

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

(d) Fair value estimation (continued)

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

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

	CONSOLIDATED		PARENT	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
NOTE 4 REVENUE AND EXPENSES				
Gains/(loss) attributable to movement in fair value of investments				
Mark to Market adjustment for period – investments realised during period	7,735	(773)	-	-
Mark to Market adjustment for period – investments held at end of period	(54,156)	67,472*	-	-
Gains/(loss) attributable to movement in fair value of investments as recorded in the income statement	(46,421)	66,699	-	-

* Mark to Market includes $3,042,000 reduction in value with respect of options valued using the Black-Scholes method. This reduction in value includes options held by LSG over shares in AuSelect which are now assessed to be of no value.

Results of Investments Realised During Period				
Proceeds from sale of shares	53,358	28,494	-	-
Historical Cost of investments sales	(37,313)	(21,893)	-	-
Gross profit on investments realised	*16,045*	*6,601*	-	-
Represented by:				
Mark to Market recognised in prior periods (including on acquisition)	8,310	7,374	-	-
Mark to Market recognised in current period	7,735	(773)	-	-
	16,045	*6,601*	-	-
Other revenue				
Interest income	5,840	3,556	33	-
Management fee	256	208	4,682	2,203
Other revenue	*6,096*	*3,764*	*4,715*	2,203
Cost of gold sales				
Depreciation and amortisation	10,984	3,476	-	-
Other cost of sales	14,609	3,958	-	-
Cost of gold sales	*25,593*	*7,434*	-	-
The profit/loss is after charging the following other expenses				
Investor Relations	528	619	518	119
D&O Insurance	132	63	132	2
Legal Expenses	54	32	515	1
Defence costs	3,505	140	2,007	-
Movements in Rehabilitation Provision	-	32	-	-
Other corporate overheads	1,316	412	777	99
Total other expenses	*5,535*	*1,298*	*3,949*	*221*

	CONSOLIDATED		PARENT	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
NOTE 5 INCOME TAX EXPENSE				
Income Statement				
Current Income Tax				
Current Income Tax Charge	677	1,492	15	45
Adjustments in respect of current income tax of previous years	64	175	-	-
Deferred Income Tax				
Relating to origination and reversal of temporary differences	(6,725)	(12,170)	(3,911)	-
Income Tax Expense/ (benefit) reported in the Income Statement	**(5,984)**	**(10,503)**	**(3,896)**	**45**
Reconciliation of Income tax expense				
Profit/(loss) before income tax	(24,494)	62,220	3,685	149
Prima facie tax thereon at 30%	(7,348)	18,666	1,106	45
Tax effect of permanent and other differences				
Loss of PDF Status*	-	10,598	-	-
Adjustment to cost base of investments on entering tax consolidated group	-	(38,826)	-	-
Non assessable dividends	(7,120)	-	(1,800)	-
Non deductible movement in fair value	11,726	-	-	-
Effect of lower tax rates*	3	(1,116)	107	-
Tax losses recognised	(3,309)	-	(3,309)	-
Amount underprovided/(overprovided) in prior years	64	175	-	-
Total income tax (benefit)/expense	(5,984)	(10,503)	(3,896)	45

* LSG was a Pooled Development Fund, and eligible to pay tax at 15% on certain investments. LSG's PDF status was revoked immediately after the merger.

Current tax payable/(refund due)	-	1,572	-	-

Deferred Income Tax				
Movements - Deferred tax liabilities				
Opening deferred tax liabilities	15,853	10,606	-	-
Deferred tax liability acquired - Acquisition of subsidiary	-	19,389	-	-
Charged/ (credited) to the income statement	(4,100)	(14,142)	-	-
Charged/ (credited) directly to equity	-	-	-	-
Closing Deferred tax liabilities	**11,753**	**15,853**	**-**	**-**

Deferred tax liability – expected to be recovered within 12 months	1,688	2,302	-	-
Deferred tax liability – expected to be recovered beyond 12 months	10,065	13,551	-	-
Deferred tax liability	**11,753**	**15,853**	**-**	**-**

Deferred tax liabilities at 31 July relates to the following:				
Revaluations of investments to Fair Value	-	2,131	-	-
Revaluations of non-current assets to Fair Value	11,403	13,497	-	-
Accrued Interest/ Other temporary differences	350	225	-	-
	11,753	**15,853**	-	-

NOTE 5 INCOME TAX EXPENSE (continued)	CONSOLIDATED		PARENT	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Movements - Deferred tax assets				
Opening deferred tax assets	3,850	8	2,636	-
Deferred tax asset acquired - Acquisition of subsidiary	-	7,155	-	-
Assumption/ (transfer) of tax losses from/ (to) subsidiary	-	-	(1,506)	2,636
(Charged)/ credited to the income statement	2,625	(1,972)	3,911	-
(Charged)/ credited directly to equity	-	(1,341)	-	-
Closing deferred tax assets	**6,475**	**3,850**	**5,041**	**2,636**
Deferred tax asset – expected to be recovered within 12 months	3,500	-	3,500	-
Deferred tax asset – expected to be recovered beyond 12 months	2,975	3,850	1,541	2,636
Deferred tax asset	**6,475**	**3,850**	**5,041**	**2,636**
Deferred tax assets at 31 July relates to the following:				
Accrued Expenses/Other temporary differences	1,434	1,214	-	-
Tax Losses Available	5,041	2,636	5,041	2,636
Deferred tax assets	6,475	3,850	5,041	2,636
Tax Losses Not Recognised				
Unused tax losses for which no deferred tax asset has been recognised	16,001	17,833	16,001	17,833
Potential tax benefit at 30%	4,800	5,350	4,800	5,350

All unused revenue and capital tax losses not recognised above were incurred by Australian entities prior to the creation of the tax consolidated group. These losses are able to be utilised by the Consolidated Entity, following an assessment of restrictions on the ability to transfer these tax losses into the tax consolidated group. The benefit of utilising these carried forward losses by the consolidated tax group is limited by an "available fraction" restricting the rate at which Lion may access these losses, and satisfying the loss recoupment tests in the future. No deferred tax asset has been recognised with respect to these losses in the balance sheet as it is not considered to be probable that taxable income will arise to utilise the tax benefit of these losses. The level of any losses available to Lion will depend on Lion being able to satisfy tax loss recoupment provisions of the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997.

