



LION SELECTION GROUP LIMITED

ANNUAL REPORT

2007





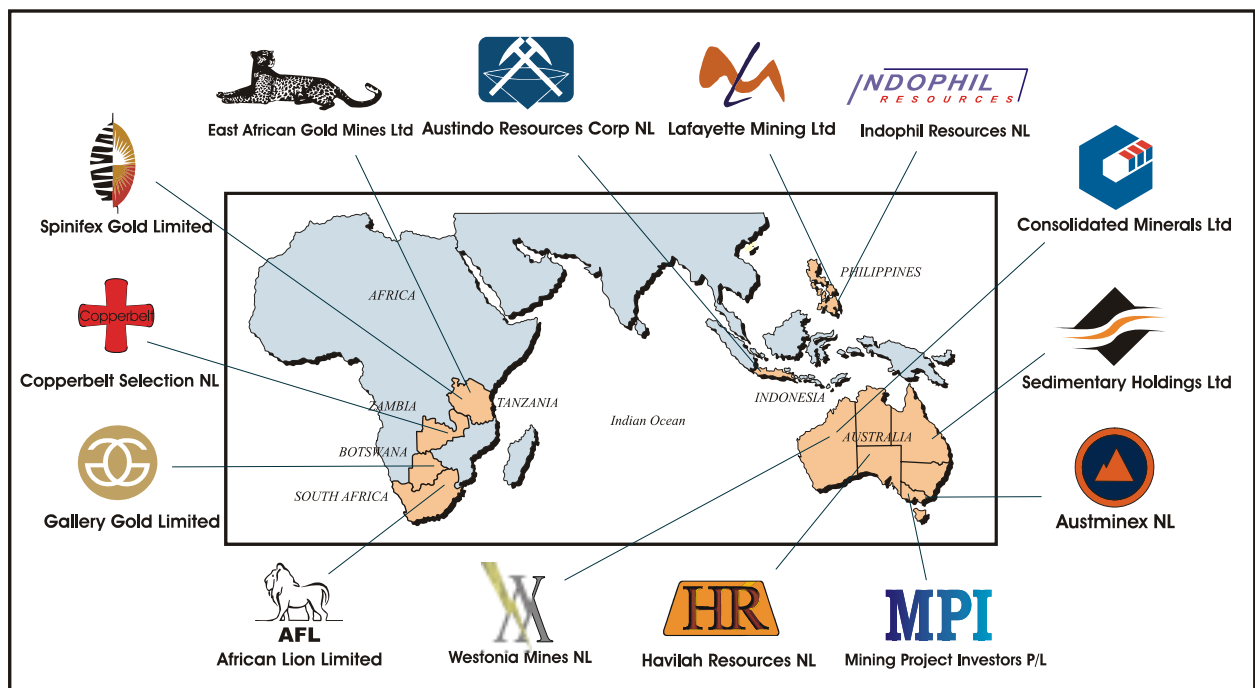
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Profile

Lion Selection Group Limited is a public company listed on the Australian Stock Exchange (ASX code: LSG). The company was established in 1997 to provide patient equity capital to emerging Australian mining and exploration companies. As a registered Pooled Development Fund, Lion shareholders are entitled to receive tax free capital gains and dividends.

Lion's portfolio of carefully selected investments at various stages of development offers excellent exposure to the high risk-high reward emerging resource sector. The portfolio consists of fourteen listed and unlisted Australian companies with gold and base metals activities operating in Australia, Africa and South East Asia.





Letter from the Chairman

Dear Shareholder

We live in uncertain times. The world as we knew it changed on September 11. How much it has changed remains to be seen.

It is now four years since Lion was established, four years of uncertainties about where the small resource sector is heading.

As we have been espousing over the years, history tells us that markets generally operate in cycles. Whilst it is often difficult to "maintain the faith", we at Lion are believers in the theory of the cycle and are confident that eventually the market will realise the value of small companies with good management and good projects.

Lion has many good projects despite the depressed market for small resource companies: Gallery, Spinifex, Lafayette, Sedimentary, Consolidated Minerals, to name a few. In a different market, shares in these companies would be eagerly sought after. Hopefully, as the explorers become producers their shares will be re-rated to reflect the quality of their assets. This should result in increased investor interest in Lion's shares. Our unlisted investments are generally travelling well, with EAGM beginning mine construction and Indophil being on the cusp of acquiring the world class Tampakan project.

The Board's decision to take a conservative approach to the carrying value of exploration properties resulted in a loss attributable to Lion shareholders of \$4.2 million being recorded. Fortunately, this loss has been more than recovered by the post year end disposal of part of Lion's investment in Consolidated Minerals Limited which will yield a profit before tax of almost \$6.0 million.

Further analysis of the performance of the Company and its investments is contained in the directors' report and elsewhere in this Annual Report.

The initial five year term of the Manager's contract officially ends on 31 July 2002. Despite the uncertainties, despite the share price, my confidence in the Manager has never wavered and I am keen to retain their services. To this end, the Board will consider a new arrangement with the Manager in the new year.

In conclusion I would like to thank John Craig and Malcolm MacNaught, who retired during the year, for their valuable contribution since Lion was founded in 1997. I welcome John O'Reilly and Graham Freestone to the Board and look forward to working with them in the coming years.

Ewen W J Tyler, AM
Chairman

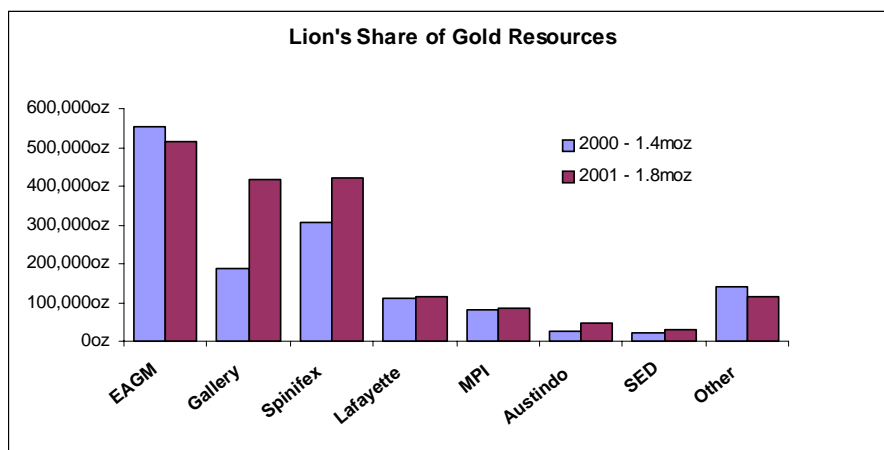


Managing Director's Report

After four years of research and analysis, Lion's investment portfolio is basically complete. While more than 800 opportunities have been investigated during this time, Lion has chosen to invest in only fourteen companies. Lion retains sufficient funds to maintain financial support of its investees as they progress their projects. The outlook for the investments remains consistent with Lion's original vision - to realise value for shareholders through development of new gold or metal projects and through market turnaround.

Investments

Over the past year project development in almost all of the investments has been pleasing. Most of the investee companies have progressed along the development path and Lion's share of attributable gold resources has increased from 1.4 million ounces to 1.8 million ounces. It is anticipated that a number of Lion's investee companies will announce further resource increases in the year ahead.



Disappointingly, Indophil has not yet succeeded in obtaining the Tampakan project in the Philippines. Legal action has delayed the purchase process although Philippines government clearances have been obtained. However, at year end Indophil remains poised to obtain one of the world's largest undeveloped porphyry copper-gold projects and Lion remains optimistic of a positive outcome.

On a more favourable note, Consolidated Minerals shareholders approved the agreement for Lion to sell part of its CSM holding post year end. Lion's total investment in CSM is more than recovered by the proceeds of this sale. Lion will still retain 28.5 million CSM shares and is actively considering alternatives to realise this remaining holding, which has a current market value of approximately \$14.0 million.

Share Price

While development progress has been proceeding as planned, Lion's share price has remained severely depressed for most of the year. Both equity markets for small resource companies and metal prices have been weak and the tragic events in the United States on September 11 post balance date have had far reaching effects on global financial markets.



In such times of uncertainty investors tend to turn to blue chip stocks and ignore perceived high risk companies such as Lion. However, traditional stores of wealth such as gold also find favour with investors when financial markets are volatile and Lion is highly leveraged to the US\$ gold price. Demand for gold has been growing strongly at 3% to 4% each year over the past decade while supply from the gold mining industry has been constrained by low gold prices. Production has been showing signs of plateauing as many mining companies are unable to produce gold economically and there has been a significant reduction in exploration spending by the major mining houses. If the gold price rallies, shares in companies such as Lion which have exposure to quality gold resources should be in demand.

Outlook

The Lion team looks forward to a year of further progress from its portfolio of carefully selected companies. Lion will continue to work actively with its investees to focus on project growth and the development of new mines to create value for shareholders. However, it should be emphasised that the way forward depends greatly on external factors such as metal prices and equity markets. If metal prices and emerging resource equity markets rally then investments will be sold when projects have reached production. But if market conditions remain depressed most investments will be retained for a longer period than envisaged when Lion floated. Continuing rationalisation of the mining industry may provide additional opportunities for creating value for Lion shareholders.

Lion remains one of the few groups providing capital to and supporting emerging resource companies. The big mining houses have curtailed expenditure on exploration in the present climate and in many cases it is only the tenacious smaller companies who are searching for new opportunities. In a more favourable resources market many of Lion's investee companies would be in strong demand.

The future for Lion is promising. And while it has always been emphasised that Lion is a long term investment the Board and management team are confident that the patience and support of all shareholders will be rewarded.



Investment Summary Table

Investment	ASX Code	Activity	LSG Holding %	Amount Invested \$m	Market Value or Cost of Unlisted* \$m
At 31/07/01					
Unlisted Investments					
African Lion (AFL)		Africa - mining investment	18.5	5.1	5.1
Copperbelt Selection		Zambia - copper	33.0	0.3	0.3
East African Gold Mines		Tanzania - gold	11.6	10.2	10.2
Havilah Resources		Australia - gold	51.8	1.9	0.0
Indophil Resources		Philippines - copper/gold	58.2	7.0	3.5
Mining Project Investors (MPI)		Australia - gold	16.3	6.1	6.1
Westonia Mines		Australia - gold	25.0	0.5	0.5
Listed Investments					
Austindo Resources	ARX	Indonesia - gold	15.6	3.6	1.6
Austminex	ATX	Australia - base metals	16.9	5.0	3.7
Consolidated Minerals	CSM	Australia - manganese	33.1	8.0	25.3
Gallery Gold	GGN	Botswana - gold	46.3	5.6	8.7
Lafayette Mining	LAF	Philippines - polymetallic	23.2	5.5	3.2
Sedimentary Holdings	SED	Australia - gold	24.2	4.0	4.6
Spinifex Gold	SPX	Tanzania - gold	22.5	6.6	3.9
Other Investments				7.0	6.1
Sub Total Investments				76.4	82.8
Net Cash				24.5	24.5
Total Investments				100.9	107.3
Net Asset Value (NAV) before tax (cents per share)					107.2
Net Asset Value (NAV) after tax (cents per share)					106.4

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

* Includes amounts invested by Australian Selection Pty Limited.



Board of Directors

Lion's Board of Directors oversees the performance of the company and gives final approval to the investments recommended by the management team. The Board consists of three independent directors to ensure there is an effective review of the investment selection process.



Ewen W J Tyler, AM - Non Executive Chairman

Ewen Tyler has been active in the mining and exploration industry for over 50 years, working in Australia, Africa and the United Kingdom. He initiated the exploration which led to the discovery of the Argyle Diamond Mine and was a founding director of Ashton Mining Limited. Ewen is Chairman of Helix Resources Limited and Striker Resources NL, and a director of the responsible entity for the Western Australian Diamond Trust.



Robin A Widdup - Managing Director

Robin Widdup has worked as a geologist in Zambia, the United Kingdom and Australia. He joined stockbroker J B Were & Son as a resource analyst in 1986 and was appointed Manager of the Resource Research team in 1990. During his time at J B Were, Robin established himself as one of Australia's leading gold analysts. Robin left J B Were in early 1997 to establish Lion Selection Group.



John F O'Reilly - Non Executive Director

John O'Reilly has over 30 years experience in the international mining industry. Prior to joining Rio Tinto plc in 1987, he held senior operating positions in Oman, Iran, Botswana and Zambia. John is a director and former Chief Executive Officer of Lihir Gold Limited, and was responsible for the construction and operations of the Lihir Gold Project from 1993 to 1998. He is currently based in London as Rio's Head of Technology.



Graham R Freestone - Non Executive Director

Graham Freestone has over 30 years experience in the natural resources industry in Australia and internationally. He has held executive roles with the Shell Group, Acacia Resources and AngloGold. Graham was Chief Financial Officer and Company Secretary of Acacia Resources Limited from its IPO in 1994 until the company was acquired by AngloGold and relocated to Perth in 2001.



