



**ANNUAL GENERAL MEETING
2:00PM WEDNESDAY 17 DECEMBER 2008**

CHAIRMAN'S ADDRESS

This Annual General Meeting comes as Lion enters a new resources cycle and an ideal time for Lion style investing. Our Managing Director will elaborate on this after the meeting.

It has been a year of complex corporate actions and many challenges. But nonetheless, Lion has accomplished several significant achievements, and I would like to reflect on those.

The first of these was the very successful sale by Lion of its holding in Allegiance Mining Limited, the proceeds of which totaled \$48.5 million. This well-timed exit returned a multiple on investment in excess of eight times.

In March 2008 Indophil Resources announced a hostile takeover of Lion. This was highly unusual action by Indophil and, had it been successful, would have exposed Lion shareholders to real and significant risk as currently illustrated by Indophil's low share

price of 33 cents. After careful assessment, the Board determined unanimously that Indophil's offer was not in the best interest of Lion shareholders and accordingly developed the Lion Plan to return real value to shareholders by way of a cash return. I believe our team skillfully defended the hostile action of Indophil and successfully developed a plan to unlock the value of Lion's investments for the benefit of Lion shareholders.

A component of the Lion Plan was the sale of our 30% of the Cracow Gold Mine. This sale required shareholder approval which was overwhelming given at the shareholder meeting in June. However, the time delay caused by the sale being a "defeating condition" of the Indophil takeover offer (requiring a waiver by Indophil which was not forthcoming), effectively aborted the sale of Cracow as the market fell away.

However, Lion did sell 70.1 million of its Indophil shares at \$1.17 per share adding a further \$82 million to the Treasury and thus enabling the Lion Plan to proceed.

With the Indophil takeover offer having lapsed, shareholder approval given and cash available, Lion implemented its plan to

return cash to shareholders via a buy-back program which has now returned \$160 million to shareholders.

Although the proposed sale of Lion's interest in Cracow at the time provided an opportunity for Lion to unlock the underlying value of that asset, Cracow has continued to perform well and according to plan, providing good cashflow, particularly with the gold price being over A\$1,150 per ounce.

Our share of production at Cracow for the year was 31,749 ounces, produced at an average cash cost of \$453/oz, making it one of the lowest cost mines in Australia.

The Company has significantly benefited from its decision in July 2007 to close out its gold hedges at A\$664/oz and has received spot gold prices since then of up to A\$1,250/oz.

I can advise you that following the board meeting today, it was resolved that the Company will not be paying a dividend this year.

I would now like to comment briefly on what has made 2008 in so many ways a disaster in world markets. Shareholders will

remember how 2008 was destined to be a year of years with metal prices being driven by a Super Cycle, and whilst words like sub prime mortgages were being added to the lexicon, our Government assured us that all was well. However, by mid-year it was apparent that all was not well. The market in both commodities and securities went into decline in the third quarter, and after mid-September into freefall.

From the optimism at the start of 2008, many indices both in Australia and overseas have fallen up to 60% and commodities like nickel 64%. These falls are over the calendar year and not from their mid-year highs. Never since 1930 have we seen such an erosion of value.

The only commodity that has maintained its position since the start of the year has been gold. It entered 2008 at US\$800/oz and will go out somewhat above that figure. The reality is that whilst the US dollar price of gold has not fallen, the currencies of the three western principal gold producers, South Africa, Canada and Australia have all fallen sharply against the US dollar. In Rand terms, gold has risen 52%; in Canadian dollar terms 25%; and Australian dollar terms 35%. These leaps I believe are to some extent a measure of the difficulty being experienced to

keep production coming out of the mines. In all three, operating costs have increased substantially and production is falling.

There are no new mines, and the demand is there.

In my opinion people, seeing what has happened to paper, be it in the form of securities, government bonds, or bank notes, have become more risk averse. With all governments issuing more and more monopoly money, and US three month bonds yielding 1.22%, they are looking for somewhere safe to hide.

For this reason they are doing what their grandfathers and great grandfathers did before them, they are seeking some comfort in gold. Mints, capable of producing coinage, and bullion dealers with 5 oz bar supplies, are finding that they can't keep up with demand. It may not produce the excitement of stock market trading but having some bullion under your own control may give some comfort. Even if the price falls you have something beautiful to look at, not just wallpaper, and in these times diamonds are the same.

We at Lion are most fortunate to have retained our investments in gold at this time.

Recently, Mr John O'Reilly has resigned as a director of Lion. I would like to thank Mr O'Reilly for his valuable contribution to the Lion Group over the past seven years.

Mr Barry Sullivan has been appointed a director of Lion. With a career spanning 40 years in the mining industry, Mr Sullivan brings a wealth of additional mining, processing, management and corporate strengths to the Board. I welcome Mr Sullivan to the Board of Lion.

Lion's independent directors and Lion Manager have agreed in principle terms for amendments to the management agreement. In finalizing these arrangements, the main consideration for both directors and the Manager is the input and resources required from the Manager going forward, which depends to a large extent on the shape and activities of the company in the future. At this stage, there has been no reduction in the resources and commitments we require from Lion Manager and of course these have been exceptional during the year. Directors are continuing with their review of these arrangements in line with the company's strategy and will advise shareholders of the outcome as soon as practicable.

Finally, I want to thank my colleagues on the Board, Robin Widdup and his management team, and you, our shareholders for your continued support in the past year. We have had a challenging year on many counts, and I look forward to 2009 being a year free of distractions enabling us to take hold of opportunities as they arise.

Thank you

Ewen WJ Tyler

17 December 2008