



LION SELECTION GROUP LIMITED

A close-up, warm-toned photograph of a lion's head and mane, looking slightly to the left. The background is a soft-focus savanna landscape.

ANNUAL
Report 2000



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Lion Selection Group Limited

Cover photo by Wayne Bishop
Lion shareholder, Sydney

ABN 26 077 729 572



Profile

Lion Selection Group Limited (Lion) is a Pooled Development Fund providing patient equity capital to emerging Australian mining and exploration companies. Lion is listed on the Australian Stock Exchange (ASX code: LSG) and, as a registered PDF, shareholders receive tax free capital gains and dividends.

Since the company was established in 1997 Lion has made 14 investments. They include listed and unlisted companies with gold and base metals activities operating in Australia, Africa and South East Asia. The portfolio of carefully selected investments at various stages of development offers excellent exposure to the emerging resource sector.





Letter from the Chairman

Dear Shareholder,

The past twelve months have been a very interesting period in the markets, not least because we witnessed the relatively short lived but volatile "dot com madness" where speculators both made and lost vast sums. I'm pleased to report that we at Lion stuck to our knitting during this time and were not distracted by either dot com fever or the current biotech excitement.

The price of gold remains in the doldrums. The enthusiastic flurry at the end of September last year petered out and the gold price is pretty much back where we started. What has happened to currencies since that time is perhaps worth a note.

The US dollar has remained strong, but the pound, the euro, the Australian dollar and the Swiss franc have all dropped in value by between 10-15% in the space of a year. These are the currencies that are run by governments whose central banks are sellers of gold. Viewed over a five year time span the Swiss franc, which in 1995 bought US 86 cents, today would buy only 56 cents, a loss of 35% of the unit's value.

Compare these with the Asian currencies of Hong Kong, India, Singapore, South Korea, Thailand and Taiwan, where the people are buyers of gold. Collectively these currencies have avoided the drop in value seen by those in the west, with a range between an exchange gain of 8% to a loss of 4% over the past year. Overall, the result would be neutral. Why should this be so?

There may be as many explanations as there are commentators. I merely point out that dumping gold seems not to enhance the value of your money. Maybe Charles de Gaulle was right when he talked of the "immutable value of gold".

In last year's annual report I referred to the Resources Clock which is often used to depict the various phases of the resources cycle. This time last year I observed that the clock stood at around 5 o'clock. The question we are often asked is: "What time is it now?"

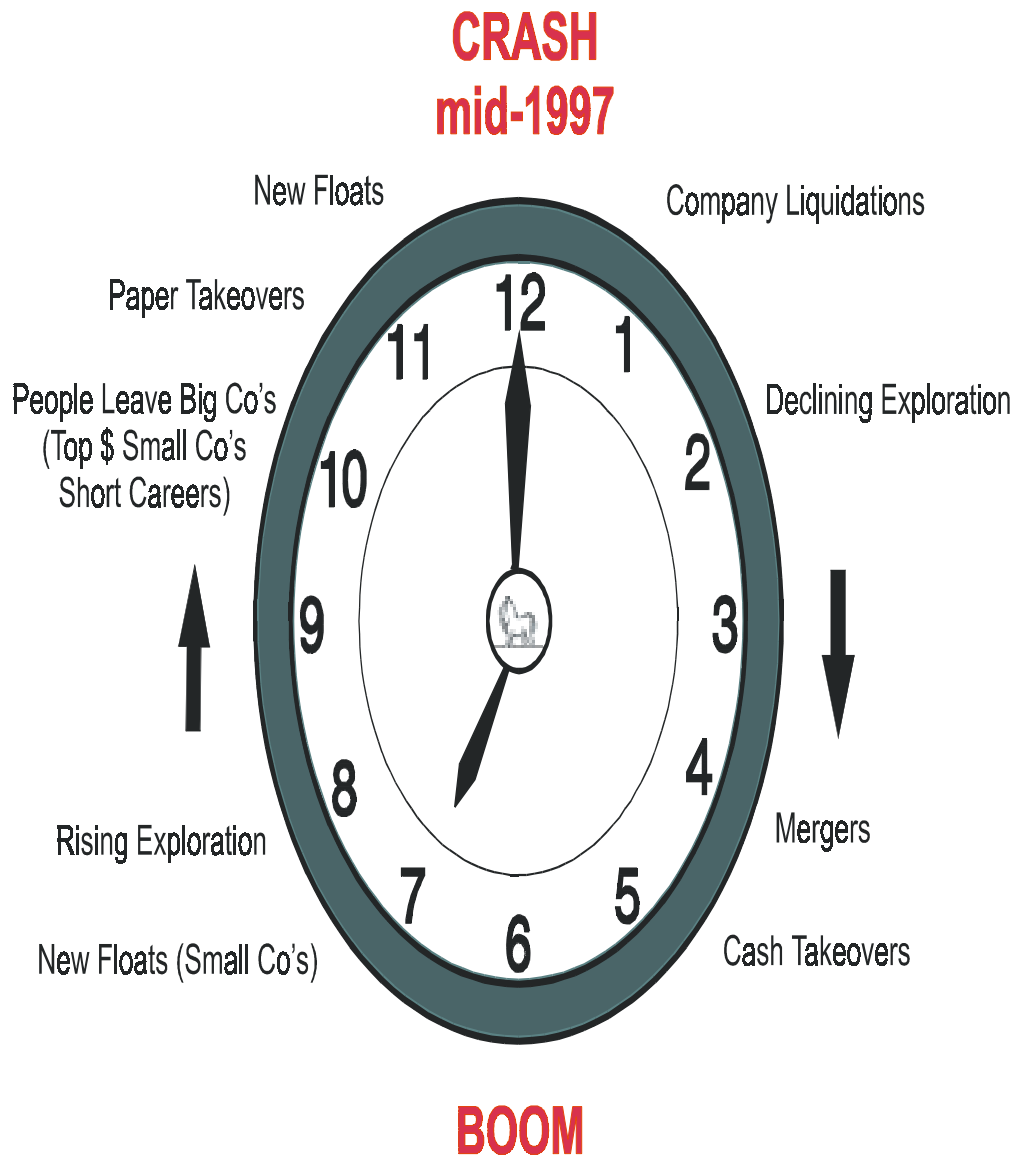
I believe that the evidence indicates that the clock has now moved on to somewhere past 7 o'clock. We have seen several large takeovers such as Anglo/Acacia, Rio/North and the current bids for Ashton, and there have recently been quite a number of small resource floats – Austminex, Aquila Resources, Selwyn Mines and Kagara Zinc to name just a few.