Paul R Taylor - Company Secretary

Paul Taylor has been a public company secretary, specialising in the mining industry, for more than fifteen years. He has acted as company secretary for Ballarat Goldfields NL and for the Golden Shamrock Mines Group. Paul was involved in Golden Shamrock's listing on the Toronto Stock Exchange in 1994 and has been Company Secretary of Lion since 1997.



Management Team

In early 1997 Robin Widdup invited Chris Melloy, Howard Walker and Kevin Robinson to establish and manage Lion Selection Group. This founding team remains intact and committed to the vision outlined in Lion's original prospectus.

The role of Selection (LSG) Management Pty Limited (The Manager) is to identify and assess opportunities, implement Lion's investment strategy and manage its portfolio. The Manager is paid a fee of 1.5% per annum of the total issued capital of Lion for the provision of these services. The Manager is also entitled to a bonus fee if Lion's market capitalisation during the month of July in any year exceeds the amount of the company's issued capital increased by the lesser of 15% or the ten year bond rate plus 5% compounded annually. For the bonus to have been triggered in the 2001 financial year Lion's share price would need to have averaged in excess of \$1.50 for the month of July.

The Manager's contract with Lion expires in July 2002. The Manager intends to submit a proposal for a future relationship to the Lion Board in early 2002.

Robin Widdup

Robin Widdup's details are listed on page 6 of this report. He has a relevant interest in 411,500 Lion shares.

Chris Melloy

Chris Melloy holds an Honours Degree in Mining Engineering, a Masters Degree in Engineering Science and a Graduate Diploma in Applied Finance and Investment. He has 25 years experience in the mining industry in both operations and finance. Chris spent 11 years with MIM in Mount Isa in planning, operating and senior management roles and 10 years as a mining analyst researching the base metals sector with J B Were & Son. He has been part of the Lion management team since inception. Chris has a relevant interest in 152,599 Lion shares.

Howard Walker

Howard Walker graduated as a mining engineer in 1975 and spent 8 years working in this capacity in South Africa and Australia. He joined stockbroker J B Were & Son in 1983 as a precious metals analyst and then Manager of the Resource Research team. Howard was appointed as a director of J B Were Corporate Services Limited in 1990 and was involved in several large resource capital raisings. He has a relevant interest in 580,000 Lion shares.

Kevin Robinson

Kevin Robinson is a geologist with over 19 years experience in both mining and finance. He has a Bachelor of Science (Hons) and a Graduate Diploma of Applied Finance and Investment. Kevin has held technical and investment positions with RGC Limited, Normandy Mining Limited, Devex Limited and Legal & General. Prior to joining Selection (LSG) Management he was Legal & General's Head of Resources and Head of Australian Equities. Kevin has a relevant interest in 150,000 Lion shares.



Consolidated Minerals Limited

Lion - 33%

ASX Code:	CSM
Capitalisation:	\$72.8 million
Total investment by Lion:	\$8.0 million
Market value at 31/7/01:	\$25.3 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.

Following the second full year of mining operations at Woodie Woodie CSM announced an audited net profit of \$12.51 million on sales revenue of \$61.5 million, a five fold increase on the company's inaugural profit in 2000. The result represents the impact of higher commodity prices for manganese, increased production and continued operational improvements at Woodie Woodie.

Trial shipments of manganese were made to new customers in France, Italy and Taiwan during the year, complementing the company's traditional customer base in Europe, China and Japan. CSM has sales agreements in place for all annual production as well as long term supply contracts for sales into Europe and China. Annual benchmark price negotiations were settled with a 4% increase in the manganese price.

In June 2001 CSM announced that it had acquired 100% of chromite producer Danelagh Resources Pty Limited. CSM anticipates that its core manganese operations will be supplemented with a new revenue stream once production commences from the Coobina chromite deposit. The Coobina deposit has the capacity to produce up to 175,000 tonnes per annum of chromite for export markets, generating additional sales revenue of around \$20 million with expected profit margins similar to those at Woodie Woodie.

Subsequent to balance date, shareholders of CSM have approved an agreement for Lion to dispose of 9.3 million of its 37.8 million CSM shares and all of its CSM options. CSM will undertake a Selective Buy Back of all of Lion's options, which will be funded by a \$5 per tonne royalty structure over sales of manganese ore for approximately 3 years. Lion's total investment in CSM of \$8.0 million is more than recovered by the proceeds of this sale. Lion will still retain 28.5 million CSM shares and is actively considering alternatives to realise this remaining holding.



Mining Project Investors Pty Limited Lion - 16%

ASX Code:	Unlisted
Capitalisation:	\$38.4 million
Total investment by Lion:	\$6.1 million
Investment valued at 31/7/01:	\$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. The US-based Pittston Company holds the other 50% of the mine, which produced a record 114,460 ounces of gold in calendar 2000.

Drilling at Stawell during the year was aimed at defining the extensive mineralisation in the South Fault offset area below the mine. This area, known as Golden Gift, has the potential to host more than 1 million ounces of gold to a depth of 1,250 metres, with increasing potential for additional resources between 1,250 and 2,000 metres. Surface and underground diamond drilling extended the strike length of the basalt dome to 1.6 kilometres and a dip length of 750 metres.

Regional exploration concentrated on a major structural corridor trending north west from Stawell. MPI has secured tenements over this highly prospective, unexplored corridor and has located a "Stawell type" basalt dome with mineralised volcanogenics over 3 kilometres of strike length at Kewell. A further two magnetic anomalies were also identified, which brings the total number of targets for new goldfields under shallow sediment cover to fifteen. Follow up drilling is planned.

STAWELL GOLD PROJECT MINERAL RESOURCE STATEMENT - JUNE 2001

	Category	Tonnes (000's)	Grade (Au g/t)	Ounces (000's)
Underground	Indicated	658	5.6	118
	Inferred	1,340	6.6	285
Surface	Indicated	3,220	2.2	222
Total		5,218	3.7	625

STAWELL GOLD PROJECT ORE RESERVES STATEMENT - JUNE 2001

	Category	Tonnes (000's)	Grade (Au g/t)	Ounces (000's)
Underground	Proved	985	5.2	165
	Probable	1,552	5.1	255
Surface	Proved	0	0	0
Total		2,537	5.1	420

Note: Resources do not include Reserves



Sedimentary Holdings Limited

Lion - 24%

ASX Code:	SED
Capitalisation:	\$18.8 million
Total investment by Lion:	\$4.0 million
Market value at 31/7/01:	\$4.6 million
Date of initial investment:	April 1999
Area of activity:	Australia / Gold
Website:	www.sedimentary.com.au

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

A prefeasibility study of gold mineralisation indicated that the Royal Shoot has the potential for future development and could produce up to 60,000 ounces per annum as part of a low cost operation.

In April 2001 Sedimentary announced another significant discovery 800 metres north of the Royal Shoot in an area named the Crown Structure. Mineralisation appears to be similar to the gold mineralisation present in the Royal Shoot and drilling has identified a strike length in excess of 400 metres and a vertical extent over 175 metres. The high grade mineralisation is contained in single and multiple zones of veining and remains open along strike and above and below the area currently being drilled.

The results from the Crown Structure should add significantly to the Royal Shoot resource of 390,000 ounces at 11 g/t Au and could increase the size of a future development. The Cracow goldfield is now viewed as having potential to host in excess of 2 million ounces of gold.

Following the discovery of the Royal Shoot and the Crown Structure the joint venture partners have reviewed the gold mineralisation in the Golden Plateau system and have generated 12 new targets requiring drill testing. Drilling in the past few years has shown the Golden Plateau vein structure to persist at depths up to 300 metres below the lowest level of the historic Golden Plateau mine.

Subsequent to balance date, Lion participated in a placement by Sedimentary which raised \$2.24 million to fund the company's ongoing participation in the Cracow joint venture. As a result of the placement, Lion's interest in Sedimentary has increased to 27%.

CRACOW MINERAL RESOURCE STATEMENT - JULY 2000			
Royal Shoot	Tonnes (000's)	Gold (g/t)	Silver (g/t)
Inferred	1,100	11	9.5
Contained metal		390,000 oz	350,000 oz

Sedimentary's equity share of quoted resources is 30%



Austminex NL Lion - 17%

ASX Code:	ATX
Capitalisation:	\$12.4 million
Total investment by Lion:	\$5.0 million
Market value at 31/7/01:	\$3.7 million
Date of initial investment:	July 2000
Area of activity:	Australia / Copper & Zinc
Website:	www.austminex.com.au

Austminex NL (Austminex) is a listed Australian company holding an exclusive option to acquire the Benambra base metal project in the East Gippsland region of Victoria. Mineral assets at Benambra include the partially mined Wilga deposit, with established decline access and associated underground development, and the undeveloped Currawong deposit.

In early 2001 Austminex advised that initial results of the Mine Reopening Study indicated that the Benambra project may require additional mineral resources and ore reserves to produce an acceptable rate of return. Resource drilling and optimisation studies since then have led to a 45% increase in measured and indicated resource tonnages from December 2000 estimates.

Subsequent to balance date, Austminex announced that ore reserves in the Wilga and Currawong deposits total 6.1 million tonnes. These reserves would be sufficient to sustain a ten year mine life at a throughput rate of 600,000 tonnes per annum, producing 50,000 tonnes of copper concentrate and 50,000 tonnes of zinc concentrate annually. The Mine Reopening Study estimated that an initial capital cost of \$24 million would be required to enable production to commence and projected cash operating costs would be in the order of US 38 cents/lb for zinc and US 64 cents/lb for copper. Decisions are awaited from government on environmental bond and royalty levels, and the possible funding of grid power, before the Study can be completed.

Despite good progress having been made on the Benambra project, Austminex announced on 25 October 2001 that it was suspending further pre-development activity pending a distinct improvement in zinc and copper prices and an improved economic outlook. Steps have been taken to reduce expenses and priority has been given to pursuing other opportunities with an ability to provide operating cash flows in the near term.

PROBABLE ORE RESERVES AT BENAMBRA - AUGUST 2001

Deposit	Tonnes (000's)	Copper %	Zinc %	Silver g/t	Gold g/t
Wilga	1,636	2.4	6.1	35	0.5
Currawong	4,455	2.1	4.4	37	1.3

ESTIMATE OF MINERAL RESOURCES AT CURRAWONG - AUGUST 2001

Category	Tonnes (000's)	Copper %	Zinc %	Silver g/t	Gold g/t
Inferred	1,300	1.9	4.3	42	1.4



Westonia Mines NL

Lion - 25%

ASX Code:	Unlisted
Capitalisation:	\$2.0 million
Total investment by Lion:	\$0.5 million
Investment valued at 31/7/01:	\$0.5 million
Date of initial investment:	October 2000
Area of activity:	Australia / Gold

Westonia Mines NL (Westonia) owns the Westonia Gold Mine, located 300 kilometres east of Perth. Prior to its last closure in 1991, the mine had historic production of 630,000 ounces of gold from two previous phases of underground mining and an open cut operation. Westonia's Managing Director, Andrew Drummond, has had an association with the mine since 1982, initially with Australian Consolidated Minerals NL, the former owner.

In October 2000 Lion invested \$250,000 for a 14.3% interest in Westonia with an option to invest a further \$1.25 million. Lion's initial investment was used to fund a Scoping Study, which was completed in early 2001. Based on the outcome of the study, Lion invested a further \$250,000, which is being used to fund a drilling program aimed at upgrading and increasing existing resources. The drilling program is concentrating on an area under the historic open cut and on zones which are known to be mineralised but currently have insufficient drilling density.

Encouraged by the results of the Scoping Study Westonia is aiming to attain bankable feasibility based on a renewed open cut mining and milling operation. The previous open cut mining phase was of predominantly oxide ore, although sufficient drilling, mining and treatment of fresh rock was carried out to indicate its apparent potential. Westonia is assessing the viability of establishing a long life operation milling mainly unoxidised feed, supplemented by various lower grade stockpiles. Recent drilling has indicated mineralisation along strike of the existing old open cut, which will add to the potential viability of the project.

Subsequent to balance date Lion invested an additional \$140,000, which has increased its shareholding in Westonia to 30%.



Havilah Resources NL Lion - 52%

ASX Code:	Unlisted
Capitalisation:	\$0.8 million
Total investment by Lion:	\$1.9 million
Investment valued at 31/7/01:	\$47,000
Date of initial investment:	February 1998
Area of activity:	Australia / Gold

Havilah Resources NL (Havilah) is an unlisted gold and metals exploration company with properties located in the Northern Territory and South Australia.

Lion has invested approximately \$1.9 million in Havilah since early 1998, primarily for grass roots exploration with the objective of discovering projects that would be worthy of development. Given the current stage of the resources cycle and the prevailing adverse exploration climate in Australia, Lion believes that further expenditure on this type of high risk grass roots exploration is not justified.

Accordingly, in view of the fact that Havilah does not have an immediate "company maker" Australian project in the pipeline, Lion has decided to curtail future funding to a few specific projects and write its investment in Havilah down to almost zero.