NOTE 6 RECEIVABLES (CURRENT)	CONSOLIDATED		PARENT	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Accrued interest	750	383	-	-
Share sale proceeds receivable	-	3,073	-	-
Gold sale proceeds receivable (not past due, not impaired)	1,241	-	-	-
Term Deposits	130	246	-	-
Financial derivatives – Gold put options	90	138	-	
Other receivables	241	148	129	-
Total current receivables, net	2,452	3,988	129	-

NOTE 7 INVENTORIES (CURRENT)	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Work in progress – at cost	1,296	1,024	-	-
Consumables and spare parts – at cost	581	544	-	-
	1,877	1,568	**-**	**-**

NOTE 8 OTHER ASSETS (CURRENT)	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT 2008 $'000	PARENT 2007 $'000
Prepayments	7	204	-	200
Other Current Assets	2,215	2,548	-	-
Total current other assets	**2,222**	**2,752**	**-**	**200**

NOTE 9 INVENTORIES (NON CURRENT)	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT 2008 $'000	PARENT 2007 $'000
Consumables and spare parts – at cost	-	16	-	-

NOTE 10 PROPERTY, PLANT AND EQUIPMENT (NON CURRENT ASSETS)

Consolidated - 2007	Freehold land $'000	Freehold buildings $'000	Plant and equip $'000	Office equip $'000	Lease improve $'000	Water Licence $'000	Total $'000
Period ended 31 July 2007							
Opening net book amount	-	-	-	-	-	-	-
Acquisition of subsidiary	311	644	8,943	91	76	120	**10,185**
Additions	-	40	723	-	-	-	**763**
Disposals	-	-	-	-	-	-	**-**
Depreciation charge	-	(55)	(769)	(10)	(8)	-	**(842)**
Closing net book amount	**311**	**629**	**8,897**	**81**	**68**	**120**	**10,106**
At 31 July 2007							
- Cost	**311**	**684**	**9,666**	**91**	**76**	**120**	**10,948**
Accumulated depreciation	-	(55)	(769)	(10)	(8)	-	**(842)**
Net book amount	**311**	**629**	**8,897**	**81**	**68**	**120**	**10,106**

Consolidated - 2008	Freehold land $'000	Freehold buildings $'000	Plant and equip $'000	Office equip $'000	Lease improve $'000	Water Licence $'000	Total $'000
Period ended 31 July 2008							
Opening net book amount	**311**	**629**	**8,897**	**81**	**68**	**120**	**10,106**
Additions	78	32	290	-	-	-	**400**
Disposals	-	-	-	(81)	(68)	-	**(149)**
Depreciation charge	-	(163)	(2,244)	-	-	-	**(2,407)**
Closing net book amount	**389**	**498**	**6,943**	**-**	**-**	**120**	**7,950**
At 31 July 2008							
- Cost	**389**	**661**	**9,187**	**-**	**-**	**120**	**10,357**
Accumulated depreciation	-	(163)	(2,244)	-	-	-	**(2,407)**
Net book amount	**389**	**498**	**6,943**	**-**	**-**	**120**	**7,950**

The Parent Entity holds no Property, Plant and Equipment

	CONSOLIDATED		PARENT	
NOTE 11 NON CURRENT ASSETS – MINE DEVELOPMENT	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Cost				
Opening balance	60,587	-	-	-
Acquisition of subsidiary	-	59,503	-	-
Additions	5,159	1,084	-	-
Closing balance	65,746	60,587	-	-
Accumulated amortisation				
Opening balance	(3,770)	-	-	-
Amortisation for the period	(12,255)	(3,770)	-	-
Closing balance	(16,025)	(3,770)	-	-
Net book value	49,721	56,817	-	-

During the period the Consolidated Entity re-assessed the basis used for calculating the amortisation of Mine Development costs. The number of ounces and estimate of future capital costs included in the model were updated, resulting in an increase in the amortisation charge for 2008 of $3.1 million.

NOTE 12 FINANCIAL ASSETS				
Listed investments (at fair value)	128,456	-	-	-
Total current financial assets	**128,456**	**-**	**-**	**-**
Listed investments (at fair value)	39,739	219,761	-	-
Unlisted investments (at fair value)	42,038	79,968	-	-
Investment in controlled entities (at cost)	-	-	316,586	316,586
Financial derivatives – gold put options & interest rate swap	-	199	-	-
Total non-current financial assets	**81,777**	**299,929**	**316,586**	**316,586**
Total financial assets*	**210,233**	**299,929**	**316,586**	**316,586**

Listed shares are readily saleable with no fixed terms

** refer note 27 for further information.*

As part of the AuSelect Initial Public Offering on 3 May 2004, LSG was issued 7,697,600 options over ordinary shares in AuSelect. These options were issued to LSG for no consideration and have been accounted for on a fair value through profit or loss basis. These options have been valued at nil following the merger between LSG and AuSelect.

NOTE 13 PAYABLES (CURRENT)				
Sundry creditors and accruals	3,787	1,744	2,059	51
Amounts payable to director related entities	303	1,206	-	-
Amounts payable to controlled entity	-	-	1,330	2,681
Total current payables	**4,090**	**2,950**	**3,389**	**2,732**

All payables are non interest bearing and settled on 30 day terms.

NOTE 14 PROVISIONS (CURRENT)				
Employee benefits	630	408	-	-
Total current provisions	**630**	**408**	**-**	**-**

		CONSOLIDATED		PARENT	
NOTE 15	**INTEREST BEARING LIABILITIES**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Bank loans – current		-	9,000	-	-
Current interest bearing liabilities		**-**	***9,000***	**-**	**-**
Bank loans – non-current		-	2,078	-	-
Non-current interest bearing liabilities		**-**	***2,078***	**-**	**-**

During the period the Consolidated Entity repaid its bank loans. All fixed and floating charges over the assets and undertakings of the Sedimentary Holdings ltd and its controlled entities, Fernyside Pty Ltd and Sedgold Pty Ltd ("the Sedimentary Group") have been released.