Despite a group loss of around \$2.2 million - due mainly to exploration write offs - I believe that if the market follows its historic cycle it is just a matter of time before there is a change in perception toward smaller resource companies and shareholders' patience will be rewarded.

Ewen W J Tyler, AM
Chairman



Resources Clock





Managing Director's Report

Construction of Lion's mining portfolio is complete. Twelve investments are held by Lion and around ten by Australian Selection, including African Lion. This package contains strong growth potential from the existing mines and possibly six or more new gold and base metal mines. We can now focus on delivering the rewards of growth to shareholders.

Achievements in 1999/2000

- | | | |
|------------------|-----------------------|---|
| Australia | Consolidated Minerals | ▪ New discoveries: Lewis, Hanna and Chutney |
| | | ▪ 6-8% improved manganese price (plus A\$ benefits) |
| | MPI | ▪ New discovery within Stawell Gold Mine: Golden Gift |
| | Sedimentary | ▪ 0.4m oz high grade gold resource announced at Cracow (30% JV interest) |
| | Austminex | ▪ New investment: plan to re-open Benambra copper-zinc mine |
| Africa | EAGM | ▪ Favourable resolution of the mining lease dispute |
| | | ▪ Resource increase to 4.1m oz at North Mara in Tanzania: new gold mine anticipated in 2001 |
| | Spinifex | ▪ Nyakafuru exploration successes |
| | Gallery | ▪ High grade gold discovery at Mupane in Botswana |
| S E Asia | Indophil | ▪ Float planned in early 2001 |
| | Lafayette | ▪ New investment: plan to develop open pit base metal mine at Rapu Rapu in Philippines |
| | Austindo | ▪ New investment: plan to develop high grade gold mine at Cibaliung in Java |

Markets and Metal Prices

Base metal prices have improved significantly over the last year whereas gold has remained depressed. Continuous Australian dollar weakness has boosted prices in Australia for all metals.

After 3 years of weakness there are signs that junior resource companies are beginning to slowly recover following well publicised takeover activity in the sector.

Strategy

As markets improve Lion will aim to float unlisted investments and realise gains in some areas.



Investment Summary Table

Investment	Code	LSG Holding %	Investee Capitalisation \$m	Amount Invested \$m	Market Value or Cost of Unlisted \$m
At 31/07/00					
Unlisted Investments					
Copperbelt Selection		35.5%	1.0	0.3	0.3
East African Gold Mines	EAGM	12.7%	112.9	9.8	9.8
Indophil Resources		80.0%	7.8	6.3	6.3
Havilah Resources		61.5%	2.6	1.6	1.6
Mining Project Investors	MPI	16.3%	38.4	6.1	6.1
Listed Investments					
Austindo Resources	ARX	13.9%	13.8	2.0	1.9
Consolidated Minerals	CSM	31.7%	65.5	8.0	22.7
Gallery Gold	GGN	49.2%	10.5	4.6	5.4
Lafayette Mining	LAF	23.2%	26.3	5.5	6.4
Sedimentary Holdings	SED	18.7%	17.1	2.3	3.2
Spinifex Gold	SPX	23.8%	37.9	6.6	9.1
African Lion	AFL	18.5%	17.4	3.1	3.2
Other Investments				8.4	9.5
Total Investments				64.4	85.6
Net Cash					34.4
Totals per Share				97.5c	119.8c
Net Tangible Assets (NTA) after tax					116.4c

For NTA purposes, the value of listed investments is at market and unlisted investments at the lower of cost or net realisable value.



Consolidated Minerals Limited

Lion - 32%

ASX Code:	CSM
Capitalisation:	\$65 million
Total investment by Lion:	\$8 million
Market value at 31/7/00:	\$23 million
Date of Initial Investment:	August 1998
Area of Activity:	Australia / Manganese
Website:	www.consminerals.com.au

Consolidated Minerals Limited (CSM) is a producer of high grade manganese ore from the Woodie Woodie tenements in the Pilbara region of Western Australia.

The first full year of mining operations at Woodie Woodie produced 262,500 tonnes of manganese lump and fines ore for export to Asia and Europe. Demand for the high grade Woodie Woodie ore remained strong. A 10 year contract for the export of 90,000 tonnes of ore per annum to Europe was negotiated with DCM Decometal and a new 5 year contract to China was finalised with Noble Resources. Following annual manganese price negotiations the benchmark price for shipments to Japan increased by 6.8% to US\$2.03 per manganese unit from April.

Exploration at Woodie Woodie has been successful during the year with discoveries at two deposits, Hanna and Chutney, in the second half of 1999 and at the Lewis and Chutney West deposits in June 2000. Production is under way at both Hanna and Chutney and combined with the recent success has added considerably to mine life. The company's exploration goal is to establish supply for at least 10 years at the planned rate of 300,000 tonnes per year of exported product.

Although extremely high rainfall in the Pilbara region affected CSM's second half performance, the company announced a full year profit of \$2.27 million subsequent to year end.

Subsequent to balance date, Lion announced that it had agreed to sell the majority of its investment in CSM to realise a profit of up to \$7.5 million.



Mining Project Investors Pty Limited Lion - 16%

ASX Code:	Unlisted
Capitalisation:	\$38 million
Total investment by Lion:	\$6.1 million
Investment valued at 31/7/00:	\$6.1 million
Date of Initial Investment:	April 1999
Area of Activity:	Australia / Gold

Mining Project Investors Pty Limited (MPI) is a privately owned mineral exploration, development and operating company. MPI's major operating asset is a 50% share in the Stawell Gold Mine in western Victoria with 50% held by the Pittston Company (USA). The Stawell orebody has historically produced around 2.8 million ounces of gold and a record 94,397 ounces of gold was produced by the mine in calendar 1999.