Lafayette Mining Limited Lion - 23%

ASX Code:	LAF
Capitalisation:	\$14.0 million
Total investment by Lion:	\$5.5 million
Market value at 31/7/01:	\$3.2 million
Date of initial investment:	December 1999
Area of activity:	Philippines / Polymetallic
Website:	www.lafayettemining.com

Lafayette Mining Limited (Lafayette) is a listed Australian company with an 85% interest in the polymetallic Rapu Rapu project in the Philippines. The project is located on the island of Rapu Rapu, 376 kilometres south east of Manila, and incorporates the Ungay and Hixbar deposits.

The Philippines Department of Environment and Natural Resources has recently issued an Environmental Compliance Certificate for the Rapu Rapu project, which signifies government approval for mine development. Standard Bank is undertaking due diligence for project finance and Lafayette anticipates commencing development once this is finalised. Letters of Intent have been signed with smelters for the sale of both copper and zinc concentrates produced from the Rapu Rapu Mine.

The Definitive Feasibility Study (DFS) completed during the year concluded that, based on a six year mine life with a throughput of 820,000 tonnes per annum, the Rapu Rapu project will generate total net operating cash flows of US\$102 million with a Net Present Value of US\$29 million. The study also indicated that an additional 1,091,000 tonnes of mineral resource extends from the western end of the planned open pit and an independently prepared conceptual study confirmed its underground potential.

Since completion of the DFS, results from 16 diamond drill holes and 5 trenches have contributed to a 24% increase in the size of the Ungay resource, from 5.639 million tonnes to 7.022 million tonnes. Almost all of the resource increase is contained within the proposed pit shell. Accordingly a large proportion of the increased resource converted to reserves, which have increased by 21% to 5.972 million tonnes. The project economics have been materially enhanced as a result. Success with exploration at the Hixbar target, 2.5 kilometres to the west, indicates that additional reserves will be generated.

UNGAY MINERAL RESOURCE STATEMENT - JULY 2001					
Category	Tonnes (000's)	Gold (g/t)	Silver (g/t)	Copper (%)	Zinc (%)
Measured	6,397	2.66	28.87	1.3	2.2
Indicated	324	2.21	20.52	0.9	1.4
Inferred	301	1.89	20.87	0.8	1.0
Total	7,022	2.61	28.14	1.24	2.06

UNGAY ORE RESERVES STATEMENT - AUGUST 2001					
Category	Tonnes (000's)	Gold (g/t)	Silver (g/t)	Copper (%)	Zinc (%)
Proved	5,852	2.5	28	1.2	2.1
Probable	120	2.1	23	1.0	1.9
Total	5,972	2.5	28	1.2	2.1

Note: Resources are inclusive of Reserves



Indophil Resources NL

Lion - 58%

ASX Code:	Unlisted
Capitalisation:	\$9.5 million
Total investment by Lion:	\$7.0 million
Investment valued at 31/7/01:	\$3.5 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.

Mr Bryan Davis was appointed as Chairman in November 2000, bringing a wealth of mining experience to the Indophil Board. Bryan is a mining engineer with more than 30 years experience in the industry, and is currently a non executive director of Newcrest Mining Limited and Coal & Allied Limited.

Indophil spent much of the year focused on preparations for an Initial Public Offering to raise \$5 million, with ABN AMRO Morgan Stockbroking agreeing to act as broker and underwriter to the issue. The float was deferred in late September 2001 as a consequence of the adverse effect of recent world events on global sharemarkets.

During the year, Indophil entered into an agreement with the Tampakan Group of Companies (TGC) to purchase the Tampakan project in Mindanao, one of the world's largest undeveloped porphyry copper-gold projects. WMC Limited reported in 1998 that the Tampakan deposit had an indicated and inferred mineral resource of 900 million tonnes at 0.75% copper and 0.3 g/t gold at a 0.5% copper cut-off grade. This is equivalent to 6.75 million tonnes of copper and 8.7 million ounces of gold. TGC have a sale agreement with WMC Resources International Pty Limited (WMCR) to acquire WMC Philippines Inc, which holds a 100% interest in the tenement covering the Tampakan deposit. Approval by the Secretary of the Department of Environment and Natural Resources is the last stage before transfer of ownership can be enacted. Although the Philippine Board of Investments has already approved the transaction, the sale of Tampakan is the subject of a legal challenge by another party.

Drilling on the Magas vein zone at the Manat Project has defined an inferred mineral resource containing 272,000 ounces gold, 1,750,000 ounces silver and significant lead and zinc. This structurally controlled mineralised zone is open at depth and along strike, with surface indications suggesting it could extend for 3.4 kilometres. Indophil is earning a 50% interest in Manat from the Alcantara Group.



Austindo Resources Corporation NL

Lion - 16%

ASX Code:	ARX
Capitalisation:	\$10.0 million
Total investment by Lion:	\$3.6 million
Market value at 31/7/01:	\$1.6 million
Date of Initial Investment:	December 1999
Area of Activity:	Indonesia / Gold
Website:	www.austindoresources.com.au

Austindo Resources Corporation NL (Austindo) has a 71% joint venture interest in the Cibaliung Gold Project in Indonesia. Cibaliung is located approximately 150 kilometres south west of Jakarta and encompasses a high grade epithermal gold vein system with two shoot like structures, Cikoneng and Cibitung.

Exploration drilling at Cibaliung during the year confirmed the presence of a high grade core in both the Cikoneng and Cibitung shoots. Austindo announced an encouraging 39% increase in contained ounces and a 7% increase in grade with the release of an updated resource statement in June 2001.

The resource at Cibaliung may be conservative based on studies into the effect of core loss on gold grade. Austindo believes that it is possible that reported gold grades and widths of mineralisation may have previously been underestimated due to loss of mineralised material in the core. The company re-drilled five holes during the year and results generally confirm that the actual intersection widths and grades may be higher than recorded by earlier drilling.

Scout drilling focused on the area between the Cikoneng and Cibitung shoots. Intersections to date have returned no significant results but indicate that dilational conditions may occur to the south of Cibitung and gold mineralisation may repeat. Further drill testing is planned.

In December 2000 Lion increased its shareholding in Austindo to 15.61% by subscribing \$1.7 million as part of a \$9.5 million rights issue that introduced 545 new shareholders to the company. Since then, investor sentiment towards Indonesia has been impacted by instability and uncertainty within the country. As one of Indonesia's most active explorers, Austindo is well placed to pursue any opportunities resulting from the current economic and political climate. In spite of the company's depressed share price, Lion remains confident of Austindo's ability to create value for its shareholders.

CIBALIUNG MINERAL RESOURCE STATEMENT - JUNE 2001 (at a 3 g/t Au cut-off)

Resource Category	Tonnes (000's)	Gold (g/t)	Silver (g/t)	Gold (oz 000's)	Silver (m oz)
Indicated	476	10.34	60.6	158	0.93
Inferred	823	10.47	60.8	277	1.61
Total	1,299	10.42	60.7	435	2.54



East African Gold Mines Limited Lion - 12%

ASX Code:	Unlisted
Capitalisation:	\$184.0 million
Total investment by Lion:	\$10.2 million
Investment valued at 31/7/01:	\$10.2 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 north eastern Tanzania. EAGM's North Mara project encompasses the Nyabirama and Nyabigena gold deposits where recent exploration has delineated a significant resource.

Subsequent to balance date Lion was pleased to announce that EAGM had given the go ahead for mine development at North Mara. EAGM anticipates that the mine will operate at 2 million tonnes per annum to produce an average of 170,000 ounces per annum over a mine life of ten years. Operating costs are estimated at US\$200 per ounce and gold recovery will be around 90%.

The operation will initially commence by open cut at the Nyabirama deposit, which is also the location of the treatment plant and mine camp. Construction of lead items is already well advanced, with gold production targeted to commence in September 2002. Open cut mining at nearby Nyabigena will follow the development of Nyabirama.

The project will be funded by a US\$50 million loan facility that has been arranged with Macquarie Bank and Standard Bank London. Gold sales contracts have been concluded in respect of 900,000 ounces, which have been sold at a flat forward price of US\$308.60 per ounce for delivery over a nine year period. The facility is not subject to margin call in the event of a rise in the gold price.

EAGM holds licences over an exploration area of some 450 square kilometres surrounding Nyabirama and Nyabigena. Several prospective future targets have been identified from anomalies generated by regional exploration.

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

Note 1: Resources are inclusive of Reserves

Note 2: Reserves are based on a gold price of US\$280/oz



Gallery Gold Limited

Lion - 46%

ASX Code:	GGN
Capitalisation:	\$18.9 million
Total investment by Lion:	\$5.6 million
Market value at 31/7/01:	\$8.7 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 company with 100% interest in tenements totalling approximately 1,750 square kilometres in Botswana. The tenements are located in the highly prospective Tati and Vumba greenstone belts in the north east of the country.

Drilling at Gallery's 100% owned Mupane Prospect during the year confirmed that the high grade gold shoot identified in Area 1 remains open at depth below 200 metres and along strike to the east. The mineralisation exhibits clear potential for a combined open pit and underground mining operation and a lower grade gold zone at Area 2 is also potentially open pitable.

Gallery announced a total combined resource of 557,000 ounces of gold at Mupane in March 2001 following an independent audit by consultant, Resource Service Group (RSG). RSG indicated that there is excellent potential for a significant increase in gold resources because of the relatively shallow nature of the drilling completed so far and the fact that known gold zones are open at depth along their full strike lengths. Gallery believes that Mupane is emerging as a +1 million ounce gold deposit and is optimistic that a viable mining operation can be established before the end of 2003. An economic scoping study for a wholly owned mining operation, based on a 1 million tonne per annum mill, has commenced and is scheduled for completion in early December 2001.

Exploration drilling was commenced on two nickel-platinum prospects at Gallery's 100% owned Tekwane property. A promising platinum-palladium prospect has been identified at Tekwane North and detailed soil sampling and trenching to map the surface distribution of platinum-palladium mineralisation is in progress.

Given the excellent progress during the year, Lion supported Gallery's placement in August 2001, which raised \$3.9 million for the company. The funds will finance the completion of the scoping study and provide for on-going exploration expenditure.

Gallery successfully listed on the Botswana Stock Exchange on 25 June 2001.



Gallery Gold Limited

Lion - 46%

MUPANE GOLD DEPOSIT

INITIAL RESOURCE ESTIMATE - MARCH 2001

	Tonnes (000's)	Gold (g/t)	Contained Gold (oz)
Area 1	3,740	3.6	438,000
Area 2	1,330	1.8	76,000
Area 3	140	1.5	7,000
Area 4	630	1.8	36,000
	5,840	3.0	557,000

OTHER BOTSWANA PROJECTS - GOLD RESOURCES

RESOURCE STATEMENT - JULY 2000

Deposit	Tonnes (000's)	Gold (g/t)	Contained Gold (oz)
Shashe	515	10.4	172,400
Signal Hill	1,741	3.6	201,100
Total	2,256	5.2	373,500

Previously quoted resources at Monarch and Golden Eagle have not been included in this statement as Gallery intends to dispose of the Monarch mining lease and Golden Eagle is unlikely to be economic.



Spinifex Gold Limited

Lion - 23%

ASX Code:	SPX
Capitalisation:	\$16.9 million
Total investment by Lion:	\$6.6 million
Market value at 31/7/01:	\$3.9 million
Date of initial investment:	May 1998
Area of activity:	Tanzania / Gold
Website:	www.spinifexgold.com

Spinifex Gold Limited (Spinifex) is a listed Australian exploration company with a portfolio of properties covering approximately 1,100 square kilometres in the Lake Victoria region in Tanzania. The global resource on Spinifex's projects (owned 80-100%) is approaching 2 million ounces of gold.

In December 2000, Spinifex announced that Ashanti Goldfields Limited had withdrawn from the joint venture over the Buckreef/Rwamagaza and Kitongo projects. In the previous twelve months Ashanti had spent approximately US\$2.3 million on exploration and paid US\$1.25 million cash to Spinifex, but significantly there has been no dilution in Spinifex's equity in the projects.

During the year Spinifex commissioned independent consultant Lycopodium Pty Limited to prepare a Scoping Study on the Buckreef, Nyakafuru and Kitongo projects to assess various development options. Interpretation of the study suggests that current open pit resources have to be increased to reduce operating costs to attractive economic levels. Throughput rates of 500,000 tonnes per annum for sulphide ore and 800,000 tonnes per annum for oxide ore are also required for economies of scale.

An independent technical review was also undertaken during the year. The review, by Resource Service Group Pty Limited, concluded that infill drilling should be undertaken at Kitongo, along the entire strike length of the Buckreef deposit and on all of the known gold mineralisation along the Rwamagaza Shear. Spinifex intends to commence three dimensional geological modelling to formulate effective infill drilling programs for each of these projects in the next financial year.

Discussions are continuing with a number of mining companies regarding the formation of a strategic joint venture and/or alliance for the further development of Spinifex's gold projects.