The undiscounted contracted interest payments on outstanding 31 July 2007 interest bearing liabilities were $683,000.

		CONSOLIDATED		PARENT	
NOTE 16	**NON-CURRENT LIABILITIES – PROVISIONS**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Non-current Rehabilitation Provision					
Carrying amount at start of period		772	-	-	-
Acquisition of Controlled Entities		-	758	-	-
Reassessment of Provision		(96)	(17)	-	-
Increase in discounted amount arising from passage of time and effect of any change in the discount rate		24	32	-	-
Carrying amount at period end		700	773	-	-

		CONSOLIDATED		PARENT	
NOTE 17	**RETAINED PROFITS & RESERVES**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
(a)	**Movements in retained earnings were as follows:**				
Retained profits/(losses) at the beginning of the financial year		139,029	104,051	104	-
Net profit for period		(18,506)	72,726	7,581	104
Dividends paid/payable		(5,731)	(37,748)	(5,731)	-
Retained profits/(losses) of the end of the financial year		**114,792**	**139,029**	**1,954**	**104**

(b) **Other reserves**

CONSOLIDATED	**Cash Flow Hedge Reserve $'000**
At 1 August 2006	**-**
Increase in value of fair value of effective gold cash flow hedges	3,128
At 31 July 2007	**3,128**
At 1 August 2007	**3,128**
Decrease in value of fair value of effective gold cash flow hedges	(1,170)
At 31 July 2008	**1,958**

Hedge Reserves are with respect to effective gold cash flow hedges. Hedge positions were closed out on 27 July 2007, and the reserve will release over the period to December 2009 in accordance with the hedge profile – see note 23(b)(ii).

NOTE 18 CONTRIBUTED EQUITY	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT 2008 $'000	PARENT 2007 $'000
Issued and paid up capital (fully paid)				
Opening Balance	250,913	100,109	316,985	-
2007: Issue of 90,605,276 shares with respect to the AuSelect Scheme	-	150,405	-	150,405
2007: Issue of 100,108,905 shares with respect to the Lion Scheme	-	-	-	166,181
Exercise of 177,812 options over Lion shares at $1.51/ share. (2007: 264,749 options at $1.51/share)	287	399	287	399
Shares bought back on market and cancelled	(447)	-	(447)	-
Transaction costs	(5)		(5)	
Issued and paid up capital (fully paid)	250,748	250,913	316,820	316,985

At 31 July 2008 the parent entity had 190,877,542 ordinary shares on issue (2007 – parent 190,978,930 ordinary shares)

On 10 July 2008 Lion announced that it would implement an on-market buy back program during the period 21 July 2008 to 7 July 2009. Under the program, up to 10% of Lion's shares can be bought back over the 12 month period. During July 2008 the company purchased 493,594 ordinary shares and cancelled 279,200 of these shares on-market. The cancelled shares were acquired at an average price of $1.595 per share, with prices ranging from $1.5650 to $1.6204. The total cost of $452,351 including $4,922 of after tax transaction costs, was deducted from shareholder equity. As at 31 July, the parent entity held 214,394 ordinary shares yet to be cancelled. These shares were purchased at an average price of $1,535 per share, with prices ranging from $1.510 to $1.570. The total cost of these shares was $331,656 including $3,609 of after tax transaction costs.

Share Capital	CONSOLIDATED 2008 Shares	CONSOLIDATED 2007 Shares	PARENT 2008 Shares	PARENT 2007 Shares
Issued and paid up capital (fully paid)				
Opening Balance	190,978,930	100,108,905	190,978,930	-
Issue of shares in relation to scheme of arrangement	-	90,605,276	-	190,714,181
Options Exercised	177,812	-	177,812	264,749
Shares bought back on market and cancelled	(279,200)	-	(279,200)	-
Issued and paid up capital (fully paid)	190,877,542	190,978,930	190,877,542	190,978,930

Options	CONSOLIDATED 2008 Options	CONSOLIDATED 2007 Options	PARENT 2008 Options	PARENT 2007 Options
Opening Balance	5,842,226	-	5,842,226	-
Issue of options in relation to scheme of arrangement	-	6,106,975	-	6,106,975
Options Exercised	(177,812)	(264,749)	(177,812)	(264,749)
Options	5,664,414	5,842,226	5,664,414	5,842,226

Capital Risk Management

The Consolidated Entity's and parent entity's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders. Lion has repaid its bank loan, and accordingly had no external debt at 31 July 2008. Due to the nature of the Consolidated Entity's business it is not considered appropriate to have significant gearing.

	CONSOLIDATED		PARENT	
NOTE 19 DIVIDENDS PAID	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
(a) **Dividends declared and paid during the year**				
• 50% franked dividend paid on 15 December 2006, 10¢ per share cash and 17.7¢ per share in specie dividend	-	27,737	-	-
• Fully franked 3¢ per share paid on 22 February 2008 (2007: un-franked dividend of 10¢ per share)	5,731	10,011	5,731	-
Total dividends paid or provided	**5,731**	**37,748**	**5,731**	**-**
(b) **Franking credit balance**				
The amount of franking credits available for the subsequent financial year are:				
▪ franking credit balance as at the end of the financial year	902	1,672	902	-
▪ franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	1,572	-	-
▪ transfer of franking account to head entity of tax consolidated group	-	-	-	3,244
	902	**3,244**	**902**	**3,244**

The tax rate at which dividends have been franked is 30%.

Based on the above franking account balance of $902,000, the Consolidated Entity has the capacity to pay fully franked dividends of $2,105,000.