During the year MPI commenced underground exploration for the offset of the main Stawell orebody. Excellent drilling results confirmed the existence of extensive mineralisation below the current operation in a new zone called Golden Gift below the South Fault. This area has the potential to considerably enhance the economics of the Stawell Mine by increasing known mineralisation from the current average of 15,000 tonnes per vertical metre to 30,000 tonnes per vertical metre.

A total of 8 drill holes in the new zone have been completed. Geological continuity and gold mineralisation has been demonstrated over one kilometre of strike and to a vertical depth of 1,400 metres. The offset appears to be of similar geological character and at least similar scale to the existing Magdala orebody. MPI plans to undertake significant additional drilling to determine the feasibility and economic potential of the area.

Regional exploration has been systematically testing 13 Stawell look-alike anomalies to the north of the mine. These anomalies, including Wal Wal, Ashens and Hatts, have confirmed a Stawell geological setting with several intersections registering promising gold anomalism.

STAWELL GOLD PROJECT MINERAL RESOURCE STATEMENT - JUNE 2000				
	Category	Tonnes (000's)	Grade (Au g/t)	Ounces (000's)
Underground	Indicated	671	5.6	120
	Inferred	1,136	6.5	239
Surface	Indicated	3,219	2.2	222
Total		5,026		581

STAWELL GOLD PROJECT ORE RESERVES STATEMENT - JUNE 2000				
	Category	Tonnes (000's)	Grade (Au g/t)	Ounces (000's)
Underground	Proved	812	5.4	140
	Probable	1,468	5.4	258
Surface	Proved	219	3.3	23
Total		2,499		421

Note: Resources do not include Reserves



Sedimentary Holdings NL

Lion - 19%

ASX Code:	SED
Capitalisation:	\$17 million
Total investment by Lion:	\$2.3 million
Market value at 31/7/00:	\$3.2 million
Date of Initial Investment:	April 1999
Area of Activity:	Australia / Gold
Website:	www.sedimentary.com.au

Sedimentary Holdings NL (Sedimentary) is a listed mining and exploration company with a 30% interest in the Cracow Project in eastern Queensland, where it is in joint venture with Newcrest Mining Limited (Newcrest).

High grade results from infill drilling of the Klondyke epithermal vein system at Cracow during the year confirmed the potential of the discovery. The zone of mineralisation has been defined over an 800 metre strike length and contains a high grade shoot, known as the Royal Shoot. Metal accumulation values indicate the general shape of the Royal Shoot to be a south plunging body some 200 metres wide, consisting of a higher value core zone enclosed by a peripheral zone. Newcrest announced a resource estimate for the Royal Shoot in July 2000, estimating an Inferred Resource of 390,000 ounces of gold contained in 1.1 million tonnes @ 11 g/t Au and 9.5 g/t Ag. Work at Cracow will now focus on the prefeasibility study, development programs including completion of a decline study and progressing mining lease applications over selected areas of the exploration tenements.

Subsequent to year end, Lion announced that it had agreed to underwrite an issue by Sedimentary to fund the company's participation in the next exploration program. A \$5.3 million budget has been agreed by the joint venture partners to complete the pre-feasibility study on the Royal Shoot and undertake a drilling program of some 35,000 metres to identify further high grade shoots. Sedimentary will fund its participation through an equity placement to underwriters Lion and Macquarie Bank to raise approximately \$0.6 million, followed by a pro rata non renounceable one for five issue at eleven cents to raise a further \$3.0 million.

Sedimentary is also actively exploring in western Victoria and has announced an agreement with Placer Dome Australia to explore for large sediment-hosted gold deposits in the Beaufort region. Placer may earn a 70% interest in the area by completing the initial drilling program and spending a further \$2.5 million within the following three years.

CRACOW MINERAL RESOURCE STATEMENT - JULY 2000			
Royal Shoot	Tonnes	Gold (g/t)	Silver (g/t)
Inferred	1,100,000	11	9.5
Contained metal		390,000 oz	350,000 oz



Austminex NL

Lion - 24%

ASX Code:	ATX
Capitalisation:	\$20 million
Total investment by Lion:	\$5 million
Market value at 31/7/00:	\$5 million
Date of Initial Investment:	July 2000
Area of Activity:	Australia / Copper & Zinc
Website:	www.austminex.com.au

Lion announced on 19 July that it had agreed to invest \$5 million in Austminex NL. Of this, \$2.5 million was invested as part of an \$8 million capital raising by Austminex and \$2.5 million was invested as convertible notes.

Austminex holds an exclusive \$0.5 million option to acquire the Benambra base metal project in the East Gippsland region of Victoria. Benambra's mineral assets include the Wilga deposit, with established decline access and associated underground development, and the undeveloped Currawong deposit. The assets under option include a nominal 300,000 tonne per annum ore treatment plant. Austminex intends to complete a mine re-opening study by February 2001, exercise the option and re-establish the mining operations in late 2001.

The Benambra Project consists of granted mining tenements covering approximately 148 square kilometres and a granted Exploration Licence and two Exploration Licence Applications covering a further 408 square kilometres. The tenements incorporate one of the most prospective belts of Silurian volcanic rocks in the Lachlan Fold Belt and the region has not been subjected to comprehensive exploration since 1984.

Mineralisation in the Wilga deposit is localised within a single orebody that strikes north east, dips at a low angle to the north west and occurs 50-160m vertically below surface. The Currawong deposit is located approximately 3.5km north east along strike from the Wilga deposit and comprises multiple sulphide lenses. Both deposits have the potential for extensions to known mineralisation. Initial exploration will focus on the area between the Wilga and Currawong deposits to follow up already defined prospects and to search for undiscovered mineralisation.

Following the successful closure of the capital raising, Austminex listed on the Australian Stock Exchange on Wednesday 13 September 2000. Lion is the company's largest shareholder.