Spinifex Gold Limited
Lion - 23%

MINERAL RESOURCE STATEMENT			
Category	Tonnes (000's)	Gold (g/t)	Ounces
Buckreef/Rwamagaza (80%) - December 2000			
Measured	2,800	3.45	310,000
Indicated	550	3.09	55,000
Inferred	1,630	5.17	249,000
Total	4,980	4.08	614,000
Nyakafuru (90%) - December 2000			
Measured	1,950	6.42	395,000
Indicated	290	5.42	50,000
Inferred	1,340	6.38	285,000
Total	3,580	6.32	730,000
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



Copperbelt Selection NL

Lion - 33%

ASX Code:	Unlisted
Capitalisation:	\$1.0 million
Total investment by Lion:	\$0.3 million
Investment valued at 31/7/01:	\$0.3 million
Date of initial investment:	October 1998
Area of activity:	Zambia / Copper

Copperbelt Selection NL (Copperbelt) was established in 1998 to acquire copper and other base metal projects primarily in Zambia.

The company continued to monitor and assess potential projects in Zambia and elsewhere in Africa for acquisition during the year.



African Lion Limited

Lion - 19%

ASX Code:	Unlisted
Capitalisation:	US\$16.2 million (to be increased to US\$27m)
Total investment by Aust'n Selection:	US\$3.0 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 / Mining Investment

African Lion Limited (AFL) was established 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, base metal, coal, industrial minerals and diamond opportunities. The fund intends to make 10 to 15 investments and current holdings range in value from US\$0.2 million to US\$4.05 million. AFL shareholders can co-invest in AFL investments if appropriate, and Lion has the right to make the second investment in companies that comply with PDF regulations.

AFL filters potential investments on a country risk basis as part of its investment process. The fund seeks investments in countries that offer the best geological setting and opportunity in conjunction with the lowest political, economic and legal risk.

Shareholders

Lion Selection Group Limited, Australia

Investment in AFL is through Australian Selection Pty Limited

CDC Capital Partners, United Kingdom

Leading development and finance institution with offices throughout Africa.

Investec Bank Limited, South Africa

Part of South Africa's largest independent, international investment and private banking group

PROPARCO, France

Investment and development arm of French government

FirstRand Bank Limited, South Africa

Leading South African investment bank

COMAFIN, Zimbabwe

Private equity fund established to invest in African projects, partly owned and managed by CDC

Subsequent to balance date, AFL announced that the Board of the European Investment Bank (EIB) had approved an investment of up to EUR 8 million (US\$7.4 million) in African Lion. The EIB is the development bank of the European Union and is owned by the EU member states.



Management Team

Terry Ward

Terry has worked in the Australian and international mining sectors for over thirty years. He has held a range of senior mining, planning, production, development and executive positions with companies including Hamersley Iron, Mary Kathleen Uranium, Carr Boyd Minerals and Muswellbrook Energy & Minerals in Australia and Harmony Gold Mining Company and Mines D'Or D'Akjoujt in Africa. His most recent appointment was Managing Director of Bogoso Gold Limited in Ghana. Terry joined AFL in 1999.

Mike Brook

Mike joined AFL in 2001 from stockbroking firm JBWere Limited. Mike was a resources analyst with JBWere for seven years, specialising in emerging resource companies in a variety of commodities, including gold, base metals and mineral sands. Prior to this Mike held mine geology positions, including Chief Geologist, at the Mt Isa Copper operations and geological and mine planning positions in USA and South Africa.

The AFL management team works closely with the Lion Manager when assessing and recommending investments.

Investments

Since establishment, AFL has assessed more than 300 opportunities and made the following investments:

AfriOre Limited - US\$1 million

Listed Canadian company producing anthracite from the 50% owned Springlake Mine in South Africa. Additional production may be sourced from the Somkele project, which is at feasibility stage.

Copperbelt Selection NL - US\$0.21 million

Unlisted Australian company established to acquire copper and other base metal projects primarily in Zambia.

East African Gold Mines Limited - US\$4.05 million

Unlisted Australian company with a 4.1 million ounce resource at North Mara in Tanzania. Development of a 170,000 ounce per annum open pit mine has commenced.

Equinox Resources Limited - US\$0.19 million

Listed Australian company (ASX code: EQR) currently evaluating the major Lumwana copper deposit in Zambia.

Gallery Gold Limited - US\$0.78 million

Listed Australian company (ASX code: GGN) with 100% interest in tenements totalling approximately 1,750 square kilometres in the highly prospective Tati and Vumba greenstone belts in Botswana.

Namibian Minerals Corporation - US\$1 million

Marine diamond miner and explorer employing innovative mining technology to produce 221,000 carats in the year ended 31 December 2000.

Red Back Mining NL - US\$1.62 million

Listed Australian company (ASX code: RBK) with 95% interest in the world class Chirano Gold Project in Ghana. Chirano is along strike from Ashanti's Bibiani Mine and has a current resource inventory in excess of 1 million ounces.

Spinifex Gold Limited - US\$1.83 million

Listed Australian company (ASX code: SPX) with portfolio of properties covering approximately 1,100 square kilometres in Tanzania and a global gold resource in excess of 2 million ounces.



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. In most cases, Mineral Resource Statements for listed companies have been previously published and where this is so 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 its Quarterly Report for the 3 months ended 30 June 2001. This report can be found on Austindo's website, www.austindoresources.com.au.

Austminex NL

The Statement of Probable Ore Reserves at Benambra and Estimate of Mineral Resources at Currawong were released by Austminex in an announcement to the Australian Stock Exchange on 31 August 2001. The announcement, "Benambra Base Metals Project Milestones", can be viewed on Austminex's website, www.austminex.com.au

Gallery Gold Limited

The Initial Resource Estimate for the Mupane Gold Deposit was released by Gallery in an announcement to the Australian Stock Exchange on 22 March 2001. This announcement, "Mupane Gold Prospect - Initial Resource Statement", can be found on Gallery's website, www.gallerygold.com.au. The Gold Resource Statement for Gallery's Other Botswana Projects was published in Gallery's 1999 Annual Report, which can also be viewed on Gallery's website.

Lafayette Mining Limited

The Mineral Resource Statement for the Ungay Deposit was released by Lafayette in an announcement to the Australian Stock Exchange on 24 July 2001. The Ore Reserve Statement for the Ungay Deposit was released in an announcement to the Australian Stock Exchange on 16 August 2001. Both of these announcements can be found on Lafayette's website, www.lafayettemining.com.

Sedimentary Holdings Limited

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 Statement for Spinifex's projects has been prepared by Mr Klaus Eckhof, a director of the company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Eckhof has more than 5 years experience in the style of mineralisation and type of deposit and qualifies as a Competent Person as defined in the 1999 JORC Code. Mr Eckhof has consented to the inclusion of the information in this report in form and context in which it appears.



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.

Indophil Resources NL

Information on Mineral Resources at the Manat Project was compiled by Mr Chris Middleton, Director of Exploration of Indophil Resources NL and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Middleton 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 Middleton has consented to the inclusion of this information in this report in the form and context in which it appears.

The Mineral Resource Statement for the Tampakan Deposit was published by WMC Limited in their 1998 Annual Report. This report can be viewed on WMC's website, www.wmc.com.au/acrobat/98annrep/future.pdf

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.



Australian Selection Pty Limited

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

Due to changes to the Pooled Development Fund Act relating to the activities of "controlled interposed entities" Australian Selection is slowly being wound down. Shares held by Australian Selection in companies in which Lion (the parent entity) also has an investment will, subject to various approvals, be transferred to Lion via a capital reduction.

The remaining investments in Australian Selection will include African Lion Limited (US\$3 million, with a commitment to invest a further US\$2 million) and an investment in Equinox Resources NL (\$1.2 million).

Australian Selection and African Lion together own 15.5% of Equinox, which is about to commence a feasibility study to develop the Lumwana copper deposit in Zambia. Equinox recently arranged a \$28.5 million funding package to finance the feasibility study.



The Pooled Development Fund Act

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

Under PDF regulations Lion can invest only 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 investment in PDFs, the government offers concessional tax treatment to both the PDF 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.

The PDF Act was amended on 22 June 2000 to implement changes announced in the May 1999 Budget and on 4 August 1999. The 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 obtained from:

Pooled Development Funds Registration Board
Venture Capital Programs
AusIndustry
Department of Industry, Science & Resources
GPO Box 9839
Canberra ACT 2601

Tel: (02) 6213 6609
Fax: (02) 6213 6610
Email: pdf@isr.gov.au

www.ausindustry.gov.au/pdf



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 the Corporations Act, 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, comprising the Chairman and the Managing Director, 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 \$217,000 pa.

6. Audit Committee

An Audit Committee was established by the Board in 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 Graham Freestone. 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 Act, 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.

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 the highest standards of corporate governance practice and ethical conduct by all directors and employees of both the Company and the Manager. The Company supports the principle of transparency in its dealings and to this end holds twice yearly shareholder meetings in major centres throughout Australia and New Zealand. All shareholders are invited to attend the meetings, where they are briefed on the status of the Company's investments and can communicate directly with the Manager. The briefing presentation is also posted on the Company's website.



Financial Statements

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Lion Selection Group Limited Directors' Report

The Board of Directors of Lion Selection Group Limited ("Lion") submits its report on the operations of the consolidated entity for the financial year ended 31 July 2001.

The consolidated entity includes Lion, Australian Selection Pty Ltd, Indophil Resources NL and Havilah Resources NL and their subsidiaries as disclosed in Note 24. The consolidated entity also equity accounts its investments in its associates including: Consolidated Minerals Limited, Gallery Gold Limited, Spinifex Gold Limited, Lafayette Mining Limited, Sedimentary Holdings Limited and Copperbelt Selection NL. Details of these associated entities are disclosed in Note 25.

Principal Activities

The principal activities of the members of the consolidated entity during the financial year were investment in resource companies and exploration.

Results

The operating loss after income tax of the consolidated entity attributable to members of Lion for the financial year was \$4,212,000 (2000 – loss \$2,210,000).

Dividends

No dividend has been paid, recommended or declared since the end of the preceding financial year.

Review of Operations

During the year under review, Lion Selection Group Limited (the parent entity) made investments totalling \$10.8 million. At 31 July 2001 it had a total of \$77.1 million invested, including \$28.9 million invested in controlled entities against which provisions of \$5.4 million have been made. The activities of the companies in which Lion has invested are described in the front section of this annual report.

As disclosed above, the loss attributable to members of Lion was \$4,212,000 for the year. The contribution of each member of the consolidated entity to this result was as follows:

	2001	2000
Lion Selection Group Limited	(\$554,000)	(\$63,000)
Australian Selection Pty Ltd	\$944,000	(\$284,000)
Indophil Resources NL	(\$4,793,000)	(\$763,000)
Havilah Resources NL	(\$812,000)	(\$883,000)
Contribution of associates	\$1,003,000	(\$217,000)
Attributable to members of Lion	(\$4,212,000)	(\$2,210,000)



The following analysis is pertinent in understanding the group results:

The parent entity's income predominantly came from interest earned as none of Lion's investments (apart from its investment in Consolidated Minerals Limited) had reached a state of maturity during the year that warranted disposal in accordance with its investment plan. Lower interest rates prevailing during the year and the fact that there was less cash invested resulted in interest income declining by approximately \$780,000 compared to the previous year.

Australian Selection Pty Ltd's profit of \$944,000 was as a result of the sale of shares and a contribution from its 52.5% shareholding in AFL Management Limited.

The contribution to the group loss from Havilah Resources NL was due to the Lion board's decision to write off the carrying value of Havilah's exploration expenditure and to value its investment to reflect Lion's share of Havilah's cash assets at balance date.

The Indophil loss of \$4,793,000 resulted from writing off costs associated with the efforts to acquire the Tampakan project and the costs of a proposed float (which was subsequently deferred due to global uncertainties resulting from the World Trade Centre tragedy) as well as write downs in the carrying value of various exploration properties.

Although prudent accounting practice necessitated writing off the Tampakan acquisition costs, directors believe that the Tampakan project has the potential to add significant value to the Lion group. Accordingly, they support continuing efforts to acquire this world class project.

The investment in Indophil has been written down to its estimated recoverable amount on a going concern basis. The robustness of this value in future periods will be dependent on Indophil's ability to raise additional funding to finance its activities for at least 12 months or until market conditions allow the float to be progressed and underwritten. Should this basis not be appropriate, Indophil's assets would have to be valued on an alternative basis.

Compliance with Environmental Regulation

The Lion board is committed to ensuring that sound environmental management practices are carried out, in particular by those members of the consolidated entity that are involved in exploration activities and that they at least comply with and strive to exceed the relevant statutory requirements relating to the environment.

It encourages environmental practices that reflect developments in technology, current statutory requirements, general industry practice and expected community standards such as plugging and capping drill holes and restoring drill sites and ensuring that all bush camp sites are left in a similar condition to that in which they were found.

No member of the consolidated entity has been notified of any environmental breach by any government or other agency.

Directors

The names and details of the directors in office at the date of this report are:

Ewen W J Tyler, AM BSc (Hons) FAusIMM FAIM MIMM CEng (Non-Executive Chairman)

Mr Tyler, aged 73, completed his degree in Geology at the University of Western Australia in 1949 and was involved in exploration and mining in Africa during the 1950's. In the following decade, he worked in mining finance and exploration in London, and on returning to Australia in 1969, initiated exploration which led to the discovery of the Argyle Diamond Mine.