NOTE 20 NOTES TO THE STATEMENT OF CASH FLOWS

(a) **Reconciliation of cash**

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

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

	CONSOLIDATED		PARENT	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Cash on hand	5,893	8,583	407	399
Bank bills and deposits	97,850	38,100	-	-
Closing cash balance	103,743	46,683	407	**399**

NOTE 20	NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT 2008 $'000	PARENT 2007 $'000
(b)	**Reconciliation of Net Profit/(Loss) after Income Tax to Net Cash Provided by Operating Activities**				
	Net profit/(loss) after income tax	(18,510)	72,723	7,581	104
	Adjustments for non cash income and expense items				
	Depreciation & Amortisation	14,662	4,612	-	-
	Movement in pre-acquisition reserves	(4,577)	(1,978)	-	-
	Acquisition costs – financing cash flow	-	139	-	-
	Movement in fair value of investments (increase)/decrease in assets	46,421	(66,699)	-	-
	Write off exploration property	183	3,733	-	-
	Net foreign exchange (gain)/loss	-	(3)	-	-
	Non-cash income received	183	-	130	-
	Movement in provision for:				
	▪ Income tax payable	(1,572)	(3,840)	-	-
	▪ Movement in Provision for Rehabilitation	-	32	-	-
	(Increase)/decrease in assets:				
	▪ Deferred income tax asset	(2,625)	1,956	(2,405)	(2,636)
	▪ Other receivables	1,536	488	(129)	(200)
	▪ Other current assets	530	(1,582)	200	-
	(Decrease)/increase in liabilities:				
	▪ Deferred income tax liability	(4,100)	(14,066)	-	-
	▪ Payables	1,140	(7)	656	2,732
	▪ Other current liabilities	-	(1,627)	-	-
	▪ Employee entitlements	222	383	-	-
	Net cash flow from operating activities	33,493	(5,736)	6,033	-

(c) **Non-Cash financing and investing activities**

Lion's capital structure was formulated as a result of the merger between LSG and AuSelect affected on 16 April 2007 when shares and options were issued to participating LSG and AuSelect shareholders. At the time of merger there were 190,714,181 fully paid ordinary shares and 6,106,975 options for the acquisition of LSG and AuSelect. The fair value of the non-cash consideration provided was $316,586,000.

During 2007 LSG accepted AuSelect's scrip-for-scrip takeover offer for Sedimentary, and in December 2006 disposed of its AuSelect shares received under the takeover by way of an in specie dividend. The in specie dividend was valued at $17,737,000. In addition, during the year the Consolidated Entity accepted Perseverance Limited's scrip-for-scrip takeover offer for its investment in Leviathan Resources Limited, receiving 1.7 Perseverance shares for each Leviathan share held.

During the year ended 31 July 2007, the Consolidated Entity's merger with AuSelect resulted in the acquisition of a number of exploration tenements held by Sedimentary Holdings Ltd in addition to the Cracow assets. The St Arnaud exploration tenements were sold during the year to Rex Minerals Limited ("Rex") in exchange for 2 million shares, valued at $200,000 in Rex, which has recently listed on the ASX.

NOTE 21 CONTINGENT LIABILITIES

The Consolidated Entity and parent entity do not have any contingent liabilities as at 31 July 2008.

NOTE 22	EARNINGS PER SHARE	CONSOLIDATED	
		2008 $'000	**2007 $'000**
(a)	Earnings used in calculating earnings per share – basic and diluted	(18,510)	72,726
		2008 Number of shares	**2007 Number of shares**
(b)	Weighted average number of shares		
	Weighted average number of ordinary shares for basic earnings per share	191,023,286	123,049,554
	Effect of dilution for options over ordinary shares	357,349	218,300
	Weighted average number of ordinary shares for diluted earnings per share	**191,380,635**	**123,267,854**

The calculation of weighted average number for the diluted earnings per share includes 357,349 potential ordinary shares with respect to dilutive options. (2007: 218,300 potential ordinary shares)

NOTE 23 FINANCIAL INSTRUMENTS

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

(a) **Interest Rate Risk Exposures**

The Consolidated Entity 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. Prior to closure of Lion's external debt arrangements the company had fixed its interest rate exposure by way of interest rate swaps. Accordingly the company was not exposed to movements in interest rates. All assets and liabilities are current, maturing within one year, with the exception of investments in securities, the value of which will be realised at the discretion of the Consolidated Entity. No decision has been made regarding the timing of this realisation.

CONSOLIDATED	*Floating Interest Rate $'000*	*Fixed Interest Rate $'000*	*Non Interest Bearing $'000*	*Total $'000*	*Average Interest Rate*	
					Floating %	*Fixed %*
2007						
Financial Assets:						
Cash	8,583	-	-	8,583	3.31%	-
Bank bills and deposits receivable – one month or less	-	38,100	-	38,100	-	6.26%
Other receivables	-	-	3,988	3,988	-	-
Put Options – less than one year	-	-	27	27	-	-
Interest Rate Swap – less than one year*		111	-	111	0.93%	-
Other current assets	-	-	2,613	2,613	-	-
Convertible note between four years and five years	-	971	-	971	-	15.00%
Put Options – between one and two years	-	-	178	178	-	-
Interest Rate Swap – between one and two years*	-	21	-	21	0.93%	-
Investment in securities	-	-	298,759	298,759	-	-

NOTE 23 FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED	*Floating Interest Rate $'000*	*Fixed Interest Rate $'000*	*Non Interest Bearing $'000*	*Total $'000*	*Average Interest Rate Floating %*	*Average Interest Rate Fixed %*
Financial Liabilities:						
Loans – within one year	-	9,000*	-	9,000	-	8.06%
Loans – between one & two years	-	2,078*	-	2,078	-	8.06%
Trade and other creditors	-	-	2,950	2,950	-	-
2008						
Financial Assets:						
Cash	5,893	-	-	5,893	4.66%	-
Bank bills and deposits receivable – one month or less	-	97,850	-	97,850	-	7.38%
Other receivables	-	-	2,362	2,362	-	-
Put Options – less than one year	-	-	90	90	-	-
Convertible note between four years and five years	-	398	-	398	-	15.00%
Investment in securities	-	-	210,233	210,233	-	-
Financial Liabilities:						
Trade and other creditors	-	-	4,090	4,090	-	-

* The rate of interest (before the interest rate swap) is 8.99%. Average interest rate reflects net effect of interest rate swap.