REMAINING MINERAL RESOURCES AT WILGA			
(Denehurst 1996)			
	Tonnes	Cu %	Zn %
High grade	1,742,000	1.89	7.00

ESTIMATE OF TOTAL HIGH GRADE MINERAL RESOURCES AT CURRAWONG						
(Denehurst 1996)						
Category	Tonnes	Cu %	Zn %	Pb %	Silver ppm	Gold ppm
Measured	610,000	3.02	4.33	0.64	40	1.58
Indicated	1,040,000	3.18	4.62	0.74	41	1.47
Inferred	140,000	3.30	4.00	0.90	49	1.85
Total	1,790,000	3.14	4.48	0.72	41	1.53



Havilah Resources NL

Lion - 61%

ASX Code:	Unlisted
Capitalisation:	\$2.6 million
Total investment by Lion:	\$1.6 million
Investment valued at 31/7/00:	\$0.6 million
Date of Initial Investment:	February 1998
Area of Activity:	Australia & Indonesia / Gold
Website:	www.havilah-resources.com.au

Havilah Resources NL (Havilah) is an unlisted gold and metals exploration company, with properties in central Australia and Indonesia.

Havilah acquired the Fones Reef project at Burkes Flat in central Victoria during the year. Drilling established an indicated resource of 29,000 oz gold and Havilah investigated the feasibility of mining and processing the ore through a nearby mill at Dunolly. However, the company determined not to proceed with development due to the marginal economics of the project and is seeking a buyer.

In Indonesia, Havilah negotiated the right to earn a 51% interest in the Pani prospect in North Sulawesi. Previous evaluation by reputable mining companies has suggested that the deposit contains over 0.5 million oz gold at 2.2g/t. Havilah has commenced evaluation of historical data to confirm this evaluation.

During the year, Lion's shareholding increased to 62% by investing a further \$400,000 to fund Havilah's 1999-2000 exploration program.



Lafayette Mining Limited

Lion - 23%

ASX Code:	LAF
Capitalisation:	\$26 million
Total investment by Lion:	\$5.5 million
Investment valued at 31/7/00:	\$6.4 million
Date of Initial Investment:	December 1999
Area of Activity:	Philippines / Polymetallic
Website:	www.lafayette.com

Lion announced that it had agreed to invest \$5.47 million in Lafayette Mining Limited (Lafayette) on 22 December 1999.

Lafayette is a listed Australian company with an 85% interest in the polymetallic Rapu Rapu project in the Philippines. The project is located in the eastern part of Rapu Rapu island, 376 km south east of Manila, and consists of four groups of tenements and includes the Ungay Malabago and Hixbar deposits.

The Ungay Malabago orebody has a defined strike length of 900 metres and a horizontal extent up to 100 metres. Mineralisation is open both along strike to the west and down dip to the south. The Hixbar deposit outcrops in an old open pit over a length of 100 metres and is 1.9 km west of the Ungay Malabago deposit. Potential exists for further mineralisation between Ungay Malabago and the Hixbar deposit.

A prefeasibility study has been undertaken on the Ungay Malabago deposit and the funds subscribed by Lion have been used to complete a bankable feasibility study. The prefeasibility study highlighted the robust financial and technical characteristics of the project and the strong potential return. Capital costs are likely to be in the order of US\$35 million and mine life is a minimum of 7 years. Standard Bank London Limited has provided a US\$3 million working capital facility and an in principle project finance facility for US\$35 million. Mine development is dependent upon the results of the bankable feasibility study and receipt of regulatory approval.

Shallow exploration drilling to the east of the resource has produced encouraging near surface high grade gold and silver results. A geochemical and hydrogeological assessment of the proposed mine site has been undertaken.

UNGAY MALABAGO MINERAL RESOURCE STATEMENT - OCTOBER 1999

Category	Tonnes	Copper (%)	Zinc (%)	Gold (g/t)	Silver (g/t)
Measured	5,852,000	1.4	2.3	2.7	33
Indicated	27,000	1.8	3.3	3.5	49
Inferred	698,000	0.6	0.7	1.6	15
Total	6,577,000	1.3	2.1	2.6	31

UNGAY MALABAGO ORE RESERVES STATEMENT - OCTOBER 1999

Category	Tonnes	Copper (%)	Zinc (%)	Gold (g/t)	Silver (g/t)
Proved	5,717,000	1.3	2.2	2.6	31
Probable	19,000	1.6	3.1	3.4	48
Total	5,736,000	1.3	2.2	2.6	32

Note: Resources are inclusive of Reserves



Austindo Resources Corporation NL

Lion - 14%

ASX Code:	ARX
Capitalisation:	\$14 million
Total investment by Lion:	\$2 million
Market value at 31/7/00:	\$1.9 million
Date of Initial Investment:	December 1999
Area of Activity:	Indonesia / Gold
Website:	www.austindoresources.com.au

On 17 December 1999 Lion announced that it had agreed to subscribe for 20 million shares in Austindo Resources Corporation NL (Austindo) at an issue price of 7.5 cents per share.

Austindo's major asset is a 63% joint venture interest in the Cibaliung Gold Project, approximately 150 km south west of Jakarta in Indonesia. Cibaliung encompasses a high grade epithermal gold vein system, with an Inferred Resource of 993,000 tonnes @ 9.78g/t gold and 57.4g/t silver.

Gold and silver mineralisation is hosted within a system of epithermal quartz and quartz-adularia veins. The veins have a predominantly NNW trend that has been traced on surface for a distance of 1.4 km. High grade mineralisation has been identified in two shoot like structures, Cikoneng and Cibitung. The Cikoneng shoot can be traced over a strike length of 280 metres and the Cibitung shoot over a strike length of 110 metres.

Drilling during the year has confirmed the vein geometry and grade within the Cikoneng shoot. A new drilling program aims to upgrade the current resource from Inferred to Indicated status and initially define a potentially mineable resource of approximately 1 million tonnes.

Austindo intends to commence a feasibility study at Cibaliung in 2001.

CIBALIUNG MINERAL RESOURCE STATEMENT - NOVEMBER 1999			
	Tonnes	Gold (g/t)	Silver (g/t)
Cikoneng Shoot	649,000	9.76	70.3
Cibitung Shoot	344,000	9.83	33.1
Total Inferred Resource	993,000	9.78	57.4
Contained Metal		312,230 oz	1.83 million oz



Indophil Resources NL

Lion - 80%

ASX Code:	Unlisted
Capitalisation:	\$7.8 million
Total investment by Lion:	\$6.3 million
Investment valued at 31/7/00:	\$6.3 million
Date of Initial Investment:	September 1997
Area of Activity:	Philippines / Copper & Gold

Indophil Resources NL (Indophil) is an unlisted Australian company established to acquire, explore and develop mineral properties in the Philippines.