Mr Tyler was a founding director of Ashton Mining Limited and remained an executive director until his retirement in 1990. He is chairman of Helix Resources Limited and Striker Resources NL, and a director of the responsible entity for the Western Australian Diamond Trust.

Mr Tyler is the Chairman of the Audit Committee and the Nomination Committee.



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

Mr Widdup, aged 49, graduated from the University of Leeds (United Kingdom) with an Honours Degree in Geology in 1975.

From 1975 to 1978 Mr Widdup worked in the Zambian copper belt gaining experience in mine geology at major copper-cobalt deposits. He returned to the United Kingdom in 1978 to work for the National Coal Board in open-cast coal exploration activities. In 1980 Mr Widdup joined Mount Isa Mines Limited as a project geologist in copper/silver, lead and zinc mining, progressing to become the senior geologist of Mount Isa Mines Limited.

Mr Widdup joined J B Were & Son as a base metals analyst in 1986 before his subsequent appointment as a gold and precious metals analyst. In 1990 he was appointed manager of J B Were & Son's Resource Research team. During his time at J B Were & Son, Mr Widdup established himself as one of Australia's leading resources analysts and the Resource Research team under his management was held in the same regard. Mr Widdup resigned from J B Were & Son in 1997 to establish Lion Selection Group Limited.

John F O'Reilly MSc DIC BSc (Eng) ARSM FIMM FIM (Non-Executive Director) – appointed 17 May 2001

Mr O'Reilly, aged 56, is a Director and former Chief Executive Officer of Lihir Gold Limited and was responsible for the construction and operations of the Lihir gold project from 1993 to 1998. He is currently Head of Technology for Rio Tinto.

Mr O'Reilly has over 30 years experience in the mining industry and prior to joining Rio Tinto held senior operating positions in Oman, Iran, Botswana and Zambia.

Graham R Freestone BEc (Hons) (Non-Executive Director) – appointed 26 July 2001

Mr Freestone, aged 54, has a broad based finance, corporate and commercial background obtained over 30 years in executive roles in the natural resources industry in Australia and internationally. He has held various senior finance positions with the Shell Group, Acacia Resources and AngloGold.

Mr Freestone was deeply involved in the Shell Group's float of its mineral interests through Acacia Resources Limited. His immediate past role 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. Since AngloGold's acquisition of Acacia in 2000 he was also responsible for the company's integration into the AngloGold Group and its relocation to Perth in 2001.

Mr Freestone is a member of the Audit Committee.

Directors' Meetings

During the year the company held seven directors' meetings. The names of the directors and members of Board Committees are set out above. The attendances of the directors at meetings of the Board and of its Committees were:

	<i>Board of Directors</i>		<i>Audit Committee</i>	
	<i>Attended</i>	<i>Max. possible attended</i>	<i>Attended</i>	<i>Max. possible attended</i>
E W J Tyler	7	7	1	1
R A Widdup	7	7	N/A	N/A
J J Craig – resigned 19/12/00	3	3	1	1
M W MacNaught – resigned 26/7/01	5	7	N/A	N/A
J F O'Reilly – appointed 17/5/01	1	1	N/A	N/A
G R Freestone – appointed 26/7/01	Nil	Nil	Nil	Nil

At the date of this report the company had an Audit Committee of the Board which met once during the year. The Nomination Committee also met informally several times during the year.



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 the financial statements 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:

- Selection (LSG) Management Pty Ltd (the Manager), of which Mr Widdup is a director, is paid a management fee of \$125,000 per month in accordance with a management agreement executed in May 1997. The fee is considered to be in the ordinary course of business and on commercial terms. The Manager's staff consists of two former geologists (Robin Widdup and Kevin Robinson) and two former mining engineers (Chris Melloy and Howard Walker) together with other support staff. Mr Widdup does not receive any other remuneration from Lion. Further details regarding the Manager are on page 7.

Indemnification of Directors and Officers

An indemnity agreement has been entered into between Lion and each of the directors of the company 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 amounting to \$25,000 in respect of a contract insuring each of the directors of the company named earlier in this report and each full-time executive officer, director and secretary of the consolidated entity, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

Significant Changes in the State of Affairs

Since the end of the preceding financial year, there have been no significant changes in the state of affairs of the consolidated entity.

Significant Events After Balance Date

Since 31 July 2001, the following significant events have occurred:

- Shareholders of Consolidated Minerals Limited approved a transaction which will result in the Lion group disposing of all of its options and 9.3 million of its shares in Consolidated Minerals for a pre tax profit of approximately \$6.0 million. The proceeds from the disposal more than recovers the cost of Lion's entire CSM shareholding. Lion's residual holding in CSM of 28.5 million shares is currently valued at more than \$14.0 million.
- The consolidated entity received dividends totalling \$850,000 from Consolidated Minerals Limited.
- The parent entity made or agreed to make additional investments in Gallery Gold Limited (\$1,173,000), Sedimentary Holdings Limited (\$1,120,000), Spinifex Gold Limited (\$200,000), Westonia Mines NL (\$140,000) and Indophil Resources NL (\$100,000).
- Indophil Resources NL deferred a planned IPO and subsequently raised interim funding amounting to approximately \$393,000. It also deferred a payment of US\$250,000 relating to the Tampakan project until March 2002.
- Austminex NL announced that it was suspending further pre-development activity at Benambra pending an improvement in metal prices.

Except as noted above, there is no matter or circumstance that has arisen since 31 July 2001 that 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.



Directors' Shareholding

At the date of this report the interests of the directors in the ordinary shares of Lion Selection Group Limited were:

<i>Director</i>	<i>No. of Shares</i>
E W J Tyler	20,000
R A Widdup	411,500
J F O'Reilly	50,000
G R Freestone	Nil

There are no options on issue. No director has any interest in the company's related body corporates.

Refer to page 63 for additional shareholder information.

Directors' and Officers' Remuneration

Emoluments of board members and senior executives are determined on the basis of market conditions and the level of responsibility associated with their position.

The parent entity's prospectus stated that its raison d'être was the provision of patient equity capital. Lion has only been operating since July 1997. Given the long term nature of its investments, not enough time has elapsed to enable these investments to mature in order for Lion to realise value from them. Consequently it is not relevant at this stage to measure the company's performance against its emoluments policy.

Details of remuneration paid/payable to directors and the top five executive officers are as follows:

<i>Name</i>	<i>Notes</i>	<i>Salaries/Fees \$'000</i>	<i>Superannuation \$'000</i>	<i>Total \$'000</i>
Directors				
E W J Tyler	(a)	87	-	87
J J Craig		23	2	25
M W MacNaught		64	-	64
J F O'Reilly		14	-	14
G R Freestone		1	-	1
R A Widdup	(b)	-	-	-
Officers				
T W Robbins	(c)	138	9	147
C N Middleton	(c)	125	10	135
T A Ward	(d)	131	28	159
M D Brook	(d)(e)	56	5	61
P R Taylor		100	25	125

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

(b) Mr Widdup is remunerated by the Manager, Selection (LSG) Management Pty Ltd, of which he is a director (refer Directors' Benefits section on page 36).



- (c) Executive Officers of Indophil Resources NL.
- (d) Executive Officers of AFL Management Limited (a subsidiary of Australian Selection Pty Ltd).
- (e) Commenced employment on 19 March 2001

Employees

At 31 July 2001 there were 2 full time equivalent employees of the parent entity and 21 full time equivalent employees of the consolidated group. (31 July 2000, parent – 2, consolidated group – 21)

Likely Developments and Future Results

The consolidated entity's future operating results will depend on the results of its investments.

There are a wide variety of risks associated with the resources industry including market conditions, exploration, operational and political risk, tenure of tenements, liquidity and native title issues. These risks emphasise the speculative nature of many of Lion's investments.

Because of the vagaries of the resources industry and the long term nature of most of Lion's investments, the directors are unable to predict future results.

Rounding of Amounts

The parent entity is a company of the kind specified in Australian Securities and Investment Commission class order 98/0100. In accordance with that class order, amounts in the financial statements and the Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

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

A handwritten signature in black ink, appearing to read 'E W J Tyler', written over a dotted line.

E W J Tyler
Chairman

A handwritten signature in black ink, appearing to read 'R A Widdup', written over a dotted line.

R A Widdup
Managing Director

Melbourne
26 October 2001



Lion Selection Group Limited
Statement of Financial Performance for
the Year Ended 31 July 2001

	<i>Notes</i>	<i>Consolidated</i>		<i>Parent</i>	
		<i>2001 \$000</i>	<i>2000 \$000</i>	<i>2001 \$000</i>	<i>2000 \$000</i>
Sales revenue	2	4,937	2,940	-	325
Cost of sales		(2,793)	(2,453)	-	(325)
Gross profit		2,144	487	-	-
Other revenues	2	3,372	4,049	1,610	2,222
Management fees paid		(1,502)	(1,502)	(1,502)	(1,502)
Employee benefits		(788)	(809)	(379)	(408)
Exploration costs written off		(3,919)	(1,849)	-	-
Diminution in value of investments		(986)	(1,100)	(3,113)	(1,030)
Other expenses	2	(5,856)	(1,212)	(341)	(383)
Share of net profit/(loss) of associates accounted for using the equity method	25(b)	1,003	(217)	-	-
Profit/(loss) from ordinary activities before income tax		(6,532)	(2,153)	(3,725)	(1,101)
Income tax (expense)/benefit relating to ordinary activities	3	(917)	(139)	59	8
Net profit/(loss)		(7,449)	(2,292)	(3,666)	(1,093)
Net (profit)/loss attributable to outside equity interests		3,237	82	-	-
Net profit/(loss) attributable to members of the parent entity		(4,212)	(2,210)	(3,666)	(1,093)
Effect of dilution due to issue of shares to outside equity interests		838	-	-	-
Total changes in equity other than those relating from transactions with owners as owners		(3,374)	(2,210)	(3,666)	(1,093)
		<i>Cents</i>	<i>Cents</i>		
Basic earnings per share *	28	(4.2)	(2.2)		

The accompanying notes form an integral part of this Statement of Financial Performance

* Basic earnings per share is based on a weighted average number of shares on issue during the period of 100,108,905 shares (2000 – 100,108,905 shares).

As there are no potential dilutive ordinary shares on issue, diluted earnings per share is not reported.



Lion Selection Group Limited

Statement of Financial Position at 31 July 2001

	Notes	Consolidated		Parent	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Current Assets					
Cash assets	15(a)	27,419	37,628	21,995	33,142
Receivables	4	174	509	92	358
Other financial assets	5	720	1,318	-	-
Other	6	62	54	31	32
Total Current Assets		28,375	39,509	22,118	33,532
Non Current Assets					
Investments accounted for using equity method	25	28,210	20,921	-	-
Other financial assets	7	34,297	30,055	71,716	63,989
Property, plant and equipment	8	3,086	5,831	-	-
Total Non Current Assets		65,593	56,807	71,716	63,989
Total Assets		93,968	96,316	93,834	97,521
Current Liabilities					
Payables	9	1,015	679	240	203
Tax liabilities	10	1,065	119	-	-
Other provisions	11	44	47	10	9
Total Current Liabilities		2,124	845	250	212
Non Current Liabilities					
Deferred tax liabilities	12	28	105	18	77
Total Non Current Liabilities		28	105	18	77
Total Liabilities		2,152	950	268	289
Net Assets		91,816	95,366	93,566	97,232
Equity					
<i>Members of the parent</i>					
Contributed equity*		100,109	100,109	100,109	100,109
Accumulated losses	13	(9,797)	(6,423)	(6,543)	(2,877)
		90,312	93,686	93,566	97,232
<i>Outside equity interests</i>					
Contributed equity		5,823	2,085	-	-
Accumulated losses		(4,319)	(405)	-	-
		1,504	1,680	-	-
Total Equity	14	91,816	95,366	93,566	97,232

* At 31 July 2001 the parent entity had 100,108,905 shares on issue. (2000 – 100,108,905 shares).

The accompanying notes form an integral part of this Statement of Financial Position.



Lion Selection Group Limited

Statement of Cash Flows for the Year Ended 31 July 2001

	<i>Notes</i>	<i>Consolidated</i>		<i>Parent</i>	
		<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
		<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<i>Cash flows from operating activities</i>					
Interest and bill discounts received		2,155	2,906	1,632	2,495
Other fees received		1,392	1,069	250	46
Payments to suppliers and employees		(3,637)	(3,189)	(2,189)	(2,313)
Dividends received		-	8	-	11
Income taxes paid		(48)	(313)	-	(313)
<i>Net operating cash flows</i>	15(b)	(138)	481	(307)	(74)
<i>Cash flows from investing activities</i>					
Payments for investments		(12,908)	(17,073)	(10,840)	(13,082)
Proceeds from sale of controlled entities	24(b)	-	(325)	-	-
Proceeds from investment sales		4,102	2,626	-	325
Loans made		(2,795)	-	-	-
Loan repayments received		588	-	-	-
Payments for plant and equipment		(37)	(110)	-	-
Payments for exploration and evaluation		(666)	(2,014)	-	-
Payments for tenement acquisitions		(1,148)	-	-	-
<i>Net investing cash flows</i>		(12,864)	(16,896)	(10,840)	(12,757)
<i>Cash flows from financing activities</i>					
Proceeds from issue of shares to outside equity interests		3,470	-	-	-
Dividends paid to outside equity interests		(163)	-	-	-
Equity raising costs paid by subsidiary		(659)	-	-	-
<i>Net financing cash flows</i>		2,648	-	-	-
<i>Net increase/(decrease) in cash held</i>		(10,354)	(16,415)	(11,417)	(12,831)
Exchange rate variations on foreign cash balances		145	-	-	-
Cash at beginning of the financial period		37,628	54,043	33,142	45,973
<i>Cash at end of the financial period</i>	15(a)	27,419	37,628	21,995	33,142

The accompanying notes form an integral part of this Statement of Cash Flows.