PARENT	*Floating Interest Rate $'000*	*Fixed Interest Rate $'000*	*Non Interest Bearing $'000*	*Total $'000*	*Average Interest Rate Floating %*	*Average Interest Rate Fixed %*
2007						
Financial Assets:						
Cash	399	-	-	399	-	-
Financial Liabilities:						
Amounts payable to controlled entity	45	-	-	45	7.49%	-
2008						
Financial Assets:						
Cash	407	-	-	407	2.48%	-
Financial Liabilities:						
Trade and other creditors	2,059	-	-	2,059	-	-
Amounts payable to controlled entity	1,330	-	-	1,330	8.39%	-

(b) **Derivative financial instruments**

	CONSOLIDATED		**PARENT**	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Current Assets				
Interest rate swap contracts – held for trading	-	111	-	-
Gold Put Option contracts – held for trading	90	27	-	-
Non-current Assets				
Interest rate swap contracts – held for trading	-	21	-	-
Gold Put Option contracts – held for trading	-	178	-	-
Total derivative financial instrument assets	**90**	**337**	**-**	**-**

NOTE 23 FINANCIAL INSTRUMENTS (CONTINUED)

The Consolidated Entity is party to derivative instruments in the normal course of business in order to hedge exposure to fluctuations in commodity prices (2007: interest rates and commodity prices). All instruments are held for economic hedging purposes, although these instruments do not satisfy the requirements for hedge accounting, and accordingly must be accounted for as fair value through profit and loss.

(i) **Interest rate swap contracts**

During the year Lion closed out its bank loan and associated interest rate swap arrangements held with Macquarie Bank Limited. The bank loan of the Consolidated Entity from was obtained by virtue of the merger with AuSelect,. The Consolidated Entity had in place an interest rate swap contract under which it was obliged to receive interest at variable rates and to pay interest at a fixed rate of 8.06%. At 31 July 2007 the notional principal amount of the interest rate swap was due to amortise as follows with the final settlement on 30 September 2009:

	CONSOLIDATED		**PARENT**	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Average notional principal amount of interest rate swap in future years				
Less than one year	-	9,625	-	-
1 – 2 years	-	1,875	-	-

(ii) **Gold Forward Sales – Cash Flow Hedges**

As a consequence of the merger with AuSelect, the Consolidated Entity obtained a series of gold flat forward contracts, designated as cash flow hedges. The Consolidated Entity recognised a hedge liability of $15,841,000 at the time of acquisition representing the hedge contracts' fair value. These hedges were originally entered as a condition of the funding facility entered into for participation in the Cracow Mining Joint Venture. On 27 July 2007 these contracts were closed out by the Consolidated Entity for a cost of $9,394,000. Prior to closing the hedge position the Consolidated Entity undertook cash flow hedge accounting, with changes in the hedge's fair value being deferred in equity. Upon closing the hedge the Consolidated Entity settled the Hedge Liability on the balance sheet, and crystallised the hedge reserve balance in equity, which will unwind to the Income Statement on the profile of the original hedge.

(iii) **Gold Put Options**

On 27 July 2007 the Consolidated Entity purchased a strip of Put Options for $318,000 to hedge the downside exposure to fluctuations in the gold price, and in order to meet funding facility requirements. These contracts give the Consolidated Entity the right, but not the obligation to sell gold at A$664 per ounce on a quarterly basis, expiring on 29 December 2009. These options are held as economic hedges, although these instruments do not satisfy the requirements for hedge accounting, and accordingly must be accounted for as fair value through profit and loss. At 31 July 2008 the maturity profile of the put options were as follows:

	CONSOLIDATED		**PARENT**	
	2008 Ounces of Gold	**2007 Ounces of Gold**	**2008 Ounces of Gold**	**2007 Ounces of Gold**
Maturity profile of outstanding gold put option contracts held				
Less than one year	26,600	23,055	-	-
1 – 2 years	13,300	26,600	-	-
2 – 3 years	-	13,300	-	-

(c) **Fair Value of Financial Assets and Liabilities**

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

NOTE 24 COMMITMENTS

(a) **Superannuation Commitments**

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

(b) **Investment Commitment**

AFL3 and Asian Lion

The Consolidated Entity entered into an agreement in June 2008 to commit US$18.75 million in African Lion 3 Limited (AFL3). AFL3 is a follow-on investment fund from the companies existing investment in African Lion Limited (AFL) and African Lion 2 Limited (AFL2). The Consolidated Entity's payment with respect to draw downs for AFL3 to 31 July 2008 totalled US$1.4 million leaving the Consolidated Entity's remaining commitment at US$17.35 million (AUD$18.4 million)

The Consolidated Entity also entered into an agreement to commit US$11.0 million in Asian Lion Limited. The Consolidated Entity's payment with respect to draw downs for Asian Lion Limited to 31 July 2008 totalled US$4.2 million leaving the Consolidated Entity's remaining commitment at US$6.8 million (AUD$7.2 million).

(c) **Capital commitments**

Capital expenditure contracted for at the reporting date from Lion's 30% interest in the Cracow gold mine but not recognised as liabilities are as follows:

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Mine development and property, plant and equipment				
Payable within one year	464	1,391	**-**	-

The above commitments are capital expenditure commitments relating to the Cracow Mining Joint Venture

(d) **Operating Lease commitments**

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	-	94	-	-
Later than one year but not later than five years	-	211	-	-
Later than 5 years	-	74	-	-
	-	379	-	-
Representing:				-
Cancellable operating leases	-	108	-	-
Non-cancellable operating leases	-	271	-	-
	-	379	**-**	-

The Consolidated Entity previously leased offices accommodation at 190 Queen Street, Melbourne under a non-cancelable operating lease expiring within five years. Lion's obligations under this lease were assumed by a third party in the year to 31 July 2008.

The Consolidated Entity also holds mining leases in Queensland under cancelable operating leases.