During the year, a successful drilling program was completed at the Manat project in Mindanao, where Indophil is earning a 50% interest from the Alcantara Group. A highlight of the program was the discovery of an extensive zone of gold and associated base metals mineralisation. The mineralised zone can be traced for 2.7 km from the Magas prospect in the south east to Katungbuan in the north west. Field reconnaissance suggests a potential strike length in excess of 3 km and vertical extent greater than 250 metres. The mineralisation and alteration encountered is consistent with a high sulphidation epithermal gold system.

Exploration at the Labo project in Luzon has defined several zones of anomalous gold soil geochemistry. An 11 hole drilling program intersected gold mineralisation in hydrothermally altered host rocks. This area has historically produced in excess of 5 million oz of gold and significant silver.

Elsewhere in the Philippines, follow up sampling at Hinotongan resulted in significant and coherent soil copper anomalies. Geophysical surveys are planned to facilitate the selection of future drilling targets.

Indophil has commenced preparatory work for a possible public float and ASX listing in early 2001, subject to market conditions.



East African Gold Mines Limited

Lion - 13%

ASX Code:	Unlisted
Capitalisation:	\$113 million
Total investment by Lion:	\$9.8 million
Investment valued at 31/7/00:	\$9.8 million
Date of Initial Investment:	July 1998
Area of Activity:	Tanzania / Gold

East African Gold Mines Limited (EAGM) is an unlisted Australian company with two mining licences in the Mara greenstone belt in Tanzania.

The North Mara Project encompasses the Nyabirama and Nyabigena gold deposits and exploration by EAGM over the last five years has delineated a significant resource. The Nyabirama mining title has been subject to a dispute by the Mobra Gold Corporation (Mobra), who challenged the right of the Tanzanian Government to grant the licence. Although the challenge was dismissed by the Tanzanian High Court in early 1999, Mobra lodged an appeal against this decision. Lion was pleased to announce in May that the legal challenge had been categorically dismissed by the Appeal Court.

The confirmation of the validity of the Mining Licence is a positive step towards the development of the North Mara Gold Project. Earlier feasibility plans to develop a 2 million tonnes per year operation producing 186,000 ounces of gold are in the process of being updated. Valuation of the project is sensitive to the gold price and this will be a factor in determining when to begin construction, draw down a project loan and establish forward sales.

Following the dismissal of the appeal, drilling commenced below the planned open pits at Nyabirama and Nyabigena and established further ore grade intersections. Both deposits remain open at depth and have underground mining potential. A 0.5 million ounce increase in the resource has been established.

NORTH MARA GOLD PROJECT MINERAL RESOURCE STATEMENT - JULY 2000			
Category	Tonnes (000's)	Gold (g/t)	Ounces (000's)
Indicated	41,200	2.6	3,400
Inferred	8,400	2.4	700
Total	49,600	2.55	4,100

NORTH MARA GOLD PROJECT ORE RESERVES STATEMENT - JULY 2000			
Category	Tonnes (000's)	Gold (g/t)	Ounces (000's)
Probable	19,100	3.3	2,100
Total	19,100	3.3	2,100

Note: Resources are inclusive of Reserves



Spinifex Gold Limited

Lion - 24%

ASX Code:	SPX
Capitalisation:	\$38 million
Total investment by Lion:	\$6.6 million
Market value at 31/7/00:	\$9.1 million
Date of Initial Investment:	May 1998
Area of Activity:	Tanzania / Gold
Website:	www.spinifexgold.com

Spinifex Gold Limited (Spinifex) is an Australian exploration company with a portfolio of properties covering approximately 1,100 square kilometres in the Lake Victoria greenstone belt in Tanzania.

A farm in and joint venture agreement to develop the Buckreef/Rwamagaza and Kitongo properties was finalised with Ashanti Goldfields Company Limited (Ashanti) in November 1999. Ashanti have the right to earn a 55% interest in these properties by spending US\$18.5 million over three years.

Upon completion of the agreement, a major exploration effort was initiated, including a program of deep drilling to over 500 metres at Buckreef and comprehensive soil sampling at Rwamagaza. Encouraging results have been returned from the first holes at Buckreef, with the possibility of an increase in the size of the resource, currently estimated at 390,000 oz. Drilling at Kitongo has been scheduled to commence in late 2000.

Spinifex has increased its interest in the Nyakafuru property from 80% to 90%. Following the completion of a 37 hole rotary circulation drilling program the resource of 364,000 oz @ 4.6g/t gold was increased to 506,000 oz @ 4.7g/t gold uncut. A major deep drilling program has commenced to test and extend the two main zones at depth, and to test and extend neighbouring anomalies. The company is aiming to increase the Nyakafuru resource to 750,000 oz following this program.

MINERAL RESOURCE STATEMENT			
Category	Tonnes	Gold (g/t)	Ounces
Buckreef (80%) - June 1999			
Measured	2,800,000	3.45	311,000
Indicated	550,000	3.09	55,000
Inferred	350,000	2.02	23,000
Total	3,700,000	3.26	389,000
Nyakafuru (90%) - March 2000			
Inferred	3,376,000	4.70	506,000
Total	3,376,000	4.70	506,000
Kitongo (100%) - June 1999			
Measured	3,000,000	1.56	150,000
Indicated	5,960,000	1.40	268,000
Inferred	1,540,000	1.23	61,000
Total	10,500,000	1.42	479,000



Gallery Gold Limited Lion - 49%

ASX Code:	GGN
Capitalisation:	\$11 million
Total investment by Lion:	\$4.6 million
Market value at 31/7/00:	\$5.4 million
Date of Initial Investment:	March 1998
Area of Activity:	Botswana / Gold
Website:	www.gallerygold.com.au

Gallery Gold Limited (Gallery) is a listed gold explorer with a controlling interest in tenements totalling approximately 2,265 square kilometres in Botswana. The tenements are located in the prospective Tati and Vumba greenstone belts in the north east of the country.