Lion Selection Group Limited Notes to the Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared as a general purpose financial report which complies with the requirements of the Corporations Act, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. The financial statements have also been prepared in accordance with the historical cost convention and do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets except for shares and options in listed companies held for resale, which are stated at market value.

There have been no changes in accounting policies from the previous year.

Comparatives

Where applicable, comparatives have been adjusted to disclose them on a comparable basis with the current year figures.

The consolidated entity has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 "Statement of Financial Performance", AASB 1034 "Financial Report Presentation and Disclosure" and AASB 1040 "Statement of Financial Position" for the first time in the preparation of this financial report. In accordance with the requirements of these Standards, comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net profit/loss of the company or consolidated entity as reported in the prior year financial report.

Principles of Consolidation

The consolidated financial statements include the financial statements of the parent entity, Lion Selection Group Limited, and its controlled entities, referred to collectively throughout these financial statements as the "Consolidated Entity".

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Foreign Currency Transactions

Foreign currency items are translated to Australian currency on the following bases:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date; and
- the financial statements of all foreign operations are translated using the temporal method as they are considered integrated.

Exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains or losses, in the period when the exchange rates change, except where:

- the exchange difference relates to the cost of acquisition of an asset under construction or otherwise being made ready for future productive use by the consolidated entity in its own operations, or under construction for another entity pursuant to a construction contract. In these cases the exchange difference is included in the cost of the asset;



- the exchange difference relates to a transaction intended to hedge the purchase or sale of goods or services, in which case the exchange difference is included in the measurement of the purchase or sale.

Mining Activities

Accounting policies relating to the consolidated entity's exploration and mining activities are as follows:

Exploration, Evaluation and Development Expenditure

Exploration and evaluation expenditure is initially capitalised on an area of interest basis. From time to time and at balance date each area of interest is reviewed. If it is determined that expenditure on a particular area of interest will not be recouped by future exploitation or sale, that expenditure is then charged against earnings.

If, at balance date, exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing, the relevant expenditures remain capitalised.

Ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or sale, of the respective areas of interest.

Development expenditure will also be capitalised to the extent that such costs, together with capitalised exploration and evaluation costs, are expected to be recouped through the successful exploitation or sale of the area of interest.

Capitalised expenditures on exploration, evaluation and development are amortised over the life of the area of interest to which they relate. Amortisation charges are determined on a production output or time basis as appropriate.

Amortisation is not charged until production commences. Unamortised expenditure relating to an area of interest is written off in the period that abandonment is decided.

Restoration and Rehabilitation

Provision is made for anticipated costs of restoration and rehabilitation necessitated by disturbance arising from exploration, evaluation, development and production activity, and form part of the costs of the respective phases of operations.

Restoration and rehabilitation costs are accumulated in the provision on a production output basis commencing in the period that disturbance occurs. Costs included in the provision comprise land reclamation, plant removal and on-going revegetation programs. The provision is determined based on anticipated future costs, utilising known technology, discounted to present values. Changes in estimates of future costs or in the discount rate are reflected in the provision on a prospective basis over the remaining life of the project.

Income Tax

The financial statements apply the principles of tax-effect accounting. The income tax expense in the Statement of Financial Performance represents the tax on the pre-tax accounting profit adjusted for income and expenses never to be assessed or allowed for taxation purposes. The provision for deferred income tax liability and the future income tax benefit include the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse. The components of the provision for deferred tax are shown in Note 12.

The benefit arising from estimated carry forward tax losses is only recorded as a future income tax benefit where realisation of such benefit is considered to be virtually certain.



Short Term Investments

Short term investments are valued at market. Profits or losses resulting from market fluctuations are brought to account when they occur.

Recoverable Amounts of Non Current Assets

All non current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. Recoverable amount is determined using net cash flows (if applicable) discounted at 10% to present values.

Associated Entities

Interests in associated entities are brought to account using the equity method. Under this method the investment in associates is initially recognised at its cost of acquisition and its carrying value is subsequently adjusted for increases or decreases in the investor's share of post-acquisition results and reserves of the associate. The investment in associated entities is decreased by the amount of dividends received or receivable. Investments in associates are carried at the lower of cost and recoverable amount in the accounts of the parent entity.

Where the interest of the consolidated entity in the retained earnings or accumulated losses of an associate is diluted as a result of additional share capital issued to other shareholders of the associate, the resulting loss or gain is recorded in the Statement of Financial Performance. Where the interest of the consolidated entity in the reserves of an associate is diluted as a result of additional share capital issued to other shareholders of the associate, the dilution is recorded as a reduction in the reserves of the consolidated entity.

Detailed entity accounting information concerning the consolidated entity's interests in associated entities is provided in Note 25.

Joint Ventures

Interests in joint venture operations are brought to account by including in the respective financial statement categories:

- the consolidated entity's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture including the consolidated entity's share of any liabilities for which the consolidated entity is jointly and/or severally liable; and
- the consolidated entity's share of expenses of the joint venture.

Other Investments

Interests in non-subsiary, non-associated corporations are included in investments at the lower of cost or recoverable amount. Dividend income is brought to account when received.

Leased Assets

Company or lessee assets acquired under finance leases are capitalised and amortised over the life of the relevant lease or, where ownership is likely to be obtained on expiration of the lease, over the expected useful life of the asset. Lease payments are allocated between interest expense and reduction in the lease liability.

Operating lease assets are not capitalised and rental payments are expensed in the period in which they are incurred.



Plant and Equipment

Plant and equipment is depreciated over the useful economic lives as follows:

	<i>Life</i>	<i>Method</i>
Leasehold improvements	5 years	Straight line
Owned Plant and Equipment	2-5 years	Straight line

Goodwill on Acquisition

On acquisition of a controlled entity, the difference between the purchase consideration plus incidental expenses and the fair value of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Purchased goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise, and no longer than twenty years. The unamortised balance of goodwill is reviewed at each balance date and charged to profit from ordinary activities to the extent that applicable future benefits are no longer probable.

Financial Instruments Included in Assets

Bank deposits and bills of exchange are carried at cost. Interest is recognised on a straight line accruals basis. Investments in trading securities are carried at market value, whilst long term investments are carried at lower of cost or recoverable amount.

Financial Instruments Included in Equity

Ordinary contributed equity bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Provision for Employee Entitlements

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave. Provision for long service leave is only made when an employee has been in the employ of a member of the consolidated entity for at least 5 years. No provision is made for sick leave.



	<i>Consolidated</i>		<i>Parent</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
NOTE 2 PROFIT AND LOSS ITEMS				
The loss from ordinary activities is after crediting the following revenues:				
<i>Sales revenues</i>				
Sales of shares	4,937	2,940	-	325
<i>Other revenues</i>				
Dividends	-	8	-	11
Sale of controlled entity	-	325	-	-
Interest received	1,862	2,606	1,388	2,166
Management fees received	1,142	983	-	-
Net foreign exchange gain	146	74	-	-
Sundry revenue	222	53	222	45
Total other revenues	3,372	4,049	1,610	2,222
Total revenues	8,309	6,989	1,610	2,547
The loss from ordinary activities is after charging the following other expense items:				
Provision for diminution in capitalised acquisition costs	1,286	-	-	-
Provision for diminution in value of loans	2,207	-	-	-
Operating lease rentals ^(a)	128	140	21	65
Depreciation of plant and equipment	60	50	-	-
Related party capital raising costs	840	-	-	-
Other corporate overheads	1,335	1,022	320	318
Total other expense items	5,856	1,212	341	383

^(a) Comprises minimum lease payments.

Significant items

The following significant items impacted on the financial result during the year:

- The parent entity wrote down its investment in Indophil Resources NL by \$2,278,000 and in Havilah Resources by \$835,000.
- Indophil Resources NL wrote off \$840,000 in IPO costs.
- Indophil Resources NL wrote off \$1,286,000 in acquisition costs and \$2,207,000 in loans relating to the acquisition of the Tampakan project.



	<i>Consolidated</i>		<i>Parent</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
NOTE 3 INCOME TAX EXPENSE				
The difference between income tax provided in the financial statements and the prima facie income tax expense/(benefit) is reconciled as follows:				
Profit/(loss) from ordinary activities	(6,532)	(2,153)	(3,725)	(1,101)
Prima facie tax thereon at 34% (2000 at 36%)	(2,221)	(775)	(1,267)	(396)
Tax effect of permanent and other differences:				
▪ Share of net results of associates	(341)	78	-	-
▪ Exploration and acquisition costs written off	1,255	369	-	-
▪ Provision for diminution in value of investments	335	396	778	257
▪ Capital raising costs not deductible	279	-	-	-
▪ Other	70	(4)	-	(3)
▪ Recoupment of prior year tax losses not previously booked	-	(152)	-	-
Effect of lower tax rates	(64)	(108)	335	121
Amount underprovided/(overprovided) in prior years	(61)	(8)	-	(8)
Future income tax benefits not brought to account	1,665	343	95	21
Total income tax attributable to operating activities	917	139	(59)	(8)
Future income tax benefits arising from tax losses and mining expenditure not brought to account *	2,738	1,589	25	21
C class franking account balance	1,313	1,313	1,212	1,212
* <i>These benefits will only be obtained if sufficient future assessable income is derived to enable the benefit to be realised, the conditions of deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the consolidated entity in realising the benefit.</i>				
NOTE 4 RECEIVABLES (CURRENT)				
Accrued interest	107	398	73	316
Other debtors	67	111	19	42
Total current receivables, net	174	509	92	358
NOTE 5 OTHER FINANCIAL ASSETS (CURRENT)				
Securities quoted on prescribed stock exchange (at market value)	720	1,318	-	-
Total current other financial assets	720	1,318	-	-
NOTE 6 OTHER ASSETS (CURRENT)				
Prepayments	62	54	31	32
Total current other assets	62	54	31	32



	<i>Consolidated</i>		<i>Parent</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
NOTE 7 OTHER FINANCIAL ASSETS (NON CURRENT)				
Investments in subsidiaries (at cost)	-	-	28,924	27,874
Provision for diminution	-	-	(5,377)	(2,264)
Investment in securities quoted on prescribed stock exchanges (at cost)	10,742	9,354	32,282	25,492
Provision for diminution	(1,830)	(1,100)	-	-
Investments in securities not quoted on prescribed stock exchanges (at cost)	25,385	21,801	15,887	12,887
Provision for diminution	-	-	-	-
Total non-current other financial assets	34,297	30,055	71,716	63,989
Market value of quoted securities	6,539	10,346	45,049	41,293
NOTE 8 PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment at cost				
Opening balance	432	307	-	-
Additions	37	125	-	-
Disposals	(22)	-	-	-
Closing balance	447	432	-	-
Accumulated depreciation				
Opening balance	249	135	-	-
Depreciation for the year	104	114	-	-
Disposals	(6)	-	-	-
Closing balance	347	249	-	-
Net book value	100	183	-	-
Capitalised exploration, evaluation and development expenditures				
Opening balance	5,648	5,002	-	-
Additions	1,258	2,495	-	-
Exploration and evaluation written off	(3,919)	(1,849)	-	-
Closing balance	2,986	5,648	-	-
Total property, plant and equipment, net	3,086	5,831	-	-



	<i>Consolidated</i>		<i>Parent</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
NOTE 9 PAYABLES (CURRENT)				
Sundry creditors and accruals	889	553	114	77
Amounts payable to director related entities	126	126	126	126
<i>Total current payables</i>	1,015	679	240	203
NOTE 10 TAX LIABILITIES (CURRENT)				
Income tax payable	1,065	119	-	-
<i>Total current tax liabilities</i>	1,065	119	-	-
NOTE 11 OTHER PROVISIONS (CURRENT)				
Employee entitlements	44	47	10	9
<i>Total current other provisions</i>	44	47	10	9
NOTE 12 DEFERRED TAX LIABILITIES (NON-CURRENT)				
Provision for deferred income tax:				
Attributable to timing differences:				
Interest receivable	28	105	18	77
<i>Total deferred tax liabilities</i>	28	105	18	77
NOTE 13 RETAINED PROFITS				
Retained profits/(losses) at the beginning of the financial year	(6,423)	(4,213)	(2,877)	(1,784)
Effect of dilution due to issue of shares to outside equity interests	838	-	-	-
Net profit or (loss)	(4,212)	(2,210)	(3,666)	(1,093)
<i>Retained profits/(losses) of the end of the financial year</i>	(9,797)	(6,423)	(6,543)	(2,877)
NOTE 14 CONTRIBUTED EQUITY				
Total equity at the beginning of the financial year	95,366	97,406	97,232	98,325
Total changes in equity recognised in the Statement of Financial Performance	(3,374)	(2,210)	(3,666)	(1,093)
Total changes in outside equity interests	(176)	170	-	-
<i>Total equity at reporting date</i>	91,816	95,366	93,566	97,232