NOTE 25 REMUNERATION OF AUDITORS

		CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		$	$		$
(a)	**Audit Services**				
	PricewaterhouseCoopers				
	Audit and review of financial reports	135,000	-	51,150	-
	Ernst & Young (previous auditor)				
	Audit and review of financial reports	-	296,481	-	21,100
	Total remuneration for audit services	135,000	296,481	51,150	21,100
(b)	**Non-audit services**				
	Ernst & Young				
	Due diligence services	-	46,310	-	-
	Transaction Costs	-	35,775	-	30,050
	Tax compliance services	-	4,950	-	-
		-	87,035	-	30,050
	PricewaterhouseCoopers				
	Tax compliance services	57,615	-	-	-
	Tax advice - defence	199,013			
	Total remuneration non-audit services	256,628	87,035	-	30,050

NOTE 26 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)
Robin Widdup (Managing Director)
Graham Freestone (Non-Executive Director)
John O'Reilly (Non-Executive Director)

The other Key Management Personnel during the financial year and up until the date of this report are as follows:

Peter Maloney (Chief Financial Officer)
Craig Smyth(Financial Controller & Company Secretary) Appointed Company Secretary 1 August 2007

		CONSOLIDATED	
(b)	**Directors' Shareholdings**	**2008**	**2007**
	Shares in the Company acquired during the year:	38,000	1,113,664
	Shares in the Company held at the end of the year:	1,643,164	1,605,164
	Options in the Company acquired during the year:	-	29,982
	Options in the Company held at the end of the year:	29,982	29,982

NOTE 26 RELATED PARTY DISCLOSURES (CONTINUED)

Shareholdings of Key Management Personnel of the Consolidated Entity

Name	***Balance 1 August 2007***	***Shares Issued as Remuneration***	***Net Change Other***	***Closing Balance 31 July 2008***
Directors				
E W J Tyler	31,927	-	-	**31,927**
J F O'Reilly	94,980	-	-	**94,980**
G R Freestone	15,941	-	-	**15,941**
R A Widdup	1,462,316	-	38,000	**1,500,316**
Other Key Management Personnel				
P J Maloney	137,331	-	60,000	**197,331**
C K Smyth	44,180	-	(7,180)	**37,000**
Total	**1,786,675**	**-**	**90,820**	**1,877,495**

Option Holdings of Key Management Personnel of the Consolidated Entity

Name Notes	***Balance 1 August 2007***	***Options Issued as Remuneration***	***Net Change Other***	***Closing Balance 31 July 2008***
Directors				
E W J Tyler	1,220	-	-	1,220
J F O'Reilly	3,660	-	-	3,660
G R Freestone	-	-	-	-
R A Widdup	25,102	-	-	25,102
Other Key Management Personnel				
P J Maloney	2,257	-	-	2,257
C K Smyth	1,737	-	(1,737)	-
Total	**33,976**	**-**	**(1,737)**	**32,239**

Shareholdings of Key Management Personnel of the Consolidated Entity

Name Notes	***Balance 1 August 2006 (LSG)***	***Shares Issued as Remuneration***	***Net Change Other ****	***Closing Balance 31 July 2007 (Lion)***
Directors				
E W J Tyler	20,000	-	11,927	31,927
J F O'Reilly	60,000	-	34,980	94,980
G R Freestone	-	-	15,941	15,941
R A Widdup	411,500	-	1,050,816	1,462,316
P J Maloney	37,000	-	100,331	137,331
C K Smyth	5,470	-	38,710	44,180
Total	**533,970**	**-**	**1,252,705**	**1,786,675**

Option Holdings of Key Management Personnel of the Consolidated Entity

Name Notes	***Balance 1 August 2006 (LSG)***	***Options Issued as Remuneration***	***Net Change Other****	***Closing Balance 31 July 2007 (Lion)***
Directors				
E W J Tyler	-	-	1,220	1,220
J F O'Reilly	-	-	3,660	3,660
G R Freestone	-	-	-	-
R A Widdup	-	-	25,102	25,102
Other Key Management Personnel				
P J Maloney	-	-	2,257	2,257
C K Smyth	-	-	1,737	1,737
Total	**-**	**-**	**33,976**	**33,976**

* Includes Lion shares and options received in exchange for shares held by virtue of the merger of LSG and AuSelect.

NOTE 26 RELATED PARTY DISCLOSURES (CONTINUED)

(c) **Lion Manager Pty Ltd Performance Incentive**

Since the Company was incorporated in January 2007, it has had a Management Agreement with the Manager, under which the Manager provides the Company with management and investment services (controlled entities had similar agreements in place for the period 1 August 2006 to 16 April 2007). Under the Management Agreement, the Company pays the Manager a monthly management fee of $230,000 plus GST($2.76 million per annum plus GST) and plus a further amount equal to 0.083% plus GST (1% per annum plus GST) of any new capital of Lion.

Under the Management Agreement, the Manager is also entitled to an annual performance incentive payment, payable in arrears within 21 days of the end of each Financial Year, equal to 10% of the highest amount (if any) which the Total Market Value of the company in respect of any 60 Business Day Period which ends on or after the First Trading Date during the relevant Financial Year, exceeds the higher of:

(i) the Benchmark Amount; and

(ii) the High Water Mark.

In each case in respect of the same 60 Business Day Period, where the Benchmark Amount in respect of a 60 Business Day Period means the average Daily Benchmark Amount for each Business Day during the relevant 60 Business Day Period. Benchmark Rate for a Business Day means the lower of:

(i) 150% of the Ten Year Bond Rates for that Business Day expressed as a percentage per annum; and

(ii) 15% per annum.

The amount payable at 31 July under these performance incentive arrangements was nil (2007: $936,000). As at the date of this report, the High Water Mark is the higher hurdle rate at $337 million. It is not possible to quantify the future financial effect of this potential commitment as it is dependent upon market conditions which will be affected by both future interest rates and the Company's share price.
The Management Agreement does not provide for a fixed term of services. However, the Company is obliged to pay the Manager a termination fee of up to two years' management fee (approximately $5.5 million) if the Management Agreement is terminated under certain circumstances.