Exploration during the year has focused on Gallery's wholly owned Mupane prospect in the Tati greenstone belt. Drilling has confirmed that the gold mineralisation in Area 1 forms a robust shoot with open pit potential. Best drilling results from this area include 67m @ 4.4g/t, 65m @ 4.2g/t and 55m @ 4.1g/t gold. In adjacent Areas 2 and 3, semi-continuous gold mineralisation has been defined over a strike length of 1,300 metres. A follow up drill program is planned and Gallery is confident that a significant resource will ultimately be defined.

Encouraging trench results were achieved on the Molomolo and Matopi prospects. Trenching at Molomolo confirmed gold mineralisation extending over 1,900 metres with a best intersection of 34m @ 2.2 g/t gold. At Matopi trenching outlined a +0.1 g/t bedrock gold anomaly extending over an area that is 500 metres long and 80-200 metres wide.

During the year, Gallery acquired the Tekwane property at no cost. The property, formerly owned by Falconbridge Limited, covers half of the intrusive complex that hosts the operating Selkirk nickel mine to the west. It includes the Tekwane nickel prospect and a significant 2.8 kilometre long gravity anomaly that has never been drill tested. Gallery expects to commence fieldwork in the latter part of 2000.

In October 1999, Lion announced that it had agreed to unconditionally underwrite a 1 for 3 renounceable rights issue by Gallery. As a result of a shortfall in the issue, Lion injected \$2 million into Gallery in December, which was used to fund the latest exploration program. Subsequent to balance date, Lion and African Lion invested \$1 million and \$0.5 million respectively in Gallery's September 2000 placement. The placement raised \$3 million to fund Gallery's next major drill program, which is aimed at generating a substantial resource at Mupane and drill testing neighbouring anomalies.

BOTSWANA GOLD PROJECT RESOURCE STATEMENT			
Deposit	Tonnes	Gold (g/t)	Contained Gold (oz)
Golden Eagle	847,600	2.6	70,500
Shashe	515,100	10.4	172,400
Monarch	713,100	5.3	121,500
Signal Hill	1,740,700	3.6	201,100
Total	3,816,500	4.6	565,500



Copperbelt Selection NL

Lion - 36%

ASX Code:	Unlisted
Capitalisation:	\$1 million
Total investment by Lion:	\$0.3 million
Investment valued at 31/7/00:	\$0.3 million
Date of Initial Investment:	October 1998
Area of Activity:	Zambia / Copper

Copperbelt Selection NL (Copperbelt) has been established to acquire gold, copper and other base metal projects in Zambia.

During the year, Copperbelt negotiated an agreement to earn 80% of a small high grade copper resource at Lubanda in Northern Zambia. Small scale miners have been working the deposit and selling ore to the Nchanga Mine, formerly owned by ZCCM. To date, drilling by Copperbelt has produced no intersections of economic significance.

Copperbelt have also acquired an exploration licence covering 7,000 square kilometres of mainly Katangan rocks in the same Luapula province of Zambia, along the border with the Democratic Republic of Congo. A number of copper occurrences have been reported in the area.



African Lion Limited

ASX Code:	Unlisted
Capitalisation:	US\$10.8 million (to be increased to US\$27m)
Total investment by Aust'n Selection:	US\$2.0 million (to be increased to US\$5m)
Date of Initial Investment:	May 1999
Shareholders:	Lion Selection Group Ltd (via Aust'n Selection) CDC Capital Partners (UK) Comafin (Zimbabwe) Investec Bank (South Africa/UK) Proparco (France) FirstRand Bank (South Africa)
Area of Activity:	Africa / Gold & Base Metals

African Lion Limited (AFL) was established by Lion to identify, assess and invest in companies operating in the African mining sector. The fund commenced operations in February 1999 with capital of US\$27 million committed by six international shareholders.

AFL is an early stage investor in African gold and base metal resource projects. Since establishment, AFL has assessed more than 200 projects and made the following investments:

▪ East African Gold Mines Ltd	Tanzania	Gold	US\$3 million
▪ Spinifex Gold Ltd	Tanzania	Gold	US\$1.5 million
▪ Copperbelt Selection NL	Zambia	Copper	US\$0.25 million
▪ Red Back Mining NL	Ghana	Gold	US\$1.3 million
▪ Gallery Gold Ltd	Botswana	Gold	US\$0.28 million

AFL intends to invest US\$2-3 million each in 10-15 investments. AFL shareholders can co-invest if appropriate, and Lion has the right to make the second investment in PDF compliant companies.

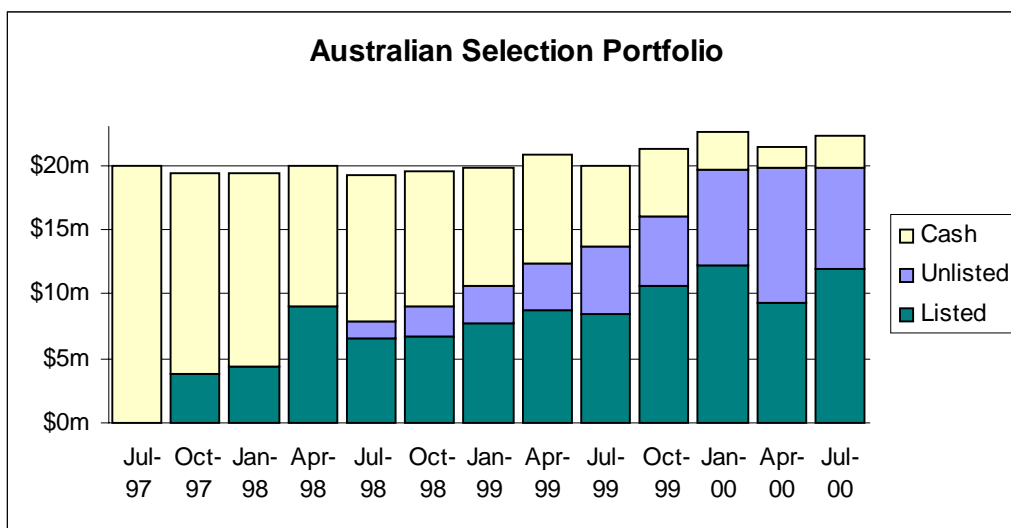
During the year, Ian McAleese resigned from the AFL Manager. AFL will relocate to Johannesburg in 2001.