NOTE 15 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash:

For the purpose of the Statement of Financial Position and the 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 Statement of Financial position as follows:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Cash on hand	2,614	942	1,753	465
Cash held by custodian	3,091	1,599	-	-
Bank bills and deposits	21,714	35,087	20,242	32,677
	27,419	37,628	21,995	33,142

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

Net loss after income tax	(7,449)	(2,292)	(3,666)	(1,093)
<i>Adjustments for non-cash income and expense items</i>				
Depreciation and amortisation	60	50	-	-
Equity accounted (profits)/losses	(1,003)	217	-	-
Exploration, evaluation and acquisition costs written off	5,205	1,849	-	-
Related party capital raising costs written off	840	-	-	-
Other	16	(115)	-	-
Movement in provision for:				
Income tax payable	946	(123)	-	(242)
Deferred income tax	(77)	(52)	(59)	(80)
Diminution in value of investments	986	1,100	3,112	1,030
Diminution in value of receivables	2,207	-	-	-
Net foreign exchange gain	(146)	(74)	-	-
Profit on sale of investments	(2,144)	(487)	-	-
<i>Changes in assets and liabilities net of affects of purchase of controlled entities</i>				
(Increase)/decrease in assets				
Accounts receivable	369	572	267	297
Prepayments	(8)	(24)	1	(17)
(Decrease)/increase in liabilities				
Accounts payable	63	(142)	37	27
Employee entitlements	(3)	2	1	4
<i>Net cash from operating activities</i>	(138)	481	(307)	(74)



<i>Consolidated</i>		<i>Parent</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>

NOTE 16 COMMITMENTS

(a) Operating lease expenditure contracted for is payable as follows:

Not later than one year	102	94	73	68
Later than one year but not later than five years	73	139	73	139
Later than five years	-	-	-	-
	175	233	146	207

(b) Other commitments for management fee is payable as follows:

Not later than one year	1,502	1,502	1,502	1,502
Later than one year but not later than five years	-	1,502	-	1,502
Later than five years	-	-	-	-
	1,502	3,004	1,502	3,004

(c) Commitments for exploration expenditure are scheduled as follows:

Not later than one year	985	1,531	-	-
Later than one year but not later than five years	2,900	1,102	-	-
Later than five years	-	-	-	-
	3,885	2,633	-	-

Due to the uncertain nature of exploration, the consolidated entity believes that any estimate of exploration expenditure from year two is unable to be forecast with any reliability.

NOTE 17 CONTINGENT LIABILITIES

(a) The Parent Entity is obliged to pay the Manager a bonus management fee if the market capitalisation of the company during the month of July in any year exceeds the amount of issued capital increased on a compounding basis by the lesser of 15% pa and the long term bond rate plus 5%.

The bonus payable is 20% of this excess. A bonus would only have been payable to the Manager if Lion's daily weighted average share price had exceeded \$1.50 for the month of July 2001.

It is not possible to quantify the future financial effect of this potential commitment as it is dependent upon market conditions which will affect the company's future share price and future interest rates.

(b) If Indophil Resources NL is successful in acquiring the Tampakan project, various payments amounting to \$2,268,000 may be required.



NOTE 18 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposures

The consolidated entity is exposed to interest rate risk through its primary financial assets. 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 as follows:

	<i>Floating Interest Rate*</i> \$000	<i>Fixed Interest Rate**</i> \$000	<i>Non-Interest Bearing</i> \$000	<i>Total</i> \$000	<i>Average Interest Rate</i>	
					<i>Floating %</i>	<i>Fixed %</i>
2001						
Financial Assets:						
Cash	2,614	-	-	2,614	3.68	-
Bank bills and deposits receivable	-	21,714	-	21,714	-	5.07
Cash held by custodian	3,091	-	-	3,091	4.85	-
Receivables	-	-	174	174	-	-
Investment in securities	-	810	62,417	63,227	-	10.00
Financial Liabilities:						
Accounts payable	-	-	1,015	1,015	-	-
2000						
Financial Assets:						
Cash	942	-	-	942	3.50	-
Bank bills and deposits receivable	-	35,087	-	35,087	-	6.09
Cash held by custodian	1,599	-	-	1,599	5.75	-
Receivables	-	-	509	509	-	-
Investment in securities	-	2,610	49,684	52,294	-	9.20
Financial Liabilities:						
Accounts payable	-	-	679	679	-	-

* *Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.*

** *Maturing within 1 year.*

At year end the consolidated entity held one series of convertible notes totalling \$810,000 (2000 - \$2,610,000). The coupon rate was 10.0%. The notes mature on 31 December 2001.

(b) Credit Risk Exposures

Credit exposure represents the extent of credit related losses that the consolidated entity may be subject to on amounts to be received from financial assets.

The credit risk in respect of financial assets of the consolidated entity (excluding investments in shares) recognised on the balance sheet is the carrying amount. Bills of exchange which have been purchased at a discount to face value are carried on the balance sheet at their discounted purchase price. Credit risk with respect to cash and bank bills is minimised by spreading investments between two of Australia's major banks.



(c) Foreign Exchange

The consolidated entity is exposed to foreign currency exchange risk through the primary financial assets and liabilities of its offshore investments as follows:

	<i>Philippines Pesos '000</i>	<i>US \$ '000</i>
Cash	6,677	453
Investments in securities	-	3,000
Payables	2,511	223

(d) Net Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated net fair values of financial assets and financial liabilities held by the consolidated entity at balance date are given below. The net 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:

	<i>Consolidated</i>			
	<i>Carrying Amount</i>		<i>Aggregate Net Fair Value</i>	
	<i>2001 \$000</i>	<i>2000 \$000</i>	<i>2001 \$000</i>	<i>2000 \$000</i>
Financial Assets:				
Cash	2,614	942	2,614	942
Bank bills and deposits receivable	21,714	35,087	21,714	35,087
Cash held by custodian	3,091	1,599	3,091	1,599
Receivables	174	509	174	509
Short term investments	720	1,318	720	1,318
Long term investments				
Associated entities	28,210	20,921	46,301	42,213
Other listed securities	8,912	8,254	6,539	10,346
Unlisted securities	25,385	21,801	36,783	28,672
Financial Liabilities:				
Accounts Payable	1,015	679	1,015	679

NOTE 19 SUPERANNUATION COMMITMENTS

No member of the consolidated entity has its own superannuation plan. The only commitment to superannuation is with respect to statutory commitments. At balance date, members of the consolidated entity were contributing to various approved superannuation funds at the choice of employees at a minimum rate of 8% 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.



NOTE 20 INCOME OF DIRECTORS

The numbers of directors of the parent entity who were paid, or were due to be paid, income (including salaries and contributions to superannuation funds) directly or indirectly from the company or any related party, as shown in the following bands, were:

	<i>Parent</i>	
	<i>2001</i>	<i>2000</i>
\$0 - \$9,999	2	1
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	1	-
\$60,000 - \$69,999	1	2
\$80,000 - \$89,999	1	1
The aggregate income of the directors referred to above	\$191,000	\$217,000

The total of all income paid or payable, directly or indirectly, from the respective entities of which they are a director or from a related party to all of the directors of each entity in the consolidated entity was \$681,000 (2000 - \$638,000).

NOTE 21 INCOME OF EXECUTIVES

The number of executive officers whose total income for the year falls within the following bands, were:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
\$120,000 - \$129,999	1	1	1	1
\$130,000 - \$139,999	1	3	-	-
\$140,000 - \$149,999	1	1	-	-
\$150,000 - \$159,999	1	-	-	-
The aggregate income of the executives referred to above	\$566,000	\$684,000	\$125,000	\$125,000

Income of executives comprises amounts paid or payable to executive officers, directly or indirectly, by the consolidated entity or any related party (including salaries and contributions to superannuation funds) in connection with the management of the affairs of the entity or consolidated entity, whether as executive officers or otherwise.

NOTE 22 REMUNERATION OF AUDITORS

Remuneration received or due and receivable by the auditor of the parent entity and its affiliates for:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
▪ audit or review of the financial statements	60,600	69,220	48,500	36,000
▪ other services	210,150 *	26,560	25,900	20,400

* relates predominantly to Indophil IPO costs

Remuneration received, or due and receivable, by auditors other than the auditor of the parent entity and its affiliates:

▪ audit or review of the financial statements	2,850	2,750	-	-
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NOTE 23 RELATED PARTY DISCLOSURES

(a) Directors

The following persons held the position of director of Lion Selection Group Limited during the year ended 31 July 2001: E W J Tyler, R A Widdup, J F O'Reilly (appointed 17 May 2001), G R Freestone (appointed 26 July 2001), J J Craig (resigned 19 December 2000) and M W MacNaught (resigned 26 July 2001).

(b) Directors' Shareholdings

	2001	2000
Shares in the parent entity acquired during the year:	15,000	120,000
Shares in the parent entity held at the end of the year:	471,500	576,500
Shares in the parent entity acquired since the end of the year:	5,000	-

No director of the parent entity held shares or options in controlled entities. The parent entity does not have any options on issue.

(c) Related Party Transactions

<i>Recipient</i>	<i>Payer</i>	<i>Nature of Payment</i>	<i>Amount</i>	
			<i>2001 \$000</i>	<i>2000 \$000</i>
Lion Selection Group Ltd	Selection (LSG) Management Pty Ltd	Reimbursement of costs	67	120
Australian Selection Pty Ltd	AFL Management Limited	Reimbursement of costs	41	576
Indophil Resources NL	Australian Selection Pty Ltd	Loan/convertible note	600	-
Selection (LSG) Management Pty Ltd ⁽¹⁾	Lion Selection Group Ltd	Management fees	1,502	1,502
		Reimbursement of costs	37	52
	AFL Management Ltd	Reimbursement of costs and administrative services	78	153
	Indophil Resources NL	Reimbursement of costs	66	-
Geocom Pty Ltd ⁽²⁾	Havilah Resources NL	Management services	134	133
Maptek Pty Ltd ⁽³⁾	Havilah Resources NL	Management services	48	56

⁽¹⁾ Associated with Robin Widdup, a director of Lion Selection Group Ltd

⁽²⁾ Associated with Chris Giles, a director of Havilah Resources NL

⁽³⁾ Associated with Bob Johnson, a director of Havilah Resources NL

(d) Transactions with Associates

	<i>Directors fees received</i>		<i>Interest received</i>	
	<i>2001 \$000</i>	<i>2000 \$000</i>	<i>2001 \$000</i>	<i>2000 \$000</i>
Consolidated Minerals Limited	20	12	40	40
Spinifex Gold Limited	25	15	-	-
Gallery Gold Limited	10	10	23	30
Lafayette Mining Limited	20	8	-	-

The parent entity also received \$96,000 from Sedimentary Holdings Limited as an underwriting fee.

(e) Ultimate Controlling Entity

The ultimate controlling entity of the consolidated entity is Lion Selection Group Limited. The ownership interests in controlled entities are set out in Note 24.



NOTE 24 CONTROLLED ENTITIES

(a) The consolidated financial statements at 31 July 2001 include the following controlled entities. The financial years of all consolidated entities are the same as that of the parent entity:

<i>Name of controlled entity</i>	<i>Notes</i>	<i>Place of incorporation</i>	<i>% of shares held</i>	
			<i>2001</i>	<i>2000</i>
Controlled entities of Lion Selection Group Limited				
Australian Selection Pty Ltd		Australia	100	100
Indophil Resources NL		Australia	58	80
Havilah Resources NL		Australia	52	61
Controlled entity of Australian Selection Pty Ltd				
AFL Management Ltd		Mauritius	53	53
Controlled entities of Indophil Resources NL				
Indophil Resources (Philippines) Inc	(i)	Philippines	100	100
Osprey Mineral Exploration Corp	(ii)	Philippines	100	100
Pulong Ilog Mineral Exploration Corp	(ii)	Philippines	100	100
San Leonardo Mineral Exploration Corp	(ii)	Philippines	100	100
San Eduardo Mineral Exploration Corp		Philippines	100	100
San Christo Mineral Exploration Corp		Philippines	100	100
Indophil Resources Exploration Services (India) Pte Ltd	(v)	India	0	100
Southern Philippines Exploration Pty Ltd	(iii)	Australia	100	100
Southern Exploration Corporation	(iv)	Philippines	100	100
Luzon Resources Pty Ltd	(iii)	Australia	100	100
Omega Mineral Exploration Corp		Philippines	100	100
Visayan Resources Pty Ltd	(iii)	Australia	100	100
Xenia Mineral Exploration Corp		Philippines	100	100

(i) 40% owned by Indophil Resources NL which has a call option over the remaining 60%, resulting in an economic interest of 100%.

(ii) 60% owned by Indophil Resources (Philippines) Inc, balance owned by Indophil Resources NL.