(d) **Director Related Entity and Other Related Party Transactions**

			CONSOLIDATED		**PARENT**	
Recipient	***Payer***	***Nature of Payment***	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Lion Manager Pty Ltd	Lion Selection Ltd	Management Fee	2,860	816	2,860	816
		Reimbursement of costs (GST inclusive)	549	154	549	154
		Performance fee payable	-	936	-	936
Outstanding balances as at 31 July from Parent Entity to controlled entity			-	-	1,330	2,681
Outstanding balances as at 31 July from Consolidated Entity to Lion Manager Pty Ltd			303	1,206	-	-

The above transactions are based on normal market terms and conditions. Further details on the Consolidated Entity's arrangements with Lion Manager are disclosed in the Directors' Report.

During the year, R Widdup and J O'Reilly were directors of the following entities in which Lion has an investment.

Entity	**Director**
Lafayette Mining Limited	R Widdup
Indophil Resources NL	J O'Reilly (Resigned 31 December 2007)

(e) **Ultimate Controlling Entity**

The ultimate controlling entity is Lion Selection Limited.

NOTE 26 RELATED PARTY DISCLOSURES (CONTINUED)

(f) **Subsidiaries**

The consolidated financial statements include the financial statements of Lion and the subsidiaries listed in the following table.

Name	Country of incorporation	Investment 2008 $'000	Ownership Interest 2008 %	Investment 2007 $'000	Ownership Interest 2007 %
Lion Selection Group Limited	Australia	150,405	100	150,405	100
AuSelect Limited	Australia	166,181	100	166,181	100
Sedimentary Holdings Ltd	Australia	-	100	-	100
Sedgold Pty Ltd	Australia	-	100	-	100
Fernyside Pty Ltd	Australia	-	100	-	100
Nebo Pty Ltd	Australia	-	100	-	100
AFL Management Limited	Mauritius	-	58	-	58
		316,586		**316,586**	

(g) **Key Management Personnel Remuneration**	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT 2008 $	PARENT 2007 $
Short term employee benefits	367,611	468,014	367,611	139,735
D&O Insurance	133,230	62,270	133,230	40,492
Post-employment benefits	105,869	80,194	105,869	3,765
	606,710	**610,478**	**606,710**	**183,992**

NOTE 27 MATERIAL INVESTMENTS	Carrying Amount		Consolidated Entity Ownership	
The Consolidated Entity had the following material investments at year end:	**2008 $'000**	**2007 $'000**	**2008 %**	**2007 %**
African Lion Ltd	18,521	43,823	30	30
African Lion 2 Ltd	15,362	28,722	25	24
Allegiance Mining NL	-	26,818	-	5
Asian Lion Ltd	3,020	3,498	32	32
Arc Exploration Limited	751	5,198	4	15
De Grey Mining Ltd	994	1,512	7	7
Exco Resources NL	7,416	8,213	11	11
Havilah Resources NL	17,517	35,837	17	19
Indophil Resources NL	128,456	103,250	25	26
Intrepid Mines Ltd	2,390	3,789	5	6
Lafayette Mining Limited	-	7,488	-	18
Perseverance Corporation Ltd	-	2,598	-	2
Tasman Goldfields Ltd	945	-	15	-
View Resources Ltd	-	11,859	7	9
Westonia Mines Ltd	7,413	11,790	44	44

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

NOTE 28 SEGMENT INFORMATION

(a) **Primary Segment**

The Consolidated Entity invests in mining and exploration companies, operating in two divisions: Investments and Operations. The Operations division compromises a 30% interest (through Sedimentary Holdings) in the Cracow Gold Mine in Queensland. The joint venture is with Newcrest Mining who operate both the mining and exploration activities and holds the remaining 70% interest. The Investments Division provides patient equity capital to carefully selected Small and Medium Enterprises. Lion Selection invests in Australian mining and exploration companies with gold and base metal activities in Australia, Africa and South East Asia.

Unallocated items includes interest revenue, management fee expense, cash and deferred tax assets and liabilities.

2008	**Investments $'000**	**Operations $'000**	**Unallocated $'000**	**Consolidated $'000**
Segment Revenue	23,733	31,568	6,095	61,396
Mark to Market adjustment	(46,421)	-	-	(46,421)
Segment Income	**(22,688)**	**31,568**	**6,095**	**14,975**
Segment Expense	-	(29,453)	(10,016)	(39,469)
Segment Result Before Tax	**(22,688)**	**2,115**	**(3,921)**	**(24,494)**
Segment Assets	210,233	70,796	103,644	384,673
Segment Liabilities	-	2,811	14,362	17,173
Other Segment Information				
Assets Acquired	10,763	5,559	-	16,322
Depreciation and amortisation	-	14,662	-	14,662
Cash Flow Information				
Net Cash inflow from operating activities	23,800	14,451	1,242	39,493
Net Cash inflow from investing activities	46,286	(5,559)	-	40,727
Net Cash inflow from financing activities	-	(11,135)	(6,025)	(17,160)

2007	**Investments $'000**	**Operations $'000**	**Unallocated $'000**	**Consolidated $'000**
Segment Revenue	141	9,099	3,623	12,863
Mark to Market adjustment	66,699	-	-	66,699
Segment Income	**66,840**	**9,099**	**3,623**	**79,562**
Segment Expense	-	(12,199)	(5,143)	(17,342)
Segment Result Before Tax	**66,840**	**(3,100)**	**(1,520)**	**62,220**
Segment Assets	303,002	75,604	47,103	425,709
Segment Liabilities	-	2,684	29,948	32,632
Other Segment Information				
Assets Acquired	126,043	88,943	-	214,986
Depreciation and amortisation	-	(4,612)	-	(4,612)
Cash Flow Information				
Net Cash inflow from operating activities	(12,366)	2,730	3,901	(5,736)
Net Cash inflow from investing activities	(4,314)	(11,559)	16,668	795
Net Cash inflow from financing activities	-	(2,200)	(19,622)	(21,822)

NOTE 28 SEGMENT INFORMATION (CONTINUED)

(b) **Secondary Segment – Geographic Segment**

The Consolidated Entity's investments are in companies whose principal projects are located in Australia, South East Asia or Africa.