Australian Selection Pty Limited

Australian Selection Pty Limited is a wholly owned subsidiary of Lion. The fund commenced investment activities in September 1997 with capital of \$20 million. Australian Selection was established to invest in emerging resource companies and to act as an "incubator" for potential Lion investments.

The following chart illustrates the composition of the Australian Selection portfolio since inception. The listed investments are shown at market value, the unlisted at cost.





Attribution Statements

Lion Selection Group Limited is a mining investment company and relies on the resource and ore reserve statements compiled by the companies in which it invests. Mineral Resource Statements for listed companies have all been previously published and because of this Lion has not included the "competent person" attribution statement for these figures. Please refer to the quoted publication and the company's latest annual report for additional details and attribution.

Unless otherwise stated all resource and reserve reporting complies with the standards outlined in the 1999 JORC Code. Resources quoted in this report equal 100% of the resource and do not represent Lion's equity share.

LISTED COMPANIES

Austindo Resources Corporation NL

The Mineral Resource Statement for Cibaliung was released by Austindo in an announcement to the Australian Stock Exchange on 3 November 1999. This announcement can be found on Austindo's website, www.austindoresources.com.au.

Austminex NL

The Mineral Resource Statements for the Wilga and Currawong deposits at Benambra were compiled by the previous operator, Denehurst Limited, in 1996 and are not in compliance with the 1999 JORC Code. The proposed Benambra mine re-opening study aims to establish and report a JORC-compliant Estimation of Mineral Resources and Ore Reserves. Austminex believes it is likely that the mineral resource position stated by Denehurst is representative of the Wilga Zinc Zone and the high grade zone in the Currawong deposit. Please refer to Austminex's prospectus, dated 2 August 2000, for further details - the Mineral Resource Statements appear as Table 4 and Table 6 in the Independent Geologists' Report. The prospectus can be downloaded from Austminex's website, www.austminex.com.au.

Gallery Gold Limited

The Mineral Resources quoted are the total Measured, Indicated and Inferred Mineral Resources for each deposit. The full Mineral Resource Statement for the Botswana Gold Project was published in Gallery's 1999 Annual Report, which can be downloaded from Gallery's website, www.gallerygold.com.au.

Lafayette Mining Limited

The Mineral Resource and Reserve Statements for the Ungay Malabago deposit were released by Lafayette in an announcement to the Australian Stock Exchange on 5 October 1999. This announcement can be found on Lafayette's website, www.lafayettemining.com.

Sedimentary Holdings NL

The Mineral Resource Statement for Royal Shoot at the Cracow Joint Venture was released by Sedimentary in an Australian Stock Exchange announcement on 4 July 2000. This announcement can be viewed on Sedimentary's website, www.sedimentary.com.au.

Spinifex Gold Limited

The Mineral Resource Statements for Buckreef and Kitongo were compiled by independent consultants and published in Spinifex's 1999 Annual Report. The Mineral Resource Statement for Nyakafuru was published in Spinifex's March 2000 Quarterly Report. These documents can be viewed or downloaded from Spinifex's website, www.spinifexgold.com.



UNLISTED COMPANIES

East African Gold Mines Limited

Information that relates to Minerals Resources or Ore Reserves was compiled by Mr Douglas McLean, Manager Reserves/Mine Planning of East African Gold Mines Limited, and a Member of the Australasian Institute of Mining and Metallurgy. Mr McLean has sufficient experience in the style of mineralisation and type of deposit to qualify as a Competent Person and has consented to the inclusion of this information in the form and context in which it appears.

Mining Project Investors Pty Limited

Information on gold resources is compiled by Mr John Rowe, a full-time employee of Mining Project Investors Pty Limited. Mr Rowe is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience in the style of mineralisation and type of deposit to qualify as a Competent Person as defined in the 1999 JORC Code. Mr Rowe has consented to the inclusion of the information in this report in the form and context in which it appears.



The Pooled Development Fund Act

Lion Selection Group Limited is a registered Pooled Development Fund (PDF). The PDF Act was introduced by the Federal Government in 1993 to encourage the provision of patient equity capital to small and medium sized Australian enterprises.

Under PDF regulations Lion can only invest in new shares in Australian companies whose total assets do not exceed \$50 million. The initial investment must be at least 10% of the investee company's paid up capital.

To encourage investors, concessional tax treatment is available to both Lion and its shareholders:

- capital gains made by shareholders are not taxable
- dividends paid by the company are tax exempt and may be franked at the full corporate rate
- Lion pays a corporate tax rate of 15% on PDF income and 25% on other income.

Amendments to the PDF program came into effect in July 1999. These changes allow:

- PDF companies to buy back their own shares
- widely held complying superannuation funds to wholly own a PDF (previously limited to 30%)
- PDF companies to make loans to equity investees.

Further information about the PDF program can be found on the PDF Board's website at www.ausindustry.gov.au/pdf or by contacting:

Pooled Development Funds Registration Board
Venture Capital Programs
AusIndustry
GPO Box 9839
Canberra ACT 2601
Phone: (02) 6213 6609
Fax: (02) 6213 6610
Email: pdf@isr.gov.au



Statement of Corporate Governance Practices

The Board of Directors of Lion Selection Group Limited has adopted the following practices and procedures for the corporate governance of the Company. These practices and procedures establish the framework of how the Board carries out its duties and obligations on behalf of shareholders.

This statement outlines the main corporate governance practices that have been in place throughout the financial period, unless otherwise stated.

1. Board of Directors and its Composition

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

Lion's Board is responsible for the overall governance of the Company, including its strategic direction and control of its operations.

While the Board retains overall responsibility for all matters, it has established an Audit Committee to assist in carrying out certain of its responsibilities.

Lion's Constitution provides that the number of directors is to be determined by the Board, but shall not be less than three. It is a policy of the Board that it is comprised of a majority of non-executive directors and that the Chairman is a non-executive director.