(iii) 100% owned by Indophil Resources NL.

(iv) 100% owned by Southern Philippines Exploration Pty Ltd.

(v) Sold during the year for nominal consideration.



(b) **Controlled Entities Sold**

During the previous year, Lion sold shares in Copperbelt Selection NL (Copperbelt) representing 50% of the share capital of that company. Copperbelt subsequently issued shares to other parties and, as a consequence, Lion's direct ownership decreased from 100% to 36%. During 2001, Lion's interest further reduced to 33%.

The carrying amounts of assets and liabilities disposed of were:

	<i>2001</i>	<i>2000</i>
	<i>\$000</i>	<i>\$000</i>
Cash	-	650
Other Assets	-	-
Liabilities	-	-
Net assets of entity sold	-	650
Proceeds from disposal (cash)	-	325

Outflow of cash on disposal of entity net of cash disposed

Cash proceeds	-	325
Cash balance disposed	-	650
Outflow of cash	-	325

NOTE 25 ASSOCIATED ENTITIES

Consolidated Minerals Limited, Gallery Gold Limited, Spinifex Gold Limited, Lafayette Mining Limited Sedimentary Holdings Limited and Copperbelt Selection NL are associates of the consolidated entity.

The operations of these companies are more fully described in the operations section of this annual report.

(a) **Details of interests in associated entities are as follows**

<i>Name and principal activity</i>	<i>Reporting Date</i>	<i>Ownership interest</i>		<i>Carrying amount</i>	
		<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
		<i>%</i>	<i>%</i>	<i>\$000</i>	<i>\$000</i>
Consolidated Minerals Limited	30 June	33	31	8,971	5,898
Gallery Gold Limited	30 June	46	49	4,642	3,090
Spinifex Gold Limited	30 June	23	24	6,039	6,456
Lafayette Mining Limited	30 June	23	23	4,668	5,220
Sedimentary Holdings Limited	30 June	24	19	3,679	-
Copperbelt Selection NL	31 July	33	36	211	257
				28,210	20,921

All associated entities are involved in mining and/or exploration

There was no change in ownership interests of the associates between their reporting dates and the consolidated entity's reporting date.



	<i>2001</i>	<i>2000</i>
	<i>\$000</i>	<i>\$000</i>
(b) Net share of associates' results		
Profits/(losses) from ordinary activities before income tax	1,008	(217)
Income tax expense	(5)	-
Share of net results of associates	1,003	(217)
(c) Aggregate carrying amount of associates		
Balance at beginning of year	20,921	11,363
Movements during the year		
Investments acquired	6,286	9,775
Share of net result (inclusive of effect of change in ownership interest)	1,003	(217)
Balance at end of year	28,210	20,921
(d) Financial summary of associates		
Total assets	106,868	71,725
Total liabilities	39,319	21,570
Net profit/(loss)	5,112	(5,746)
(e) Expenditure commitments		
The consolidated entity's share of its associates' expenditure commitments is as follows:		
Mineral tenements	1,654	1,322
Operating leases	735	300
Finance leases	27	27
Hire purchase agreements	576	255
Capital expenditure	1,358	915
	4,350	2,819

In addition to the above, Spinifex has commitments under various mineral tenement acquisition agreements whereby it is obliged to pay up to \$18,000 per quarter whilst continuing to explore (Lion's share \$4,000 per quarter) and up to \$1,213,000 as a final payment (Lion's share \$273,000) subject to certain conditions being met.



(f) **Contingent liabilities of Associates**

The Consolidated Minerals group are guarantors for a bank loan, environmental performance bonds and various hire purchase and lease finance agreements. Amounts guaranteed total \$3,010,000 (Lion's share \$964,000).

Consolidated Minerals has also been notified of a native title claim over an area which encompasses some of its tenements. The claim does not affect Consolidated Minerals' current mining schedule.

A former consultant of a subsidiary of Lafayette Mining Limited has lodged a claim of approximately \$250,000 (Lion's share \$58,000) for wrongful dismissal after being dismissed for the alleged theft of plant and equipment.

Sedimentary Holdings has various bank guarantees in place pertaining to environmental performance bonds in respect of mining and exploration leases totalling \$315,000 (Lion's share \$76,000).

Spinifex Gold is obliged to pay an amount of US\$125,000 (Lion's share US\$29,000) if its Nyakafuru property proves up total reserves in excess of one million ounces of gold on or before 10 May 2002.

(g) **Subsequent Events**

The following events relating to associated entities have occurred since their year end:

- (i) Consolidated Minerals purchased 100% of the issued capital of Pilbara Chromite Pty Ltd which owns the Coobina chromite deposit for \$825,000 plus the assumption of liabilities.
- (ii) Consolidated Minerals purchased the Western Australian based mobile mining equipment and spare parts inventory of AFC Plant Hire for \$2.7 million.
- (iii) Shareholders of Consolidated Minerals approved the buy-back of all options in Consolidated Minerals held by Lion Selection Group Limited and a Share Purchase Plan which provides financial assistance to the directors of Consolidated Minerals for the purchase of 9.3 million shares in the company held by the Lion group.
- (iv) Lafayette Mining was granted an Environmental Compliance Certificate by the Government of the Philippines for its Rapu Rapu project.
- (v) Spinifex Gold raised \$889,000 by issuing 12.7 million new shares.
- (vi) Sedimentary Holdings committed to provide \$1.65 million as its share of a \$5.49 million program and budget for 2001/02 in respect of the Cracow Joint Venture.
- (vii) Sedimentary Holdings raised \$2.2 million by the issue of 22.4 million new shares. Lion contributed \$1.1 million to this issue.
- (viii) Gallery Gold raised \$3.9 million by issuing 24.4 million new shares. Lion contributed \$1.2 million to this issue.
- (ix) Gallery Gold has initiated a scoping study, to be completed in December 2001, for a wholly owned gold mining operation based on a central mill at Mupane with potential mill feed from other nearby prospects.

NOTE 26 MATERIAL INVESTMENTS

Other than investments in controlled entities and associated entities, the consolidated entity had the following material investments at year end:

	<i>Carrying Amount</i>		<i>Lion Ownership</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$000</i>	<i>\$000</i>	<i>%</i>	<i>%</i>
East African Gold Mines Ltd	10,216	9,810	12	13
Mining Project Investors Pty Ltd	6,067	6,067	16	16
Austindo Resources Corporation NL	3,619	1,953	16	14
African Lion Limited	5,082	3,103	19	19
Austminex Limited	5,000	-	17	-

Each of the above companies is involved in the resources industry.



NOTE 27 INTEREST IN JOINT VENTURES

The consolidated entity has interests in various unincorporated exploration joint ventures as follows:

<i>Name of Joint Venture</i>	<i>Interest held</i>	
	<i>2001</i>	<i>2000</i>
Manat joint venture (held by the Indophil Group)	25% *	25% *
Leyte – Sogod joint venture (held by the Indophil Group)	0% *	0% *
Sandstone joint venture (held by the Havilah Resources NL)	9%	9%
Desertex Highlands Rocks joint venture (held by Havilah Resources NL)	56%	51%

* *Earning up to 50% interest.*

Assets employed in the above joint ventures consisted entirely of capitalised exploration costs and totalled \$1,548,000 (2000 - \$1,450,000).

NOTE 28 SUBSEQUENT EVENTS

Since 31 July 2001, the following significant events have occurred:

- Shareholders of Consolidated Minerals Limited approved a transaction which will result in the Lion group disposing of all of its options and 9.3 million of its shares in Consolidated Minerals for a pre tax profit of approximately \$6.0 million. The proceeds from the disposal more than recovers the cost of Lion's entire CSM shareholding. Lion's residual holding in CSM of 28.5 million shares is currently valued at more than \$14.0 million.
- The consolidated entity received dividends totalling \$850,000 from Consolidated Minerals Limited.
- The parent entity made or agreed to make additional investments in Gallery Gold Limited (\$1,173,000), Sedimentary Holdings Limited (\$1,120,000), Spinifex Gold Limited (\$200,000), Westonia Mines NL (\$140,000) and Indophil Resources NL (\$100,000).
- Indophil Resources NL deferred a planned IPO and subsequently raised interim funding amounting to approximately \$393,000. It also deferred a payment of US\$250,000 relating to the Tampakan project until March 2002.
- Austminex NL announced that it was suspending further pre-development activity at Benambra pending an improvement in metal prices.

NOTE 29 SEGMENT INFORMATION

The consolidated entity operates predominantly in two industries being investment and exploration and in three geographical areas being Australia, Africa and South East Asia.

	<i>Segment Revenue</i>		<i>Segment Result</i>		<i>Segment Assets</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Industry segment						
Investment	6,653	4,654	2,114	(333)	68,030	52,293
Exploration	-	-	(9,009)	(1,894)	3,942	7,111
Unallocated	1,656 *	2,335 *	(554)	(65)	21,996 **	36,912 **
Consolidated	8,309	6,989	(7,449)	(2,292)	93,968	96,316
Geographical segment						
Australia	6,905	5,842	513	(1,438)	52,173	57,244
Africa	1,272	1,055	140	307	28,341	24,452
South East Asia	132	92	(8,102)	(1,161)	13,454	14,620
Consolidated	8,309	6,989	(7,449)	(2,292)	93,968	96,316

* *Interest earned on funds awaiting investment.*

** *Predominantly cash held by parent entity not yet invested.*



Lion Selection Group Limited Directors' Declaration

The directors declare that:

- (a) The financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views.
- (b) The financial statements and notes give a true and fair view of the financial position as at 31 July 2001 and performance of the company and consolidated entity for the year then ended.
- (c) In the directors' opinion:
 - (i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
 - (ii) the financial statements and the notes are in accordance with the Corporations Act, including sections 296 and 297.

Made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'R A Widdup'. The signature is written in a cursive, flowing style.

.....
Signed on behalf of the directors
R A Widdup
Managing Director

Melbourne
26 October 2001



Independent Audit Report

To the Members of Lion Selection Group Limited:

Scope

We have audited the financial report of Lion Selection Group Limited for the financial year ended 31 July 2001, as set out on pages 39 to 61. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Lion Selection Group Limited is in accordance with:

- (a) the Corporations Act (2001), including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations (2001); and
- (b) other mandatory professional reporting requirements.

ARTHUR ANDERSEN
Chartered Accountants

Partner
Melbourne
26 October 2001

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).



Shareholder Information

Twenty Largest Shareholders as at 18 October 2001

Name	No of shares	%
National Nominees Limited	13,518,681	13.50
JP Morgan Custodial Services	7,171,769	7.16
Queensland Investment Corporation	5,155,271	5.15
Mr Mark Creasy	5,150,000	5.14
Olympic Mines Limited	5,000,000	4.99
NRMA Nominees Pty Limited	4,307,000	4.30
Invia Custodian Pty Limited <Jasper A/C>	4,111,933	4.11
Citicorp Nominees Pty Limited	3,837,838	3.83
Westpac Custodian Nominees Limited	3,439,300	3.44
Orica Securities Pty Limited	3,040,000	3.04
Suncorp General Insurance Limited	2,425,900	2.42
Ms Susan Murphy	1,250,054	1.25
Viking Holdings Limited	1,000,000	1.00
Tower Trust (NSW) Limited	700,000	0.70
Best Superannuation Pty Limited	500,000	0.50
Cotswold Investments Pty Limited	500,000	0.50
Beachcomber Advisers Pty Limited	457,700	0.46
Mr Paul Murphy	443,013	0.44
Mr Robin & Mrs Janet Widdup	411,500	0.41
RBC Global Services Australia	395,780	0.40
Total	62,815,739	62.80



Distribution of Shareholdings as at 18 October 2001

Size of holding	Number of shareholders
1 to 1,000	65
1,001 to 5,000	1,117
5,001 to 10,000	681
10,001 to 100,000	694
100,001 and over	49
Total shareholders	2,606
Number of ordinary shareholders with less than a marketable parcel	34

Voting Rights

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

Substantial Shareholders as at 18 October 2001

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

Name	Number of ordinary shares
Portfolio Partners Limited	7,498,179
Unisuper Ltd	7,350,000
Mr Mark Creasy	5,150,000
Queensland Investment Corporation	5,050,000



Investor Relations

Investment Briefings

Lion holds six monthly Investment Briefings for shareholders and other interested parties in major centres around Australia and New Zealand. Details of the briefings are usually distributed to shareholders with Lion's quarterly reports and can also be found in the Company Calendar section of Lion's website.

Share Registry

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

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

Lion shareholders with internet access can view the balance of their holding, change their address details or elect to receive company communications by logging on to the Computershare website at www.computershare.com.au and accessing the "Investors" section.

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
Website: www.lionselection.com.au*



Corporate Directory

Registered and Principal Office

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Tel: (03) 9614 8008
Int: +61 3 9614 8008
Fax: (03) 9614 8009

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

Share Registry

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

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

Website: www.computershare.com.au

Directors

Ewen W J Tyler AM, Chairman
Robin A Widdup, Managing Director
John F O'Reilly, Director
Graham R Freestone, Director

Company Secretary

Paul R Taylor