	Segment Revenue		*Segment Income*		*Segment Assets*		*Assets Acquired*	
	2008 $'000	***2007 $'000***	***2008 $'000***	***2007 $'000***	***2008 $'000***	***2007 $'000***	***2008 $'000***	***2007 $'000***
Australia	37,663	12,863	13,388	41,633	213,273	232,461	10,107	127,804
Africa	23,733	-	(8,325)	17,305	38,767	73,813	3,230	56,417
South East Asia	-	-	9,912	20,624	132,633	119,435	2,985	30,765
Total	61,396	12,863	14,975	79,562	384,673	425,709	16,322	214,986

Segment accounting policies are the same as the Consolidated Entity's policies described in Note 2.

NOTE 29 ACQUIRED OPERATIONS

During the year ended 31 July 2007, Lion Selection Limited was formed as a result of the merger between Lion Selection Group Limited and AuSelect Limited effected on 16 April 2007 (Details of the merger can be found in the Scheme Booklet). The purpose of the merger was to form a larger mining company which will benefit from a stronger balance sheet, greater financial capacity, and a diversity of assets.

Lion Selection Limited has the same board and management team as the two predecessor companies. For accounting purposes, the merger has been divided into two transactions:

1. Acquisition of LSG by Lion, treated as a "reverse acquisition" for accounting purposes
2. The acquisition of AuSelect by LSG.

AuSelect's major assets include investments in African Lion Limited, African Lion 2 Limited and Indophil, together with a 30% joint venture interest in the Cracow Gold Mine. The joint venture is with Newcrest Mining who operate both the mining and exploration activities and holds the remaining 70% interest. The underground mine currently produces approximately 115,000 ounces per annum from 390,000 tonnes of ore from high grade epithermal veins at a grade of 10 g/t and at cash costs of approximately A$320 per ounce.

The current mining plan is for five years production and exploration is currently aimed at definition drilling in the vicinity of the mine and discovery drilling to locate additional high grade zones. Surface drilling has continued to expand the Kilkenny zone of mineralization, which remains open along strike and at depth.
The following table details the fair value of the net assets acquired.

NOTE 29 ACQUIRED OPERATIONS (CONTINUED)

	Fair value $000
Cash and cash equivalents	17,693
Receivables	809
Inventories	1,666
Financial Assets	99,783
Mine Development	59,503
Exploration Assets	3,733
Plant and equipment	10,185
Deferred tax assets	7,155
Other fixed assets	2,183
Payables	(2,131)
Interest Bearing Liabilities	(13,278)
Derivative Financial Instruments	(15,841)
Provisions	(768)
Deferred tax liabilities	(19,389)
Net Assets	151,303
Total cost of acquisition	**151,303**

The fair values are not materially different to the carrying values of the net assets immediately before acquisition. In the prior year the acquisition was accounted for on a provisional basis. This has been finalised during the current year.

Total cost of acquisition satisfied by the following consideration

	LST Shares Issued	LST Options Issued	
AuSelect Scheme	90,605,276	-	797 LST shares per 1,000 AuSelect shares held
Lion Scheme	100,108,905	6,106,975	1,000 LST shares & 61 LST option per 1,000 LSG shares held
Total	**190,714,181**	**6,106,975**	

	$000
Acquisition Cost of AuSelect	150,405
Transaction Costs	898
	151,303

From the date of acquisition, the acquired entities contributed $20,537,000 to the 2007 net profit after tax of the Consolidated Entity.

If the combination had taken place at the beginning of 2007, the profit for the Consolidated Entity would have been $85,660,000 and income would have been $108,260,000. The note below provides further detail, including the Sedimentary group and AuSelect since 1 August 2006 (note that AuSelect actually acquired the Sedimentary Group on 8 September 2007).

NOTE 29 ACQUIRED OPERATIONS (CONTINUED)

INCOME STATEMENT IF ACQUISITIONS HAD TAKEN PLACE AT 1 AUGUST 2006	**Consolidated 2007 $'000**
Gold Sales Revenue	26,811
Cost of Gold Sales	(21,999)
Gross profit/(loss)	4,812
Gain /(loss) attributable to movement in fair value	76,259
Other income	5,190
Management fees	(3,594)
Exploration and evaluation	(4,671)
Depreciation and amortisation	(3,410)
Employee benefits	(1,419)
Finance costs	(1,331)
Other expenses	(4,404)
Profit/(loss) before income tax	**67,432**
Income tax (expense)/benefit	18,228
Net profit after tax	**85,660**

NOTE 30 EVENTS AFTER BALANCE DATE

(a) On 5 September 2008 Lion sold 70,094,711 Indophil shares to Xstrata Queensland Limited (Xstrata) for $1.17 per share. The carrying value of shares sold at 31 July 2008 was $92.9 million. The sale to Xstrata allowed Lion to realise $82 million in cash. Lion retains 26,853,206 shares in Indophil. This sale is below the market value at 31 July 2008 in relation to these shares by $10.9 million ($0.155 per share). In addition, as a result of takeover offers for Indophil not proceeding the Indophil share price has fallen further.

(b) Lion has also announced on 25 September 2008 a proposed Off Market Buy-back of $150 million. An offer to buy shares at a discount of no more than 5% to the Net Tangible Assets (NTA) backing will be made to all shareholders, and is expected to be implemented in November. The buy-back is subject to relevant approvals including shareholder approval, and may be expanded to up to 75% of Lion's capital by way of either off-market or on-market program, or a combination of both.

Lion Selection Limited
Directors’ Declaration

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

1. In the opinion of the directors:

   (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company are 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 2008 and of the performance for the year ended on that date.

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 July 2008.

On behalf of the Board

E W J Tyler
Chairman

R A Widdup
Managing Director

Melbourne
26 September 2008

PRICEWATERHOUSECOOPERS

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

Report on the financial report

We have audited the accompanying financial report of Lion Selection Limited (the company) which comprises the balance sheet as at 31 July 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Lion Selection Limited and the Lion Selection Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Lion Selection Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 July 2008 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also 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 4 to 5 of the directors' report for the year ended 31 July 2008. 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 Limited for the year ended 31 July 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Tim Goldsmith

Tim Goldsmith
Partner

Melbourne
26 September 2008