Currently, the Company has four directors, comprising three non-executive directors (one of whom is the Chairman) and one executive director (being the Managing Director). The Chairman is appointed by the Board.

The Managing Director, Mr Robin Widdup, is also a director of the Manager of the Company's portfolio, Selection (LSG) Management Pty Ltd. In accordance with section 232A of the Corporations Law, Mr Widdup is not present during any deliberations of the Board concerning, and does not vote in respect of matters relating to, the Company's relationship with the Manager.

2. Role of the Manager

The Company has appointed Selection (LSG) Management Pty Ltd (the Manager) to implement its investment strategy and to manage its investments. This includes all steps of the investment selection process and the making of recommendations to the Board.

A Management Agreement formalises the relationship between the Company and the Manager.

Under the Management Agreement, the Manager is obliged to act exclusively as investment manager for the Company.

The Manager is permitted to engage specialists and consultants as appropriate to assist in the assessment process and provides a continuous flow of information to the directors during this process. The final investment decision, however, remains with the Board.

The retention by the Board of the power to make the final investment decision provides an effective review of the investment selection process and the function of the Manager.



3. Nomination, Appointment and Retirement of Directors

A Nominations Committee was established in September 2000 to assist the Board in succession planning and identification of new Board members. If a vacancy occurs or if it is considered that the Board would benefit from the services of an additional director with particular skills, the Committee (if necessary, with the assistance of an external consultant) would select a panel of candidates with the appropriate expertise and experience. The Board would then appoint the most suitable candidate. Lion's Constitution requires that directors appointed by the Board submit themselves for re-election at the first meeting of shareholders following their appointment. Whilst directors are not appointed for a fixed term, under the Constitution, one-third of the directors (excluding the Managing Director) must retire by rotation each year and submit themselves for re-election by shareholders.

4. Directors Access to Professional Advice

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

5. Compensation Arrangements

The remuneration of the directors and senior executives of the Company is reviewed by the full Board. There is not presently a separate remuneration or compensation committee.

The Managing Director does not receive any remuneration from the Company, but is paid by the Manager which receives fees from the Company in accordance with the Management Agreement.

In accordance with Lion's Constitution, the aggregate remuneration available for division amongst the non-executive directors is determined by the shareholders in general meeting. The aggregate was initially fixed at \$250,000. This amount (or some part of it) is divided among the non-executive directors as determined by the Board. Currently, the aggregate annual remuneration paid to non-executive directors is \$205,000 pa.

6. Audit Committee

An Audit Committee was established by the Board on 17 December 1997. It is a policy of the Board that the Audit Committee comprise only non-executive directors. The current composition of the Committee is Mr Ewen Tyler (Chairman) and Mr John Craig. The Company's auditors and the Company Secretary are invited to attend meetings and to participate in Committee discussions, as required.

The main responsibilities of the Audit Committee are:

- Liaising with the external auditors, including reviewing external audit reports, management responses and ensuring action is taken promptly by management in respect of those reports.
- Monitoring compliance with the Corporations Law, ASX Listing Rules and the Pooled Development Funds Act.
- Assessing the quality of financial statements issued by the Company and reviewing any related party transactions of the Company.
- Reviewing all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels.
- Reviewing the group's accounting policies, taxation affairs and insurance cover.



The Committee is also responsible for the nomination of external auditors and for reviewing their remuneration and terms of engagement and the scope and quality of the audit. In fulfilling its responsibilities, the Committee receives regular reports from management and the external auditors.

7. Risk Management

As a registered pooled development fund, the business of the Company is to invest in small and medium sized Australian mining and exploration companies within the constraints of the Pooled Development Funds Act 1992. The management of the Company's investment portfolio is contracted out to the Manager whose activities are reviewed by the Board.

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

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

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

Further, as mentioned above, the Audit Committee's responsibilities include reviewing all areas of significant financial risk.

These matters are regularly considered at Board meetings. The Board also reviews the approach adopted for the identification and management of business risks.

The Manager also provides monthly status reports to the Board which identify potential areas of business risk arising from changes in the financial and economic circumstances of any investee company or its operating environment.

8. Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all directors and employees of both the Company and the Manager. It supports the principles recommended in the publication entitled "Corporate Practices and Conduct", a booklet produced by a group of leading business organisations.



Investor Relations

Investment Briefings

Lion continues to hold Investment Briefings twice a year in major centres in Australia and New Zealand. The purpose of the briefings is to update shareholders and other interested investors on the activities of Lion and its investee companies. All shareholders are invited to attend. Details of the briefings are distributed with Lion's quarterly reports and can also be found in the [Company Calendar](#) section on the website.

Company Communications

Lion distributes its quarterly report of activities to registered shareholders by mail or email. Shareholders who would prefer to receive company communications by email should contact the share registry in writing with details of their email address.

Share Registry

Lion's register of shareholders is updated and maintained by Computershare Registry Services Pty Limited. Any queries regarding shareholdings or change of address notification should be directed to:

The Registrar - Lion Selection Group Limited
Computershare Registry Services Pty Limited
Level 12, 565 Bourke Street
Melbourne Vic 3000
Tel: (03) 9611 5711
Fax: (03) 9611 5710

Computershare requests that change of address details are provided in writing and signed by the shareholder. Shares held in joint names should include the signatures of both parties on the notification.

Website

Lion's website can be found at www.lionselection.com.au.

If you have any queries regarding Lion's investor relations activities, please contact:

Judith Russell
Investor Relations Manager
Tel: (03) 9614 8008
Fax: (03) 9614 8009
Email: lionselection@lsg.com.au



Corporate Directory

Registered and Principal Office

Level 4
15 Queen Street
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Fax: (03) 9614 8009

Email: lionselection@lsg.com.au
Website: www.lionselection.com.au

Share Registry

Computershare Registry Services Pty Limited
Level 12
565 Bourke Street
Melbourne VIC 3000

Tel: (03) 9611 5711
Int: +61 3 9611 5711
Fax: (03) 9611 5710

Directors

Ewen W J Tyler AM, Chairman
Robin A Widdup, Managing Director
Malcolm W MacNaught, Director
J John Craig, Director

Company Secretary

Paul R Taylor